



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018



ARLINGTON COUNTY, VIRGINIA

Comprehensive Annual Financial Report

FISCAL YEAR 2018

(July 1, 2017 - June 30, 2018)



DEPARTMENT OF MANAGEMENT AND FINANCE

**Stephen J. Agostini, Director
Barbara A. Wiley, Acting Comptroller**

The FY 2018 Comprehensive Annual Financial Report is printed on paper consisting of 100% recycled content (post-consumer fiber).



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 ***

This page has been intentionally left blank.

ARLINGTON COUNTY, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2018

TABLE OF CONTENTS

INTRODUCTORY SECTION

	Page
LETTER OF TRANSMITTAL	1
CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING	10
ORGANIZATION CHART	11
DIRECTORY OF OFFICIALS	12

FINANCIAL SECTION

REPORT OF INDEPENDENT AUDITOR	17
MANAGEMENT’S DISCUSSION AND ANALYSIS	21
BASIC FINANCIAL STATEMENTS	35

Government-Wide Financial Statements

Exhibit

1	Statement of Net Position	37
2	Statement of Activities.....	38

Governmental Funds’ Financial Statements

3	Balance Sheet – Governmental Funds	40
3(A)	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position ...	41
4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	42
4(A)	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	43

Proprietary Fund Financial Statements

5	Statement of Net Position – Proprietary Funds.....	44
6	Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds.....	45
7	Statement of Cash Flows – Proprietary Funds.....	46

Fiduciary Funds Financial Statements

8	Statement of Fiduciary Net Position-Fiduciary Funds.....	47
9	Statement of Changes in Fiduciary Net Position-Fiduciary Funds.....	48

Notes to the Financial Statements

10	Notes to the Financial Statements.....	49
	REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)	151
11-A	Statement of Revenues, Expenditures, and Changes in Fund Balance–Budget and Actual	152
11-B	Notes to the Statement of Revenues, Expenditures, and Changes in Fund Balance.....	154
11-C	Arlington County Retirement System – Schedule of Changes in the County’s Net Pension Liability (Asset) and Related Ratios	155
11-D	Schedule of Employer Contributions – County	156
11-E	Notes to Schedule – Arlington County Retirement System Pension -Key Assumptions	157
11-F	Schedule of Employer’s Share of Net Pension Liability –VRS Teacher Retirement Plan	158
11-G	Schedule of Employer Contributions –VRS Teachers Retirement Plan	158
11-H	Notes to Schedule-VRS Teachers Retirement Plan	159
11-I	Schedule of Changes in the Political Subdivision’s Net Pension Liability and Related Ratios ...	160
11-J	Schedule of Employer Contributions – VRS Political Subdivisions	161
11-K	Notes to Schedule-VRS Political Subdivisions	161
11-L	Schedule of Changes in Net OPEB Liability and Related Ratios –County OPEB Plan	162
11-M	Schedule of Employer Contributions – County OPEB Plan	163
11-N	Notes to Schedule – County OPEB	163
11-O	Schedule of Investment Returns-County OPEB Plan-Last Ten Fiscal Years	164
11-P	Schedule of Employer’s Share of Net OPEB Liability – Line of Duty Act Program (LODA) ...	165
11-Q	Schedule of Employer Contributions-Line of Duty Act Program (LODA).....	166
11-R	Notes to Required Supplementary Information-Line of Duty Act Program (LODA)	166
11-S	Schedule of Changes in Net OPEB Liability and Related Ratios–Arlington Public Schools.....	167
11-T	Schedule of Employer Contributions – Arlington County Public Schools	168
11-U	Notes to Schedules-Arlington Public Schools	168
11-V	Schedule of Investment Returns-Arlington Public Schools OPEB Plan-Last Ten Fiscal Years ..	169
11-W	Schedule of Employer’s Share of Net OPEB Liability-Arlington Public Schools-Teachers Plan-Health Insurance Credit Program (HIC).....	169
11-X	Schedule of Employer Contributions-Arlington Public Schools-Teachers Plan-Health Insurance Credit (HIC) Program.....	170
11-Y	Notes to Schedules-Arlington Public Schools-HIC Teachers Plan.....	171
11-Z	Schedule of Employer’s Share of Net OPEB Liability-Arlington Public Schools-Teachers Plan-Group Life Insurance Program	171
11-AA	Schedule of Employer Contributions-Arlington Public Schools-Teachers Plan-Group Life Insurance (GLI) Plan	172
11-AB	Notes to Schedules-Arlington Public Schools-Teachers GLI Program	172
11-AC	Schedule of Employer’s Share of Net OPEB Liability-Arlington Public Schools Non-Professional Employees-Group Life Insurance Program	173
11-AD	Schedule of Employer Contributions-Arlington Public Schools-Non-Professional Employees Group Life Insurance (GLI) Program	174
11-AE	Notes to Schedule –Arlington Public Schools-Non-Professional Employees GLI Program.....	174

OTHER SUPPLEMENTARY INFORMATION

Non-Major Governmental Funds

X	Combining Balance Sheet –Non-Major Governmental Funds	180
Y	Combining Statement of Revenues, Expenditures and Changes in Fund	

Balances – Non-Major Governmental Funds	182
<u>General Fund</u>	
A-1 Balance Sheet	187
A-2 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual	188
<u>Special Revenue Funds</u>	
B-1 Combining Balance Sheet	191
B-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances	192
B-3 Ballston Quarter Community Development Authority-Schedule of Revenues, Expenditures, and Changes in Fund Balance, Budget (GAAP Basis) and Actual	193
B-4 Travel and Tourism Promotion-Schedule of Revenues, Expenditures, and Changes in Fund Balance, Budget (GAAP Basis) and Actual	194
B-5 Ballston Business Improvement District-Schedule of Revenues, Expenditures, and Changes in Fund Balance, Budget (GAAP Basis) and Actual	195
B-6 Rosslyn Business Improvement District-Schedule of Revenues, Expenditures, and Changes in Fund Balance, Budget (GAAP Basis) and Actual	196
B-7 Crystal City Business Improvement District-Schedule of Revenues, Expenditures, and Changes in Fund Balance, Budget (GAAP Basis) and Actual	197
B-8 Community Development Grants Fund-Schedule of Revenues, Expenditures, and Changes in Fund Balance, Budget (GAAP Basis) and Actual	198
B-9 Section 8 Housing Program-Schedule of Revenues, Expenditures, and Changes in Fund Balances, Budget (GAAP Basis) and Actual	199
<u>Capital Projects Funds</u>	
C-1 Combining Balance Sheet	202
C-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances	204
<u>Enterprise Funds</u>	
D-1 Combining Balance Sheet	208
D-2 Combining Statement of Revenues, Expenses and Changes in Net Positions	210
D-3 Combining Statement of Cash Flows	211
<u>Internal Service Funds</u>	
E-1 Combining Balance Sheet	214
E-2 Combining Statement of Revenues, Expenses and Changes in Net Positions	215
E-3 Combining Statement of Cash Flows	216
<u>Fiduciary Funds</u>	
F-1 Combining Statement of Fiduciary Net Position-Trust Funds	219
F-2 Combining Statements of Changes in Fiduciary Net Position-Private Purpose Trust Funds.....	220
F-3 Combining Statement of Changes in Fiduciary Net Position-Pension and OPEB Trust Funds ..	221
F-4 Combining Statements of Fiduciary Net Position-Agency Funds.....	222
F-5 Combining Statement of Changes in Assets and Liabilities-Agency Funds	223

Discretely Presented Component Unit – Schools

G-1	Combining Balance Sheet	227
G1(A)	Reconciliation of the Fund Balances of Component Unit-Schools to Net Position of Component Unit-Schools	228
G-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	229
G2(A)	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances- Component Unit-Schools to the Statement of Activities Component Unit- Schools	230
G-3	Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP Basis) and Actual	231
G-4	OPEB Trust Fund – Schools, Statement of Plan Net Position	234
G-5	OPEB Trust Fund – Schools, Statement of Changes in Plan Net Position	235

Supplemental Schedules

S-1	Schedule of Cash and Investments –All Funds	238
S-2	Combined Schedule of Investments –All Funds	241
S-3	Combined Schedule of Long-Term Obligations	245
S-4	Schedule of Delinquent Property Taxes Receivable	255
S-5	Real Estate and Personal Property Tax Levies and Collections	256
S-6	Net Book Value of Capital Assets Used in the Operation of Governmental Funds Schedule by Source	257
S-7	Schedule of Changes in General Capital Assets-By Function and Activity	258
S-8	Schedule of General Capital Assets-By Function and Activity	259
S-9	Detail Schedule of Revenues-Budget (GAAP Basis) and Actual– General and Special Revenue Funds	260
S-10	Detail Schedule of Expenditures–Budget (GAAP Basis) and Actual – General and Special Revenue Funds	262
S-11	Schedule of Capital Outlays and Capital Projects–Governmental Fund Types	264

STATISTICAL SECTION (Unaudited)

Financial Trend Tables

Table

A	Net Position by Component – Last Ten Fiscal Years.....	267
B	Changes in Net Position – Last Ten Fiscal Years	268
C	Fund Balances, Governmental Funds and Component Units – Last Ten Fiscal Years	270
D	Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years	271
D-1	General Governmental Expenditures by Functions – Last Ten Fiscal Years.....	273
D-2	General Governmental Revenues by Source – Last Ten Fiscal Years	274

Revenue Capacity Tables

E	General Governmental Tax Revenues by Source – Last Ten Fiscal Years	275
F	Assessed and Actual Value of Taxable Property – Last Ten Fiscal Years	276
G	Principal Taxpayers – Current and Nine Years Ago	277
H	Property Tax Levies and Collections – Last Ten Fiscal Years	278

Debt Capacity Tables

I	Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	279
I-1	Primary Government Ratios of General Bonded Debt Outstanding – Last Ten Years	280

J-1	Pledged-Revenue Coverage, Ballston Public Parking Garage – Last Ten Fiscal Years	281
J-2	Pledged-Revenue Coverage, Utilities Bond Coverage – Last Ten Fiscal Years	282

Demographic and Economic Information Tables

K	Demographic Statistics – Last Ten Fiscal Years	283
L	Principal Employers – Current and Nine Years Ago	284

Operating Indicator Tables

M	Full-time Equivalent Government Employees by Function - Last Ten Fiscal Years.....	285
N	Operating Indicators by Function-Program – Last Ten Fiscal Years	286
O	Capital Assets Statistics by Function/Program – Last Ten Fiscal Years	287
P	Percentage of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures – Last Ten Fiscal Years	288

Other Tables

Q	Schedule of Insurance – June 30, 2018	289
R	Construction Activity and Real Property Value – Last Ten Fiscal Years	292
S	Business and Professional License Tax Revenues – Last Ten Fiscal Years	293
T	Certificate of No Default – June 30, 2018.....	294
U	Largest Users of the Water & Sewer System –For the twelve months ending June 30, 2018	295
V	Description of Wastewater & Water System & Wastewater & Water Rates – June 30, 2018.....	296
W	Certificate of Consulting Engineer.....	299

FEDERALLY ASSISTED PROGRAMS

Report of Independent Auditor:

- 1) On Internal Control over Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in Accordance with *Governmental
Auditing Standards* 303
- 2) On Compliance for Each Major Program and on Internal Control Over Compliance
Required by the Uniform Guidance..... 305

Schedule of Expenditures of Federal Awards	307
--	-----

Notes to Schedule of Expenditures of Federal Awards	313
---	-----

Schedule of Findings and Questioned Costs	314
---	-----

This page has been intentionally left blank.



INTRODUCTORY SECTION

The Introductory Section includes the letter of transmittal, which provides a profile of the County, local economic conditions and outlook, long-term financial planning goals, and relevant financial policies. In addition, included in this section is the Government Finance Officers Association's *Certificate of Achievement for Excellence* in Financial Reporting, an organizational chart, and a directory of officials.

This page has been intentionally left blank.



DEPARTMENT OF MANAGEMENT AND FINANCE

2100 Clarendon Blvd., Suite 501, Arlington, VA 22201

TEL: 703.228.3415; FAX: 703.228.3401; EMAIL: dmf@arlingtonva.us

October 30, 2018

To Katie Cristol, Chair, Members of the County Board and Residents of Arlington County, Virginia:

We are pleased to present the Comprehensive Annual Financial Report (the "CAFR") of Arlington County, Virginia (the "County") for the fiscal year ended June 30, 2018. The CAFR marks the County's continued adherence to and refinement of guidelines set forth by the County Board. This report prepared by the Accounting, Reporting and Control Division within the Department of Management and Finance identifies the County's financial position and financial activities over the past year.

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 accounting principles generally accepted in the United States of America ("GAAP") and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. This report is therefore designed to present fairly the financial position of the County, including its discretely presented component units in all material respects to demonstrate compliance with applicable legal and contractual provisions reported as a financial reporting entity.

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 the information presented in this report, based on the framework of internal controls that it has established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of material misstatements. The County's internal control framework 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 Cherry Bekaert 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, 2018, 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 unmodified ("clean") opinion that the County's financial statements for the fiscal year ended June 30, 2018, are fairly presented in all material respects in conformity with GAAP. The report of the independent auditor is presented as the first component of the financial section of this report.

Management's Discussion and Analysis ("MD&A") immediately follows the report of the independent auditor and provides a narrative introduction, overview, and analysis of the basic financial statements and the County's fiscal performance. The MD&A complements this letter and should be read in conjunction with it.

In addition to meeting the requirements set forth in State statutes, the audit was also conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The independent auditor report of the basic financial statements, required supplementary information and other supplementary information is included in the Financial Section of this

Report. The independent auditors' report related specifically to the Uniform Grant Guidance, including the Schedule of Expenditure of Federal Awards, findings and recommendation, and the auditors' report on internal control over financial reporting and on compliance and other matters is available in the last section of the CAFR under the heading "Federally Assisted Programs."

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 Capital. It is geographically the 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 diversified 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 about 26 square miles of which 1.8 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. In addition to single family neighborhoods, there are sizable concentrations of high-rise commercial and office space, especially in the Rosslyn-Ballston and Jefferson Davis/Crystal City Metro corridors.

Arlington County was the first county in the United States to choose by referendum the Professional County Manager form of government in 1932. In accordance with Section 15.2-602, 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. The County Manager serves at the direction of the Board, implements the Board's policies, directs business and administrative procedures and appoints department directors. The County Board also appoints a Board Auditor and the County Attorney.

Arlington County is also financially accountable for a legally separate school system, Arlington Public Schools ("Schools"), which is reported separately as a discretely presented component unit 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 Schools can be found in Note 1.I.C in the notes to the financial statements.

In addition to the County Board and School Board, other elected Arlington County officials include the Commonwealth 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-five counties in the Commonwealth of Virginia which are responsible for street and highway construction and maintenance. In other counties, the Virginia Department of Transportation is generally 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 operational and financial planning. 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 March. The County Board also holds a series of work sessions during which preliminary funding decisions regarding proposed operating and capital programs are considered. 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's approval. According to §22.1-93 of the Code of Virginia, the County Board must adopt the School Board budget no later than May 15th of the current fiscal year or within 30 days of receipt by the county or municipality of the estimates of state funds, whichever shall later occur.

The annual budget is prepared by fund, department, program and type of expense within departments/programs. Department directors may make transfers of appropriations within a department with Department of Management and Finance approval. Transfers of appropriations between departments, and transfers between funds require the approval of the County Manager and 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 the Required Supplementary Information ("RSI") section following the notes. For governmental funds, other than the General Fund, with appropriated annual budgets, these comparisons are presented in the supplemental subsections of this report in Exhibits B-3, B-4, B-5, B-6, B-7, B-8, and B-9. For the discrete component unit Schools, these comparisons are presented in Exhibit G-3.

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, 2018 was \$74.8 billion. The County government's adopted budget for all funds for Fiscal Year 2018 totaled \$1,617.2 million, which included \$614.3 million for public primary and secondary education.

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

Beyond world-famous sites and attractions in the nation's capital, and located just across the Potomac River, Arlington is a lively hub of commerce, culture, recreation and tourism, supported by one of the most diverse, educated and affluent populations in the world. 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 retail sales and tourism, all showing stable or improved levels over the past three years. Arlington's 2017 real property tax base is approximately divided between 48% commercial and 52% residential properties, enabling the County to maintain a competitive property tax rate in the Washington D.C. region. In calendar year ("CY") 2018, the tax rate (the base rate plus the county wide sanitary district tax rate) remained flat from CY 2017 at \$1.006 per \$100 of assessed value. In the aggregate, CY 2018 real estate assessments increased 1.9% over CY 2017 levels, reflecting modest growth in the residential but slightly lower growth in commercial properties. Excluding apartments, CY 2018 existing commercial assessments were down -4.3% compared to CY 2017, due to declining office values (-6.8%). New construction added 0.6% to the overall tax base. Apartment assessments grew 4.7% with 1.7% of that growth attributable

to new construction. The residential property assessment base increased 3.9% in the aggregate. Detached home and townhome assessments gained 4.5%, while condominiums saw slightly less growth at 2.5%. The average single-family home value in Arlington continued to increase – gaining 3.8% in CY 2018 – increasing from \$617,200 in CY 2017 to \$640,900 in CY 2018.

The Arlington blend of urban sophistication and neighborhood charm is unmatched in the region. Elegant high-rises, national and regional corporate and association headquarters, bustling Metro stations, upscale hotels, a dynamic and diverse retail sector, a diverse cultural scene, an exciting nightlife with more than six million square feet of retail space, over 600 restaurants and live theaters make Arlington a premier place to live, work, play and stay. Arlington is the epitome of smart growth and new urbanism. Since 1960, some forty-two million (42M) square feet of office and commercial space has been built in the Rosslyn-Ballston or Jefferson Davis corridors, which also contain nearly 89.4% of Arlington's over 11,200 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 4,300 new residential units have been delivered in the past three years and approximately 4,000 remain under construction. In the 2nd quarter of 2018, the County's office vacancy rate was 18.1% and 18.0% for the third quarter. The residential unemployment rate is very low, averaging 2.3% for fiscal year ("FY") 2018, below regional, state, and national averages. Arlington's per capita income and property wealth indicators are among the highest in the nation.

In May 2018, the County's conservative budgeting, timely tax increases and closely monitored expenditure controls and adherence to adopted policies 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 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, research and financial services sectors, high per-capita retail sales and strong operating reserves serve to establish Arlington County, as of June 30, 2018, as only one of 48 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 2002, 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. Arlington's Comprehensive Plan consists of eleven elements that guide the County's decisions in areas such as land use, economic development, community character, natural

resources, parks and recreation, transportation, housing and historic preservation. These Plan elements have been adopted and amended by the County Board over the course of nearly six decades. The annual budget serves as Arlington's annual operations plan. The budget continues the multi-year focus on three priorities: economic development, service delivery and transparency, and strategic financial planning and fiscal sustainability.

The budget adopted by the County Board for FY 2019 represents a compromise and a consensus of the Board, and reflects the values of Arlington's community. The adopted budget represents a sustainable progressive plan for our community's future by providing funding for our core values of effective public service, education, and inclusiveness. The County government's adopted budget for all funds for FY 2019 increased 1.9% of which the General Fund increased 1.6% and Schools increased 4.2% from the FY 2018 Adopted Budget. The FY 2019 adopted General Fund budget includes no increase to the real estate property tax rate. The FY 2019 adopted General Fund budget includes a number of budget reductions and reallocations to avoid an increase in the real estate tax rate. The average Arlington homeowner will still see their property taxes increase roughly \$238, reflecting rising property assessments of 3.8%. Arlington continues to economically surpass much of the region and the nation. Arlington's unemployment rate remains the lowest in the Commonwealth. The County's per capita income remains among the highest in the state. Home prices continue on a positive trajectory, however commercial properties experienced a slight (-0.2%) decrease in assessed values overall compared to CY 2017. Arlington's continued strong employment and solid real estate market are the foundation for steady incremental growth in the County's major revenue streams.

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

Taxes and Fees

Under state law, the County's budget must be balanced fiscally. The Arlington County Board works equally hard to adopt a budget that also is balanced in policies, programs and values. It is committed to a diverse community, which means diverse needs and interests. The County Board approved a CY 2018 real estate tax rate of \$1.006 cents per hundred dollars of assessed value (including the sanitary district tax). Arlington continues to have one of the lowest real estate tax rates in the Northern Virginia region, maintaining its history of providing excellent value.

A slightly greater share of the tax burden is carried by the residential sector, relative to commercial property owners. This balance of tax burden is a fiscal benefit of "smart growth". In addition to no change in the real estate tax rate, the FY 2019 budget includes no increases to the tax rates of personal property, business tangible property, or business and professional occupational licenses.

Fiscal Sustainability

The actions taken by the County Board reflect the recognition of a multi-year trend of slowing revenue growth and continued cost pressures. The County Board held the real estate tax rate flat for CY 2018 and made a number of difficult decisions to reduce expenditures and find operational efficiencies to offset slowing revenue growth. The County Board focused investments targeted areas experiencing cost pressure or required to maintain our core values – adding funding for education, affordable housing, competitive pay particularly in public safety, and maintaining services to the most vulnerable in the community.

Metro

Metro is key to Arlington's commercial corridors and our economic development strategies. The FY 2019 Adopted Budget includes a substantial commitment to Metro funding (\$73.1 million). This includes local tax support and Arlington's share of state transit aid.

Education

Like most local governments, Arlington's largest single expenditure is for education. The public-school system represents more than a third of total General Fund spending, and accounts for almost half of local tax dollars. For FY 2019, funding for Schools will increase \$10.6 million to \$500.8 million in ongoing and one-time funding. The County is proud of the continuing accomplishments of its students and schools with the many notable achievements by Arlington Public Schools (APS).

- **Niche.com** ranked APS the #1 school district in Virginia and #58 among all school districts in the nation in their 2018 rankings of U.S. schools and school divisions.
- Over the last four years (2015-18), all APS schools have been fully accredited by the Virginia Department of Education each year based on state and federal school quality indicators including academic achievement, achievement gaps, absenteeism, graduation and dropout rates, and college, career and civic readiness.
- In 2018, 92.0% of all APS students and 95% of students in Arlington's three comprehensive high schools graduated on time.
- Since 2009, almost half of the dropout rate (45%) has been eliminated.
- 88% of all APS graduates attend a 2- or 4-year college, and received over \$32.4 million in scholarships.
- APS was awarded with the prestigious Medallion of Excellence Award from the U.S. Senate Productivity and Quality Awards for Virginia and the District of Columbia, only the ninth school division in Virginia to receive this recognition since the award was established in 1983.
- High quality teachers are a hallmark of APS, with 82% of all teachers having earned one or more advanced degrees, and 190 APS teachers earning the challenging and prestigious National Board Certification for Teaching, the second highest number in the state of Virginia.

Arlington's commitment to education is especially significant given that this County gets less help than other jurisdictions; under the state funding formula, approximately 20 percent of APS school-funding comes from sources other than local

taxes. In contrast, approximately half the cost of Prince William County Public Schools, for example, is paid by the state, while Arlington pays almost 80 percent of the cost of educating our students.

Public Safety

Critical to Arlington's success is the safe and secure community our residents and visitors enjoy. The FY 2019 Adopted Budget increased funding for public safety by increasing pay and adding additional staff in the Fire Department. The entry pay level and salaries for most uniformed positions in Fire, Police, and Sheriff were increased to stay competitive with Arlington's three major competitors (Alexandria, Fairfax, Prince William). Including market pay adjustments, pay for most uniformed positions increased 6.0% to 9%. In addition to pay increases, nine additional firefighters and two large recruit classes were added to the Fire Department to continue the increase in staffing required for the multi-year implementation of a Kelly Day. Once fully implemented, a Kelly Day schedule provides an extra day off per 28-day cycle for firefighters, thus reducing the number of hours worked per week and making the County's fire schedule more competitive with the surrounding jurisdictions.

Affordable Housing

In keeping with its vision for a diverse and inclusive community, Arlington supports a variety of housing programs to ensure a range of housing choices for households of all types and income levels. The FY 2019 Adopted Budget continues the commitment to fund the Affordable Housing Investment Fund (AHIF) bringing the total AHIF funding to just over \$14.3 million.

Internal Controls and Budgetary Accounting

The County's management is responsible for designing, implementing and monitoring internal controls to protect the assets of the government from loss, theft or misuse and to ensure the financial statements are prepared in conformity with generally accepted accounting principles. Internal controls are intended to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the costs of controls should not outweigh the benefits that are expected from the controls.

The annual fiscal year budget serves as the annual operating plan, and is one of the three major strategic documents in the County regarding planning, in conjunction with the Capital Improvement Plan and the County Comprehensive Plan. Annual appropriations are adopted for the General, Utilities, Special Revenue and Internal Service Funds. Appropriations are controlled at the department level for the general fund and fund level for other funds. Management can transfer funds within a department's operating budget, as long as the total departmental appropriation is not changed without approval from the County Board. The County Board must approve changes to adopted appropriation levels. These changes can be in the form of allocations from previously established contingent accounts, appropriations from new or additional revenues, grants from the state or federal government, and from reappropriations from a previous fiscal year.

A ten-year Capital Improvement Plan is developed and approved separately from the operating budget. The School Board prepares a separate operations budget, supported to a large degree by transfers from the County's General Fund.

Capital Improvement Program

The County Manager biennially submits a ten-year Capital Improvement Plan (CIP) to the County Board. Starting with the FY 2013 – FY 2022, the CIP presented a ten-year planning period instead of six years. This shift to a longer planning horizon has many benefits including facilitating better planning and financing of major multi-year transportation and utility projects, and analyzing operating budget impacts. The CIP addresses facility and infrastructure needs of the County, including the needs of APS. The CIP includes a detailed description of each capital project, identifying every source of funding, including pay-as-you-go (PAY-GO), bond financing, master lease financing, various dedicated funding from storm water, utilities and transportation sources, as well as external funding such as state and federal grants and developer contributions. Project budgets include the financial impact to the operating budget, where applicable and discernable. The County balances the use of debt financing sources against the ability to utilize PAY-GO funding for capital projects. While major capital facility projects will generally be funded through bonds, the County attempts to maintain an appropriate balance of PAY-GO versus debt, particularly considering the County's debt capacity and analysis of maintenance capital needs. As part of each biennial CIP process, the County reviews and updates its maintenance capital needs. Complete

condition assessments of maintenance assets are completed every four to five years. The CIP includes an analysis of the impact the CIP has on the County's debt capacity, debt ratios and long-term financial plan.

On July 14, 2018, the Arlington County Board adopted a CIP for fiscal years 2019 to 2028, totaling \$3.4 billion for the County and APS. Highlights include:

- Fully funding APS \$613.56 million CIP, which includes the building of new schools and renovations and additions to existing ones to address growing school enrollment.
- Improving roads, countywide bus service and trails.
- Building a new Jennie Dean Park and Rosslyn Highlands Park +.
- Re-building fire stations No. 8 and 10.
- Continued but reduced investment for neighborhood conservation projects.
- Creating a new online payment portal and replacing the County's tax assessment and collection system with more advanced technology.

Financial and Debt Management

The County prudently uses debt instruments, including general obligation bonds, revenue bonds, industrial development authority (IDA) revenue bonds, and master lease financing in order to provide re-investment in public infrastructure and to meet other public purposes, including inter-generational tax equity in capital investment. In April 2017, the Board adopted revised financial and debt management policies to ensure maintenance of Arlington's AAA/Aaa/AAA bond ratings. The updates to the County policies included expanding the Budget, Economic & Revenue Stabilization Contingent to also address unexpected events such as major weather events or a local/regional emergency requiring immediate incurrence of cost in response, revenue declines and local or regional economic stress. Use of the contingent requires County Board approval. The minimum amount of the contingent was also increased from \$3 million to \$4 million and will be revisited annually as part of the budget process. Any draw on the contingent will be replenished within the subsequent two fiscal years. The policies also confirm the County's debt affordability ratios, including, variable rate debt. Finally, new policies were adopted regarding Ballston Public Parking Garage and Ballston Public Parking Garage 8th Level Funds.

The County adheres to the following debt affordability criteria (excluding overlapping and self-supporting debt).

- The ratio of net tax-supported debt service to general expenditures should not exceed ten percent within the ten-year projection.
- The ratio of net tax-supported debt to full market value of real property should not exceed three percent within the ten-year projection.
- The ratio of net tax-supported debt to per capita income should not exceed six percent within the ten-year projection.
- Growth in debt service should be sustainable and consistent with the projected growth of revenues. Debt service growth over the six-year projection should not exceed the average ten-year historical revenue growth.
- The term and amortization structure of County debt will be based on an analysis of the useful life of the asset(s) being financed and the variability of the supporting revenue stream. The County will attempt to maximize the rapidity of principal repayment where possible. In no case will debt maturity exceed the useful life of the project.
- The County will refund debt when it is in the best financial interest of the County to do so. When a refunding is undertaken to generate interest rate cost savings, the minimum aggregate present value savings will be three percent of the refunded bond principal amount.

Variable Rate Debt

- Variable rate debt exposure should not exceed twenty percent of total outstanding debt.
- Debt service on variable rate bonds will be budgeted at a conservative rate.
- Before issuing variable rate bonds, the County will determine how potential spikes in the debt service will be funded.
- Before issuing any variable rate bonds, the County will determine the impact of the bonds on the County's total debt capacity under various interest rate scenarios; evaluate the risk inherent in the County's capital structure,

giving consideration to both the County's assets and its liabilities; and develop a method for budgeting for debt service.

Moral Obligation Debt or Support

On an infrequent basis, the County provides its "moral obligation" support for partners, including regional public safety agencies and affordable housing partners, among others. A moral obligation exists when the County Board has made a commitment to support the debt of another entity to prevent a potential default. The County's moral obligation will only be authorized after an evaluation of the risk to the County's balance sheet and stress testing of the financial assumptions underlying the proposed project.

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 general obligation bonds, to provide each nationally recognized municipal securities information repository and to any appropriate state information depositor, if any is hereafter created, certain financial information not later than 270 days after the end of each of its fiscal year, commencing with the fiscal year ended June 30, 1996. The County is currently in compliance with the arrangement to file this information through Electronic Municipal Market Access (EMMA) system operated by the Municipal Securities Rulemaking Board (MSRB). The financial information which the County has agreed to annually provide includes "Debt Statement", "Total General Obligation Debt Service", "Ten-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", "Description of County's Wastewater and Water Systems", "Debt Payable From or Secured By County's Wastewater and Water Systems", and "Financial Information and Operating Data for the Utilities Enterprise Fund, as of the Preceding Fiscal Year, including Description of Revenues and Expenses, Largest Users, Summary of Rates and Fees, and a Historical Summary of Debt Service Coverage". These are included as Exhibit S-3 and Notes to the Financial Statements #9, Table I, Table I-1, Table J-1, Table D, Table D-1, Table D-2, Table C, Table E, Table H, Table F, Exhibits S-9, S-10, and G-2, Table S, Table V, Table J-2, Exhibit D-1, D-2, and D-3, and Table U. The Virginia Resources Authority requires certain additional financial information to be disclosed annually. The financial information which the County has agreed to provide annually includes "Certificate of No Default signed by the Finance Director", "Certificate of Consulting Engineer" and "Evidence of Comprehensive General Liability Insurance". These are included in Tables Q, T and W.

Awards

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the County for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. This was the 32nd consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report in accordance with standards established by the Governmental Accounting Standards Board (GASB), GAAP and applicable legal and compliance requirements established by law.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The GFOA presented the *Award for Distinguished Budget Presentation* to the County for its FY 2019 budget. This award is the highest form of recognition in governmental budgeting.

The School Board's Adopted FY 2019 Budget received the GFOA *Distinguished Budget Presentation Award* for the fourteenth year in a row as well as the *Association for School Business Officials International Meritorious Budget Award* for the eighth time.

County Acknowledgements

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 GASB, and the GFOA 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 CAFR 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 APS, 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,



Stephen J. Agostini, Director
Department of Management and Finance



Barbara A. Wiley, Acting Comptroller
Department of Management and Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Arlington County
Virginia**

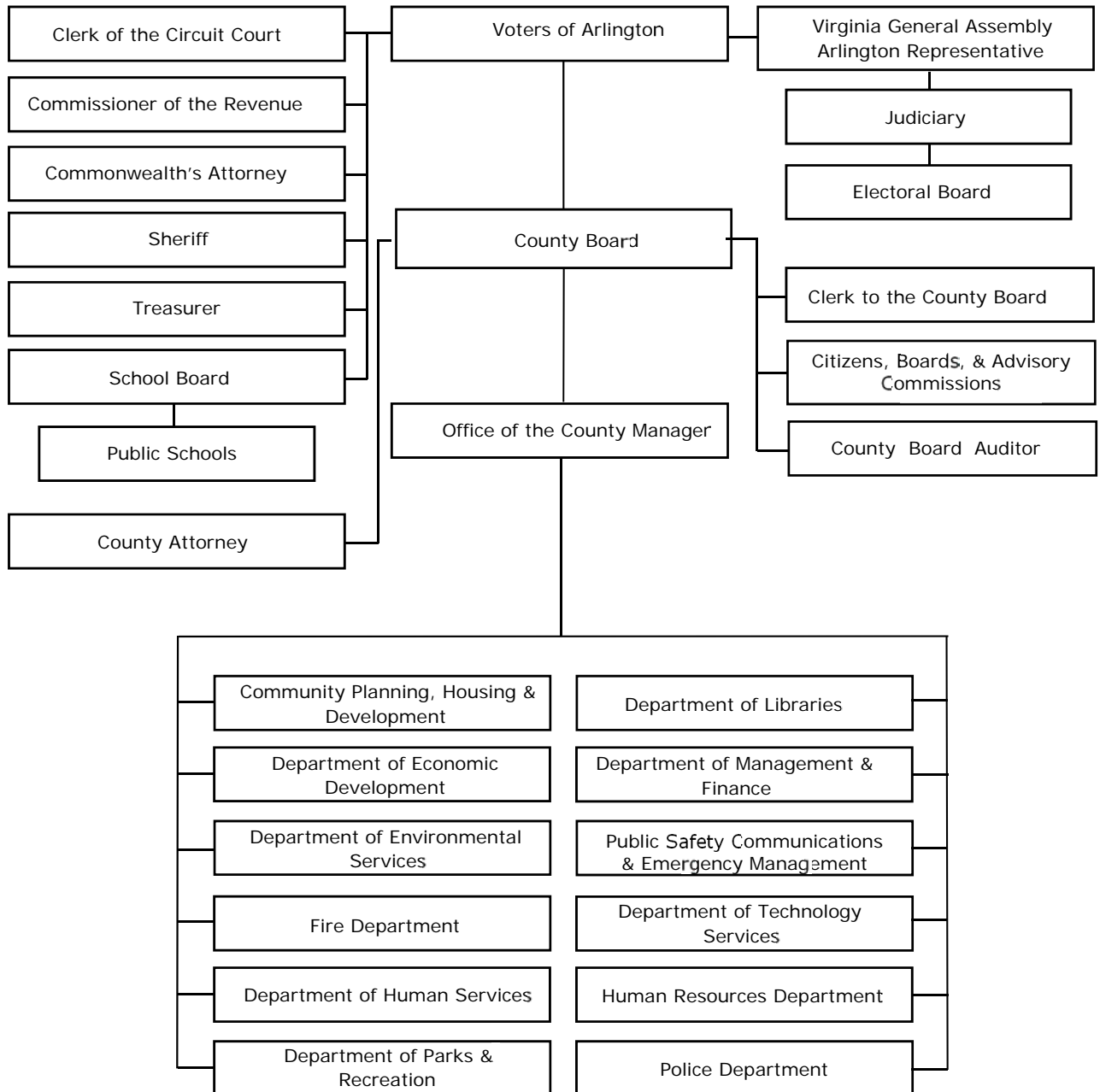
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrell

Executive Director/CEO

ORGANIZATION OF ARLINGTON COUNTY GOVERNMENT



**ARLINGTON COUNTY, VIRGINIA
DIRECTORY OF OFFICIALS
June 30, 2018**

COUNTY BOARD

Katie Cristol, Chair

Christian Dorsey, Vice Chairman

Erik Gutshall
John Vihstadt
Libby Garvey

COUNTY SCHOOL BOARD

Reid Goldstein, Chair

Tannia Talento, Vice Chair

Dr. Barbara Kanninen
Monique O’Grady
Nancy Van Doren

FINANCE BOARD

Katie Cristol, Chair

Carla de la Pava
Theo Stamos
Laura Triggs

JUDICIAL

Circuit Court Judges:	William T. Newman Jr. Daniel S. Fiore, II Louise M. DiMatteo
General District Court Judges:	R. Frances O’Brien Thomas J. Kelley, Jr. Richard J. McCue
Juvenile and Domestic Relations:	George D. Varoutsos Robin L. Robb

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

COUNTY OFFICIALS

Elective

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

Theo Stamos
Paul Ferguson
Ingrid H. Morroy
Beth Arthur
Carla de la Pava

Administrative – General County

County Manager
Deputy County Manager
Deputy County Manager
Deputy County Manager
Deputy County Manager
County Attorney
Clerk to the County Board
County Auditor
Director of Community Planning, Housing and Development
Director of Parks and Recreation
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
Director of Public Safety and Emergency Communications

Mark J. Schwartz
Samia Byrd
Michelle G. Cowan
Shannon Flanagan-Watson
James H. Schwartz
Stephen MacIsaac
Kendra Jacobs
Dr. Chris Horton
Claude Williamson
Jane Rudolph
James Bonzano
Anita Friedman
Diane Kresh
Stephen J. Agostini
Marcy Foster
Jay Farr
Greg Emanuel
Jack Belcher
Victor L. Hoskins
Linda Lindberg
Aaron Miller

Administrative - County School Board

Superintendent of Schools
Clerk of the School Board
Deputy Clerk of the School Board
Internal Auditor Director
Assistant Superintendent, Human Resources
Assistant Superintendent, Finance & Management Services
Assistant Superintendent, Information Services
Assistant Superintendent, Teaching & Learning
Assistant Superintendent, Administrative Services
Assistant Superintendent, School & Community Relations
Assistant Superintendent Operations and Facilities

Dr. Patrick Murphy
Melanie Elliott
Claudia Mercado
John Mickevici
Dr. Kristi Murphy
Leslie Peterson
Raj Adusumilli
Dr. Tara Natrass
Cintia Johnson
Linda M. Erdos
John Chadwick

This page has been intentionally left blank.



FINANCIAL SECTION

The Financial Section includes the report of independent auditor, management's discussion and analysis, basic financial statements, including the accompanying notes, required supplementary information, and other supplementary information.

This page has been intentionally left blank.



Report of Independent Auditor

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 report of independent auditor 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."

Report of Independent Auditor

To the Honorable Members of the County Board
Arlington County, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Arlington County, Virginia (the "County"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Gates Partnership, which represents 7%, 8%, and 0%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Gates Partnership, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Gates Partnership were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1N to the financial statements, the County adopted Governmental Accounting Standards Board (the "GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017, which resulted in a restatement of net position. Our opinions are not modified with respect to this matter.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the pension and OPEB information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The Introductory Section, Other Supplementary Information, and Statistical Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

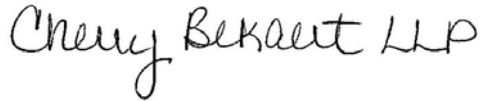
The Other Supplementary Information as and for the year ended June 30, 2018 and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Other Supplementary Information presented on Exhibits A-1, A-2, B-1, B-2, C-1, C-2, D-1, D-2, D-3, E-1, E-2, E-3, F-3, G-1, G-2, G-4, G-5, S-9, and S-10 present summarized comparative totals as of and for the year ended June 30, 2017. This information was subjected to the auditing procedures applied in the June 30, 2017 audit of the basic financial statements performed by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the June 30, 2017 basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2018, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Cherry Bekaert LLP". The signature is written in a cursive, flowing style.

Tysons Corner, Virginia
October 30, 2018



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 financial highlights 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 annual financial statements this overview and analysis of the financial activities of the County and its component units (i.e., Arlington Public Schools ("Schools") and Gates Partnership) for the fiscal year ended June 30, 2018.

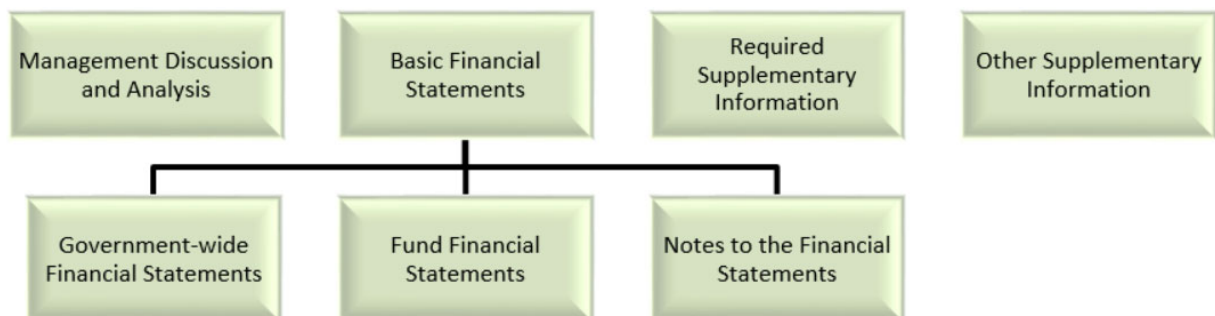
This report is intended to provide accountability and insight into the County's financial results and their implications for operational performance given the overall goals and objectives adopted by the County Board. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our transmittal letter, which can be found within the "Introductory Section" at the front of this report, as well as the County's financial statements that follow this section.

Throughout this report, the "County" is also referred to as the "Primary Government." The "Total Reporting Entity" represents the entity as a whole, comprised of the County and its component units. Since Arlington Public Schools, Gates Partnership and the County have a material relationship, the Total Reporting Entity presents a more accurate and comprehensive picture of the fiscal operations of the County.

Financial Highlights

- In June 2015, GASB issued Statement No.75 ("GASB 75"), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other post-employment benefits or OPEB). The County adopted GASB 75 for all Virginia Retirement System (VRS) multiple-employer cost-sharing OPEB plans in which it is required to participate. The financial reporting impact resulted in a restatement of FY 2017 net position from \$1,735.3 million to \$1,723.8 million for the primary government and from \$251.8 million to \$183.1 million for Schools. Additional disclosures are included in Note 17.
- The total reporting entity, which includes the Schools and Gates Partnership component units, has a positive net position of \$2,056.5 million at June 30, 2018, which represents a 6.4% increase over FY 2017 restated net position.
- For FY 2018, taxes and other revenues of the County's governmental activities amounted to \$1,485.3 million. Expenses amounted to \$1,490.8 million.
- For FY 2018, revenues of the County's business-type activities were \$137.3 million, and expenses were \$114.3 million.
- As of June 30, 2018, the County's governmental funds reported combined fund balances of \$634.8 million, a decrease of \$14.5 million over FY 2017.
- The County's general fund reported a fund balance of \$181.9 million, a decrease of \$4.5 million, or 2.4%, from June 30, 2017.
- In May 2018, the County sold \$153.6 million in General Obligation Bonds, Series 2018. Out of the total, \$61.2 is to be used for funding County's capital projects and \$92.4 million is for funding Schools' capital projects.

Components of the Financial Section



Overview of the Financial Statements

The Comprehensive Annual Financial Report (“CAFR”) consists of four sections: introductory, financial, statistical and federally assisted programs. As the above chart shows, the financial section of this report has four components – *management’s discussion and analysis* (this section), *the basic financial statements and notes*, *the required supplementary information* (“RSI”) and the *other supplementary information*.

The County’s basic financial statements consist of two kinds of statements, each with a different view of the County’s finances. The government-wide financial statements provide both long-term and short-term information about the County’s overall financial status. The fund financial statements focus on major aspects of the County’s operations, reporting those operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (year to year or government to government) and enhance the County’s accountability. The basic financial statements also include notes to explain information in the financial statements and provide more detailed data.

The statements and notes are followed by required supplementary information that contains the budgetary comparison schedule for the general fund and trend data pertaining to the retirement and postemployment systems. In addition to these required elements, the County includes other supplementary information with combining and individual fund statements to provide details about the governmental, enterprise, internal service, fiduciary, and component unit funds.

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. In addition, they report the County’s net position and how it has changed during the fiscal year.

The *statement of net position* presents information on all of the total reporting entity’s assets, liabilities, and deferred inflows/outflows of resources with the difference reported as net position as shown in Exhibit 1. Over time, increases or decreases in net position serve as a useful indicator to demonstrate whether the financial position of the County is improving or deteriorating.

The *statement of activities* as shown in Exhibit 2, presents information on how the total reporting entity’s net position changed during the most recent fiscal year. All changes in net position 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 for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and compensated absences (i.e., earned but unused vacation leave)).

The government-wide financial statements are divided into three categories:

Governmental Activities – These activities are principally supported by taxes, other local taxes, and federal and state grants. Most of the County’s basic services are reported here, including: general government, public safety, environmental services, health and welfare, libraries, parks, recreation and culture, planning and community development, and education.

Business-type Activities – The County charges fees to customers to help it cover the costs of certain services it provides. The business-type activities of the County include the utilities, the public parking garage operations, and planning, housing and community development.

Component Units – The County includes two other entities in its report - Arlington County Public Schools (“Schools”), a legally separate school system for which the County is financially accountable and Gates Partnership for which the County has the ability to impose will and fiscal dependency.

The County’s governmental and business-type activities are collectively referred to as the primary government. Together, the primary government and its component units are referred to as the reporting entity.

The government-wide financial statements can be found in Exhibit 1 and Exhibit 2 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. The County has three kinds of funds:

Governmental funds – Most of the County’s basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds’ statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the County’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided in an accompanying schedule to the governmental funds statement that explains the relationship (or differences) between them.

The County adopts an annual appropriated budget for its general fund, special revenue funds, capital projects fund and internal service funds, including Schools’ operating expenses within separate funds established. Budgetary comparison statements have been provided for the general fund and special revenue funds to demonstrate compliance with the budget.

The County’s governmental funds’ financial statements can be found in Exhibit 3, and Exhibit 4. The reconciliation of the County’s governmental funds’ financial statements to the County’s government-wide financial statements are shown in Exhibit 3(A) and Exhibit 4(A). General fund, special revenue funds and capital project funds’ financial statements can be found in Exhibit A-1 through Exhibit C-2 and Exhibit 11-A. Non-major governmental funds’ financial statements can be found in Exhibit X and Exhibit Y of this report. Combining statements for the Schools’ governmental funds’ financial statements can be found in Exhibit G-1 through G-3. The reconciliation of Schools’ governmental funds’ financial statements to the Schools government-wide financial statements are shown in Exhibit G1(A) and Exhibit G2(A) of this report.

Proprietary funds – Proprietary funds, which consist of enterprise funds and internal service funds, are used to account for operations that are financed and operated in a manner similar to private business enterprises in which costs are recovered primarily through user charges. Proprietary fund financial statements, like government-wide financial statements, provide both long-term and short-term financial information. The County uses enterprise funds to account for its utilities (water and sewer operations), its public parking garage operations, including the Eighth-Level Ballston Public Parking Garage, and the Community Planning and Housing Development (CPHD) Fund. Internal service funds are created as 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 the operation and maintenance of its fleet of vehicles and printing operation. Because both of these services predominantly benefit government rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The basic proprietary funds’ financial statements can be found in Exhibit 5 through Exhibit 7. Combining statements for enterprise funds can be found in Exhibit D-1 through Exhibit D-3. Combining statements for internal service funds are shown in Exhibit E-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. All of the County’s fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County’s programs. The County’s fiduciary funds account for a pension trust fund, an OPEB trust fund, private purpose trust funds and agency funds. The pension trust fund is used to account for the assets held in trust by the County for the employees and beneficiaries of its defined benefit pension plan. The OPEB trust funds are used to account for the assets held in trust by the County and Schools for other postemployment benefits other than pensions, such as health care and life insurance. Private purpose trust funds are used to report resources held in trust for the Alexandria/Arlington Facility Monitoring Group, IDA – Ballston Skating Facility and IDA Signature Theater. The agency fund reports resources held by the County in a custodial capacity for individuals, private organization and other governments.

The County’s basic fiduciary funds’ financial statements can be found in Exhibits 8 and 9. Combining fiduciary financial statements are presented on Exhibit F-1 through Exhibit F-5. Schools’ fiduciary fund financial statements are shown in Exhibit G-4 and Exhibit G-5 of this report.

Notes to the Financial Statements: The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the section titled “Notes to the Financial Statements” of this report.

Financial Analysis of the County as a Whole Net Position

Net position may serve over time as a useful indicator of government's financial position. As of June 30, 2018, net position for the total reporting entity was \$2,056.5 million. The following table (Table A-1) reflects the condensed Statement of Net Position for FY 2018 and FY 2017:

Table A-1
Condensed Statement of Net Position
June 30, 2018
With Comparative Totals for June 30, 2017
(in millions of dollars)

	Primary Government						Component Units					
	Governmental Activities		Business-type Activities		Total		Schools		Gates Partnership		Total Reporting Entity	
	(Restated) *				(Restated) *		(Restated) *		(Restated) *		(Restated) *	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Current and other assets	\$1,337.6	\$1,273.1	\$107.1	\$116.4	\$1,444.7	\$1,389.5	\$331.7	\$287.6	\$6.1	\$6.4	\$1,782.5	\$1,683.5
Capital assets	1,261.1	1,166.0	1,049.0	1,041.1	2,310.0	2,207.1	677.3	616.1	70.8	72.8	3,058.1	2,896.0
Total assets	2,598.6	2,439.1	1,156.0	1,157.4	3,754.7	3,596.6	1,009.0	903.7	76.9	79.2	4,840.5	4,579.4
Deferred outflows of resources	86.9	201.4	-	-	86.9	201.4	107.0	109.6	-	-	193.9	311.0
Long-term debt outstanding	1,454.6	1,440.5	299.8	328.1	1,754.4	1,768.6	679.7	738.0	50.8	51.7	2,484.9	2,558.3 **
Other liabilities	169.1	169.1	29.7	25.6	198.8	194.7	78.3	73.3	1.5	2.1	278.5	270.1
Total liabilities	1,623.7	1,609.6	329.5	353.7	1,953.2	1,963.3	758.0	811.3	52.3	53.8	2,763.5	2,828.4
Deferred inflows of resources	144.8	108.3	2.3	2.4	147.1	110.8	67.4	18.9	-	-	214.5	129.7
Net Position:												
Investment in capital assets	709.3	680.7	783.0	745.1	1,492.2	1,425.8	669.6	609.3	20.1	21.2	1,766.7	1,870.7 **
Restricted for:												
Capital projects	136.7	157.3	-	-	136.7	157.3	157.5	132.8	-	-	294.2	290.1
Seized assets	1.3	1.60	-	-	1.3	1.6	-	-	-	-	1.3	1.6
Grants	0.5	0.70	-	-	0.5	0.7	4.3	4.00	-	-	4.8	4.7
Debt Service	-	13.50	-	-	-	13.5	-	-	-	-	-	13.5
Unrestricted	69.3	68.7	41.3	56.2	110.6	124.9	(540.9)	(563.0)	4.5	4.2	(10.6)	(248.4) **
Total Net Position	\$917.0	\$922.5	\$824.3	\$801.3	\$1,741.3	\$1,723.8	\$290.6	\$183.1	\$24.6	\$25.4	\$2,056.5	\$1,932.3

Note: Totals may not add due to rounding.

* FY 2017 restated columns were a result of GASB 75 implementation.

** In accordance with GASB 34, Net Investment in Capital Assets must be presented net of related debt, in order to reflect the true position of the Primary Government and Component Units. Therefore, the Net Investment in Capital Assets of the Governmental Activities does not include the Component Unit - School's debt issued by the Primary Government (\$415,174,368) in its calculation. This debt is reflected in the Total Reporting Entity column, since the debt is owned by the County. However, capital assets obtained with the debt are included in the Net Investment in Capital Assets for Schools. The sum of the columns between the Primary Government and Component Units does not equal the Total Reporting Entity column by a difference of \$415,174,368 because the debt related to the Schools is reduced from Net Investment in Capital Assets of the Total Reporting Entity. The Unrestricted Net Position of the Total Reporting Entity therefore reflects the impact of the debt for Schools. The Total Reporting Entity column matches the assets with the debt and reports the net amounts on the Net Investment in Capital Assets. Additional information on the reclassification is provided in Note 10.

For governmental activities, assets and deferred outflows of resources (outflows that are expected to benefit future periods) exceeded liabilities and deferred inflows of resources (inflows that are for future periods) by \$917.0 million.

For business-type activities, assets exceeded liabilities and deferred inflows of resources by \$824.3 million for a primary government total of \$1,741.3 million at the close of the most recent fiscal year. In the case of the Schools, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$290.6 million, and in the case of the Gates Partnership, assets exceeded liabilities by \$24.6 million.

By far the largest portion of the primary government and component units' net position reflects the investment in capital assets (e.g., land, buildings, machinery, and equipment, infrastructure, capitalized projects), less any related debt used to acquire those assets. This represents 85.9% of the total reporting entity's net position. The primary government and Schools use these capital assets to provide a variety of services to its citizens. Consequently, these assets are long-term in nature and not available for future spending. Although the primary government 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 liquid sources of funds, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted net position of the primary government and Schools represents resources that are subject to external restrictions on how they may be used. The restricted net position was 14.6% of the net position of the total reporting entity as of June 30, 2018. The unrestricted net position was (0.5)% of the net position of the total reporting entity.

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 (capital assets) to be funded by debt financing require the local government to issue the debt. To accommodate changes in GAAP, a state law was passed in FY 2002 to allow the County and Schools to consider the debt-financed Schools' 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. However, in accordance with GAAP, Schools' debt shown in the government-wide financial statements has been excluded in the calculation of net investment in capital assets within the governmental activities column of the primary government and has been included in the calculation for the total reporting entity column. The total reporting entity column, which displays the unrestricted capital assets for the entire government, therefore, gives a more complete picture of debt-financed capital assets for the County. Additional information is provided in Note 10.

As of June 30, 2018, the total reporting entity reported a negative unrestricted net position driven by Schools due to the impact of recent changes in GAAP, which resulted in recording net pension and OPEB liabilities. Additional information is provided in Notes 16 and 17. Schools negative unrestricted net position was partially offset by a positive unrestricted net position of the primary government.

Changes in Net Position

The activities of the primary government and component units as of June 30, 2018 increased net position from FY 2017 as follows:

Total Reporting Entity	<u>Increase/Decrease in Net Position</u>	
	<i>(\$ In millions)</i>	<i>Percentage</i>
Governmental activities	(\$5.5)	-4.4%
Business-type activities	\$23.0	18.5%
Component unit - Schools	\$107.5	86.5%
Component unit - Gates Partnership	(\$0.8)	-0.6%
Change in Net Position	<u>\$124.2</u>	<u>100.0%</u>

The following table (Table A-2) displays the changes in net position for FY 2018 and FY 2017:

Table A-2
Statement of Changes in Net Position
Year Ended June 30, 2018
With Comparative Totals for June 30, 2017
(in millions of dollars)

	Primary Government						Component Units					
	Governmental Activities		Business-type Activities		Total		Schools		Gates Partnership		Total Reporting Entity	
	(Restated) *						(Restated) *		(Restated) *		(Restated) *	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenues												
Program revenues												
Charges for services	\$82.9	\$81.1	\$134.8	\$129.4	\$217.7	\$210.5	\$22.2	\$33.4	\$7.6	\$7.6	\$247.4	\$251.5
Operating grants and contributions	128.6	124.0	-	-	128.6	124.0	61.7	58.2	-	-	190.3	182.2
Capital grants and contributions	-	-	1.1	1.0	1.1	1.0	-	-	-	-	1.1	1.0
General revenues												
Property taxes	884.4	868.8	-	-	884.4	868.8	-	-	-	-	884.4	868.8
Other local taxes	217.2	217.8	-	-	217.2	217.8	26.3	24.5	-	-	243.5	242.3
Revenue from general fund	-	-	0.6	-	0.6	-	604.1	518.6	-	-	604.7	518.6
Investment and interest earnings	10.4	8.0	0.5	0.4	10.9	8.4	1.5	0.3	0.1	-	12.40	8.7
Miscellaneous	161.8	133.4	0.3	-	162.1	133.4	-	-	-	-	162.2	133.5
Total revenues	1,485.3	1,433.1	137.3	130.8	1,622.6	1,563.9	715.7	635.0	7.7	7.6	2,345.9	2,206.6
Expenses												
General government	256.7	279.3	-	-	256.7	279.3	-	-	-	-	256.7	279.3 *
Public safety	137.2	144.6	-	-	137.2	144.6	-	-	-	-	137.2	144.6
Environmental services	109.7	112.3	-	-	109.7	112.3	-	-	-	-	109.7	112.3
Health and welfare	151.1	139.9	-	-	151.1	139.9	-	-	-	-	151.1	139.9
Libraries	14.3	14.5	-	-	14.3	14.5	-	-	-	-	14.3	14.5
Parks, culture and recreation	43.9	45.6	-	-	43.9	45.6	-	-	-	-	43.9	45.6
Planning and community development	79.8	63.9	-	-	79.8	63.9	-	-	-	-	79.8	63.9
Education	679.3	617.5	-	-	679.3	617.5	608.2	645.6	-	-	1,287.5	1,263.1 *
Debt service:												
Interest and other charges	18.6	16.5	-	-	18.6	16.5	-	-	-	-	18.6	16.5
Water and sewer	-	-	89.3	83.8	89.3	83.8	-	-	-	-	89.3	83.8
CPHD Development Fund	-	-	17.0	17.5	17.0	17.5	-	-	-	-	17.0	17.5
Parking garage	-	-	7.9	6.2	7.9	6.2	-	-	-	-	7.9	6.2
8th Level Ballston Public Parking Garage	-	-	0.2	0.2	0.2	0.2	-	-	-	-	0.2	0.2
Rental properties	-	-	-	-	-	-	-	-	8.5	9.0	8.5	9.0
Total expenses	1,490.8	1,434.1	114.3	107.7	1,605.1	1,541.8	608.2	645.6	8.5	9.0	2,221.7	2,196.5
Increase/(Decrease) in Net Positions	(5.5)	(1.0)	23.0	23.1	17.5	22.1	107.5	(10.6)	(0.8)	(1.3)	124.2	10.1
Net Position-Beginning	922.5	923.5	801.3	778.2	1,723.8	1,701.7	183.1	193.6	\$25.4	26.7	1,932.3	1,922.0
Net Position-Ending	\$917.0	\$922.5	\$824.3	\$801.3	\$1,741.3	\$1,723.8	\$290.6	\$183.1	\$24.6	\$25.4	\$2,056.5	\$1,932.2

Note: Totals may not add due to rounding.

* Restated FY 2017 as a result of GASB 75 implementation

Revenues. Overall, revenues for the County's governmental activities were \$1,485.3 million for fiscal year 2018 representing an increase of \$52.2 million from the prior year. General revenues were a major contributing factor for the increase in governmental activities revenue of \$45.7 million, primarily due to increases in property tax and miscellaneous revenues. Taxes constitute the largest source of primary government revenues, amounting to \$1,101.6 million for FY 2018, an increase of \$15.0 million over FY 2017. Real Estate taxes increased by \$14.5 million to \$768.5 million due to increased assessments in the County. Personal property taxes increased by \$1.1 million to \$115.9 million. Higher personal property tax revenue is driven primarily by higher than anticipated business tangible tax receipts. Other local tax revenue, which includes taxes on business licenses, general sales tax, hotel rooms, restaurant meals, utility purchases, car rentals, cigarettes and other, totaled \$217.2 million, which represents a \$0.6 million decrease from FY 2017. A decrease in recordation tax revenue was due to a lower level of real estate sales and refinancing. In addition, there was a decrease in business license tax, partially offset by increased sales, meals and utility taxes.

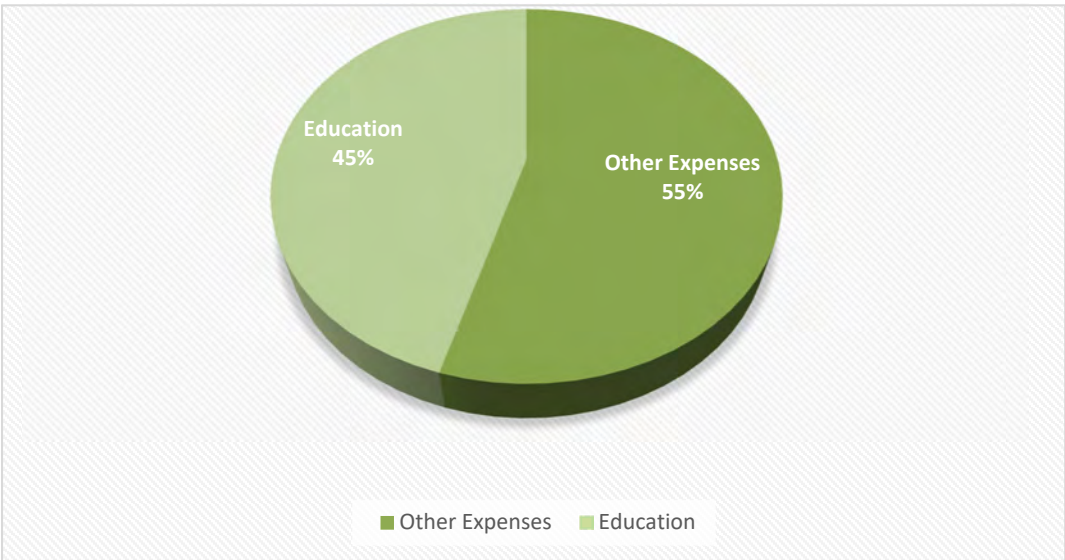
Program revenues are derived directly from the programs run by various departments and reduce the net cost for various functions. Total program revenues from governmental activities were \$211.6 million. Operating grants and contributions represent the most significant of these revenues, totaling \$128.6 million. Charges for services totaled \$82.9 million. For additional information and comparative results, refer to Table A-2.

Business-type activities generated revenues of \$137.3 million, primarily from charges for services, which totaled \$134.8 million. Total revenues increased from FY 2017 by \$6.5 million mainly because of an increase of \$5.4 million in charges for services.

Chart A-3
Sources of Revenue from Governmental Activities
For Fiscal Years 2018 and 2017
(in millions)



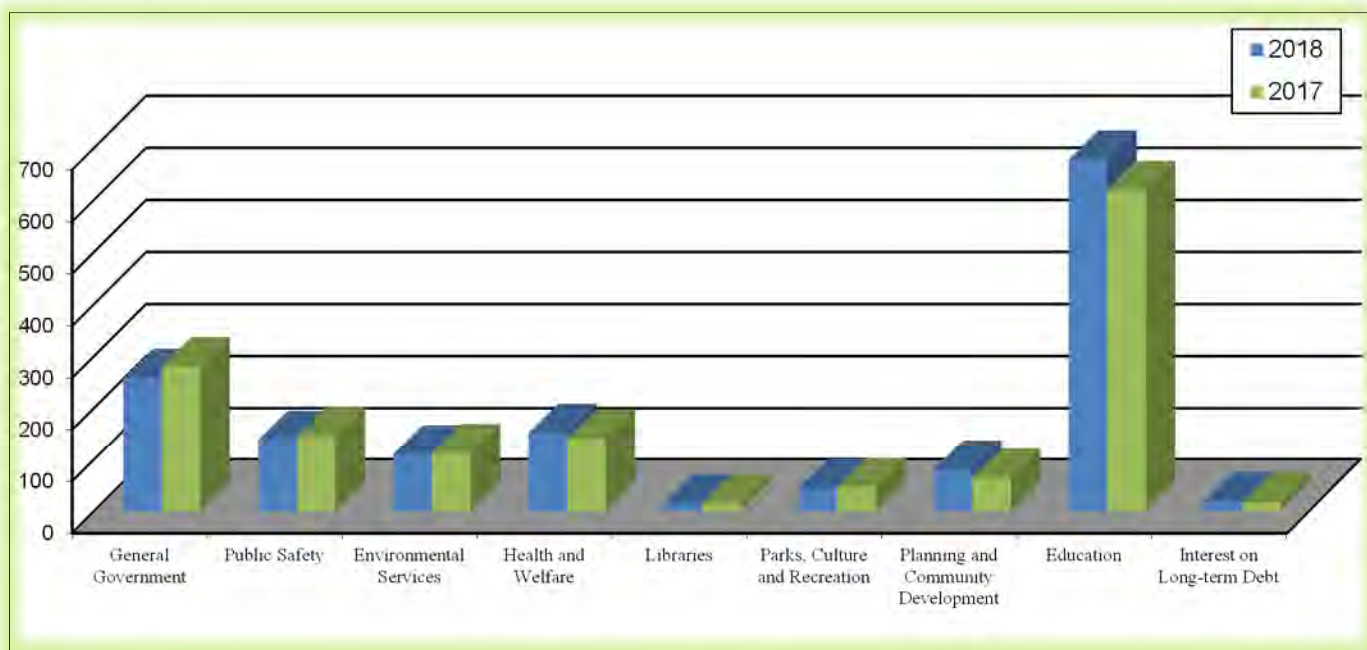
Expenses. Total expenses of the County’s governmental activities for FY 2018 was \$1,490.8 million, representing an increase of \$56.7 million from FY 2017 as restated. Education expense for FY 2018 was \$679.3 million, an increase of \$61.8 million from the previous fiscal year. As the chart on the following page indicates, education continues to be the County’s largest program. General government expenses represent the second largest expense, totaling \$256.7 million in FY 2018.



Expenses for the County’s business-type activities totaled \$114.3 million, which provided water and sewer utility services, parking garage operations and planning and zoning services.

The following (Chart A-4) displays the net costs of the governmental activities:

Chart A-4
Net Expense of Governmental Activities
For Fiscal Years 2018 and 2017
(in millions of dollars)



Financial Analysis of Governmental Funds

The County and Schools use fund accounting in accordance with GAAP to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the County’s and Schools’ governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the County’s and Schools’ financing requirements. For example, unrestricted (committed and assigned) 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 FY 2018, the County’s governmental funds reported combined fund balances of \$634.8 million, a decrease of \$14.5 million in comparison with the prior year.

Non-spendable and restricted fund balance equates to 22.1% or \$140.2 million of the total governmental funds’ balance and is comprised of inventories and pre-paid items or restricted funds related to seized assets, capital projects and grants that cannot be used for other purposes.

Committed fund balance constitutes 70.8% or \$449.2 million of the total governmental fund balance. This constitutes committed funds, which can only be used for specific purposes already imposed by a formal action of the County Board. \$133.5 million or 29.7% of the total committed fund balance is from the general fund. The remaining fund balance of \$315.7 million is appropriated for ongoing capital projects.

The County's governmental fund balance of \$30.6 million in assigned fund balance represents funds that are intended for specific purposes designated and proposed by the County Manager and are set aside for appropriation by the County Board as a part of the County's year-end close out process.

The general fund is one of the major governmental funds of the County. At the end of FY 2018, the general fund's fund balance was \$181.9 million or 28.7% of the total governmental funds' fund balance. \$72.8 million of the committed fund balance represents reserves set aside in accordance to the County Board's policy for unexpected critical and unpredictable financial needs. These reserves include an operating reserve of \$63.8 million, which is set at 5.0% of the next year's general fund's revenue, an economic and revenue stabilization reserve of \$4.0 million and a self-insurance reserve of \$5.0 million. Total reserves represent 16.2% of the total governmental funds' committed fund balance and equate to 40% of the general fund's total fund balance.

At the end of FY 2018, committed and assigned fund balance for the general fund was \$164.1 million or 90.2% of the total general fund balance. \$54 million or 29.7% of the general fund's fund balance represents the County's commitment to provide affordable housing incentives that ultimately benefit low income households.

As a measure of the general fund's liquidity, it is useful to compare both committed and assigned fund balances and total fund balance to total expenditures. In FY 2018, committed and assigned fund balance equated to 12.2% of general fund expenditures. The total general fund's fund balance represents 13.6% of total general fund expenditures.

As of June 30, 2018, the total general fund's fund balance decreased from FY 2017 by 2.4% to \$181.9 million. The decrease in the general fund of \$4.5 million was driven primarily by an increase in education, general government, public safety, environmental services, and health and welfare expenditures, partially offset by an increase in real estate tax revenues and other financing sources.

Special Revenue and Capital Project Funds. Special revenue funds' and capital projects funds' fund balance was \$452.9 million and represents 71.3% of the total governmental funds' fund balance. The transportation capital fund is a major fund of the County and contributes to 27.5% of the total governmental fund balance. At the end of the current fiscal year, total fund balance of the transportation capital fund was \$174.8 million and general capital projects fund was \$104.0 million. All other funds combined were \$174.1 million.

As a measure of the capital project funds' liquidity, it may be useful to compare total fund balance to total expenditures. Total capital projects funds' fund balance represents 215.3% of total capital project funds' expenditures, of which \$136.7 million represents the fund balance for various bond funded projects such as metro, government facility, public recreation, neighborhood conservation, and street and highway projects.

The fund balance of the County's general capital projects fund increased by \$1.4 million during the current fiscal year, primarily due to other financing sources exceeding excess expenditures over revenues. The fund balance for the transit facility bond fund decreased by \$30.0 million during the current fiscal year and it is mainly due to increased funding to WMATA.

Additional information on the Special Revenue and Capital Projects Funds can be found on Exhibit 3, Exhibit 4, Exhibit B-1 through Exhibit C-2.

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

Unrestricted net position of the Utilities Fund at the end of the fiscal year amounted to \$70.6 million, the Ballston Public Parking Garage Funds amounted to a deficit of (\$45.8 million) and the CPHD Development Fund amounted to \$16.5 million. The total change in net position for the Utilities Fund included a surplus of \$25.2 million, the Ballston Public Parking Garage Funds had a deficit of (\$4.4 million), and CPHD Development Fund had a surplus of \$2.2 million. Other factors concerning the finances of these funds have been addressed in the discussion of the County's business-type activities, and Exhibit 5 - Exhibit 7.

General Fund Budgetary Variances

At the end of FY 2018, the difference in general fund's fund balance between the original (adopted) budget and the final budget was \$82.0 million, which consisted of an increase in the revenue budget of \$9.3 million, an increase in the expenditure budget of \$91.0 million and an increase in other financing sources/(uses) of (\$0.3) million in the following areas:

- \$58.0 million in increases were allocated to Non-Departmental for affordable housing, economic incentive funds, master lease financing, and incomplete projects carried over from FY 2017. This includes \$3.6 million allocated to non-departmental for planning projects, consultant projects, the operating contingent, facilities studies and employee compensation, as a result of the FY 2017 closeout decisions by the County Board. Non-departmental accounts include County-wide costs not appropriated to a specific department.
- \$4.9 million in increases allocated to the Department of Human Services through carryover of incomplete projects for prior years as well as new grants that fund a wide variety of services for persons with mental illness, substance abuse services, public health, emergency assistance, homelessness prevention, housing assistance resources, and employment services.
- \$4.0 million in increases allocated to public safety for the Police Department, Office of Emergency Management, and Fire department through carryover of grants from the prior year, FY 2017 encumbrance/purchase order carryover, Police and Fire compensation adjustments, and new grants for to fund safety initiatives, equipment purchases, and emergency preparedness, and carryover of seized asset funding.
- \$2.8 million in increases allocated to the Judicial Administration. This primarily includes carryover funding for critical life safety upgrades at the jail, various grant carryover, including for the State Criminal Alien Assistance Program (SCAAP), Sheriff compensation adjustments, seized asset carryover, and various new grants including Community Corrections funding, Virginia Juvenile Community Crime Contract Act funding, and the grant funding from the Library of Virginia.
- \$2.5 million in increases allocated to the Department of Environmental Services primarily for various grant funding, additional fare box revenue for Art service enhancements, the carryover of AIRE funding, and program revenue from car-share programs.
- \$0.7 million in increases allocated to the general government primarily for carryover of incomplete projects from prior years, including funding for the County Board auditor and completion of the barrier analysis and compensation study, FY 2017 encumbrance/purchase order carryover as well as a transfer of funds from non-departmental to the Department of Technology Services for open data and litigation hold software.
- \$0.2 million in increases allocated to the Department of Parks and Recreation in grants carryover funding and one new grant for senior programs and natural resources.
- \$0.2 million in decreases to Planning and Community Development from transferring Community Services Block Grant (CSBG) federal funds from Community Housing Planning and Development's general fund budget to the Housing and Community Development Fund (Fund 206) and reducing the appropriation for the Spectrum Theater lease, offset by increases for various adjustments to grant funding, new grant funding for Art Truck programming, and carryover grant funding from the Virginia Department of Historical Resources and art related grants.
- \$0.2 million in increases to Libraries from FY 2017 encumbrance/purchase order carryover.
- \$18.1 million increase in transfers out to the Schools, primarily as a result of FY 2017 closeout.

At the end of FY 2018, the General Fund's fund balance exceeded the final budget by \$109.0 million, which consisted of \$96.5 million of favorable expenditure variance, \$11.4 million of favorable revenue variance and a \$1.1 million favorable variance of other financing sources/(uses). The total variances were primarily the result of the following revenue and expenditure variances:

- \$5.7 million revenue variance in Real Estate taxes due to growth in assessments.
- \$0.4 million variance in Personal Property due primarily to higher than anticipated business tangibles property taxes, partially offset by lower than expected vehicle personal property taxes.
- \$0.4 million variance in other local taxes driven by a decrease in recordation tax revenue was due to a lower level of real estate sales and refinancing. In addition, there was a decrease in business license tax, partially offset by increased sales, meals, and utility taxes.
- \$3.0 million variance in State grants due primarily to lower than anticipated Human Services grant revenue.
- \$3.0 million variance in use of money and property due primarily to lower than anticipated interest revenue driven by unrealized losses.
- \$9.7 million revenue Housing Fund and HFC Buckingham Village variance will be appropriated during FY 2018 closeout. Unpredictable project and reimbursement pipeline natural accounts are not budgeted.
- \$30.6 million non-departmental – Allocated Housing Funds variance is a result of unspent allocated AHIF Funds for Bricks and Mortar projects. These funds were allocated by the County Board in FY 2018 for specific projects but have not yet been spent. These funds will be carried over to FY 2019.
- \$6.1 million non-departmental – Contingent Housing expenditure variance can be attribute to unallocated AHIF funds remaining. These funds will be carried over to FY 2019.
- \$7.4 million non-departmental – Health Care Adjustment expense savings due to lower than expected healthcare claims.
- \$8.9 million non-departmental – Principal Lease Purchase expense variance stems from several large projects that were budgeted to be financed with short-term financing funds but were delayed and were not fully implemented in FY 2018. The

debt service budget (principal and interest) for these approved projects will be carried over into the following year to be spent when the equipment is financed.

- \$4.0 million non-departmental in Revenue and Economic Budget Stabilization Contingent savings. \$4.0 million is funded annually per the adopted financial policy. None of this was utilized in FY 2018, it will be carried over to fund the contingent in the FY 2019 adopted budget.
- \$2.3 million over budget in non-departmental due to higher than expected insurance costs related to general liability and workers' compensation claims.
- \$1.4 million non-departmental – Contingent compensation savings primarily from the delay of compensation payments to several position classes in public safety that were reclassified to reflect changes in federal law.
- \$2.4 million non-departmental – Interest Lease Purchase favorable expense variance. The County has agreed to appropriate funds (\$2.4 million) should there be a revenue shortfall from lease payments on the Industrial Development Authority bonds financing the Ballston Garage facility. Since the issuance of the bonds the County has never been required to finance a shortfall in lease payments.
- \$6.4 million Public Safety – Favorable expense variance primarily due to vacant positions and overtime monitoring, as well as unspent grant funds that will be carried over to FY 2019, seized asset carryover, and various non-personnel savings.
- \$5.9 million Human Services – Favorable expense variance is primarily due to a number of vacancies, unspent grant funds that will be carried over to FY 2019, program savings based on client need, and Virginia Public Assistance (VPA) Federal/State Match and VPA Local favorable expense variance. The surplus for VPA is due to carryover and savings resulting from lower than expected client need.
- \$4.2 million Environment Services – Favorable expense variance primarily due to a number of vacant positions, unspent grant funds that will be carried over to FY 2019, and lower than expected payments related to contracted services.
- \$1.4 million favorable parks and recreation expense variance due to staff vacancies, fuel and utility savings and non-personnel savings due to completed park maintenance projects.

Additional information on the County's statement of revenues, expenditures and changes in fund balance, budget and actual can be found in the RSI section of this report.

Capital Asset and Debt Administration

Capital Assets. The County's investment in capital assets for its governmental activities, business-type activities and component units as of June 30, 2018 amounted to \$1,766.7 million (net of related debt). The net book value of capital assets was \$3,058.1 million, which includes land, building and systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges and intangible assets.

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

- \$12.4 million for Parks and Recreation center improvements including playgrounds, land acquisition, and field and court upgrades.
- \$41.5 million for government facilities construction including renovations and improvements to the Barcroft Community Center, the Ballston Garage, Building 2020, the Trade Center Parking Structure, the Justice Center, Westover Branch Library and Woodmont Community Center.
- \$7.0 million for Neighborhood Conservation projects to include improvements to streetlights, sidewalks, parks, and construction of neighborhood beautification projects.
- \$17.0 million for Information Technology investments including fiber optics network, PC replacement, public safety records management systems, radio system upgrades, network refreshment, remote access hardware, network security, network power backup and cable television equipment.
- \$1.2 million for capital funding contributions to regional organizations such as Northern Virginia Community College and the Northern Virginia Regional Parks which provide beneficial services to Arlington residents and visitors. Contributions also include payments for debt obligation related to regional capital projects at the Northern Virginia Criminal Justice Academy.
- \$48.0 million for the County's share of the regional Metro projects.
- \$17.9 million for the Potomac Yard Transitway, Crystal City multi-modal, Columbia Pike Transit Stations, Art light vehicle maintenance facility, Art Bus procurement, transit development plan updates and other transit projects.
- \$10.8 million for paving.
- \$7.5 million for safety and capacity improvements to arterial streets such as along the Columbia Pike and Rosslyn-Ballston corridors, and various intersections in Crystal City such as Clark-Bell.
- \$1.1 million for intelligent transportation systems as well as traffic and pedestrian signal upgrades.

- \$1.6 million for bicycle and pedestrian safety improvements and expansion.
- \$11.7 million for various other transportation improvements such as street lighting, bridge maintenance, neighborhood traffic calming maintenance, utility undergrounding and overall transportation related program administrative costs.
- \$13.3 million for Stormwater Management infrastructure.
- \$22.9 million for Utilities' infrastructure including water and sewer replacements.

Capital assets increased by \$162.1 million for the total reporting entity as a whole and by \$103.0 million for the primary government. Majority of the total reporting entity spend was for the building and improvements for schools, County infrastructure improvements and capital projects in progress within the County.

Table A-5 below displays the capital assets:

Table A-5 Net Capital Assets
June 30, 2018
With Comparative Totals for June 30, 2017
(in millions of dollars)

	Primary Government						Component Units				Total	
	Governmental Activities		Business-type Activities		Total		Schools		Gates Partnership		Reporting Entity	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Land	\$206.1	\$176.8	\$6.2	\$6.2	\$212.3	\$183.0	\$4.7	\$4.7	\$13.3	\$13.4	\$230.3	\$201.1
Buildings	238.3	226.6	10.3	10.9	248.6	237.5	628.1	571.3	57.5	59.4	934.2	868.2
Equipment	111.4	110.1	2.1	2.6	113.5	112.7	44.5	40.1	-	-	158.0	152.8
Infrastructure	390.8	385.2	-	-	390.8	385.2	-	-	-	-	390.8	385.2
Intangible assets	2.5	3.4	0.2	0.2	2.7	3.6	-	-	-	-	2.7	3.6
Plant - sewer system	-	-	293.7	280.3	293.7	280.3	-	-	-	-	293.7	280.3
Plant - water system	-	-	705.5	693.1	705.5	693.1	-	-	-	-	705.5	693.1
Construction in progress	281.7	233.9	31.0	47.8	312.7	281.7	-	-	-	-	312.7	281.7
Internal service funds	30.2	30.0	-	-	30.2	30.0	-	-	-	-	30.2	30.0
Total	\$1,261.1	\$1,166.0	\$1,049.0	\$1,041.1	\$2,310.1	\$2,207.1	\$677.3	\$616.1	\$70.8	\$72.8	\$3,058.1	\$2,896.0

Note: Totals may not add due to rounding

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

Long-term debt. At the end of the current fiscal year, the total reporting entity had total long-term liabilities outstanding of \$2,433.4 million, comprised of \$1,419.0 million for general obligation bonds, notes payable and related accrued interest and capital leases backed by the full faith credit of the County.

The remainder of the County's debt of \$1,014.4 million represents bonds secured solely by specified revenue sources such as revenue bonds of \$134.9 million, mortgage payable of \$22.1, workers' compensation reserves of \$4.9 million accrued compensated absences of \$75.2 million, \$394.9 net pension liability and \$382.5 million net OPEB liability.

The following table (Table A-6) reflects the long-term debt:

Table A-6
Arlington County Long-term Liability
June 30, 2018
With Comparative Totals for June 30, 2017
(in millions of dollars)

	Primary Government						Component Units				Total Reporting Entity	
	Governmental		Business-type		Total		Schools		Gates Partnership			
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
General obligation bonds**	\$1,094.1	\$988.0	\$86.0	\$94.0	\$1,180.1	\$1,082.0	\$-	\$-	\$-	\$-	\$1,180.1	\$1,082.0
Revenue bonds	-	-	-	4.6	-	4.6	-	-	-	-	-	4.6
IDA Revenue Bonds	110.9	97.0	-	-	110.9	97.0	-	-	-	-	110.9	97.0
Mortgage payable	-	-	3.4	3.4	3.4	3.4	-	-	18.7	18.9	22.1	22.3
VRA loan payable	-	-	174.1	191.3	174.1	191.3	-	-	8.1	8.3	182.2	199.6
Obligations under capital lease	17.9	24.8	-	0.1	17.9	24.9	4.5	4.3	-	-	22.4	29.2
Workers' compensation claims	4.9	4.7	-	-	4.9	4.7	-	-	-	-	4.9	4.7
Accrued compensated absences	34.2	34.1	2.0	2.0	36.2	36.0	39.0	38.5	-	-	75.2	74.5
Mortgage and bond interest payable	-	-	34.3	32.8	34.3	32.8	-	-	-	-	34.3	32.8
Bonds payable	-	-	-	-	-	-	-	-	24.0	24.4	24.0	24.4
Development fee payable	-	-	-	-	-	-	-	-	-	0.1	-	0.1
Net pension liability asset	(51.5)	90.0	-	-	(51.5)	90.0	446.4	500.9	-	-	\$394.9	590.9
Net OPEB liability	192.7	201.9	-	-	192.7	201.9	189.8	194.3	-	-	382.5	396.2
Total	\$1,403.1	\$1,440.5	\$299.8	\$328.1	\$1,702.9	\$1,768.6	\$679.7	\$738.0	\$50.8	\$51.7	\$2,433.4	\$2,558.3

Note: Totals may not add due to rounding

** Bond-financed capital assets for Schools are accounted through the General Fund.

The County's total debt decreased by \$124.9 million during the current fiscal year. The key factors that contributed to this change include a decrease in net OPEB liability and net pension liability of \$13.7 million and \$196 million respectively, a decrease of \$6.8 million obligation under capital leases, a decrease of Virginia Resource Authority ("VRA") loan payable by \$17.4 million, an increase of \$98.2 million in general obligation bonds and an increase of \$13.9 million on IDA revenue 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

- The unemployment rate for the County as of June 30, 2018 is 2.2% as per the Bureau of Labor Statistics, which is a decrease of 0.4% from a year ago. This compares favorably to Virginia's average unemployment rate of 3.3 % and the national average rate of 4%.
- The vacancy rate of the County's office buildings decreased from 20.2% to 18.0%.

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 the 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 Position 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.

This page has been intentionally left blank.

ARLINGTON COUNTY, VIRGINIA
STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Schools	Gates Partnership	Total Reporting Entity
ASSETS:						
Equity in pooled cash and investments	\$785,120,696	\$83,674,175	\$868,794,871	\$227,788,342	\$1,607,292	\$1,098,190,505
Petty cash	1,150	-	1,150	690	-	1,840
Cash with fiscal agents	270,456	25,221	295,677	-	-	295,677
Receivables, net	478,916,567	19,048,918	497,965,485	8,222,368	210,536	506,398,389
Receivable from primary government	-	-	-	95,371,975	-	95,371,975
Receivable from other governments	19,316,711	-	19,316,711	-	-	19,316,711
Inventory	-	1,886,612	1,886,612	320,116	-	2,206,728
Other assets	2,452,997	2,447,864	4,900,861	-	185,040	5,085,901
Reserves and escrow deposits	-	-	-	-	4,063,578	4,063,578
Net pension asset	51,500,000	-	51,500,000	-	-	51,500,000
Capital assets:						
Land	206,048,284	6,161,255	212,209,539	4,697,946	13,317,350	230,224,835
Intangible assets, net	2,524,673	143,524	2,668,197	-	-	2,668,197
Depreciable assets, net	770,755,812	1,011,676,558	1,782,432,369	672,552,256	57,504,114	2,512,488,739
Construction in progress	281,731,039	30,972,909	312,703,948	-	-	312,703,948
Total capital assets, net	1,261,059,808	1,048,954,245	2,310,014,053	677,250,202	70,821,464	3,058,085,719
Total assets	2,598,638,385	1,156,037,035	3,754,675,420	1,008,953,693	76,887,910	4,840,517,023
DEFERRED OUTFLOWS OF RESOURCES:						
Deferred outflows related to pensions	68,500,000	-	68,500,000	75,589,651	-	144,089,651
Deferred outflows related to OPEB	18,414,581	-	18,414,581	31,443,023	-	49,857,604
Total deferred outflows of resources	86,914,581	-	86,914,581	107,032,674	-	193,947,255
LIABILITIES:						
Accounts payable	24,622,997	10,921,098	35,544,095	10,666,377	72,223	46,282,695
Unearned revenues	9,627,789	-	9,627,789	209,615	-	9,837,404
Due to component unit	95,371,975	-	95,371,975	-	-	95,371,975
Accrued liabilities	23,128,677	18,484,535	41,613,212	55,989,369	969,316	98,571,897
Contracts payable - retainage	1,614,637	267,113	1,881,750	3,167,975	-	5,049,725
Other liabilities	14,712,237	-	14,712,237	8,227,148	481,356	23,420,741
Non-current liabilities:						
Due within one year	103,283,670	61,093,922	164,377,592	6,577,141	898,929	171,853,662
Due in more than one year	1,351,331,060	238,701,016	1,590,032,076	673,151,186	49,863,244	2,313,046,506
Total liabilities	1,623,693,042	329,467,683	1,953,160,725	757,988,811	52,285,068	2,763,434,605
DEFERRED INFLOWS OF RESOURCES:						
Deferred revenue - community development	50,993,009	-	50,993,009	-	-	50,993,009
Deferred revenue - taxes	14,687,272	-	14,687,272	-	-	14,687,272
Deferred revenue	6,068,067	-	6,068,067	-	-	6,068,067
Deferred gain on refunding	3,294,616	2,275,263	5,569,879	-	-	5,569,879
Deferred inflows related to pensions	51,500,000	-	51,500,000	51,378,092	-	102,878,092
Deferred inflows related to OPEB	18,271,340	-	18,271,340	16,065,623	-	34,336,963
Total deferred inflows of resources	144,814,304	2,275,263	147,089,567	67,443,715	-	214,533,282
NET POSITION:						
Net investment in capital assets	709,263,105	782,955,479	1,492,218,584	669,586,313	20,059,291	1,766,689,820 **
Restricted for:						
Capital projects	136,685,234	-	136,685,234	157,543,728	-	294,228,962
Seized assets	1,325,556	-	1,325,556	-	-	1,325,556
Grants	491,137	-	491,137	4,338,159	-	4,829,296
Unrestricted	69,280,588	41,338,610	110,619,198	(540,914,359)	4,543,551	(10,577,242) **
Total net position	\$917,045,620	\$824,294,089	\$1,741,339,709	\$290,553,841	\$24,602,842	\$2,056,496,392

** In accordance with GASB 34, Net Investment in Capital Assets must be presented net of related debt, in order to reflect the true position of the Primary Government and Component Units. Therefore, the Net Investment in Capital Assets of the Governmental Activities does not include the Component Unit - School's debt issued by the Primary Government (\$415,174,368) in its calculation. This debt is reflected in the Total Reporting Entity column, since the debt is owned by the County. However, capital assets obtained with the debt are included in the Net Investment in Capital Assets for Schools. The sum of the columns between the Primary Government and Component Units does not equal the Total Reporting Entity column by a difference of \$415,174,368 because the debt related to the Schools is reduced from Net Investment in Capital Assets of the Total Reporting Entity. The Unrestricted Net Position of the Total Reporting Entity therefore reflects the impact of the debt for Schools. The Total Reporting Entity column matches the assets with the debt and reports the net amounts on the Net Investment in Capital Assets. Additional information on the reclassification is provided in Note 10.

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, 2018

Program Revenues				Net (Expenses) Revenues and Changes in Net Position			Component Units		Total Reporting Entity		
Functions/Programs	Expenses	Charges for services (Includes Licenses, Permits & Fees)	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total	Schools	Gates Partnership	Functions/Programs	
Primary Government:											
Governmental Activities:										Governmental Activities:	
General government	\$256,738,339	\$20,559,698	\$32,015,191	\$-	(\$204,163,450)	\$-	(\$204,163,450)	\$-	\$-	(\$204,163,450)	General government
Public safety	137,159,492	10,696,452	11,497,930	-	(114,965,110)	-	(114,965,110)	-	-	(114,965,110)	Public safety
Environmental services	109,706,002	30,188,869	12,005,829	-	(67,511,304)	-	(67,511,304)	-	-	(67,511,304)	Environmental services
Health & welfare	151,108,894	4,525,655	36,965,472	-	(109,617,767)	-	(109,617,767)	-	-	(109,617,767)	Health & welfare
Libraries	14,303,753	424,682	182,139	-	(13,696,932)	-	(13,696,932)	-	-	(13,696,932)	Libraries
Parks, recreation & culture	43,938,152	9,711,019	245,654	-	(33,981,479)	-	(33,981,479)	-	-	(33,981,479)	Parks, recreation & culture
Planning & community development	79,827,438	6,840,086	35,735,200	-	(37,252,152)	-	(37,252,152)	-	-	(37,252,152)	Planning & community development
Education	679,345,453	-	-	-	(679,345,453)	-	(679,345,453)	-	-	(679,345,453)	Education
Interest and other charges	18,647,406	-	-	-	(18,647,406)	-	(18,647,406)	-	-	(18,647,406)	Interest and other charges
Total governmental activities	1,490,774,929	82,946,461	128,647,415	-	(1,279,181,052)	-	(1,279,181,052)	-	-	(1,279,181,052)	Total governmental activities
Business-type activities:											
Utilities	89,266,685	112,331,598	-	1,068,855	-	24,133,768	24,133,768	-	-	24,133,768	Utilities
Ballston Public Parking Garage	7,875,701	3,290,127	-	-	-	(4,585,574)	(4,585,574)	-	-	(4,585,574)	Ballston Public Parking Garage
8th level Ballston Public Parking Garage	168,660	307,289	-	-	-	138,629	138,629	-	-	138,629	8th level Ballston Public Parking Garage
CPHD Development Fund	16,982,009	18,838,358	-	-	-	1,856,349	1,856,349	-	-	1,856,349	CPHD Development Fund
Total business-type activities	114,293,055	134,767,372	-	1,068,855	-	21,543,172	21,543,172	-	-	21,543,172	Total business-type activities
Total primary government	1,605,067,984	217,713,833	128,647,415	1,068,855	(1,279,181,052)	21,543,172	(1,257,637,880)	-	-	(1,257,637,880)	Total primary government
Component unit:											
Schools	608,191,193	22,228,128	61,670,606	-	-	-	-	(524,292,459)	-	(524,292,459)	Schools
Gates Partnership	8,457,705	7,558,267	-	-	-	-	-	-	(899,438)	(899,438)	Gates Partnership
Total component units	616,648,898	29,786,395	61,670,606	-	-	-	-	(524,292,459)	(899,438)	(525,191,897)	Total component units
General Revenues:											
Property Taxes:					Property Taxes:						
Real estate property taxes					768,501,925	-	768,501,925	-	-	768,501,925	Real estate property taxes
Personal property taxes					115,869,128	-	115,869,128	-	-	115,869,128	Personal property taxes
Other Local Taxes:					Other Local Taxes:						
Business, professional occupancy license taxes					62,986,320	-	62,986,320	-	-	62,986,320	Business, professional occupancy license taxes
Sales tax					42,007,601	-	42,007,601	26,332,866	-	68,340,467	Sales tax
Meals tax					39,469,397	-	39,469,397	-	-	39,469,397	Meals tax
Transient tax					25,026,707	-	25,026,707	-	-	25,026,707	Transient tax
Utility tax					12,048,319	-	12,048,319	-	-	12,048,319	Utility tax
Recordation, car rental and other local taxes					35,614,759	-	35,614,759	-	-	35,614,759	Recordation, car rental and other local taxes
Revenue from primary government					-	600,000	600,000	604,046,250	-	604,646,250	Revenue from primary government
Investment and interest earnings					10,397,487	543,957	10,941,444	1,409,689	19,037	12,370,170	Investment and interest earnings
Miscellaneous					161,795,724	284,701	162,080,425	-	108,597	162,189,022	Miscellaneous
Total general revenues					1,273,717,367	1,428,658	1,275,146,025	631,788,805	127,634	1,907,062,464	Total general revenues
Change in net position					(5,463,685)	22,971,830	17,508,145	107,496,346	(771,804)	124,232,686	Change in net position
Restated net position, beginning					922,509,305	801,322,259	1,723,831,564	183,057,495	25,374,646	1,932,263,705	Restated net position, beginning
Net position, ending					\$917,045,620	\$824,294,089	\$1,741,339,709	\$290,553,841	\$24,602,842	\$2,056,496,392	Net position, ending

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

ARLINGTON COUNTY, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	General Capital Projects Fund	Transportation Capital Funds	All Other Governmental Funds	Total Governmental Funds
ASSETS					
Equity in pooled cash and investments	\$293,928,423	\$115,253,123	\$169,271,454	\$187,832,258	\$766,285,258
Petty cash	1,150	-	-	-	1,150
Cash with fiscal agents	270,456	-	-	-	270,456
Receivables, net	425,840,023	1,091,440	1,483,018	50,495,750	478,910,231
Due from other funds	1,002,398	-	-	-	1,002,398
Receivables from other governments	6,048,055	4,612,421	8,221,874	434,361	19,316,711
Prepaid items and other assets	61,626	-	200,000	1,442,445	1,704,071
Totals assets	\$727,152,131	\$120,956,984	\$179,176,346	\$240,204,814	\$1,267,490,275
LIABILITIES					
Vouchers payable	\$8,940,526	\$3,332,285	\$3,647,622	\$6,922,575	\$22,843,008
Unearned revenues	134,085	9,027,075	466,629	-	9,627,789
Due to component unit	92,014,500	3,357,475	-	-	95,371,975
Temporary loan - General Fund	-	-	-	684,998	684,998
Accrued payroll liabilities	23,128,677	-	-	-	23,128,677
Contracts payable - retainage	-	446,261	278,346	890,030	1,614,637
Other liabilities	13,680,971	777,001	-	3,200	14,461,172
Total liabilities	137,898,759	16,940,097	4,392,597	8,500,803	167,732,256
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - community development	623,153	-	-	50,369,856	50,993,009
Deferred revenue	2,839,291	-	-	3,228,776	6,068,067
Unavailable revenue - taxes	403,879,939	-	-	3,974,433	407,854,372
Total deferred inflows of resources	407,342,383	-	-	57,573,065	464,915,448
FUND BALANCES					
<u>Non spendable:</u>					
Prepaid items	61,626	-	200,000	1,442,445	1,704,071
<u>Restricted for:</u>					
Seized assets	1,325,556	-	-	-	1,325,556
Grants	144,268	-	-	346,869	491,137
Capital projects	-	-	-	136,685,234	136,685,234
<u>Committed to:</u>					
Self-insurance reserve	5,000,000	-	-	-	5,000,000
Economic & revenue stabilization contingent	4,000,000	-	-	-	4,000,000
Operating reserve	63,791,653	-	-	-	63,791,653
Subsequent years' County budget	4,407,475	-	-	-	4,407,475
Capital projects	195,358	104,016,887	174,583,749	37,094,568	315,890,562
Affordable Housing Investment Fund - Allocated	46,121,170	-	-	-	46,121,170
Subsequent years' School budget	9,989,113	-	-	-	9,989,113
<u>Assigned to:</u>					
Contingency funds	2,115,131	-	-	-	2,115,131
Subsequent years' County capital projects	8,900,209	-	-	-	8,900,209
Operating reserve	6,379,165	-	-	-	6,379,165
Planned projects	5,258,062	-	-	-	5,258,062
Affordable Housing Investment Fund - Unallocated	7,898,390	-	-	-	7,898,390
<u>Unassigned:</u>					
	16,323,813	-	-	(1,438,170)	14,885,643
Total fund balances	181,910,989	104,016,887	174,783,749	174,130,946	634,842,571
Total liabilities, deferred inflows of resources and fund balance	\$727,152,131	\$120,956,984	\$179,176,346	\$240,204,814	\$1,267,490,275

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

ARLINGTON COUNTY, VIRGINIA
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
 THE STATEMENT OF NET POSITION
 JUNE 30, 2018

Total governmental fund balances	\$634,842,571
----------------------------------	---------------

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds. (Note 5)	1,230,877,599
---	---------------

Other long-term assets are not available to pay for current period expenditures and are deferred in the funds. (Note 4)	393,167,100
--	-------------

Long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported in the funds: (Note 9)	
Other long term obligations	(\$141,159,305)
Bonds payable	(601,303,242)
School bonds payable	(482,586,672)
Capital lease obligations	(15,186,686)
Compensated absences	(33,604,212)
Workers' compensation	(4,892,131)
Premium on bonds issued	(121,130,730)
	(1,399,862,978)

Deferred outflows of resources are not available to pay for current period expenditures and are not reported in the funds:	
Pension (Note 16.A)	68,500,000
OPEB (Note 17.A and 17.B)	18,414,581
	86,914,581

Deferred inflows of resources are not due and payable in the current period and are not reported in the funds:	
Advance refunding (Note 4)	(3,294,616)
Pension (Note 16.A)	(51,500,000)
OPEB (Note 17.A and 17.B)	(18,271,340)
	(73,065,956)

Internal service funds' net position (Exhibit 6)	44,172,703
--	------------

Net position of governmental activities	\$917,045,620
---	---------------

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

ARLINGTON COUNTY, VIRGINIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	General Capital Projects Fund	Transportation Capital Fund	All Other Governmental Funds	Total Governmental Funds
REVENUES:					
General property taxes:					
Real estate property taxes	\$720,711,801	\$-	\$24,742,753	\$14,617,476	\$760,072,030
Personal property taxes	115,869,128	-	-	-	115,869,128
Other local taxes:					
Business, professional and occupancy license (BPOL) tax	62,986,320	-	-	-	62,986,320
Sales tax	42,007,601	-	-	-	42,007,601
Meals tax	39,469,397	-	-	-	39,469,397
Transient tax	25,026,707	-	-	-	25,026,707
Utility tax	12,048,319	-	-	-	12,048,319
Recordation, car rental and other local taxes	26,599,066	-	-	9,015,693	35,614,759
Fines and forfeitures	7,295,337	-	-	-	7,295,337
Licenses, permits and fees	10,500,494	-	-	-	10,500,494
Intergovernmental	92,936,651	5,179,037	9,618,203	20,913,524	128,647,415
Charges for services	59,262,598	4,254,282	1,020,171	613,579	65,150,630
Interest and rent	8,645,196	-	-	1,752,291	10,397,487
Miscellaneous revenues	18,391,100	2,978,385	12,828,222	221,892	34,419,599
Total revenues	1,241,749,715	12,411,704	48,209,349	47,134,455	1,349,505,223
EXPENDITURES:					
Current operating:					
General government	231,902,563	3,398,345	4,743,639	8,831,370	248,875,917
Public safety	137,235,243	6,824	-	-	137,242,067
Environmental services	93,942,044	-	-	-	93,942,044
Health and welfare	136,010,246	-	-	19,031,657	155,041,903
Libraries	14,430,897	-	-	-	14,430,897
Parks, recreation and culture	40,381,084	203,651	-	-	40,584,735
Planning and community development	19,372,404	277,003	-	11,357,781	31,007,188
Debt service					
Principal	43,682,412	-	8,821,886	-	52,504,298
Interest and other charges	18,642,568	-	4,838	-	18,647,406
Intergovernmental:					
Community development	-	-	-	48,000,000	48,000,000
Education - Schools	602,892,569	3,357,475	-	-	606,250,044
Capital outlay	2,155,621	33,077,753	27,318,027	75,426,541	137,977,942
Total expenditures	1,340,647,651	40,321,051	40,888,390	162,647,349	1,584,504,441
Excess expenditures (over) under revenues	(98,897,936)	(27,909,347)	7,320,959	(115,512,894)	(234,999,218)
OTHER FINANCING SOURCES(USES):					
Transfers in	3,056,247	14,619,903	-	820,970	18,497,120
Transfers out	(16,519,973)	-	(1,102,740)	(1,823,507)	(19,446,220)
Issuance of capital leases	-	3,759,718	-	-	3,759,718
Issuance of refunding bonds	-	-	-	26,150,000	26,150,000
Payments to refunded bond escrow agent	-	-	-	(29,785,000)	(29,785,000)
Deferred cost of refunding	-	-	-	3,635,000	3,635,000
Bond premium	15,442,463	10,929,844	-	6,067,577	32,439,884
Issuance of general obligation debt	92,400,000	-	-	92,870,000	185,270,000
Total other financing sources and (uses), net	94,378,737	29,309,465	(1,102,740)	97,935,040	220,520,502
Net change in fund balances	(4,519,199)	1,400,118	6,218,219	(17,577,854)	(14,478,716)
Fund balances, beginning	186,430,188	102,616,769	168,565,530	191,708,800	649,321,287
Fund balances, ending	\$181,910,989	\$104,016,887	\$174,783,749	\$174,130,946	\$634,842,571

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 OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds (\$14,478,716)

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. (Note 5)

Add: Capital acquisitions	\$137,977,942	
Less: Retirements	(171,196)	
Less: Depreciation expense	<u>(42,940,199)</u>	94,866,547

Revenues in the Statement of Activities that do not provide
 current financial resources are not reported as revenues in
 the funds. (Note 4)

Add: Unearned property tax revenue 6/30/17	(384,737,205)	
Less: Unearned property tax revenue 6/30/18	<u>(393,167,100)</u>	8,429,895

Debt proceeds provide current financial resources to the
 governmental funds, but issuing debt, increases long-term
 liabilities in the Statement of Net Position. Repayment of debt
 principal is an expenditure in the governmental funds, but the
 repayment reduces long-term liabilities in the Statement of
 Net Position. (Note 9)

Add: Debt repayment - principal	127,484,195	
Less: Debt proceeds	(215,179,718)	
Less: Bond premiums	<u>(32,439,883)</u>	(120,135,406)

Some expenses reported in the Statement of Activities do not
 require the use of current financial resources and
 are not reported as expenditures in governmental funds:

Amortization of deferred losses on bond refundings	(3,750,275)	
Amortization of bond premiums	<u>6,050,819</u>	2,300,544

Compensated absences and workers' compensation. (Note 9) (267,068)

OPEB expenses (Note 17.B)

Add: FY 2018 OPEB contributions deferred	441,414	
Less: OPEB expense	<u>(28,974)</u>	412,440

Pension expenses Note 16.A):

Add: FY 2018 pension contributions deferred	54,900,000	
Less: Pension expense	<u>(31,240,000)</u>	23,660,000

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 (Exhibit 6):

Additional income for internal service funds	515,420	
Net operating (loss) internal service funds	<u>(767,341)</u>	(251,921)

Change in net position of governmental activities (\$5,463,685)

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

ARLINGTON COUNTY, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
		Ballston Public Parking Garage	8th Level Ballston Public Parking Garage	CPHD Development Fund	Total	
	Utilities					
ASSETS:						
Current assets:						
Equity in pooled cash and investments	\$61,008,452	\$3,238,595	\$1,224,805	\$18,202,323	\$83,674,175	\$18,835,438
Cash with fiscal agents	25,221	-	-	-	25,221	-
Accounts receivables, net	19,048,918	-	-	-	19,048,918	6,336
Inventories	1,886,612	-	-	-	1,886,612	748,926
Prepaid expenses	2,447,864	-	-	-	2,447,864	-
Total current assets	84,417,067	3,238,595	1,224,805	18,202,323	107,082,790	19,590,700
Non-current assets:						
Capital assets:						
Land	6,161,255	-	-	-	6,161,255	-
Depreciable, net	999,756,015	8,420,981	3,143,209	356,353	1,011,676,558	30,182,209
Intangible assets, net	143,524	-	-	-	143,524	-
Construction in progress	23,153,200	5,995,924	-	1,823,785	30,972,909	-
Total capital assets, net	1,029,213,993	14,416,905	3,143,209	2,180,138	1,048,954,245	30,182,209
Total non current assets	1,029,213,993	14,416,905	3,143,209	2,180,138	1,048,954,245	30,182,209
Total assets	1,113,631,060	17,655,500	4,368,014	20,382,461	1,156,037,035	49,772,909
LIABILITIES:						
Current liabilities:						
Vouchers payable	9,577,510	374,081	30,705	938,802	10,921,098	1,779,989
Contracts payable - retainage	267,113	-	-	-	267,113	-
Accrued liabilities	237,600	18,115,607	-	131,328	18,484,535	251,065
Due to other funds	-	-	-	-	-	317,400
Due within one year	25,898,917	35,127,240	-	67,765	61,093,922	1,087,245
Total current liabilities	35,981,140	53,616,928	30,705	1,137,895	90,766,668	3,435,699
Non-current liabilities:						
Due in more than one year	238,091,130	-	-	609,886	238,701,016	2,164,507
Total liabilities	274,072,269	53,616,928	30,705	1,747,781	329,467,683	5,600,206
DEFERRED INFLOWS OF RESOURCES:						
Deferred cost of refunding	2,275,263	-	-	-	2,275,263	-
NET POSITION:						
Net investment in capital assets	766,644,907	10,987,226	3,143,209	2,180,138	782,955,480	27,505,067
Unrestricted (deficit)	70,638,620	(46,948,654)	1,194,100	16,454,542	41,338,608	16,667,636
Total net position (deficit)	\$837,283,528	(\$35,961,428)	\$4,337,309	\$18,634,680	\$824,294,089	\$44,172,703

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

ARLINGTON COUNTY, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-type Activities-Enterprise Funds				Governmental Activities Internal Service Funds
	Utilities	Ballston Public Parking Garage	8th Level Ballston Public Parking Garage	CPHD Development Fund	Total Business-type Activities
OPERATING REVENUES:					
Water-sewer service charges	\$94,465,528	\$-	\$-	\$-	\$94,465,528
Water-service hook-up charges	8,710,176	-	-	-	8,710,176
Water-service connection charges	1,197,405	-	-	-	1,197,405
Sewage treatment service charges	4,131,892	-	-	-	4,131,892
Permits and fees	-	-	-	18,838,358	18,838,358
Other charges for services	3,826,596	-	-	-	3,826,596
Parking charges	-	3,290,127	307,289	-	3,597,416
Total operating revenues	112,331,598	3,290,127	307,289	18,838,358	134,767,372
OPERATING EXPENSES:					
Personnel services	17,133,738	-	-	8,004,384	25,138,122
Fringe benefits	6,301,026	-	-	3,074,664	9,375,690
Cost of store issuances	-	-	-	-	-
Contractual services	11,447,710	1,498,654	27,230	4,136,525	17,110,119
Purchases of water	6,977,489	-	-	-	6,977,489
Materials and supplies	11,430,790	388,419	30,110	69,126	11,918,445
Utilities	-	-	-	-	-
Operating equipment	-	-	-	-	-
Outside services	-	-	-	-	-
Depreciation and amortization	16,125,409	660,671	95,177	290,959	17,172,216
Deferred rent	-	2,879,992	-	-	2,879,992
Equipment (Construction Contracts)	5,114,315	-	-	(1,007,184)	4,107,131
Internal services	-	-	-	2,413,535	2,413,535
Miscellaneous	6,105,219	381,180	16,143	-	6,502,542
Total operating expenses	80,635,697	5,808,916	168,660	16,982,009	103,595,282
Operating income (loss)	31,695,901	(2,518,789)	138,629	1,856,349	31,172,090
NON-OPERATING REVENUES(EXPENSES):					
Interest income and other income	418,839	21,992	-	103,126	543,957
Interest expense and fiscal charges	(8,629,785)	(2,066,785)	-	-	(10,696,570)
Interest expense on capital leases	(1,203)	-	-	-	(1,203)
Gain on disposal of assets	-	-	-	-	-
Total non-operating revenues (expenses)	(8,212,149)	(2,044,793)	-	103,126	(10,153,816)
Net Income(loss) before contributions and transfers	23,483,752	(4,563,582)	138,629	1,959,475	21,018,274
CONTRIBUTIONS AND TRANSFERS:					
Contributions from developers and other sources	1,068,855	-	-	-	1,068,855
Transfers in	600,000	-	-	284,701	884,701
Transfers out	-	-	-	-	-
Total contributions and transfers	1,668,855	-	-	284,701	1,953,556
Change in net position	25,152,607	(4,563,582)	138,629	2,244,176	22,971,830
Net position - beginning of year	812,130,921	(31,397,846)	4,198,680	16,390,504	801,322,259
Net position - end of year	\$837,283,528	(\$35,961,428)	\$4,337,309	\$18,634,680	\$824,294,089

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, 2018

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Utilities	Ballston Public Parking Garage	8th Level Ballston Public Parking Garage	CPHD Development Fund	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers	\$112,518,963	\$3,290,127	\$307,289	\$18,838,358	\$134,954,737	\$23,231,977
Cash paid to suppliers	(39,142,665)	(3,041,314)	(44,384)	(5,774,925)	(48,003,288)	(10,774,513)
Cash paid to employees	(23,411,519)	-	-	(11,039,783)	(34,451,302)	(6,852,465)
Net cash provided by (used for) operating activities	<u>49,964,779</u>	<u>248,813</u>	<u>262,905</u>	<u>2,023,650</u>	<u>52,500,147</u>	<u>5,604,999</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest income	<u>418,840</u>	<u>21,992</u>	<u>-</u>	<u>103,126</u>	<u>543,958</u>	<u>-</u>
Net cash provided by investing activities	<u>418,840</u>	<u>21,992</u>	<u>-</u>	<u>103,126</u>	<u>543,958</u>	<u>-</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:						
Transfer received (paid) to other funds	600,000	-	-	284,701	884,701	(130,000)
Temporary loan from general fund	-	-	-	-	-	317,400
Contributions from developers and other sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>479,100</u>
Net cash provided by non-capital financing activities	<u>600,000</u>	<u>-</u>	<u>-</u>	<u>284,701</u>	<u>884,701</u>	<u>666,500</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Principal payments - bonds	(7,703,648)	(4,600,000)	-	-	(12,303,648)	-
Payment of principal on capital leases	(33,208)	-	-	-	(33,208)	(1,005,105)
Payment of interest on capital leases	(1,203)	-	-	-	(1,203)	(71,867)
Payment of VRA loan	(17,268,371)	-	-	-	(17,268,371)	-
Interest and other loan expenses paid	(9,170,354)	(15,536)	-	-	(9,185,890)	-
Purchase of property	(18,110,636)	(4,987,840)	-	(1,284,353)	(24,382,829)	(6,421,816)
Proceeds from sale of equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>446,163</u>
Net cash (used for) capital and related financing activities	<u>(52,287,420)</u>	<u>(9,603,376)</u>	<u>-</u>	<u>(1,284,353)</u>	<u>(63,175,149)</u>	<u>(7,052,625)</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,303,801)</u>	<u>(9,332,571)</u>	<u>262,905</u>	<u>1,127,124</u>	<u>(9,246,343)</u>	<u>(781,126)</u>
Cash and cash equivalents at beginning of year	<u>62,312,253</u>	<u>12,571,166</u>	<u>961,900</u>	<u>17,075,199</u>	<u>92,920,518</u>	<u>19,616,564</u>
Cash and cash equivalents at end of year	<u>\$61,008,452</u>	<u>\$3,238,595</u>	<u>\$1,224,805</u>	<u>\$18,202,323</u>	<u>\$83,674,175</u>	<u>\$18,835,438</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operations:						
Operating Income (loss)	\$31,695,901	(\$2,518,789)	\$138,629	\$1,856,349	\$31,172,090	(\$767,341)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation and amortization expense	16,125,409	660,671	95,177	290,959	17,172,216	5,990,702
Effect of changes in operating assets and liabilities:						
Accounts receivable	194,949	-	-	-	194,949	1,584
Inventories	(125,238)	-	-	-	(125,238)	22,098
Vouchers payable	1,984,654	(773,061)	29,099	(162,923)	1,077,769	349,403
Compensated absences	23,245	-	-	39,265	62,510	8,553
Contract retainage	73,444	-	-	-	73,444	-
Accrued rent liability	-	2,879,992	-	-	2,879,992	-
Unearned revenue	(7,585)	-	-	-	(7,585)	-
Net cash provided by (used for) operations	<u>\$49,964,779</u>	<u>\$248,813</u>	<u>\$262,905</u>	<u>\$2,023,650</u>	<u>\$52,500,147</u>	<u>\$5,604,999</u>
Schedule of non-cash capital and related financing activities:						
Contributions from developers and other sources	\$1,068,855	\$-	\$-	\$-	\$1,068,855	\$-

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

ARLINGTON COUNTY, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Pension and OPEB Trust Funds	All Other Private Purpose Trust Funds	Agency Funds
ASSETS:			
Equity in pooled cash and investments	\$85,456,063	\$2,270,768	\$25,137,801
Contributions receivable:			
Employer	3,204,269	-	-
Employee	741,867	-	-
Accrued interest and other receivables	3,000,364	4,593,845	-
Capital assets, net	-	21,484,196	-
Receivable from other governments	-	-	51,147
Investments, at fair value:			
Foreign, Municipal and U.S. Government			
Obligations, including fixed			
Instruments in pooled funds	97,665,039	-	-
Corporate fixed income obligations	92,375,836	-	-
Domestic and foreign equities, including			
Equities in pooled funds	651,164,386	-	-
Other investments	183,077,606	-	-
Real estate funds	3,529,065	-	-
Pooled equity	789,471,543	-	-
Pooled fixed Income	518,532,788	-	-
Convertible	7,128,420	-	-
Total assets	<u>2,435,347,246</u>	<u>28,348,809</u>	<u>25,188,948</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>187,608</u>	<u>-</u>
LIABILITIES:			
Accounts payable and			
accrued liabilities	2,076,008	4,607,117	25,188,948
Bonds payable	<u>-</u>	<u>23,095,000</u>	<u>-</u>
Total liabilities	<u>2,076,008</u>	<u>27,702,117</u>	<u>\$25,188,948</u>
NET POSITION HELD IN TRUST FOR PLAN			
BENEFITS AND OTHER PURPOSES	<u>\$2,433,271,238</u>	<u>\$834,300</u>	

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

ARLINGTON COUNTY, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Pension and OPEB Trust Funds	All Other Private Purpose Trust Funds
ADDITIONS:		
Contributions and revenues:		
Employer contributions	\$62,104,612	\$-
Employee contributions	12,734,626	-
Other contributions	250,973	-
Shared revenues	-	2,486,911
Private donations	-	89,873
	<u>75,090,211</u>	<u>2,576,784</u>
Total contributions		
	<u>75,090,211</u>	<u>2,576,784</u>
Investment earnings:		
Interest and other	37,752,689	65,624
Gross income from securities lending	311,958	-
Bank fees and expenses from securities lending	(75,744)	-
Net change in fair value of investments	143,293,892	-
	<u>181,282,795</u>	<u>65,624</u>
Total investment earnings		
	<u>181,282,795</u>	<u>65,624</u>
Less investment expenses	5,027,387	1,310,957
	<u>5,027,387</u>	<u>1,310,957</u>
Net investment earnings (loss)		
	<u>176,255,408</u>	<u>(1,245,333)</u>
Total additions		
	<u>251,345,619</u>	<u>1,331,451</u>
DEDUCTIONS:		
Administrative expenses	1,908,033	833,405
Retirees pension expense	105,046,248	-
	<u>106,954,281</u>	<u>833,405</u>
Total deductions		
	<u>106,954,281</u>	<u>833,405</u>
Change in net position		
	144,391,338	498,046
Net position - beginning of the year	2,288,879,900	336,254
	<u>2,288,879,900</u>	<u>336,254</u>
Net position - end of the year		
	<u>\$2,433,271,238</u>	<u>\$834,300</u>

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



Notes to the Financial Statements

The notes to the financial statements are part of the basic financial statements and provide additional information and disclosures pertaining to the County's operational and financial position.

This page has been intentionally left blank.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1. Summary of Significant Accounting Policies

Arlington County, Virginia prepares its financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the primary standard-setting body for governmental accounting and financial reporting. The GASB updates its codification of existing governmental accounting and financial reporting standards periodically. The codification, along with subsequent GASB pronouncements (statements and interpretations) constitute GAAP for governmental units. The accounting and reporting framework and significant accounting principles and practices utilized by the County are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the County's financial activities for the fiscal year ended June 30, 2018.

A. The Financial Reporting Entity

Arlington County, Virginia (the "County") is a political subdivision of the Commonwealth of Virginia. The County is governed by the County Board, comprised of five-members elected at-large and serving staggered four-year terms, and the board appointed County Manager, who serves as the administrative head of the County. In accordance with the *Code of Virginia* Section 15.2-600 through Section 15.2-642, the County Board serves as the policymaking body of the County, as a whole, as specified in state law under the "County Manager" form of government and County organization.

The accompanying financial statements include the County's primary government and component units over which the County exercises significant influence. Significant influence or accountability is based primarily on operational or financial benefit/burden relationships with the County as opposed to legal relationships. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government.

Due to restrictions by State Constitution on the issuance of municipal debt, the County created public trusts to finance County services with revenue and refunding bonds or other non-general obligation financing. Public trusts created to provide financing services are blended into the County's primary government, although retaining separate legal entity. Component units that do not meet the criteria for blending have been reported discretely.

As required by GAAP, these financial statements present the County (primary government) and its component units, the Arlington County Public Schools (the "Schools") and the AHC Limited Partnership-10/AHC Limited Partnership-11 ("the Gates Partnership"), entities for which the primary government is considered to be financially accountable. The discretely presented component units, on the other hand, are reported in separate columns in the government-wide financial statements.

B. Blended Component Units

Blended component units are entities that are legally separate from the County, but that are so closely related to the County that they are, in essence, extensions of the County. The blended component units that are reported as part of the primary government are:

Ballston Quarter Community Development Authority ("CDA") is a legally independent authority authorized by an act of the Virginia General Assembly and was formally created by the County Board in September 2016. The CDA's purpose is to assist in the redevelopment project which will change the current Ballston Common Mall into a mixed-use project with new retail and a 406-unit residential development. The CDA is reported as a separate special revenue fund of the County. The CDA is governed by the members of the County Board. Separate financial statements are not prepared for the CDA.

Ballston Business Improvement District was created by the County Board in December 2010 to provide funds for a range of services, events and activities that enhance the public use and enjoyment of the Ballston area. This district is reported as a separate special revenue fund of the County. The County is the governing authority and provides financial and administrative oversight of its operations. Separate financial statements are not prepared for the Ballston Business Improvement District.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Crystal City Business Improvement District was created by the County Board in April 2006 to provide funds for a range of services, events and activities that enhance the public use and enjoyment of the Crystal City area. This district is reported as a separate special revenue fund of the County. The County is the governing authority and provides financial and administrative oversight of its operations. Separate financial statements are not prepared for the Crystal City Business Improvement District.

Rosslyn Business Improvement District was created by the County Board in December 2002 to provide funds for a range of services, events and activities that enhance the public use and enjoyment of the Rosslyn area. This district is reported as a separate special revenue fund of the County. The County is the governing authority and provides financial and administrative oversight of its operations. Separate financial statements are not prepared for the Rosslyn Business Improvement District.

C. 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 County government has financial accountability to the Schools since it is not legally authorized to raise taxes or issue debt. Schools' operations are funded primarily by the County's general fund and the County issues general obligation debt for Schools' capital projects. Schools does not issue separate component unit financial statements and has a June 30 year-end.

AHC Limited Partnership-10 (AHC-10) and AHC Limited Partnership-11 (AHC-11) (collectively "the Gates Partnership") are legally separate Virginia limited partnerships. AHC-10 is comprised of a managing general partner, the New Gates Corporation; a housing credit limited partner, Wachovia Guaranteed Tax Credit Fund, and a master tenant limited partner AHC-11. AHC-11 is comprised of a managing general partner, Gates Housing Corporation and an investor limited partner Wachovia Affordable Housing Community Development Corporation.

Debt (Series 2006) was issued by the Industrial Development Authority of Arlington County, Virginia and the proceeds loaned to the Gates Partnership in order to acquire, rehabilitate, and equip a 464-unit multifamily apartment complex for rental to individuals and families of low-income known as the Gates of Ballston (the Project). The debt is projected to be repaid from the revenues generated by the Project. AHC-10 owns the Project, is the borrower on the debt, and leases the Project to AHC-11 under a master lease agreement; AHC-11 rents the Project units to subtenants, pays all operating expenses, and is responsible for making monthly lease payments to AHC-10. The Gates Partnership also has a mortgage note with the Virginia Housing Development Authority and a promissory note with the County. Subject to appropriation, the County will only be responsible for reimbursement of the debt service payments to the extent that the debt service reserve of the Gates Partnership is insufficient to make the required debt service payments. The County does not hold the corporate powers of the Gates Partnership, does not appoint the principals of the Gates Partnership, and does not have the ability to remove principals at will. Under certain conditions, it does have the ability to modify or approve the Gates Partnership's budget, modify or approve rate or fee changes, and influence decisions about management or operations. It can also approve issuance of bonded debt and govern the Gates Partnership's use of revenues, if these acts would adversely affect the ability of the Gates Partnership to make debt service payments. The criteria of imposition of will and financial accountability mandate the inclusion as a discrete component unit. Gates Partnership issues separately audited financial statements and has a December 31 fiscal year-end.

Complete financial statements of AHC Limited Partnership-10 and AHC Limited Partnership-11 may be obtained from Arlington Housing Corporation, 2300 Ninth Street, Suite 200, Arlington, Virginia 22204.

D. Basis of Presentation

The basic financial statements include both government-wide and fund financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to display the financial position of the primary government (governmental and business-type activities) to report information on all of the non-fiduciary activities of the primary government as well as its component

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

units. The focus on the government-wide financial statements is more on sustainability of the County as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. As a general rule, the effect of inter-fund activity has been eliminated from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, 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 units for which the primary government is financially accountable.

The governmental and business-type activity columns are presented on a consolidated basis by using the economic resources measurement focus or accrual basis of accounting, which incorporates long-term assets, deferred outflows of resources as well as long-term debt and obligations and deferred inflows of resources, with the resulting difference reported as net position. Eliminations have been made to avoid the double-counting of inter-fund activities. 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.

The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of the County functions or programs and 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 with a specific function or segment. Program revenues include charges for services to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meet 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.

Fund Financial Statements

The fund financial statements organize and report the financial transactions and balances of the County on the basis of fund categories comprising governmental funds, proprietary funds, and fiduciary funds. Governmental funds and proprietary funds are included in the government-wide financial statements, while fiduciary funds are excluded. Separate financial statements are provided for each fund, which serves as a self-balancing set of accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, reserves, fund equity, revenues and expenditures/expenses. The fund financial statements also include reconciliations to the government-wide statements, which explains the differences between the fund and government-wide financial statements.

GAAP set forth minimum criteria for the determination of major funds. The County has elected to present additional funds as major for better transparency. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The non-major funds in each category are combined in a column on the fund financial statements and detailed in the section other supplementary information. The Budgetary comparison schedule for the general fund is presented under required supplementary information following the notes to the financial statements.

Governmental funds' 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 if measurable and available. 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 County.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

The funds used by the County and its component units 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 County and the Schools use the following governmental funds:

The **General Fund** is the government's primary operating 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. The Ballston Quarter CDA, travel and tourism promotion, the Rosslyn, Ballston, and Crystal City business improvement districts, community development block grants, and Section 8 housing grants are 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). Major capital projects include Transportation Infrastructure, Metro, Maintenance Capital Program (MC), Information Technology, Parks & Recreation, Neighborhood Conservation (NC) Program, and Stormwater Drainage Infrastructure. Transportation Capital Funds provide funding for the County's Transportation Capital Improvement Program and Metro Matters capital program. Crystal City Tax Increment Financing will provide funding for the Crystal City Sector Plan and infrastructure and Columbia Pike Tax Incremental Financing will provide funding for Columbia Pike Neighborhoods Plan to support affordable housing. General Obligation Public Improvement Bonds are used to fund Street and Highways, Community Conservation, Government Facility, Parks and Recreation, Metro and Schools. The IDA Bond Funds provide funding for the Emergency Communications Center, the Trade Center, the George Mason Center, the Enterprise Resource Planning (ERP), Arlington Mill, and Buckingham Park.

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. Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items wherein 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 County uses the following 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

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Public Parking Garage, the 8th Level Ballston Public Parking Garage funds, and the Community Planning Housing Development (CPHD) Development Fund.

The County uses the following enterprise 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 **8th Level Ballston Public Parking Garage Fund** accounts for the activities of the 8th floor of the parking garage operation.

The **CPHD Development Fund** accounts for fee-supported operations of CPHD inspection services and planning divisions.

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

The principal operating revenues of the utilities fund, the Ballston Public Parking Garage fund, the 8th Level Ballston Public Parking Garage fund and the CPHD Development fund 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.

Fiduciary Fund Types:

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 uses the following fiduciary fund types:

The **Private-Purpose Trust Funds** are used to account for resources legally held in trust to provide for costs to oversee the operation of the waste-to-energy plant and other related expenses, resources used for the construction of the Industrial Development Authority (IDA) Skating facility on the eighth level of the Ballston Public Parking Garage, to account for the loan between the IDA and Signature Theater to pay off existing debt of Signature Theater and funds set aside for various social service programs.

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

The **Other Postemployment Benefits (OPEB) Trust Funds** accounts for the assets held in trusts by the County and Schools and beneficiaries of the OPEB plans.

The **Agency Funds** account for assets held by the County as an agent for individuals, private organizations, other governmental units and/or funds. The assets included in agency funds are for special welfare programs in the Department of Human Services, Friends of Library donations, Parks and Recreations donations, and commission funds reserved for canteen and inmates.

E. Budgets

Budgets are adopted on the modified accrual basis. Annual appropriated budgets are adopted for the general, enterprise, internal service, capital projects, 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 Manager biennially

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

submits a ten-year Capital Improvement Plan (CIP) to the County Board. Starting with the FY 2013 – FY 2022, the CIP plan presented a ten-year period instead of six years presented previously. This shift to a longer planning horizon has many benefits including facilitating better planning and financing of major multi-year transportation and utility projects, and analyzing operating budget impacts. The Budgetary Comparison Schedule is presented in the Required Supplementary Information section (RSI) following the notes to the financial statements.

F. Equity in Pooled Cash and Investments

The Treasurer's Office pools substantially all cash and investments for County and School purposes (County funds) in pooled and separate cash and investment accounts. Separate accounts correspond with specific contractual and/or 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 Treasurer conducts banking and investment activities as authorized by the *Code of Virginia*, Chapter 44 – Security for Public Deposits Act; Chapter 45 – Investment of Public Funds Act; Chapter 46 – Local Government Investment Pool Act; and Chapter 47 – Government Non-Arbitrage Investment Act. The *Code of Virginia* delineates additional authority and obligations of the Treasurer in 58.1-3123 through 3172.1. In addition, the County Treasurer has a formal, written investment policy which further governs the types of allowable investments and procedures for investing the county's operating funds. The Investment Policy was last updated on April 4, 2017. The Investment Policy received a Certification of Excellence from the Association of Public Treasurers of the United States and Canada in August 2007. The County established a Finance Board pursuant to *Code of Virginia* Sections 58.1-3151 et. seq.

The Treasurer's investment policy sets forth a number of investment parameters such as investment objectives, asset allocations and maximum maturities. The stated investment objectives, in priority order, are: preservation of principal, liquidity and yield. Pursuant to this policy, the Treasurer does not invest County operating funds and bond proceeds in "derivative" securities, securities lending, or invest in mortgage backed securities guaranteed by the Government National Mortgage Association (GNMA). Further, the Treasurer does not invest in reverse repurchase agreements. The Treasurer's general intent is to place and manage all bond proceeds with and through the State Non-Arbitrage Program (SNAP).

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.

The pension trust fund (the System) is also authorized to make investments as deemed appropriate by the Retirement Board of Trustees (the Retirement Board) and in compliance with the U.S. Department of Labor regulations. Fixed income investments must be at least 20% of the System's assets at market value. The fund must be rebalanced if the market weight of fixed income investments falls below 20%, unless the Retirement Board, acting on the recommendation of staff or the investment consultant to defer rebalancing, determines that it would not be consistent with the Retirement Board's fiduciary responsibility to rebalance (increase fixed income) at that time.

No new commitment to illiquid investments can be made, which causes the allocation to illiquid investments, including existing market value and commitments, to exceed 15% of each System's market value.

Investments in the pension trust fund consists 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 Systems' agent. Temporary investment funds on deposit with financial institutions were fully insured by the Federal Deposit Insurance Corporation up to \$250,000 for each retirement system participant.

The System's investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The System utilizes independent pricing vendor services, quotations from market makers and alternative valuation methods when market quotations are either not readily available or not deemed representative of 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 Fiduciary Net Position for the year. Under authorization of the Retirement Board, the pension trust fund

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

engages in a securities lending program through its custodian. In accordance with its adopted investment policy, the System is authorized to invest in foreign currency forward contracts, which are valued at fair market value, as a risk management tool.

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” (i.e., the current portion of inter-fund loans to the primary government or schools) or “due to/from other funds” or “advances to/from other funds” (i.e., the non-current portion of the inter-fund 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 would be 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, internal service and Schools’ funds. Inventories are accounted for using the consumption method. Under this method, inventories are expensed as they are consumed as operating supplies and spare parts in the period to which they apply. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Tangible capital assets for both primary government and Schools are defined by the government as capital 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 acquisition value at the date of donation. Land and easements are not depreciated. 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, the 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 Fund, Neighborhood Conservation Fund, Stormwater Fund and General Capital Projects Fund. 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.

Capital assets of the primary government and Schools are depreciated using the straight-line method over the following estimated useful lives:

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Assets	Years
Water/sewer system	75
Parking garage	45
Infrastructure	40
Building/improvements	40
Furniture and fixtures	10
Vehicles	5-20
Equipment and other capital assets	5-10
Intangibles	5

Intangible assets, which include computer software purchased or internally generated, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Intangible assets for both primary government and Schools are defined by the government as assets with an initial, individual cost of more than \$50,000 (amount not rounded) and an estimated useful life in excess of one year. Subsequent additions, modifications or upgrades to computer software are capitalized only to the extent that they allow the software to perform a task it previously did not perform. Software maintenance and training costs are expensed in the period in which they are incurred. Interest incurred during the development of intangible assets of business-type activities is included as part of the capitalized value of the assets developed.

J. Compensated Absences

County employees are granted vacation leave based upon length of employment with the County; a total of 35 days of vacation are allowed to 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 general fund, internal service funds, utilities fund, CPHD Development Fund, and Schools as the employee benefits accrue.

K. Arbitrage Rebate Liability

The U.S. Treasury has issued regulations on calculating the rebate due to 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, 2018, the County had no arbitrage rebate liability.

L. Long-Term Obligations

In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

M. Fund Balance

In accordance with GAAP, the County classifies governmental fund balances as follows:

Non-spendable Fund Balance – Amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints, such as inventory and prepaid items.

Restricted Fund Balance – The portion of fund equity appropriated for expenditures or legally segregated for a specific future use and that are constrained for specific purposes which are externally imposed by providers, such as creditors (such as through debt covenants), grantors, or amounts constrained due to constitutional provisions or enabling legislation. The County's restricted fund balance includes, seized assets, unspent bond proceeds, grants and revenues restricted in the special revenue funds.

Committed Fund Balance – Fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action by the County Board and does not lapse at year-end. Committed amounts cannot be used for any other purpose unless the County Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The County's committed fund balance includes items such as self-insurance, operating, and economic and revenue stabilization reserves, and subsequent years' budgets for County and Schools and Affordable Housing Investment Fund. The self-insurance reserve is generally a minimum reserve equivalent to one or two month's claim payments based on a five-year rolling average. For FY 2018, this reserve is currently set at \$5 million. In accordance with the County's Financial and Debt Management policies, the operating reserve is currently set at 5% of the FY 2019 general fund revenue budget. The economic stabilization reserve is currently set at \$4 million.

Assigned Fund Balance – Fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The County classifies fund balance in this category that is assigned by the County Manager. The County Board will review the recommendations of the County Manager during closeout during the November Board meeting. If approved by a resolution of the County Board, the assigned funds become committed. Amendments must follow the guidance described in Note 1.I.E. By State law, funds cannot be spent unless appropriated by the County Board.

Unassigned Fund Balance – Unassigned fund balance includes the residual fund balance within the general fund that has not been classified as restricted, committed or assigned. In accordance with GAAP, a deficit in unassigned fund balance resulting from overspending for specific purposes can be shown in governmental funds other than the general fund. An unassigned fund balance can only be used when appropriated by a resolution of the County Board.

The County considers restricted balances to be expended first in cases where both restricted and unrestricted amounts are available. Committed balances are applied next, followed by assigned after which unassigned balances are consumed.

N. Comparative data/reclassifications and restatement

Comparative total data for the prior year has been presented in the accompanying combining other supplemental information section of the financial statements in order to provide an understanding of changes in the County's financial position and operations. However, comparative data has not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand. Certain FY 2017 amounts have been reclassified to conform to the FY 2018 presentation for better transparency and reporting. These reclassifications did not affect the FY 2017 net position, fund balances or changes therein.

The balances for FY 2017 were restated as a result of implementing GASB 75 for all Virginia Retirement System (VRS) multiple-employer cost-sharing OPEB plans in which the County participates in. Additional information is included in Note 17 and the RSI section following the notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 GAAP 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.

Q. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of the resources (expenditure) until a future period.

R. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For government-mandated and voluntary non-exchange transactions, a deferred inflow is reported when resources are received before time requirements are met.

S. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension trust fund and the additions to/deductions from the pension trust fund's fiduciary net position have been determined on the same basis as they are reported by the Arlington County Employees' Retirement System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The VRS Teacher Retirement Plan is a multiple-employer, cost-sharing plan. The VRS Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the VRS Teacher Retirement Plan and the Political Subdivision's Retirement Plan and the additions to/deductions from the VRS Teacher Retirement Plan and the Political Subdivision's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

T. Implementation of New GASB Pronouncements

The County implemented the following GASB pronouncements:

In March 2016, the GASB issued GASB Statement No. 81 ("GASB 81") *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of the new Statement became effective for fiscal periods beginning after December 5, 2016, and should be applied retroactively. The County adopted GASB 81 during the year ended June 30, 2018. The implementation of this standard had no impact on the County's fiscal year 2018 financial statements.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

In March 2017, the GASB issued GASB Statement No. 85 (“GASB 85”) *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). The requirements of the new Statement became effective for fiscal periods beginning after June 15, 2017. The County adopted GASB 85 during the year ended June 30, 2018. The implementation of this standard had no impact on the County’s fiscal year 2018 financial statements.

In May 2017, the GASB issued GASB Statement No. 86 (“GASB 86”) *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in account and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of the refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. The Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of the new Statement became effective for fiscal periods beginning after June 15, 2017. The County adopted GASB 86 during the year ended June 30, 2018. The implementation of this standard had no impact on the County’s fiscal year 2018 financial statements.

In June 2015, GASB also issued Statement No. 75 (“GASB 75”), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. In FY18, the County adopted GASB 75 for all VRS multiple-employer cost-sharing OPEB plans in which it is required to participate. The resulting financial reporting impact from this included a restatement of the FY 2017 net position from \$1,735,317,564 to \$1,723,831,564 for the County and from \$251,765,495 to \$183,057,495 for Schools. Additional disclosures are included in Note 17 and in the RSI following the notes to the financial statements.

U. Subsequent Events

The County evaluated subsequent events through October 30, 2018, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2018, but prior to October 30, 2017 that provided additional evidence about conditions that existed at June 30, 2018, have been recognized in the financial statements for the year ended June 30, 2018. Events or transactions that provided evidence about conditions that did not exist at June 30, 2018, but arose before the financial statements were available to be issued, are noted below.

The Berkeley I and II, approved by the County Board in 2017, are AHC-sponsored housing projects that will provide both market-rate and committed affordable options for Arlington residents. The projects form a low-income housing tax credit hybrid that involved two settlements – one for Berkeley I and another for Berkeley II. Both settlements occurred in FY 2019. The Berkeley I settlement on August 9, 2018 included disbursement of County Affordable Housing Investment Fund (AHIF) funds totaling \$8,225,638. Meanwhile, the Berkeley II settlement on September 7, 2018 included disbursement of County AHIF funds totaling \$2,560,967. Remaining AHIF funds for these projects will be disbursed via construction draws in FY2019 and FY2020 and the first construction draw for \$349,732 was disbursed on October 1, 2018.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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. According to §22.1-93 of the Code of Virginia, the County Board must adopt the School Board budget no later than May 15th of the current fiscal year or within 30 days of receipt by the county or municipality of the estimates of state funds, whichever shall later occur.'

Supplemental appropriations may be approved by the County Board subsequent to the adoption of the original budget. In FY 2018, such appropriation amendments totaled \$94,490,637 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 2018 for the Department of Technology Services (DTS) primarily due to required software maintenance and the Sheriff's Office due to overtime costs. The County Board Office (CBO), and Commissioner of Revenue (COR) experienced overages as well. CBO came in higher than projected on salaries due to higher than budgeted leave payments, COR was over due to leave payouts of staff retiring and overages in printing, postage, and operating supplies.

The Ballston Public 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 negative net position of \$35,961,428 at June 30, 2018. 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 Federated Department Stores 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), had a decrease in net position of (\$512,266) in FY 2018, resulting in an ending net deficit of (\$704,657). Management will evaluate measures to reduce the deficit in FY 2019.

NOTE 3. Cash and Investments

I. County Cash and Investments

The County maintains a cash and investment pool in which the County and Schools participate on a dollar equivalent and daily transaction basis. Bank deposits and investments of the Pension Trust Fund 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 \$82,971,845 and the bank balance was \$95,200,170. Of the bank balance, \$23,322,903 was covered by Federal depository insurance. The bank balances exceeding those covered by Federal insurance are protected under the provisions of the Virginia Security for Public Deposits Act ("the Act").

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

B. Custodial Credit Risk Investment Securities

Custodial risk is the risk that, in the event of a failure by a counter party, the County will not be able to recover the value of its investments or collateral securities held in custody by an outside party. The Treasurer's investment policy requires that all securities be clearly held in the name of the County and held in safekeeping by a third party in compliance with Section 2.2-4515 of the *Code of Virginia*. As a result, the County has no custodial credit risk.

C. Investment Policy

In accordance with the *Code of Virginia*, the Treasurer's investment policy permits investment in obligations of the United States or agencies thereof, obligations of States and Virginia municipal governments as well as agencies thereof, commercial paper, bankers' acceptances, repurchase agreements, corporate notes, mutual funds, Virginia Investment Pool (VIP) and the Virginia Local Government Investment Pool (LGIP). Depository accounts and certificates may also be used. Unexpended bond proceeds are invested in the Virginia State Non-Arbitrage program (Virginia SNAP).

D. Credit Risk

The *Code of Virginia* authorizes the investment in various instruments as described above. The County will only invest in securities with "prime quality" credit ratings by at least one nationally recognized rating agency, or as otherwise required by State code.

E. Concentrations of Credit Risk

The County's policy defines limits on the percentage of the portfolio that may be invested in various investments. The portfolio is in compliance with each of the stated limits as of June 30, 2018.

F. Interest Rate Risk and Fair Value Hierarchy

As a means of limiting exposure to fair value losses resulting from increasing interest rates, the Treasurer's investment policy states that the maturities in the portfolio are to be reviewed frequently to mitigate the effects of market fluctuations. In no case, however, shall investments be purchased with maturities greater than five years. At June 30, 2018, the County had the following investments and maturities:

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

	Investment Maturity (in years)				
	Fair Value	Less than 1 year	1-3 years	3-5 years	Greater than 5 years
Corporate Notes	\$135,354,992	\$10,245,950	\$53,848,543	\$71,260,499	\$-
Government Agency Bonds	96,687,285	-	57,020,132	39,667,153	-
Municipal Obligations	39,892,453	1,864,384	20,116,601	17,911,468	-
Commercial Paper	9,951,650	9,951,650	-	-	-
VIP 1-3 Year Pool	40,695,813	-	40,695,813	-	-
Total	<u>\$322,582,193</u>	<u>\$22,061,984</u>	<u>\$171,681,089</u>	<u>\$128,839,120</u>	<u>\$-</u>

Investment not subject to Interest Rate Risk:

Virginia State LGIP- Liquidity Pool	\$123,856
Virginia State LGIP- Liquidity Pool Extended Maturity	100,695
VIP Daily Liquidity Pool	332,454,594
Virginia SNAP	<u>376,228,299</u>
Total	<u>708,907,444</u>
Total Investments	<u>\$1,031,489,637</u>

The County categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

As of June 30, 2018, the County's fair value measurement for \$96,687,285 in U.S. Agency securities, \$39,892,453 in municipal obligations, \$135,354,992 in corporate securities, \$9,951,650 in commercial paper, and \$40,695,813 in the VIP 1-3 Year Pool were determined using significant other observable inputs (Level 2 inputs). As of June 30, 2018, the County has no investments in assets classified as Level 1 or Level 3.

Bank of New York Mellon, as the trustee for the IDA of Arlington County, Virginia, is authorized to invest all bond proceeds for the IDA Taxable Economic Development Revenue Bonds (Skating Facility Project). As of June 30, 2018, the balance of these funds totaled \$9,363,595.

G. External Investment Pools (SNAP, LGIP, VIP Daily Liquidity Pool)

The County has invested bond proceeds subject to rebate of arbitrage earnings in the Virginia SNAP, which 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, 2018, the County had \$376,228,299 in the SNAP short-term investment. SNAP is administered by the Virginia Treasury Board which is committed to managing certain risk limiting provisions to maintain a stable net asset value (NAV) at \$1.00 per share, as determined at the close of each business day. The goal of maintaining NAV is facilitated as follows:

- SNAP is rated 'AAAm' by Standard and Poor's and managed in a manner to comply with their 'AAAm' rating requirements.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

- SNAP is managed in accordance with GAAP.
- The portfolio securities are valued by the amortized cost method and, on a weekly basis, this valuation is compared to current market to monitor any variance.
- Investments are limited to short-term, high quality credits that can be readily converted into cash with limited price variation.

The County is a participant in the LGIP, which is administered by the Virginia Treasury Board. As of June 30, 2018, the County had \$123,856 in the LGIP short-term investment and \$100,695 in LGIP Extended Maturity investment. The Virginia Treasury Board is committed to managing certain risk limiting provisions to maintain a stable net asset value (NAV) at \$1.00 per share, as determined at the close of each business day. The goal of maintaining NAV is facilitated as follows:

- The LGIP is rated 'AAAm' by Standard and Poor's and managed in a manner to comply with their 'AAAm' rating requirements.
- The LGIP is managed in accordance with GAAP
- The portfolio securities are valued by the amortized cost method and, on a weekly basis, this valuation is compared to current market to monitor any variance.
- Investments are limited to short-term, high quality credits that can be readily converted into cash with limited price variation.

The County is a participant in the VIP Stable NAV Liquidity Pool (Daily Liquidity Pool), administrated by VACo/VML VIP. As of June 30, 2018, the County had \$332,454,594 in the Stable NAV Liquidity Pool short-term investment. The VACo/VML VIP is committed to managing certain risk limiting provisions to maintain a stable net asset value (NAV) at \$1.00 per share, as determined at the close of each business day. The goal of maintaining NAV is facilitated as follows:

- VIP Stable NAV Liquidity Pool is rated AAAM by Standard and Poor's and managed in a manner to comply with their AAAM rating requirements.
- VIP Liquidity Pool is managed in accordance with GAAP.
- The portfolio securities are valued by the amortized cost method and, on a weekly basis, this valuation is compared to current market to monitor any variance.
- Investments are limited to short-term, high quality credits that can be readily converted into cash with limited price variation.

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

A. Legal Provisions and Investment Policy

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 to minimize the risk of large losses unless under the circumstances it is clearly not prudent to do so.

The System's written investment policy provides for investment 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:

- Convertible securities

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

-
- Cash, money market funds and other short term investment funds
 - Common stocks, preferred stocks, warrants and similar rights of U.S. and non-U.S. companies.
 - Private equity via a fund-of-funds and direct approach to maximize diversification by vintage year and investment type.
 - Open and closed end pooled real estate funds and real estate investment trust securities
 - Fixed income obligations of the U.S. government and its agencies, mortgage-backed securities, corporate bonds, and asset backed securities. In addition, fixed income obligations of non-U.S. Governments, companies and super national organizations, in other developed and emerging markets. Limits on concentration, credit quality and duration are governed by each investment manager's contract.

Since the Fund does not utilize a target allocation approach, the following table shows the Fund's ten-year average allocation:

<u>Asset Class</u>	<u>10 Year Average Allocation</u>
Domestic Equity	46%
International Equity	17%
Fixed Income	31%
Cash/Short Term	2%
Non-Traditional	4%
	<u>100%</u>

While the above asset allocation is not a restrictive target (see investment restrictions below), it is representative of the nature and mix of current and expected System investments.

B. Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected pension plan investments, and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the pension plan's expected asset allocation as of June 30, 2018 (see the discussion of the system investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	6.4%
International Equity	7.6%
Fixed Income	3.7%
Cash/Short Term	2.1%
Non-Traditional	10.2%

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

C. Investment Restrictions

The following summarizes the primary investment restrictions included in the System's investment policy statement. Individual investment manager contracts typically include additional guidelines and limitations.

Fixed income investments must be at least 20% of the Fund's assets at market value. The Fund must be rebalanced if the market weight of fixed income investments falls below 20%, unless the Retirement Board, acting on the recommendation of staff or the investment consultant to defer rebalancing, determines that it would not be consistent with the Retirement Board's fiduciary responsibility to rebalance (increase fixed income) at that time.

No new commitment to illiquid investments can be made which causes the allocation to illiquid investments, including existing market value and commitments, to exceed 15% of the System's market value.

Unless the Retirement Board grants prior authorization, the investment managers may not:

- Invest more than 10% of the market value of each 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 each portfolio
- Hold unlisted equity securities that exceed 20% of the portfolio, exclusive of holdings in banks, utilities, and insurance companies
- Use leverage of any sort for any purpose beyond prudent industry standards
- Effect short sales of securities
- Purchase non-registered securities, such as private placements
- Pledge, mortgage or hypothecate securities, except in approved security lending programs

Investment managers are prohibited from:

- Making investments prohibited by county, state or federal law
- Investing in collectibles
- Making loans, including mortgage loans, to individuals

Derivatives are allowed only in cases where their use reduces the cost of a desired transaction and/or improves the risk characteristics of the portfolio. The Retirement Board may, however, 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:

- The potential exposures have been well defined by the Retirement Board and provide for a downside risk range for the Fund within established limits
- The value of the designated Fund assets subject to risk due to the program does not exceed 15% of the Fund's assets
- 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 funds' assets being overlaid

The System's Investment Policy provides external investment managers with discretion to take actions, within approved guidelines, regarding each portfolio's foreign currency exposures using forward currency contracts. These contracts are agreements to exchange one currency for another currency at an agreed upon price and date. Investment managers use

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

such contracts primarily to settle pending trades at a future date. Key risks include counter party non-performance and currency fluctuations. As of June 30, 2018, the System had \$79,036 in open net forward currency contracts.

D. Cash and Cash Equivalents

At June 30, 2018, the System had cash and cash equivalents of \$85,415,792. Cash deposits in bank accounts totaled \$295,214. This amount was insured by the Federal Deposit Insurance Corporation up to \$250,000 for each System participant. Cash totaling \$85,120,578 is invested in the custodian's Short-Term Investment Fund. This account is uninsured and uncollateralized.

E. Investments and Risk

The System's investments are recorded at fair value based on the methodology described in Note 1, Summary of Significant Accounting Policies, Investments, of Arlington County Employees' Retirement System Comprehensive Annual Financial Report.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The following table presents the fair value of investments by type at June 30, 2018:

<u>System Investment</u>	
Investment Type	Investment Value in (\$000s)
Foreign, Municipal and U.S. Governments	
Government and Government Agency Debt	\$49,588
Government State and Local Debt	2,510
Total Foreign, Municipal, and U.S. Governments	52,098
Corporate Fixed Income Obligations	
Corporate Bonds	92,376
Domestic and Foreign Equities	
Common Stock	557,874
REITs	7,698
Preferred Stock	968
Total Domestic and Foreign Equities	566,540
Private Equity	
Private Equity	183,078
Real Estate Funds	
Real Estate	3,529
Pooled Equity	
Pooled Equity Funds	789,471
Pooled Fixed Income	
Pooled Bonds Funds	518,533
Convertibles	
Convertible Equity	1,146
Corporate Convertible Bonds	5,982
Total Convertibles	7,128
Total ⁽¹⁾	\$2,212,753

(1) Investment related accruals are reflected in the respective asset category; further, data on the Statement of Fiduciary Net Position (Exhibit 8) includes disbursement account cash and operating accruals not reflected in the data above.

Interest Rate Risk: Interest rate risk is driven by changes in general interest rate levels. 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. The System has interest rate exposure on \$152.0 million of directly owned fixed income securities and on \$517.0 million invested in two pooled US fixed income funds.

The System's directly owned fixed income investments and maturities at June 30, 2018 are:

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Investment Type:	<u>Investment Maturities</u>				
	<u>Fair Value</u>	<u>Investment Maturities (years)</u>			
	<u>(\$000s)</u>	<u>Under 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Over-10</u>
Corporate Bonds	\$93,299	\$4,241	\$22,662	\$33,299	\$33,097
Corporate Convertible Bonds	5,982	195	1,761	3,301	725
Government & Government Agencies	50,202	5,428	35,896	5,275	3,603
Total	<u>\$151,994</u>	<u>\$9,864</u>	<u>\$60,319</u>	<u>\$41,875</u>	<u>\$39,936</u>

Interest rate sensitivity of a fixed income portfolio is best measured by effective duration, which reflects the average percentage change in portfolio value due to a 1% change in interest rates. The effective duration for the System's directly held fixed income portfolio at June 30, 2018 is shown below:

<u>Investment Durations</u>		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Effective</u>
<u>(in \$ 000s)</u>		<u>Duration (Yrs)</u>
Corporate Bonds	\$93,299	5.99
Corporate Convertible Bonds	5,982	3.81
Government & Government Agencies	50,202	3.78
Government State & Local Debt	2,511	4.05
Total	<u>\$151,994</u>	<u>4.88</u>

Custodial Credit Risk: In the event of counter-party failure, the System may 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 custodial 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.

Credit Risk: The System's credit quality distribution for the System's directly held fixed income investments of \$152.0 million at June 30, 2018 is shown in the following table:

Investment Type	<u>Fixed Income Credit Quality Distribution</u>							
	<u>Credit Quality</u>							
<u>(in \$ 000s)</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>	<u>B</u>	<u>Below B</u>	<u>Unrated</u>
Corporate Bonds	\$-	\$7,406	\$14,403	\$26,738	\$17,430	\$22,097	\$4,151	\$1,073
Corporate Convertible Bonds	-	-	591	63	1,199	-	3,188	942
Government & Government Agencies	41,584	3,080	3,974	-	1,564	-	-	-
Government State & Local Debt	-	-	-	-	-	2,511	-	-
Total	<u>\$41,584</u>	<u>\$10,486</u>	<u>\$18,968</u>	<u>\$26,801</u>	<u>\$20,193</u>	<u>\$24,608</u>	<u>\$7,339</u>	<u>\$2,015</u>

Note: Ratings based on S&P Quality Ratings.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Foreign Currency Risk: Foreign investments include equity and fixed income securities, including convertible securities and cash. The Board has authorized specific investment managers to invest in non-dollar denominated securities. These managers have the ability to hedge a portion of their portfolio's foreign currency exposure. The System's exposure to foreign currency risk at June 30, 2018 was as follows:

Foreign Currency Exposure In Dollars

<i>Currency (in \$ 000s)</i>	Equity	Fixed Income & Convertible	Cash	Total
Australian Dollar	\$682	\$332	\$-	\$1,014
Brazilian Real	884	-	-	884
British Pound Sterling	6,343	407	-	6,750
Canadian Dollar	2,164	9,475	-	11,639
Chinese Yuan Renmini	2,920	-	-	2,920
Danish Krone	1,365	-	-	1,365
Euro	27,818	-	15	27,833
Hong Kong Dollar	18,969	-	-	18,969
Indonesian Rupiah	5,849	-	-	5,849
Japanese Yen	7,672	-	44	7,716
Mexican Peso	1,098	3,153	-	4,251
New Zealand Dollar	-	3,471	-	3,471
Nigerian Naira	460	-	-	460
Philippines Peso	7,625	-	2	7,627
South Africa Rand	1,154	-	-	1,154
South Korean Won	707	-	-	707
Swedish Krona	4,090	-	-	4,090
Swiss Franc	2,263	-	-	2,263
Thailand Baht	1,096	-	-	1,096
Turkish Lira	749	-	4	753
Total	\$93,908	\$16,838	\$65	\$110,811

F. Securities Lending

Under authorization of the Retirement Board, the System engaged in a securities lending program through its custodian, Northern Trust, for securities held in separate accounts. In accordance with the contract, Northern Trust may lend any securities held in custody. Only obligations issued by the U.S. Government are accepted as collateral investment. By not accepting cash collateral, the program relies on the demand of the loaned securities as the driver on income and is not subject to collateral reinvestment risk. Minimum collateralization levels for all loans is 102% of the market value of the borrowed securities or 105% if the borrowed securities are not denominated in dollars. Loans and collateral are marked to market on a daily basis. The collateral is maintained by Northern Trust and all securities on loan are callable at any time. The System does not have the ability to pledge or sell the collateral.

In the event the borrower becomes insolvent and fails to return the securities, Northern Trust indemnifies the System by agreeing to purchase replacement securities, or to remit the collateral held. There were no such failures by any borrower during the fiscal year nor were there any losses during the year resulting from a borrower or lending agent default.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The fair value of securities on loan decreased from \$50.8 million at the beginning of the year to \$23.5 million at June 30, 2018. The following table details the net income from securities lending for the fiscal year ended June 30, 2018:

Gross Income from Securities Lending	\$311,958
Less: Bank Management Fees	<u>(75,744)</u>
Net Income from Securities Lending	<u>\$236,214</u>

At June 30, 2018, the fair value of underlying securities lent was \$23,524,571 and the fair value of the non-cash collateral pledged was \$24,096,964. None of the System's pooled fund investments have material realized or unrealized securities lending related losses.

G. Fair Value of Investments

The System categorizes their fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

Level 1	Unadjusted quoted prices for identical instruments in active markets.
Level 2	Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.
Level 3	Valuations derived from valuation techniques in which significant inputs are unobservable.

For investments that do not have a readily determinable fair value, the System establishes fair value by using the NAV per share (or its equivalent), such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed. These investments are not classified in the fair value hierarchy. In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The System's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset. The table on the next page shows the fair value leveling on the investments for the System.

Equity securities classified in Level 1 of the fair value hierarchy are valued at the last sale price or official close price as of the close of trading on the applicable exchange where the security principally trades.

Equity and fixed income securities classified in Level 2 of the fair value hierarchy are valued at prices provided by independent pricing vendors. The vendors provide these prices after evaluating observable inputs including, but not limited to: quoted prices for similar securities, the mean between the last reported bid and ask prices (or the last bid price in the absence of an asked price), yield curves, yield spreads, credit ratings, deal terms, tranche level attributes, default rates, cash flows, prepayment speeds, broker/dealer quotations, inflation and reported trades.

Fixed income securities classified in Level 3 of the fair value hierarchy were valued using a single broker indicative quote.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Investments and Derivative Instruments Measured at Fair Value

	FY 2018	Fair Value Measurements		
		Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
Foreign, Municipal and U.S. Governments				
Government and Government Agency Debt	\$50,202,130	\$-	\$48,637,935	\$1,564,195
Government State and Local Debt	2,510,403	-	2,510,403	-
Corporate Fixed Income Obligations				
Corporate Bonds	93,298,716	-	92,982,742	315,974
Pooled Bond Funds	92,375,837	92,375,837	-	-
Corporate Convertible Bonds	5,982,409	-	5,982,409	-
Total debt securities measured at fair value	244,369,495	92,375,837	150,113,489	1,880,169
Equity Securities				
Domestic and Foreign Equities				
Common stock	464,468,269	464,462,592	-	5,677
Preferred stock	967,973	967,973	-	-
Pooled Equity Funds	699,498,989	699,498,989	-	-
Convertibles Equity	1,146,010	100,828	1,045,182	-
Total equity securities measured at fair value	1,166,081,241	1,165,030,382	1,045,182	5,677
Total investments by fair value level	<u>\$1,410,450,736</u>	<u>\$1,257,406,219</u>	<u>\$151,158,671</u>	<u>\$1,885,846</u>
Investments measured at the NAV				
Debt Securities				
Pooled Bond Funds	<u>\$424,619,483</u>			
Total Debt Securities measured at the NAV	424,619,483			
Equity Securities				
Domestic and Foreign Equities				
Pooled Global Equity Fund	101,103,540			
Pooled International Equity Fund	<u>89,972,554</u>			
Total equity securities measured at the NAV	191,076,094			
Alternative investments				
Private Equity				
Private Equity	<u>183,077,606</u>			
	183,077,606			
Real Estate Funds				
Real Estate	<u>3,529,065</u>			
Total alternative investments measured at the NAV	186,606,671			
Total investments measured at fair value	<u>\$802,302,248</u>			
Total investments	<u>\$2,212,752,984</u>			

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Total Assets at Net Asset Value				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Debt Securities				
Pooled Fixed Income	\$424,619,483	\$-	Daily	N/A
Total Debt Securities	424,619,483	-		
Equity Securities:				
Global Equities	101,103,540	-	Monthly	15-45 days
International Equity	89,972,554	-	Monthly	15-45 days
Total equity securities	191,076,094	-		
Alternative Investments:				
Private Equity	183,077,606	66,800,000	N/A	N/A
Real Estate	3,529,065	1,400,000	N/A	N/A
Total alternative investments	186,606,671	68,200,000		
Total investments measured at the NAV	\$802,302,248	\$68,200,000		

- **Unfunded Commitments.** At June 30th, the System had committed to fund certain alternative investment partnerships in the amount of \$305.5 million. Funding of \$238.7 million has been provided leaving an unfunded commitment of \$68.2 million.
- **Equity Focused Funds.** Global Equity and Global Pooled Equity includes global equity funds that invest in both U.S. and non-U.S. equities, seeking quality companies that are attractively valued and have growth potential. Large Cap Domestic Equity includes funds that invest primarily in large cap domestic equity securities.
- **Alternative Investments.** Real estate includes two funds, structured as limited partnerships, which invest primarily in land in the United States. Private Equity includes ten funds, structured as limited partnerships, which employ multiple investment strategies including buy-out, venture capital and fund-of-funds. These investments can never be redeemed with the funds. Instead, the nature of the investments of these types is that distributions are received through the liquidation of the underlying assets of the funds. It is expected that the underlying assets of the funds will be liquidated over the next 10 years.
- **Fixed Income Focused Funds.** Aggregate Bond Index Tracking includes one fund that maintains a portfolio constructed to match or track the components of the Barclays Capital U.S. Aggregate Index.

III. County's and Schools' OPEB Trust Funds Cash and Investments

Both, the County's and Schools' OPEB Trust Funds are authorized by the *Code of Virginia* §51.1-803 to invest the funds of the OPEB Trusts in accordance with the prudent person rule. The *Arlington County Code* §46-22 requires that the assets of the 2 Trusts be invested with care, skill, prudence and diligence under the 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. The Retirement Board may employ an investment advisor or advisors to invest or reinvest assets of the OPEB Trusts in accordance with the provisions of this chapter and regulations established by the Retirement Board.

The Retirement Board is also subject to the policies and procedures as adopted by the Retirement Board including a Governance Policy and an Ethics Policy that references each Trustee's obligations to comply with the *Code of Virginia* - State and Local Government Conflict of Interests Act (§2.2-3100 thru §2.2-3131). In the event of a conflict between the OPEB Trusts' documents and this policy, the trusts' documents shall prevail.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The OPEB Trusts' written investment policy states that diversifying the OPEB Trusts among asset classes reduces the market or systematic risk for the OPEB trusts. Based on risk and return expectations, the Retirement Board has established an asset allocation guideline for the OPEB Trusts among selected asset classes that it considers likely to achieve the return objectives of the OPEB Trusts.

The investment objective is to earn an average annual real rate of return that meets or exceeds the OPEB Trusts' assumed actuarial real rate of return, over rolling five-year periods, net of all fees and other expenses. The Retirement Board desires to structure an investment program that is simple yet sufficiently sophisticated to enable the OPEB Trusts to meet these return objectives with consistency within the risk parameters described by this policy.

The assets of each OPEB trust are managed separately and are not comingled. It is generally expected that the assets of the OPEB Trusts are managed in a similar if not identical fashion. Over time, the Retirement Board, at its discretion, may adopt different investment strategies for each OPEB trust to reflect different plan design considerations.

To help guide its risk control and asset allocation objectives, the Retirement Board has established the following primary asset allocation guidelines. Asset allocation for each trust should fall within the following ranges.

<u>Asset Class Matrix</u>	<u>Range</u>
Equities	60%- 70%
Fixed Income	30%- 40%

The following are approved investment options for the OPEB Trusts:

Vanguard Wellington Fund Admiral Shares (VWENX)

Vanguard Federal Money Market Fund (VMFXX)

The institutional class, called Admiral, of the Vanguard Wellington Fund is an actively managed balanced fund that provides exposure to both equities and fixed income. Vanguard Wellington Fund has the ability to modify the fund's asset mix to hold a range of 60% to 70% equities and 30% to 40% fixed income. Vanguard Wellington Fund covers a broad investment universe that includes exposure to domestic and foreign equities and has a wide selection of investment grade bonds. It is expected that 100% of each OPEB Trusts' assets are invested in the Vanguard Wellington Fund.

Responsibility for custody of the OPEB Trusts' assets will rest with each of the investment manager's custodians. Investment shares or units in an investment fund will be held in the name of each trust.

The OPEB Trusts' investments are recorded at fair value based on the methodology described above. The following table presents fair value of investments by type at June 30, 2018:

<u>County</u>		
Description	Percentage	Fair Value
Stocks	65%	\$84,624,604
Bonds	35%	45,567,095
Total:	100%	\$130,191,699

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 4. Receivables and Unearned Revenues

Receivables at June 30, 2018 are summarized below:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Real estate taxes	\$395,407,603	\$-
Personal property taxes	3,379,896	-
Business license taxes	11,634,480	-
Meal tax	1,017,169	-
Accounts receivable	67,001,686	19,679,439
Interest	1,584,731	-
Total	<u>480,025,565</u>	<u>19,679,439</u>
Less: Allowance for uncollectible accounts	<u>(1,108,998)</u>	<u>(630,522)</u>
Net receivables	<u><u>\$478,916,567</u></u>	<u><u>\$19,048,917</u></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 \$393,167,100, has also been recorded as deferred inflows of resources in the general fund 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.

The Affordable Housing Investment Fund (AHIF) is the County's main financing program for affordable housing development. The County provided residual receipt loans that benefit low and moderate-income households through subordinate deeds of trust to make the financing of affordable multifamily projects feasible. AHIF is a revolving loan fund that provides low interest loans for new construction, acquisition and rehabilitation of affordable housing. Outstanding principal balances for the AHIF loans of \$213 million and accrued interest of approximately \$24 million at June 30, 2018 are not reflected in the accompanying Statement of Net Position since payments are due only if the properties have sufficient cash flow. When loans are closed and proceeds disbursed to the non-profit developers, the loan amount is immediately expensed on the County's financial statements. When loan repayments or interest are received, the County recognizes such payments as revenue. Outstanding balances may be reinvested during future capital transactions including refinancing, recapitalizing or redeveloping the property.

Unearned revenues consist of two components: unearned revenues and deferred inflows of resources. Unearned revenues represent amounts for which asset recognition criteria were met, but for which revenue recognition criteria were not met. Deferred inflows of resources represents amounts for which asset recognition criteria were met, but which were not available to finance expenditures of the current period. At June 30, 2018, the components of unearned revenues reported were as follows:

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

<u>Governmental Activities</u>	<u>Unearned Revenues</u>
<u>General Fund</u>	
Household Credits	\$134,085
<u>Capital Project Fund</u>	
Master lease	5,092,003
Developer's contributions	3,935,072
	<u>9,027,075</u>
<u>Transportation Capital Fund</u>	
FTA deferred grant revenue	466,629
Total Unearned Revenues	<u><u>\$9,627,789</u></u>

<u>Deferred Inflows of Resources</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Taxes	\$10,712,839	\$3,974,433	\$14,687,272	\$-	\$14,687,272
Grants	2,839,291	3,228,776	6,068,067	-	6,068,067
Pension	51,500,000	-	51,500,000	-	51,500,000
OPEB	18,271,340	-	18,271,340	-	18,271,340
Housing development loans	623,153	50,369,856	50,993,009	-	50,993,009
Refunding of debt	3,294,616	-	3,294,616	2,275,263	5,569,879
Total Deferred Inflows of Resources	<u><u>\$87,241,239</u></u>	<u><u>\$57,573,065</u></u>	<u><u>\$144,814,304</u></u>	<u><u>\$2,275,263</u></u>	<u><u>\$147,089,567</u></u>

Deferred inflows of resources in governmental funds include \$393,167,100 of October installment of real estate taxes.

NOTE 5. Capital Assets and Intangible Assets

Capital asset activity for the year ended June 30, 2018:

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

For Governmental Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$176,794,701	\$29,253,583	\$-	\$206,048,284
Construction in progress	233,906,927	90,091,094	42,266,982	281,731,039
Total capital assets, not being depreciated	410,701,628	119,344,677	42,266,982	487,779,323
Capital assets, being depreciated:				
Infrastructure	726,254,649	21,687,250	-	747,941,899
Buildings	358,584,484	22,087,559	-	380,672,043
Furniture, fixtures and equipment	306,968,057	23,219,543	2,774,169	327,413,431
Intangible assets	7,431,510	156,515	-	7,588,025
Total capital assets being depreciated	1,399,238,700	67,150,867	2,774,169	1,463,615,398
Less accumulated depreciation for:				
Infrastructure	341,069,501	16,035,810	-	357,105,311
Buildings	131,961,764	10,394,582	-	142,356,346
Furniture, fixtures and equipment	166,913,813	21,462,284	2,566,193	185,809,904
Intangible assets	4,025,127	1,038,225	-	5,063,352
Total accumulated depreciation	643,970,205	48,930,901	2,566,193	690,334,913
Total capital assets, being depreciated, net	755,268,495	18,219,966	207,976	773,280,485
Governmental activities, net	\$1,165,970,123	\$137,564,643	\$42,474,958	\$1,261,059,808

Governmental activities capital assets, net of accumulated depreciated at June 30, 2018, are comprised of the following:

Governmental funds	\$1,230,877,599
Internal service funds	30,182,209
Total	\$1,261,059,808

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

For Business-type Activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$6,161,255	\$-	\$-	\$6,161,255
Construction in progress	47,796,454	24,382,829	41,206,374	30,972,909
Total capital assets, not being depreciated	<u>53,957,709</u>	<u>24,382,829</u>	<u>41,206,374</u>	<u>37,134,164</u>
Capital assets, being depreciated:				
Sewer system	387,432,363	15,377,398	-	402,809,761
Water system	795,324,630	26,864,302	-	822,188,932
Building	25,856,238	-	-	25,856,238
Furniture, fixtures and equipment	7,274,860	33,530	-	7,308,390
Intangible assets	1,368,617	-	-	1,368,617
Total capital assets being depreciated	<u>1,217,256,708</u>	<u>42,275,230</u>	<u>-</u>	<u>1,259,531,938</u>
Less accumulated depreciation for:				
Sewer system	107,081,352	2,000,917	-	109,082,269
Water system	102,222,805	14,457,663	-	116,680,468
Building	14,956,693	584,418	-	15,541,111
Furniture, fixtures and equipment	4,616,902	566,013	-	5,182,915
Intangible assets	1,180,740	44,353	-	1,225,093
Total accumulated depreciation	<u>230,058,492</u>	<u>17,653,364</u>	<u>-</u>	<u>247,711,856</u>
Total capital assets, being depreciated, net	<u>987,198,216</u>	<u>24,621,866</u>	<u>-</u>	<u>1,011,820,082</u>
Business-type activities, net	<u>\$1,041,155,925</u>	<u>\$49,004,695</u>	<u>\$41,206,374</u>	<u>\$1,048,954,246</u>

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Discretely presented component unit - Schools

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$4,697,946	\$-	\$-	\$4,697,946
Capital assets, being depreciated:				
Buildings	802,584,805	76,893,969	-	879,478,774
Furniture, fixtures, and equipment	108,734,374	10,626,168	-	119,360,542
Total capital assets being depreciated	911,319,179	87,520,137	-	998,839,316
Less accumulated depreciation for:				
Buildings	231,322,063	20,064,620	-	251,386,683
Furniture, fixtures, and equipment	68,588,519	6,311,858	-	74,900,377
Total accumulated depreciation	299,910,582	26,376,478	-	326,287,060
Total capital assets, being depreciated, net	611,408,597	61,143,659	-	672,552,256
Schools capital assets, net	\$616,106,543	\$61,143,659	\$-	\$677,250,202

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

Function and Activity	Depreciation Expense
Primary Government:	
Governmental function:	
General government	\$14,519,048
Public safety	3,588,207
Public works, including depreciation expense of infrastructure assets	18,272,211
Health and welfare	213,861
Libraries	258,837
Parks, recreation and culture	4,438,926
Planning and community development	1,649,109
Total depreciation expense - governmental functions	42,940,199
Internal Services	5,990,702
Total depreciation expense - governmental activities	\$48,930,901
Business-type activities:	
Utilities	\$16,606,557
Ballston Public Parking Garage	660,671
8th level Ballston Public Parking Garage	95,177
CPHD Development Fund	290,959
Total depreciation expense - Business-type activities	\$17,653,364
Total depreciation expense - Component unit - Schools	\$26,376,478

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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. Settled claims resulting from these risks have not exceeded the commercial reinsurance coverage for the past three years. At June 30, 2018, the current portion of these liabilities was \$7.92 million, which represents an estimate of health insurance claims that have been incurred but not reported of \$7.44 million, and are included in the accrued payroll liabilities and the current portion of workers' compensation of \$.49 million. The non-current portion was \$4.40 million, which represents an estimate of workers' compensation claims 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.

Changes in the reported liabilities since July 1, 2016 resulted from the following:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2016 – 2017				
Current	\$7,473,735	\$58,969,132	\$58,729,261	\$7,713,606
Long Term	\$3,530,952	\$4,533,833	\$3,808,786	\$4,255,999
2017 – 2018				
Current	\$7,713,606	\$57,207,479	\$56,996,117	\$7,924,968
Long Term	\$4,255,999	\$4,132,369	\$3,985,450	\$4,402,918

The County's policy for self-insurance reserve is \$5 million. The County has committed a self-insurance reserve in the General Fund of \$5,000,000 as of June 30, 2018.

The County maintains an operating reserve of 5% of the General Fund revenue operating budget for the following fiscal year. The County has committed an operating reserve in the General Fund of \$63,791,653 for FY 2018. Since its establishment in FY 1986, this operating reserve has not been used, but has been increased steadily to cover working capital needs and unexpected contingencies.

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:

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

<u>Fiscal Year</u>	<u>Amount</u>
2019	\$19,649,942
2020	19,894,129
2021	20,428,925
2022	20,603,742
2023	20,631,561
2024-2028	101,958,005
2029-2033	84,513,276
2034	4,647,054
	<u>\$292,326,634</u>

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. As of June 30, 2018, the lease liability \$18,115,607 has been accrued in the Ballston Public Parking Garage Fund.

In accordance with the lease agreement between the County as a lessor and VNO Courthouse II LLC as a lessee, an annual base rental payment is required to be paid equal to the greater of \$150,000 or 50% of the net cash flow generated by office and residential buildings located in the Court House area. During the fiscal year ended June 30, 2018, the County received \$2,537,350 under this lease agreement. The County has also entered into a seventy-five-year lease agreement with Arlington Hotel Associates LLC (LLC) on June 20, 2005 for the construction and operation of a hotel on land owned by Arlington County. The County (Lessor) leases the land to the LLC (Tenant), in return, the LLC made a one-time lump sum payment of \$150,000 upon receipt of the first certificate of occupancy and pays rent in the amount equal to 2% of annual gross revenues thereafter. The total payments received from the LLC during FY 2018 were \$225,466.

NOTE 8. Capital Leases

The County has capital lease arrangements to finance the acquisitions of capital assets, including Arlington Transit (ART) buses, energy performance upgrade for the Arlington County Justice Center, breathing apparatus for the Fire Department, Voice over Internet Protocol (VoIP) voice communication system, a rock crusher, computers, and equipment. Arlington Public Schools for the acquisition of computers. Assets acquired under capital leases at June 30, 2018 are summarized below:

	<u>Primary Government</u>	<u>Schools</u>
Building	\$1,395,842	\$-
Equipment	57,674,996	17,681,547
Equipment CIP	9,545,641	-
Auto	2,802,688	-
Total assets, at cost	<u>\$71,419,167</u>	<u>17,681,547</u>
Accumulated depreciation	<u>(28,659,016)</u>	<u>(9,636,760)</u>
Total assets, net	<u>\$42,760,151</u>	<u>\$8,044,787</u>

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The annual future minimum lease payments as of June 30, 2018 are as follows:

General Government:

Year Ending June 30,	Technology Services	Environmental Services	Public Safety	Total General Government
2019	\$2,338,645	\$484,045	\$2,380,502	\$5,203,192
2020	1,368,314	466,840	2,174,963	\$4,010,117
2021	1,079,808	466,840	2,174,963	\$3,721,611
2022	736,942	466,840	2,174,963	\$3,378,745
2023	122,372	466,840	1,847,592	\$2,436,804
2024-2025	122,372	466,839	2,209,673	\$2,798,884
Total Minimum Lease Payments	\$5,768,453	\$2,818,244	\$12,962,656	\$21,549,353
Less Imputed Interest	(183,507)	(328,343)	(758,814)	(1,270,664)
Amount deferred	(1,828,517)	-	(3,263,486)	(5,092,003)
Present Value of Minimum Payments	<u>\$3,756,429</u>	<u>\$2,489,901</u>	<u>\$8,940,356</u>	<u>\$15,186,686</u>

Internal Service Funds:

Year Ending June 30,	Auto Equipment
2019	\$1,076,967
2020	616,604
2021	616,604
2022	231,321
2023	231,321
Total Minimum Lease Payments	\$2,772,817
Less Imputed Interest	(95,675)
Present Value of Minimum Payments	<u>\$2,677,142</u>

Enterprise Funds:

Year Ending June 30,	Utilities
2019	\$17,205
Total Minimum Lease Payments	\$17,205
Less Imputed Interest	(243)
Present Value of Minimum Payments	<u>\$16,962</u>

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Component Unit – Schools:

<u>Year Ending June 30,</u>	<u>Schools</u>
2019	\$2,745,561
2020	<u>1,837,950</u>
Total Minimum Lease Payments	\$4,583,511
Less Imputed Interest	<u>(87,597)</u>
Present Value of Minimum Payments	<u><u>\$4,495,914</u></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 Build America Bond Subsidies, are as follows:

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

ARLINGTON COUNTY, VIRGINIA
GENERAL OBLIGATIONS BONDS

Fiscal Year	GENERAL FUND		SCHOOL FUND		UTILITY FUND		TOTAL GO BOND	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$40,994,171	\$19,125,980	\$40,309,215	\$18,614,034	\$7,671,614	\$3,491,148	\$88,975,000	\$41,231,162
2020	37,053,185	18,601,649	34,501,715	18,775,076	7,490,101	3,154,691	79,045,001	40,531,417
2021	32,816,034	17,191,242	34,053,751	17,337,619	7,750,216	2,863,365	74,620,000	37,392,226
2022	32,705,352	15,829,284	32,021,492	15,937,571	7,343,155	2,460,590	72,070,000	34,227,445
2023	32,939,501	14,378,139	31,160,499	14,510,967	7,620,000	2,124,466	71,720,000	31,013,571
2024-2028	146,595,000	50,720,955	150,260,000	51,455,672	34,725,000	5,254,465	331,580,000	107,431,093
2029-2033	114,160,000	22,722,791	109,965,000	22,177,410	9,185,000	734,279	233,310,000	45,634,480
2034-2038	53,110,000	4,907,175	50,315,000	4,946,575	385,000	14,438	103,810,000	9,868,188
	<u>\$490,373,242</u>	<u>\$163,477,214</u>	<u>\$482,586,672</u>	<u>\$163,754,925</u>	<u>\$82,170,086</u>	<u>\$20,097,442</u>	<u>\$1,055,130,001</u>	<u>\$347,329,581</u>

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

ARLINGTON COUNTY, VIRGINIA
IDA BONDS

Fiscal Year	Principal	Interest	Total
2019	\$4,625,000	\$4,788,617	\$9,413,617
2020	4,470,000	4,626,193	9,096,193
2021	5,790,000	4,466,276	10,256,276
2022	5,845,000	4,228,250	10,073,250
2023	5,910,000	3,982,349	9,892,349
2024-2028	27,095,000	16,273,350	43,368,350
2029-2033	25,960,000	10,480,729	36,440,729
2034-2038	16,505,000	5,271,208	21,776,208
2039-2043	14,730,000	1,856,859	16,586,859
	<u>\$110,930,000</u>	<u>\$55,973,830</u>	<u>\$166,903,830</u>

ARLINGTON COUNTY, VIRGINIA
VRA BONDS

Fiscal Year	Principal	Interest	Total
2019	\$15,140,287	\$4,620,494	\$19,760,781
2020	15,560,155	4,200,626	19,760,781
2021	15,991,799	3,768,982	19,760,781
2022	16,435,552	3,325,229	19,760,781
2023	16,891,758	2,869,023	19,760,781
2024-2028	77,952,858	7,357,856	85,310,715
2029-2033	16,073,860	558,861	16,632,721
	<u>\$174,046,269</u>	<u>\$26,701,069</u>	<u>\$200,747,338</u>

B. 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. This revenue bond has matured and last debt payment was made on August 1, 2017.

Using a usual and customary direct-pay letter of credit mechanism, during FY 2018, the County drew from the letter of credit \$6,467 to pay bondholders for the interest accrued on the revenue bonds. The letter of credit drawdowns was immediately repaid by the County from garage revenues held in trust at the time of the drawdowns. The fee associated with the letter of credit was \$7,942 in FY 2018. During FY 2018, the final bond principal payment of \$4,600,000 was repaid from garage revenues in accordance with the terms of the letter of credit agreement.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

C. Mortgage and Ground Lease 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. The short-term portion of mortgage and ground lease interest payable was \$31,697,561. As of June 30, 2018, all payments have been deferred.

D. Virginia Resources Authority ("VRA") Loan Payable

VRA Bonds were issued in June 2004 in the amount of \$100,000,000. The proceeds from those bonds were received by the County prior to fiscal year 2012. The interest rate on these bonds is 3.10 percent. The principal outstanding on these bonds at June 30, 2018 was \$47,477,337. These bonds mature in fiscal year 2026.

In June 2007, the County entered into a Financing Agreement with VRA. VRA agreed to issue \$4,000,000 (Series 2007 A) and \$76,000,000 (2007 Series B) in Wastewater System Revenue Bonds (VRA Bonds) and lend the proceeds to the County for improvements to the County's water pollution control plant and wastewater system. The proceeds from those bonds were received by the County prior to fiscal year 2012. The balance of the Series 2007 A bonds was paid off in June 2018. Interest is charged at a rate of 2.52 percent on the Series B bonds, and the principal outstanding on these bonds at June 30, 2018 was \$44,064,137. These bonds mature in fiscal year 2028.

In October 2008, the County entered into a Financing Agreement with VRA, which agreed to issue \$50,000,000 in Wastewater System Revenue Bonds, Series 2008 and lend the proceeds to the County to continue the improvements to the water pollution control plant. The interest rate on these bonds is 2.72 percent. The proceeds from those bonds were received by the County prior to fiscal year 2012. The principal outstanding on these bonds at June 30, 2018 was \$33,103,342. These bonds mature in fiscal year 2030.

In June 2009, the County entered into a Financing Agreement with VRA. VRA agreed to issue \$35,000,000 in Wastewater System Revenue Bonds, Series 2009 and lend the proceeds to the County to continue the improvements to the water pollution control plant. The interest rate on these bonds is 2.65 percent. The proceeds from those bonds were received by the County prior to fiscal year 2011. On June 30, 2018, principal outstanding on these bonds was \$24,760,238. These bonds mature in fiscal year 2031.

In May 2010, the County entered into a Financing Agreement with VRA. VRA agreed to issue \$1,856,428 (Series 2008), \$16,795,849 (Series 2009), and \$16,347,723 (Series 2010) Wastewater System Revenue Bonds and lend the proceeds to the County to continue the improvements to the water pollution control plant. The interest rate on these bonds is 2.72 percent, 2.65 percent, and 2.93 percent, respectively. At June 30, 2018, the principal outstanding on these bonds was \$1,314,469 on Series 2008 bonds, \$11,881,978 on Series 2009 bonds and \$11,444,768 on Series 2010 bonds. These bonds mature in fiscal year 2031.

All current and prior bonds are secured by a pledge of County sewer revenues.

E. IDA Revenue Bonds (Various County Projects)

On January 27, 2011, the IDA issued \$11,940,000 in Revenue Bonds for the benefit of Arlington County (the "2011 IDA Bonds"). The 2011 IDA Bonds are due in annual installments of \$250,000 to 620,000 through 2031, interest from 2% to 5% and were for the funding of the County's construction of Fire Station #3, park space at Buckingham Village I, and construction of Arlington Mill Community Center. The County has agreed under a Cooperation Agreement between the County and the

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

IDA that subject to appropriation by the County Board, the County will deliver to the IDA sufficient funds to make payments with respect to the 2011 IDA Bonds. As of June 30, 2018, \$1,245,000 remains outstanding.

On May 9, 2013, the IDA issued \$76,315,000 in Revenue Bonds for the benefit of Arlington County (the "2013 IDA Bonds"). The 2013 IDA Bonds are due in annual installments of \$1,205,000 to \$3,005,000 through 2042, interest from 4% to 5% and were for the funding of the County's acquisition and improvements to land and property located at 2020 14th Street North, advance refunding of the 2004 IDA Lease Revenue Bonds and refunding of IDA Revenue Notes. The County has agreed under a Cooperation Agreement between the County and the IDA that subject to appropriation by the County Board, the County will deliver to the IDA sufficient funds to make payments with respect to the 2011 IDA Bonds. As of June 30, 2018, \$52,520,000 remains outstanding.

On October 27, 2017, the IDA issued \$31,715,000 in Revenue Bonds and \$26,150,000 in Refunding Bonds for the benefit of Arlington County (the "2017 IDA Bonds"). The 2017 IDA Bonds are due in annual installments of \$990,000 to 1,335,000 through 2043, interest of 5% and were for the funding of the acquisition of the Buckingham and Head Start properties. The County has agreed under a Cooperation Agreement between the County and the IDA that subject to appropriation by the County Board, the County will deliver to the IDA sufficient funds to make payments with respect to the 2017 IDA Bonds. As of June 30, 2018, \$57,165,000 remains outstanding.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

F. Changes in Long-Term Liabilities

During the year ended June 30, 2018, 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
<u>General Government:</u>					
Compensated absences*	\$33,500,387	\$34,587,095	(\$34,483,270)	\$33,604,212	\$3,360,421
Workers' compensation	4,728,888	4,591,521	(4,428,278)	4,892,131	489,213
GO Bonds - County	247,142,163	61,155,000	(20,328,675)	287,968,488	22,918,038
Refunding Bonds - County	221,200,377	-	(18,795,623)	202,404,754	18,076,133
GO Bonds - Schools	218,622,839	92,400,000	(19,071,325)	291,951,514	24,481,963
Refunding Bonds - Schools	206,310,887	-	(15,675,729)	190,635,158	15,827,252
IDA - Metro and Buckingham Village 1	32,765,000	-	(32,765,000)	-	-
IDA Revenue Bonds - 2011	8,690,000	-	(7,445,000)	1,245,000	625,000
IDA Revenue Bonds - 2013	55,525,000	-	(3,005,000)	52,520,000	3,010,000
IDA Revenue Bonds - 2017	-	57,865,000	(700,000)	57,165,000	990,000
Capital leases	21,124,811	3,759,718	(9,697,843)	15,186,686	4,806,268
Bond premiums - County	50,582,512	16,997,420	(3,286,634)	64,293,298	4,075,828
Bond premiums - Schools	44,159,154	15,442,463	(2,764,185)	56,837,432	3,536,309
Net pension liability/(asset)**	90,000,000	196,400,000	(337,900,000)	(51,500,000)	-
Net OPEB liability**	201,899,430	-	(9,240,125)	192,659,305	-
Totals General Government	\$1,436,251,448	\$483,198,217	(\$519,586,687)	\$1,399,862,978	\$102,196,425
<u>Internal service:</u>					
Compensated Absence	\$566,057	\$641,149	(\$632,596)	\$574,610	\$57,461
Capital lease	3,682,247	-	(1,005,105)	2,677,142	1,029,784
Total Governmental Activities	\$1,440,499,752	\$483,839,366	(\$521,224,388)	\$1,403,114,730	\$103,283,670
<u>Component Unit - Schools:</u>					
Compensated absences	\$38,475,881	\$17,285,531	(\$16,808,088)	\$38,953,324	\$3,895,332
Capital lease	4,329,793	3,357,475	(3,191,354)	4,495,914	2,681,809
Net pension liability**	500,915,926	-	(54,425,201)	446,490,725	-
Net OPEB liability**	194,272,970	4,297,000	(8,781,606)	189,788,364	-
	\$737,994,570	\$24,940,006	(\$83,206,249)	\$679,728,327	\$6,577,141
<u>Business-Type Activities</u>					
Compensated absences-Utilities	\$1,320,535	\$1,988,502	(\$1,965,257)	\$1,343,780	\$134,378
Compensated absences-CPHD	638,386	924,206	(884,941)	677,651	67,765
GO Bonds - Utilities	21,994,999	-	(2,370,000)	19,624,999	2,375,000
Refunding Bonds - Utilities	67,878,735	-	(5,333,648)	62,545,087	5,296,614
Revenue Bonds - Ballston	4,600,000	-	(4,600,000)	-	-
Mortgage Payable - Ballston	3,429,679	-	-	3,429,679	3,429,679
Mortgage and Interest Payable - Ballston	29,646,312	2,051,249	-	31,697,561	31,697,561
VRA Loan Payable	191,314,640	-	(17,268,371)	174,046,269	15,140,287
Bond and mortgage interest payable - Utilities	3,160,123	-	(540,567)	2,619,556	2,619,556
Capital Leases	50,170	-	(33,208)	16,962	16,962
Bond Premium - Utilities	4,111,309	-	(317,915)	3,793,394	316,120
Total business-type activities	\$328,144,888	\$4,963,957	(\$33,313,907)	\$299,794,938	\$61,093,922

* The general, Schools and utility funds have been used in prior years to liquidate compensated absences.

** Pension and OPEB liabilities for general government and Schools weren't included in the long-term liabilities schedule for fiscal year 2017.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 10. Net Investments in Capital Assets – 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. The County is liable for this debt and reports this debt as a liability, which represents a total of \$415,174,369 net of deferred cost of refunding for Schools, whereas Schools reports the capital assets and unspent bond proceeds. In accordance with GAAP, investment in capital assets must be presented net of related debt, in order to reflect the true position of the primary government and component units. Therefore, the net investment in capital assets of governmental activities does not include the component unit - School's debt issued by the primary government for a total of \$415,174,369 in its calculation. This debt is reflected in the total reporting entity column, since the debt is owned by the County. The sum of the columns between the primary government and component units does not equal the total reporting entity column by a difference of \$415,174,369 because the debt related to Schools is reduced from net investment in capital assets of the total reporting entity. The unrestricted net position balance of the total reporting entity therefore reflects the impact of the reclassification for Schools as shown in the table below. The total reporting entity column provides a true picture and matches the County's assets with the debt and reports the net amounts on the net investment in capital assets.

	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	Schools	Gates Partnership	School's Debt Reclassification	Total Reporting Entity
NET POSITION:							
Net investment in capital assets	\$709,263,105	\$782,955,479	\$1,492,218,584	\$669,586,313	\$20,059,291	(\$415,174,369)	\$1,766,689,819
Restricted							
Capital projects	136,685,234	-	136,685,234	157,543,728	-	-	\$294,228,962
Seized assets	1,325,556	-	1,325,556	-	-	-	\$1,325,556
Grants	491,137	-	491,137	4,338,159	-	-	\$4,829,296
Unrestricted	69,280,588	41,338,610	110,619,198	(540,914,359)	4,543,551	415,174,369	(\$10,577,241)
Total net position	\$917,045,620	\$824,294,089	\$1,741,339,709	\$290,553,841	\$24,602,842	\$-	\$2,056,496,392

NOTE 11. Inter-fund Receivables, Payables and Transfers

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 inter-fund loans). The amounts of such transactions not received or paid at June 30, 2018 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, 2018

Due to/ from other funds

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$1,002,398	\$-
Printing Fund	-	317,400
Section 8 Housing	-	684,998
	<u>\$1,002,398</u>	<u>\$1,002,398</u>

Due to/from primary government and component unit

	<u>Receivables Entity</u>	<u>Payables Entity</u>
General Fund	(\$1,153,681)	\$93,168,181
General Capital Fund		
General Capital Projects	-	\$3,357,475
School Funds:		
Operating		
Primary Government	69,302,426	(1,153,681)
Community Activities		
Primary Government	1,081,169	-
Pay-As-You-Go		
Primary Government	26,049,912	-
CSA		
Primary Government	92,149	-
	<u>\$95,371,975</u>	<u>\$95,371,975</u>

The primary purpose of inter-fund transfers is to provide funding for operations and capital projects. Inter-fund transfers for the year ended June 30, 2018 are as follows:

Transfer	General Fund	Special Revenue Funds	Capital Projects Funds	Enterprise Funds	Internal Service Funds	Total Transfers Out
General Fund	\$-	\$820,970	\$14,619,903	\$600,000	\$479,100	\$16,519,973
Special Revenue Funds	76,990	-	-	-	-	76,990
Transportation Project Fund	1,102,740	-	-	-	-	1,102,740
Non-major Capital Projects Funds	1,746,517	-	-	-	-	1,746,517
Internal Service Funds	130,000	-	-	-	-	130,000
Trust & Agency Funds	-	-	-	284,701	-	284,701
Total Transfers In	<u>\$3,056,247</u>	<u>\$820,970</u>	<u>\$14,619,903</u>	<u>\$884,701</u>	<u>\$479,100</u>	<u>\$19,860,921</u>

NOTE 12. Fund Balance

The County reports its fund balance for governmental funds as non-spendable, restricted, committed, assigned and unassigned. The County considers restricted and committed amounts of fund balance to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this; such as a grant agreement requiring

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

dollar for dollar spending. Additionally, the County would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made. Fund balance must be appropriated by the County Board prior to spending.

Majority of the fund balance is set aside from the general fund and capital projects fund. The fund balance for each special revenue fund is restricted or non-spendable. The revenue source for special revenue funds is listed below:

<u>Special Revenue Funds</u>	<u>Revenue Source</u>
Ballston Business Improvement District	Real Estate Taxes
Rosslyn Business Improvement District	Real Estate Taxes
Crystal City Business Improvement District	Real Estate Taxes
Community Development Grants	Federal Grants
Section 8 Housing Program	Federal Grants
Travel & Tourism Promotion	Transient Taxes
Ballston Quarter Community Dev. IDA	Real Estate Taxes

Certain portions of fund balance are non-spendable, restricted or committed by the County Board for specific purposes and is therefore not available for general appropriations. Future disbursements of the fund balances are accounted for as expenditures in the year in which they are incurred. All subsequent additions, reductions or redirections of resources must be approved by the County Board.

The County has committed a general fund balance self-insurance reserve of \$5,000,000 and an economic and revenue stabilization contingent of \$4,000,000 as of June 30, 2018. Additionally, the County maintains a general fund operating reserve at five percent of the County's general fund budget. Since its establishment in FY 1986, the operating reserve has not been used, but has been increased steadily. Appropriations from the operating reserve require County Board approval and may only be made to meet critical and unforeseen financial needs. Any draw on the operating reserve will be replenished within the subsequent three (3) fiscal years.

NOTE 13. Commitments and Contingencies

A. Washington Metropolitan Area Transit Authority

In October 2004, the County and other WMATA contributing jurisdictions signed to the Metro Matters Funding Agreement (MMFA) with WMATA for fiscal year 2006-2010 for \$3.3 billion. The MMFA described funding priorities for system renewal and enhancement projects for Metrorail and Metrobus, and presented a financial plan to implement more than \$3 billion in projects over the six-year period of the Agreement which ended in June 2010.

In July 2010, the Metro Matters Program was succeeded by the WMATA Capital Funding Agreement (the "Agreement"). This Agreement covered \$5.0 billion in capital funding needs throughout fiscal years 2011 – 2016 and served as a master agreement to support future capital needs presented in annually updated Capital Improvement Programs (CIP). The current FY 2016 – 2021 CIP is a 6-year forecast that lays out the specific projects to be funded, along with the sources of funds, in accordance with the Agreement. The CIP may include any capital project or purchase eligible for capital funding and may include projects in such categories as: vehicles and vehicle parts, rail system infrastructure rehabilitation, maintenance facilities, systems and technology, tracks and structures, passenger facilities, maintenance equipment, other facilities, project management, safety and security projects, and preventative maintenance.

Arlington County's contribution of \$105 million in funding over the 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 Capital Funding Agreement needs.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

In addition, the County shares the 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 2018, the County paid \$36.2 million from its general fund to subsidize WMATA's Metrobus, Metrorail and MetroAccess operating costs.

B. Construction Commitments

As of June 30, 2018 contractual commitments were outstanding in the following funds for the amounts indicated:

Capital Project Funds	\$89,902,201
Utilities Funds	12,049,659
	<u>\$101,951,860</u>

These projects include transportation infrastructure, government facilities, parks and playgrounds, technology equipment and systems, utility water distribution system improvements, sanitary sewer system improvements, wastewater treatment plant improvements, and stormwater capital 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 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 IDA 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 IDA 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. The Series 1998 A bonds matured in January 2008, and the plant was sold to Covanta for \$10.00 per bill of sale which was dated February 28, 2008. On July 30, 2012, the Trust defeased the 1998

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

B bonds to take advantage of lowering the tipping fees. The Trust received a payment of \$1,468,952 after it paid \$1,680 in legal fees and \$4,083 in administration fees.

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

Since acceptance testing on each unit was completed in November 2000, the operating lease agreement between the ASWA and the Corporation took effect in January 2001. Since in essence the lease is a capital lease, the capital assets completed and covered by the lease and the promissory note are removed from the County records and are now considered a part of the plant.

D. Alexandria/Arlington Waste To Energy Facility Monitoring Group Trust Fund "WTE-FMG"

On December 31, 2012, Arlington County and the City of Alexandria entered into a new Inter-local agreement and established the Waste To Energy Facility Monitoring Group Trust "WTE-FMG" and terminated the Alexandria/Arlington Waste Disposal Trust fund. The new trust oversees the operation of the facility and it has been used to pay consulting fees to the engineering firm for operations and maintenance audits of the facility, professional association fees and other payments related to the WTE facility. The Trust derives its revenue mainly from contributions by both jurisdictions and interest on invested funds. The funds are invested by Arlington County in First Virginia Community Bank, the carrying value of the funds totaled \$140,024 and \$118,743 and the bank balance totaled \$173,399 and \$118,743 at June 30, 2018 and June 30, 2017 respectively. During FY 2018, the WTE-FMG had \$118,672 as revenues and project-related expenditures of \$98,315.

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 was 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 Federated Department Stores, Inc.(FDS), as lessor, and the County, as lessee.

The Skating Facility contains approximately 95,000 square feet of constructed space and houses, among other amenities, two ice sheets suitable for National Hockey League use, one of which is 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 development also includes 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, FDS, and certain other parties. The County has also constructed public parking (the "Parking Facilities") on the Eighth Level Slab.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 a third party beneficiary, under the Skating Facility Agreement. The County is currently leasing the Eighth Level Slab to the IDA and the IDA is leasing back to the County a portion of the Eighth Level Slab on which the County is operating the Parking Facilities.

In 2005, the IDA negotiated with the Capitals a Development Agreement under which the IDA developed and constructed the Skating Facility. The IDA issued \$35,700,000 Series 2005 IDA Skating Facility Taxable Revenue Bonds (the “Bonds”) to provide financing for the Skating Facility and, if necessary, the Parking Facilities.

On April 22, 2010 the IDA issued \$30,120,000 Series 2010 IDA Taxable Revenue Refunding Bonds (“Refunding Bonds”) with an average interest rate of 5.37% to refund \$35,200,000 of outstanding Bonds. The net proceeds of \$29,781,467 (after payment of \$338,533 in underwriting fees, insurance, and other issuance costs) plus an additional \$5,418,533 debt service reserve fund and debt service fund monies were used as payment on the Bonds. The 2005 Bonds were issued as a floating rate obligation, with interest payable monthly based off a spread to the London Interbank Offered Rate (LIBOR). The Bonds were redeemed in full at par on May 3, 2010 without penalty and there would not be any Net Present Value (NPV) savings given that the Bonds were floating rate obligation callable at any time. As of June 30, 2018, \$23,095,000 was outstanding under these Taxable Revenue Refunding bonds.

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. 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.

The IDA owns the Skating Facility and is currently leasing 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 have furnished, equip and operate the Skating Facility. Under the Capitals Lease, the Capitals will make payments of rent that are 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. In FY 2018, \$2.4 million was received from the Capitals.

Construction on the project started in April of 2005 and the ice rinks opened to the public and the Capitals on November 10, 2006.

F. Industrial Development IDA Affordable Housing Project

AHC Limited Partnership-10 (“AHC-10”) and AHC Limited Partnership-11 (“AHC-11”) (collectively the “Gates Partnership”) Debt (Series 2006) was issued by the IDA, Virginia and the proceeds loaned to the Gates Partnership in order to acquire, rehabilitate, and equip a 464-unit multifamily apartment complex for rental to individuals and families of low-income known as the Gates of Ballston (the Project). The debt is projected to be repaid from the revenues generated by the Project. AHC-10 owns the Project, is the borrower on the debt, and leases the Project to AHC-11 under a master lease agreement; AHC-11 rents the Project units to subtenants, pays all operating expenses, and is responsible for making monthly lease payments to AHC-10. The Gates Partnership also has a mortgage note with the Virginia Housing Development Authority and a promissory note with the County. Subject to appropriation, the County will only be responsible for reimbursement of the debt service payments to the extent that the debt service reserve of the Gates Partnership is insufficient to make the required debt service payments.

G. 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.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 arrangement with the Industrial Development Authority of Loudoun County. The County maintains an equity interest only in the land and building of the Academy, which is reflected in the County's General Capital Leases. The County does not maintain an equity interest in the Academy's operations. In 2006, the County Board approved a resolution which committed the County to enter into an Agreement with the Academy.

The Counties of Arlington, Loudoun and Prince William and the City of Alexandria (Principal Members) agreed to facilitate the financing of the acquisition and construction of an Emergency Vehicle Operating Center ("EVOCC") on property to be owned by the Academy and refinance existing indebtedness (\$6,585,000). Northern Virginia Criminal Justice Academy Lease Revenue Bonds, Series 1993 issued by the Industrial Development Authority of Loudoun County; establish a debt service reserve fund, if needed and finance costs of issuance related to the transaction. The financing of the EVOCC was accomplished by the issuance of lease revenue bonds (the "Academy Bonds") by the Loudoun IDA in the aggregate principal amount of \$18,650,000.

The Academy Bonds are payable solely from the revenues derived by the Loudoun IDA from a financing lease between the Authority and the Principal members. The Loudoun IDA leases the EVOCC to the Principal Members who have agreed to make rental payment, subject to annual appropriations sufficient to pay the principal and interest on the Academy Bonds, maintain certain reserve requirements and apply other costs, if any associated with the EVOCC. In 2011, \$4M of the outstanding bonds was advance refunded.

The Academy Bonds do not constitute a debt or a pledge of the credit or taxing powers of Arlington County and the Loudoun IDA is not obligated to make any payments on the Academy Bonds except from payments made on behalf of the County and other Principal Members under the financing lease.

In addition, the County pays the Northern Virginia Criminal Justice Academy for operating costs based on the pro-rata share of officers trained as well as capital costs in the form of debt service payments associated with the bond financing of the construction of the Emergency Vehicle Operations Center (EVOCC). In FY 2018, the County paid \$702,095 in combined 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 Cities of Alexandria and Richmond to form an Authority to construct and operate a regional jail in Caroline County. The regional jail was used primarily to hold prisoners from each member jurisdiction. The Authority was 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, was now a part of the project.

The regional jail was designed with the capacity for 336 prisoners. The County guaranteed a minimum of 60 beds. The Authority issued \$10.22 million in revenue bonds and \$12 million in grant anticipation notes in March 1997. The County had no equity in the jail and was not responsible for repayment of the bonds or notes. The County's portion of the project costs included approximately \$3.8 million over the 20-year period of debt (1997-2017). In FY 2018, the County paid \$0 in combined capital and operating costs. In FY 2018, the Regional Jail facility permanently closed, ending its relationship with Arlington County.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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 Voya. The plan's investments are not reported on the County's Balance Sheet as such funds are held in a trust, over which the County has limited oversight.

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 System was established under Chapters 21, 35, and 46 of the Arlington County Code.

The Schools participate in two VRS plans: the cost-sharing employer Teacher Retirement Plan and an agent Political Subdivision plan.

A. Arlington County Employees' Retirement System (ACERS)

Plan Description

ACERS, also referenced as the "System", is a pension trust fund of the County financial reporting entity and is included in the County's Comprehensive Annual Financial Report. The accompanying financial statements present information on the operations of the System in conformity with generally accepted accounting principles.

The System is a single employer public employee defined benefit pension plan providing retirement benefits to Arlington County uniformed and general employees and to certain School Board employees.

Plan Administration

On November 16, 2004, amendments to Arlington County Chapters 21, 35 and 46 were made to transfer the System's administrative responsibilities to the County Manager while leaving investment responsibility with the Retirement Board.

The Retirement Board consists of seven voting and three substitute trustees as follows:

- Three appointed by the County Board
- One appointed by the County Manager
- One trustee and one substitute trustee elected by general employees
- One trustee and one substitute trustee elected by police officers, firefighters, and deputy sheriffs (uniform)
- One trustee and one substitute trustee elected by retired employees

If no eligible person is nominated for an elected position, the County Manager appoints an eligible person to serve as trustee.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

In December 2007, the County Code was modified to require that the trustees elected by active employees be active employees and that the trustees elected by retired employees currently be receiving retirement benefits from the System.

The trustees annually elect a President, Vice-President and Secretary from among their members, and appoint a Treasurer and Assistant Treasurer, who may or may not be a member of the Retirement Board.

The trustees annually approve a Retirement Board Investment Office administrative budget. Administrative expenses are funded from System assets.

Plan Membership

At June 30, 2018, System membership consisted of the following:

	<u>General</u>	<u>Uniformed</u>	<u>School</u>	<u>Total</u>
Active Employees:				
Vested	1,644	554	11	2,209
Non-Vested	1,045	277	-	1,322
Total Active Employees	2,689	831	11	3,531
Vested Deferred	491	106	34	631
Retirees and Beneficiaries	2,305	851	929	4,085
Total Members	<u>5,485</u>	<u>1,788</u>	<u>974</u>	<u>8,247</u>

Benefits Provided

The System provides retirement benefits as well as survivor and disability benefits. The table below describes the benefits and how they are calculated.

All plan members are eligible for disability benefits after two years of service and qualify for Social Security disability at retirement. Disability retirement benefits are determined in the same manner as retirement benefits with no reduction for early retirement.

All normal retirement benefits vest after five years of credited service. If an employee leaves covered employment before five years of credited service, accumulated employee contributions plus interest are refunded to the employee or designated beneficiary. A summary of member contribution rates, normal service retirement and average final compensation for the employees covered under various chapters of the County Code except for the period ending June 30, 2018 is provided in the next section below.

Benefit terms provide for annual cost of living adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustments are 100% of the CPI-U increase up to a maximum of 3% plus one half of the CPI-U increase for the next 9%. This equates to a maximum of 7.5% increase for a 12% increase in the CPI-U.

The System also provides a Deferred Retirement Option Plan (DROP) for employees eligible for retirement. Retirement benefits are paid into a stable value investment fund for DROP participants.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Member Contributions and Retirement Benefits

	<u>Participants Covered Under Arlington County Code Chapter</u>		
	<u>21</u>	<u>35</u>	<u>46</u>
Covers Employees Hired:	Before 2/8/81	Before 2/8/81	2/8/81 or After
Contribution Rates:			
General Employees	4.00%	None Required	4.00%
School Board Employees	4.00%	None Required	N/A
VRS eligibility required	No	Yes	N/A
Uniformed Employees:			
- Management	5.62%	N/A	5.00% through 1/3/09,
- Non-Management	6.62%	N/A	5.00% through 1/3/09, 7.50% thereafter
Normal Retirement Age:			
General County Employees	60	62	62
School Board Employees	60	62	N/A
Uniformed Employees	50	N/A	52
"Rule of 80" Applies	Yes	No	Yes
Retirement Benefit:			
Percentage of Average Final Salary (AFS) times years of creditable service subject to a 30-year maximum. AFS is generally the average of the three highest compensation years, including overtime. For Chapter 46 employees retiring on or after 1/4/09, the New AFS definition excludes overtime and most premium pays.	2.50% for each of the first 20 years plus 2.00% for each of the next 10 years	2.13% reduced by the VRS benefits under Formula A	Retiring on/prior to 1/3/09 General: 1.50% Uniform: 2.00% until Social Security Eligible then 1.50%, 1.70% & 2.00% for each 10 year increment Retiring on/after 1/4/09 General: 1.70% New AFS or 1.50% Prior AFS through 1/3/09 plus 1.70% New AFS thereafter Uniform: 2.50% through 1/3/09 plus 2.70% thereafter on New AFS or 2.00% Prior AFS through 1/3/09 plus 2.70% New AFS thereafter until Social Security Eligible then 1.50%, 1.70% & 2.00% for each 10-year increment prior to 1/3/09
Employee contribution refund upon leaving County	Contributions plus interest	N/A	Contributions plus interest

Contributions

Chapters 21, 35 and 46 of the County Code established the Plan and provide the basis for determining the contribution rates. The County Board may amend the Plan at any time.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Based on an annual actuarial valuation prepared by an actuary selected by the Retirement Board, a contribution rate is recommended to the County Board for adoption. The actuarially determined rate results in contributions to the Systems which, along with member contributions, are anticipated to be sufficient to fund the value of benefits expected to be earned by plan members during the year, plus an amount to amortize any unfunded actuarial liability.

As of the measurement date for the year ended June 30, 2018, the active member contribution rate was 4.00% of pay for general employees and 7.50% of pay for uniformed employees. The County's blended contribution rate was 21.00% of annual covered payroll.

Rate of Return

For the year ending June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.80%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Schedule of Investment Returns

Last Four Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual Money-Weighted Rate of Return				
Net of Investment Expense	7.80%	12.70%	0.01%	1.90%

The chart is intended to show information for 10 years. More data will be added as it becomes available.

Net Pension Liability (Asset)

The County's net pension liability (asset) was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of June 30, 2018 was determined by an actuarial valuation and measurement date as of June 30, 2017, using the following actuarial assumptions:

Investment rate of return	6.75%
Assumed inflation rate	3.00%
Projected salary increases	3.00%

Mortality rates were based on the RP 2000 Combined and Disabled Mortality tables with scale AA.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2018 was 6.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that employer contributions will be made at rates determined by the Retirement Board, actuarially determined. Based on those

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the actuarial assumed rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability/(Asset)

	Increase (Decrease) (\$ in millions)		
	Total	Plan	Net Pension
	Pension	Fiduciary	Liability
	Liaiblity	Net Position	(Asset)
	(a)	(b)	(a) - (b)
FY2018 Beginning balance - Measurement date of 6/30/2016	\$2,053.5	\$1,963.5	\$90.0
Changes for the year:			
Service cost	56.5	-	56.5
Interest	139.1	-	139.1
Differences between expected and actual experience	(27.1)	-	(27.1)
Contributions - employer	-	51.8	(51.8)
Contributions - employee	-	12.7	(12.7)
Net investment income	-	246.3	(246.3)
Benefit payments, including refunds of employee contributions	(99.7)	(99.7)	0.0
Administrative expense	-	(0.8)	0.8
Net changes	\$68.8	\$210.3	(\$141.5)
FY2018 Ending Balance - Measurement date of 6/30/2017	<u>\$2,122.3</u>	<u>\$2,173.8</u>	<u>(\$51.5)</u>

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

The following presents the net pension asset of the County, calculated using the discount rate of 6.75%, as well as what the County's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	(\$ in millions)		
	Current		
	1% Decrease	Discount Rate	1% Increase
	(5.75%)	(6.75%)	(7.75%)
County's net pension liability/ (asset)	\$237.4	(\$51.5)	(\$288.9)

The System's Fiduciary Net Position as of June 30, 2018 and June 30, 2017 Measurement Date

Detailed information about the System's fiduciary net position is available in a separately issued Arlington County Employees' Retirement System financial report and can be downloaded from the Retirement Investment Office's website at <https://careers.arlingtonva.us/plan-performance>, or by writing to the Retirement Investment Office at 2100 Clarendon Boulevard, Suite 504, Arlington, VA 22201.

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

For the year ended June 30, 2018, the County recognized pension expense of \$31.24 million calculated as of the measurement date of June 30, 2017. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$-	\$47,900,000
Changes of assumptions	13,600,000	-
Net difference between projected and actual earning on the System's investments	-	3,600,000
Employer contributions subsequent to measurement date	<u>54,900,000</u>	<u>-</u>
Total	<u><u>\$68,500,000</u></u>	<u><u>\$51,500,000</u></u>

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

For the Fiscal Years Ending June 30,
(\$ in millions)

	<u>Balances</u>
2019	(\$25.8)
2020	13.5
2021	(2.6)
2022	(23.0)
Thereafter	<u>-</u>
	<u><u>(\$37.9)</u></u>

Additional disclosures on changes in net pension liability, related ratios, and employer contributions can be found in the RSI following the notes to the financial statements.

B. Virginia Retirement System (VRS) Teacher Retirement Plan

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This cost-sharing plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees in the VRS Teacher Retirement Plan – Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has different eligibility criteria.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required contribution rate for the year ended June 30, 2018 (measurement date June 30, 2017) was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$47,818,000 and \$41,192,000 for the years ended June 30, 2018 and June 30, 2017, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, Schools reported a liability of \$445,588,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Schools' proportion of the net pension liability was based on Schools actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, Schools' proportion was 3.62% as compared to 3.55% at June 30, 2016.

For the year ended June 30, 2018, Schools recognized pension expense of \$38,491,000. Since there was a change in proportionate share between measurement dates, a portion of the expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2018, Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$-	\$31,552,000
Net difference between projected and actual earnings on pension plan investments	-	16,188,000
Change in assumptions	6,502,000	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	18,487,000	-
Employer contributions subsequent to the measurement date	47,818,000	-
Total	<u>\$72,807,000</u>	<u>\$47,740,000</u>

The \$47,818,000 reported as deferred outflows of resources related to pensions resulting from the Schools' contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (NPL) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

For the Fiscal Years Ending June 30,

(\$ in thousands)

	Balances
2019	(\$11,846)
2020	4,204
2021	(1,789)
2022	(12,790)
2023	(530)
	<u>(\$22,751)</u>

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the entry age normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation:	2.5%
Salary increases, including Inflation:	3.5% – 5.95%
Investment rate of return:	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 202; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 202; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Net Pension Liability (NPL)

The NPL is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GAAP, less that system's fiduciary net position. As of June 30, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
	<hr/>
Total Pension Liability	\$45,417,520
Plan Fiduciary Net Position	33,119,545
Employers' Net Pension Liability	<hr/> <hr/> \$12,297,975

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.90%
---	--------

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The NPL is disclosed in accordance with the requirements of GAAP in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
School division's proportionate share of their VRS Teacher Employee Retirement Plan Net Pension Liability	\$665,412,000	\$445,588,000	\$263,749,000

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Additional disclosures on employers share of net pension liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

C. Virginia Retirement System (VRS) Political Subdivision Plan

Plan Description

All full-time, salaried permanent employees, such as school maintenance, janitorial and cafeteria employees and bus drivers as elected by Schools are automatically covered by VRS Retirement Plan upon employment. This cost-sharing plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer are pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has a different eligibility criteria.

Employees Covered by Benefit Terms

As of the June 30, 2018, System membership consisted of the following:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	79
Inactive Members:	
Vested inactive members	52
Non-vested inactive members	190
Inactive members active elsewhere in VRS	<u>94</u>
VRS Total inactive members	415
Active Members	<u>512</u>
Total Covered employees	<u><u>927</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5% of their compensation toward their retirement.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Consistent with the phased-in funding being used for state and teacher employer contributions; political subdivision were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2017, the alternate rate was the employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater.

The political subdivision's contractually required contribution rate for the year ended June 30, 2018 was 6.89% of covered employee compensation and 5.81% for the year ended June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$1,251,977 and \$1,082,587 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

The political subdivisions net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the entry age normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation:	2.5%
Salary increases, including Inflation:	3.5% – 5.35%
Investment rate of return:	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 20%

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the school division for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Changes in Net Pension Liability

(measurement date)	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	\$41,120,105	\$37,362,179	\$3,757,926
Changes for the year:			
Service cost	1,874,972	-	1,874,972
Interest	2,837,805	-	2,837,805
Differences between expected and actual experience	(4,454)	-	(4,454)
Change in assumptions	(947,788)		(947,788)
Contributions - employer	-	1,077,379	(1,077,379)
Contributions - employee	-	935,848	(935,848)
Net investment income	-	4,632,064	(4,632,064)
Benefit payments, including refunds	(1,160,059)	(1,160,059)	-
Administrative expenses	-	(25,371)	25,371
Other changes	-	(4,184)	4,184
Net changes	2,600,476	5,455,677	(2,855,201)
Balances at June 30, 2017	\$43,720,581	\$42,817,856	\$902,725

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

The following presents the net pension liability of the political subdivision using the discount rate of 7.00%, as well as what the political subdivision's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Political subdivision's Net Pension Liability/(Asset)	\$7,290,000	\$902,725	(\$4,366,000)

For the year ended June 30, 2018, the political subdivision recognized pension expense of \$323,553. At June 30, 2018, the political subdivision reported deferred inflows of resources related to pensions from the following sources:

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions subsequent to the measurement date	\$1,251,977	\$-
Difference between expected and actual experience	95,400	835,962
Net difference between projected and actual earnings on plan investments	1,435,274	-
Change in assumptions	-	721,044
Net difference between projected and actual earnings on plan investments	-	2,081,086
Total	<u>\$2,782,651</u>	<u>\$3,638,092</u>

The amount \$1,251,977 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the Fiscal Years Ending June 30,
(\$ in thousands)

	Balances
2019	(\$844)
2020	(353)
2021	(472)
2022	(439)
Thereafter	-
	<u><u>(\$2,108)</u></u>

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan's is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdg/publications/20176-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA. 23218-2500.

Additional disclosures on changes in net pension liability, related ratios, and employer contributions can be found in the RSI following the notes to the financial statements.

NOTE 17. Other Postemployment Benefits (OPEB)

A. County OPEB

Plan Description

In addition to the pension benefits described in Note 16, the County administers a single-employer defined benefit healthcare plan, The Arlington County Retiree Welfare Benefit Trust. The plan provides postemployment health care benefits to all eligible

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

permanent employees who meet the requirements under the County's pension plans. The plan does not issue a publicly available financial report.

Plan Administration

Investments for the County's OPEB Plan are the responsibility of the Arlington County Employee's Retirement System Board of Trustees (the Retirement Board.) The Retirement Board consists of seven voting and three substitute trustees as follows:

- Three appointed by the County Board
- One appointed by the County Manager
- One trustee and one substitute trustee elected by general employees
- One trustee and one substitute trustee elected by uniformed employees
- One trustee and one substitute trustee elected by retired employees

Additional details regarding the Retirement Board can be found in Note 16.

Plan Membership

At July 1, 2017 (valuation date), the following employees were covered by the benefit terms:

Total Active employees with coverage	3,040
Total Active employees without coverage	600
Total Retirees with coverage	1,639
Total Retirees without coverage	<u>246</u>
Total Members	<u>5,525</u>

Benefits Provided

Postemployment benefits are provided to eligible retirees include medical, dental, and life insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the County who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits. In addition, the County provides a fixed basic death benefit for all retirees.

Contributions

The contribution requirements of plan members are established and may be amended by the County Board. Funding for these benefits is currently made on a pay-as-you-go basis; however, the County intends to fund the actuarially determined contributions in future years. For full career employees, the County currently contributes between 16% and 80% towards the cost of medical and dental health premiums and 100% of premiums for a fixed coverage for life and accidental death insurance. For FY 2018, the County contributed \$12,042,855 and \$579,538 towards health and life plans respectively. Plan members receiving benefits contributed \$4,396,409 and \$308,292 towards health and supplemental life plans respectively. The County contributed an additional \$7,194,972 in pre-funding contributions towards health and life plans for retirees.

Investment Policy

The investment policy for the County OPEB plan was adopted in April 2009 and most recently revised in September 2016. The investment objective is to earn an average annual rate of return for the Trust of at least 8% or 3% over the CPI-U, whichever is greater, over rolling five-year periods, net of all investment management fees and direct investment expense. The following is the Board's adopted allocation policy:

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

<u>Asset Class</u>	<u>Target Percentage</u>
Equities	60%-70%
Fixed Income	<u>30%-40%</u>
Total:	100%

Concentrations

The Trust does not hold investments in any one organization that represent five percent or more of the OPEB Trust's Fiduciary Net Position.

Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return on the County's OPEB investments, net of investment expense was 6.89%. The money weighted rate of return expresses investment performance, adjusted for the changing amounts actually invested.

Net OPEB Liability

The County's net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00% per year as of June 30, 2018
Salary Increases	3.00 per year for general salary inflation as of June 30, 2018
Discount Rate	6.75% for accounting and funding disclosures as of June 30, 2018
Investment Rate of Return	6.75% as of June 30, 2018

Mortality rates for active employees and healthy retirees were based on a RPH-2015 Total Dataset Mortality Table fully generational using scale MP-2015 while mortality rates for disabled retirees were based on a RPH-2015 Disabled Mortality Table fully generational using scale MP-15. The RPH-2015 table is calculated based on RPH-2014 table with 8 years of MP-2014 mortality improvement backed out and projected to 2015 using scale MP-2015.

The demographic and economic assumptions are set to reflect the same assumptions (where applicable) as ACERS. Those assumptions were set by the Retirement Board on the basis of the recommendations made by Cheiron as a result of an experience study performed concurrently with the June 30, 2014 pension actuarial valuation. In the previous valuation, the Retirement Board elected to decrease the investment return from 7.25% to 6.75% and the inflation and general wage inflation assumptions from 3.50% to 3.00% to reflect future expectations.

The Long-Term Expected Rate of Return on OPEB Plan investments is 6.75% as of June 30, 2018.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is selected from a range of 20-Year Municipal Bond Indices and include the Bond Buyer 11-Bond GO Index, the S&P Municipal Bond 20-Year High Grade Rate Index, and the Fidelity 20-Year GO Municipal Bond Index. The final equivalent single discount rate used for this year's valuation is 6.75% as of the end of the fiscal year with the expectation that the County will continue contributing the Actuarially Determined Contribution and paying the pay-go cost from the OPEB Trust.

Changes in Net OPEB Liability-County

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2017	\$305,474,162	\$115,060,732	\$190,413,430
Changes for the year:			
Service cost	7,045,072	-	7,045,072
Interest	20,695,239	-	20,695,239
Difference between expected and actual experience	(8,237,657)	-	(8,237,657)
Changes in assumptions	(855,957)	-	(855,957)
Contributions-employer	-	19,237,827	(19,237,827)
Net investment income	-	7,935,995	(7,935,995)
Benefit payments	(12,042,855)	(12,042,855)	-
Net changes:	6,603,842	15,130,967	(8,527,125)
Balances at June 30, 2018	\$312,078,004	\$130,191,699	\$181,886,305

Sensitivity of the net OPEB Liability to changes in the Discount Rate

The following amounts present the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were calculated using a discount rate that is 1- percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current discount rate:

1% Decrease	Current Discount Rate	1% Increase
5.75%	6.75%	7.75%
\$214,794,554	\$181,886,305	\$154,082,097

Sensitivity of the net OPEB Liability to changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1- percentage-point lower (7.00% decreasing by 0.25% annually to an ultimate rate of 4%) or 1- percentage-point higher (9.00% decreasing by 0.25% annually to an ultimate rate of 6.00%) than the current healthcare cost trend rates:

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

1% Decrease	Healthcare Cost Trend	1% Increase
6.75% decreasing to 4.00%	Rates	8.75% decreasing to 6.00%
<u>\$167,244,900</u>	<u>\$181,886,305</u>	<u>\$198,184,033</u>

OPEB expense and deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2018, the County will recognize OPEB expense in the amount of \$18,379,801. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$-	\$12,659,046
Changes of assumptions	17,973,167	684,766
Net difference between projected and actual earnings on on OPEB plan investments	-	3,327,528
Total	<u>\$17,973,167</u>	<u>\$16,671,340</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in the future fiscal years and noted below:

For the Fiscal Years Ending June 30,

	Balances
2019	(\$1,593,911)
2020	(1,593,911)
2021	(1,593,910)
2022	(529,912)
2023	1,322,694
Thereafter	<u>5,290,777</u>
	<u>\$1,301,827</u>

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

OPEB Trust Financial Statements

ARLINGTON COUNTY, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
OPEB TRUST
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
Equity in pooled cash and investments	\$40,271	\$33,734
Investments, at fair value		
Foreign, Municipal and U.S. Government		
Obligations, including Fixed		
Instruments in Pooled Funds	45,567,095	40,271,256
Domestic and Foreign Equities, including		
Equities in Pooled Funds	84,624,604	74,789,476
Total assets	<u>130,191,699</u>	<u>115,060,732</u>
LIABILITIES		
Accounts payable and		
accrued liabilities	<u>40,271</u>	<u>33,734</u>
Total liabilities	<u>40,271</u>	<u>33,734</u>
NET POSITION RESTRICTED FOR OPEB	<u>\$130,151,428</u>	<u>\$115,026,998</u>

ARLINGTON COUNTY, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

ARLINGTON COUNTY, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
ADDITIONS:		
Employer contributions	\$7,194,972	\$6,850,000
Other Contributions	40,271	33,734
Investment income:		
Interest and dividends	7,940,328	4,606,102
Net appreciation (depreciation) in fair value	(4,333)	7,219,887
Total Additions	<u>15,171,238</u>	<u>18,709,723</u>
DEDUCTIONS:		
Other consulting expenses	<u>40,271</u>	<u>33,734</u>
Total Deductions	<u>40,271</u>	<u>33,734</u>
Net Increase/(Decrease)	15,130,967	18,675,989
Net Position Restricted for OPEB, beginning of year:	<u>115,060,732</u>	<u>96,384,743</u>
Net Position Restricted for OPEB, end of year:	<u><u>\$130,191,699</u></u>	<u><u>\$115,060,732</u></u>

Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found in the RSI following the notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

B. Arlington County-Line of Duty Act Program (LODA)-OPEB

General Information about the LODA Program

The VRS LODA Program is a multiple-employer, cost-sharing OPEB plan. It was established pursuant to §9.1-400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The LODA Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled resulting from the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the LODA Program's liabilities, deferred outflows of resources, deferred inflows of resources, and expenses, information about the fiduciary net position of the program and the additions to/deductions from the program's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the VRS, the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the LODA Program. As required by statute, VRS (the "System") is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

The specific information for the LODA Program, including eligibility, coverage and benefits is set out below:

LODA PLAN PROVISIONS

Eligible Employees

The eligible employees of the LODA Program are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under VRS, SPORS, or VaLORS.

Benefit Amounts

The LODA Program provides death and health insurance benefits for eligible individuals:

- **Death** – The death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows:
 - \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after.
 - \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date.
 - An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.
- **Health Insurance** – The LODA program provides health insurance benefits.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

-
- Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA Program.

Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.

Contributions

The contribution requirements for the LODA program are governed by §9.1-400.1 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the program for the year ended June 30, 2018 was \$567.37 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the program from the entity were \$441,414 and \$442,123 for the years ended June 30, 2018 and June 30, 2017, respectively.

LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB

At June 30, 2018, the entity reported a liability of \$10,773,000 for its proportionate share of the net LODA OPEB liability. The net LODA OPEB liability was measured as of June 30, 2017 and the total LODA OPEB liability used to calculate the net LODA OPEB liability was determined by an actuarial valuation as of that date. The entity's proportion of the net LODA OPEB liability was based on the County's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2017, the County's proportion was 4.09938% as compared to 4.28876% at June 30, 2016.

For the year ended June 30, 2018, the entity recognized LODA OPEB expense of \$887,000. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the agency reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB Program from the following sources:

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$-	\$-
Net difference between projected and actual earnings on LODA OPEB plan investments	-	18,000
Change in assumptions	-	1,113,000
Change in proportion	-	469,000
Employer Contributions subsequent to the measurement date	<u>441,414</u>	<u>-</u>
Total	<u><u>\$441,414</u></u>	<u><u>\$1,600,000</u></u>

An amount of \$441,414 reported as deferred outflows of resources related to the LODA OPEB Program resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the net LODA OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB plan will be recognized as an expense in future reporting periods as follows:

For the Fiscal Years Ending June 30,

	<u>Balances</u>
2019	(\$200,000)
2020	(200,000)
2021	(200,000)
2022	(200,000)
2023	(195,000)
Thereafter	<u>(605,000)</u>
	<u><u>(\$1,600,000)</u></u>

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2016, using the entry age normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation - 2.50 percent

Salary increases, including Inflation - Locality employees: 3.50 percent – 4.75 percent

Medical cost trend rates assumption: –

- Under age 65: 7.75 percent – 5.00 percent
- Ages 65 and older: 5.75 percent – 5.00 percent

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Investment rate of return 3.56 percent, net of OPEB plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 3.56%. However, since the difference was minimal, a more conservative 3.56% investment return assumption has been used. Since the LODA Program is funded on a current-disbursement basis, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return.

Mortality rates – Largest Ten Locality Employers With Public Safety Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Changes to the LODA Program Associated with HB 1345 (2016) and HB 2243 (2017)

The following changes were made to the LODA Program as a result of legislation in 2016 and 2017, but were specifically not considered in the June 30, 2016 actuarial valuation results which were rolled forward to the measurement date of June 30, 2017. There was no current actuarial experience on which to base the adjustments and the combined impact of the changes was not considered to be material to the final results. These changes will be factored into future actuarial valuations for the LODA Program.

- The discontinuance of spouse health care coverage, if a covered spouse divorces a disabled employee or a covered surviving spouse remarries.
- The potential for VRS's periodic review of the disability status of a disabled employee.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

-
- For those beneficiaries who become eligible for health care benefits as the result of a disability occurring after June 30, 2017, the suspension of health care benefits in years when VRS certifies current income exceeds salary at the time of the disability, indexed for inflation.
 - The extension of health care benefits for dependent children to age 26.
 - The expansion of the definition of presumption of death or disability to include infectious diseases

Net LODA OPEB Liability

The net OPEB liability (NOL) for the LODA Program represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the LODA Program is as follows (amounts expressed in thousands):

Total LODA OPEB liability	\$266,252
Plan Fiduciary Net position	<u>\$3,461</u>
Employers' Net OPEB liability	<u>\$262,791</u>

Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability 1.30%

The total LODA OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net OPEB liability is disclosed in accordance with the requirements of GAAP in the System's notes to the financial statements and RSI.

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.56% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 7.00% assumption. Instead, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index published monthly by the Board of Governors of the Federal Reserve System as of the measurement date of June 30, 2017.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.56%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (4.56%) than the current rate:

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

1% Decrease	Current Discount Rate	1% Increase
2.56%	3.56%	4.56%
\$12,215,000	\$10,773,000	\$9,566,000

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the LODA Program contains provisions for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using health care trend rate of 7.75% decreasing to 5.00%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.75% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the current rate:

1% Decrease	Healthcare Cost Trend Rates	1% Increase
6.75% decreasing to 4.00%	7.75% decreasing to 5.00%	8.75% decreasing to 6.00%
\$9,141,000	\$10,773,000	\$12,795,000

LODA OPEB Plan Fiduciary Net Position

Detailed information about the LODA Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

C. Schools OPEB

Plan Description

In addition to the pension benefits described in Note 16, the Schools administer a single-employer defined benefit healthcare plan, the Arlington County School Board Retiree Welfare Benefit Trust. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the Schools' pension plans. The plan does not issue a publicly available financial report.

Plan Administration

Investments for the Schools OPEB Plan are the responsibility of the Arlington County Employee's Retirement System Board of Trustees (the Retirement Board.) The Retirement Board consists of seven voting and three substitute trustees as follows:

- Three appointed by the County Board
- One appointed by the County Manager
- One trustee and one substitute trustee elected by general employees
- One trustee and one substitute trustee elected by uniformed employees
- One trustee and one substitute trustee elected by retired employees

Additional details regarding the Retirement Board can be found in Note 16.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Plan Membership

At June 30, 2018 (valuation date), the following employees were covered by the benefit terms:

Total Active employees with coverage	3,379
Total Active employees without coverage	1,152
Total Retirees with coverage	<u>1,334</u>
Total Plan Members	<u>5,865</u>

Benefits Provided

The benefits provided are the same as those provided to active employees, and include medical, dental, and life insurance. At age 65, coverage is provided under Medicare Advantage plans. Employees hired on/after January 1, 2009 must have at least 10 years of service at retirement to be eligible for retiree health coverage through Arlington Public Schools. There is no age or service requirement for disability health benefits. A surviving spouse can continue coverage after the death of the retiree but the School subsidy ceases and the surviving spouse is responsible for the full premium.

Contributions

The contribution requirements of plan members are established and may be amended by the School Board. Funding for these benefits is currently made on a pay-as-you-go basis; however, the School Board intends to fund the Actuarially Determined Contribution in future years. For full career employees, the Schools currently contributes between 10% and 77% towards the cost of medical premiums based on coverage selected. Dental insurance for retirees is paid 100% by the retiree. Life insurance for retirees is covered by the Virginia Retirement System. For FY 2018 the Schools' contributed \$6,774,239 and an additional \$2,600,000 in pre-funding contributions towards health plans for retirees.

Investment Policy

The Schools OPEB investment policy was adopted in April 2009 and most recently revised in September 2016. The investment objective is to earn an average annual rate of return for the Trust of at least 8% or 3% over the CPI-U, whichever is greater, over rolling five-year periods, net of all investment management fees and direct investment expense. The following is the Board's adopted allocation policy:

<u>Asset Class</u>	<u>Target Percentage</u>
Equities	60%-70%
Fixed Income	<u>30%-40%</u>
Total:	100%

Concentrations

For the Schools OPEB Plan, the Trust does not hold investments in any one organization that represent five percent or more of the OPEB Trust's Fiduciary Net Position.

Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense for the Schools Trust was 6.89%. The money weighted rate of return expresses investment performance, adjusted for the changing amounts actually invested.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Net OPEB Liability

The Schools' net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00% per year as of June 30, 2018
Salary Increases	3.00% per year for general salary inflation as of June 30, 2018
Discount Rate	6.75% for accounting and funding disclosures as of June 30, 2018
Investment Rate of Return	6.75% as of June 30 2018

Mortality rates for healthy inactive members were based on the RPH-2014 Total Dataset Mortality Table fully generational using Scale MP-2015.

Mortality rates for disabled members were based on the RPH-2014 Disabled Retiree Mortality Table fully generational using Scale MP-2015.

The most recent actuarial experience study on which significant assumptions were based was completed in 2013.

The Long-Term expected rate of return was 6.75% as of June 30, 2018.

Discount rate

This Plan uses the Bond Buyer GO 20-Bond Municipal Index to satisfy the requirements under GAAP. As this index is issued weekly, the value closest to but not after the reporting date is used in determining the appropriate rate. Based on this practice, the municipal bond rate at June 29, 2017 was 3.58% and the municipal bond rate at June 28, 2018 was 3.87%. However, the depletion test as of the most recent actuarial valuation of July 1, 2017, reflecting known contributions after that date as well as the current funding policy, showed that the projected assets are expected to cover future benefit payments for current participants and as such the single rate used as the discount rate for this report, as required by GAAP, is the long-term expected rate of return, 6.75%.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Changes in Net OPEB Liability-Arlington Public Schools

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2017	\$176,439,833	\$50,874,863	\$125,564,970
Changes for the year:			
Service cost	4,514,868	-	4,514,868
Interest	11,989,545	-	11,989,545
Difference between expected and actual experience	2,312,548	-	2,312,548
Changes in assumptions	(13,025,339)	-	(13,025,339)
Contributions-employer	-	9,374,239	(9,374,239)
Net investment income	-	3,506,989	(3,506,989)
Benefit payments	(6,774,239)	(6,774,239)	-
Net changes:	(982,617)	6,106,989	(7,089,606)
Balances at June 30, 2018	\$175,457,216	\$56,981,852	\$118,475,364

Sensitivity of the net OPEB Liability to changes in the Discount Rate

The following amounts present the net OPEB liability of the Schools, as well as what the Schools' net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current discount rate:

1% Decrease	Current Discount Rate	1% Increase
5.75%	6.75%	7.75%
\$143,690,945	\$118,475,364	\$97,873,925

Sensitivity of the net OPEB Liability to changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Schools, as well as what the Schools' net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1- percentage-point lower (7.00% decreasing by 0.25% annually to an ultimate rate of 4%) or 1- percentage-point higher (9.00% decreasing by 0.25% annually to an ultimate rate of 6.00%) than the current healthcare cost trend rates:

1% Decrease	Healthcare Cost Trend Rates	1% Increase
7.00% decreasing to 4.00%	8.00% decreasing to 5.00%	9.00% decreasing to 6.00%
\$101,148,510	\$118,475,364	\$135,925,927

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2018, the Schools will recognize OPEB expense in the amount of \$13,010,413. At June 30, 2018, the Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$8,446,778	\$-
Changes of assumptions	15,799,413	11,397,172
Net difference between projected and actual earnings on OPEB plan investments	-	1,305,451
Total:	<u>\$24,246,191</u>	<u>\$12,702,623</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as OPEB expenses in future fiscal years as noted below:

For the fiscal years ending June 30,

2019	(\$59,947)
2020	(59,947)
2021	(59,946)
2022	355,753
2023	370,341
Thereafter	<u>10,997,314</u>
	<u>\$11,543,568</u>

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

OPEB Trust Statements-Arlington Public Schools

ARLINGTON COUNTY, VIRGINIA
OPEB TRUST FUND - SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>
ASSETS		
Cash and Investments	\$54,381,852	\$48,274,863
Accounts Receivable	<u>2,600,000</u>	<u>2,600,000</u>
Total assets	<u>56,981,852</u>	<u>50,874,863</u>
LIABILITIES	<u>-</u>	<u>-</u>
NET POSITION	<u><u>\$56,981,852</u></u>	<u><u>\$50,874,863</u></u>

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

ARLINGTON COUNTY, VIRGINIA
OPEB TRUST FUND - SCHOOLS
STATEMENT OF CHANGES IN PLAN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	<u>2018</u>	<u>2017</u>
ADDITIONS:		
Employer contributions	\$2,600,000	\$2,600,000
Investment Income:		
Interest and dividends	3,510,742	2,054,302
Net appreciation (depreciation) in fair value	<u>(3,753)</u>	<u>3,233,374</u>
Total additions	<u>6,106,989</u>	<u>7,887,676</u>
Net Increase	<u>6,106,989</u>	<u>7,887,676</u>
Net Position Held in Trust for Plan Benefits, beginning of year	<u>50,874,863</u>	<u>42,987,187</u>
Net Position Held in Trust for Plan Benefits, end of year:		
Undesignated	<u><u>\$56,981,852</u></u>	<u><u>\$50,874,863</u></u>

Additional disclosures on changes in Schools net OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

D. Arlington Public Schools Health Insurance Credit (“HIC”) Program OPEB-Teachers

Summary of Significant Accounting Policies

The VRS Teacher Employee HIC Program is a multiple-employer, cost-sharing plan. The Teacher Employee HIC Program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher Employee HIC program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net Teacher Employee HIC Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC Program OPEB, and the Teacher Employee HIC Program OPEB expense, information about the fiduciary net position of the VRS Teacher Employee HIC Program; and the additions to/deductions from the VRS Teacher Employee HIC Program’s net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Teacher Employee Health Insurance Credit Program

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Program. This plan is administered by VRS, along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree’s death.

The specific information for the Teacher HIC Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

TEACHER EMPLOYEE HIC PROGRAM PLAN PROVISIONS	
Eligible Employees	<p>The Teacher Employee Retiree HIC Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none">• Full-time permanent (professional) salaried employees of public school divisions covered under VRS.
Benefit Amounts	<p>The Teacher Employee Retiree HIC Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none">• <u>At Retirement</u> – For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

-
- | |
|---|
| <ul style="list-style-type: none">• <u>Disability Retirement</u> – For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:<ul style="list-style-type: none">○ \$4.00 per month, multiplied by twice the amount of service credit, or○ \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower. |
|---|

HIC Program Notes:

- | |
|--|
| <ul style="list-style-type: none">• The monthly HIC benefit cannot exceed the individual premium amount.• Employees who retire after being on long-term disability under VLDP must have at least 15 year of service credit to qualify for the health insurance credit as a retiree. |
|--|

Contributions

The contribution requirement for active employees is governed by §51.1-1401(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Program were \$3,704,004 and \$3,183,887 for the years ended June 30, 2018 and June 30, 2017, respectively.

Teacher Employee HIC Program OPEB Liabilities, Teacher Employee HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Teacher Employee HIC Program OPEB

At June 30, 2018, Schools' reported a liability of \$46,108,000 for its proportionate share of the VRS Teacher Employee HIC Program net OPEB liability. The net VRS Teacher Employee HIC Program OPEB liability was measured as of June 30, 2017 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the net VRS Teacher Employee HIC Program OPEB liability was determined by an actuarial valuation as of that date. Schools' proportion of the net VRS Teacher Employee HIC Program OPEB liability was based on Schools' actuarially determined employer contributions to the VRS Teacher Employee HIC Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, Schools' proportion of the VRS Teacher Employee HIC Program was 3.63452% as compared to 3.54756% at June 30, 2016.

For the year ended June 30, 2018, Schools' recognized VRS Teacher Employee HIC Program OPEB expense of \$3,896,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017 a portion of the VRS Teacher Employee HIC program net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, Schools' reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC program OPEB from the following sources:

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$-	\$-
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	83,000
Change in assumptions	-	474,000
Change in proportion	958,000	-
Employer Contributions subsequent to the measurement date	<u>3,704,004</u>	<u>-</u>
Total	<u>\$4,662,004</u>	<u>\$557,000</u>

An amount of \$3,704,004 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from Schools' contributions subsequent to the measurement date will be recognized as a reduction of the net Teacher Employee HIC OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized as expenses in future reporting periods as follows:

For the Fiscal Years Ending June 30,

	<u>Balances</u>
2019	\$53,000
2020	53,000
2021	53,000
2022	53,000
2023	73,000
Thereafter	<u>116,000</u>
	<u>\$401,000</u>

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Program was based on an actuarial valuation as of June 30, 2016, using the entry age normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation - 2.5 percent

Salary increases, including inflation – Teacher Employees: 3.5 percent – 5.95 percent

Investment rate of return - 7.0 percent, net of plan investment expenses, including inflation*

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

Mortality rates – Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Program represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS Teacher Employee HIC Program is as follows (amounts expressed in thousands):

	Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB liability	\$1,364,702
Plan Fiduciary Net Position	<u>96,091</u>
Teacher Employee net HIC OPEB liability	<u>\$1,268,611</u>

Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB liability 7.04%

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GAAP in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
	* Expected arithmetic nominal return		<u>7.30%</u>

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee HIC Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

Sensitivity of Schools' Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents Schools' proportionate share of the VRS Teacher Employee HIC Program net HIC OPEB liability using the discount rate of 7.00%, as well as what would be Schools' proportionate share of the net HIC OPEB liability if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease	Current Discount	1% Increase
	6.00%	Rate	8.00%
		7.00%	
Teacher HIC Net OPEB Liability	\$51,462,000	\$46,108,000	\$41,558,000

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

E. Arlington Public Schools-Teachers Group Life Insurance ("GLI") Program-OPEB

Summary of Significant Accounting Policies

The VRS GLI Program is a multiple-employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI Program OPEB, and GLI Program OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the GLI Program

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This plan is administered by the VRS (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The specific information for GLI Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GLI PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The GLI Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none">• City of Richmond• City of Portsmouth• City of Roanoke• City of Norfolk• Roanoke City Schools Board <p>Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>
<p>Benefit Amounts</p> <p>The benefits payable under the GLI Program have several components.</p> <ul style="list-style-type: none">• <u>Natural Death Benefit</u> – The natural death benefit is equal to the employee’s covered compensation rounded to the next highest thousand and then doubled.• <u>Accidental Death Benefit</u> – The accidental death benefit is double the natural death benefit.• <u>Other Benefit Provisions</u> – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<ul style="list-style-type: none">• Accidental dismemberment benefit• Safety belt benefit• Repatriation benefit• Felonious assault benefit• Accelerated death benefit option
<p>Reduction in benefit Amounts</p> <p>The benefit amounts provided to members covered under the GLI Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the GLI Program from the entity were \$1,737,553 and \$1,502,503 for the years ended June 30, 2018 and June 30, 2017, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB

At June 30, 2018, Schools' reported a liability of \$23,574,000 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the net GLI OPEB liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 1.56648% as compared to 1.52404% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$379,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB Program from the following sources:

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$-	\$523,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	887,000
Change in assumptions	-	1,214,000
Change in proportion	628,000	-
Employer Contributions subsequent to the measurement date	1,737,553	-
Total	<u>\$2,365,553</u>	<u>\$2,624,000</u>

The amount of \$1,737,553 was reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date; therefore, will be recognized as a reduction of the Net GLI OPEB liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

For the Fiscal Year Ending June 30,

	<u>Balances</u>
2019	(\$425,000)
2020	(425,000)
2021	(425,000)
2022	(425,000)
2023	(204,000)
Thereafter	(92,000)
	<u><u>(\$1,996,000)</u></u>

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the entry age normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation-	2.5 percent	
Salary increases, including inflation –		
Teachers		3.5 percent – 5.95 percent
Locality – General employees		3.5 percent – 5.35 percent
Investment rate of return -	7.0 Percent, net of investment expenses, including inflation*	

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of the OPEB liabilities.

Mortality rates – Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Mortality rates – Largest Ten Locality Employers – General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, White Collar Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

	<u>Group Life Insurance OPEB Program</u>
Total GLI OPEB liability	\$2,942,426
Plan Fiduciary Net Position	<u>1,437,586</u>
Employers' Net GLI OPEB liability	<u>\$1,504,840</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB liability	48.86%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GAAP in the System's notes to the financial statements and RSI.

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB Program's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of Schools' Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents Schools' proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what Schools' proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
\$30,490,000	\$23,574,000	\$17,967,000

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

GLI Program's Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

F. Arlington County Public Schools GLI-OPEB

Summary of Significant Accounting Policies

The VRS GLI Program is a multiple-employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI Program OPEB, and GLI Program OPEB expense, information about the fiduciary net position of the VRS GLI Program and the additions to/deductions from the VRS GLI Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the GLI Program

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This plan is administered by the VRS (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the basic group life insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program.

The specific information for GLI Program, including eligibility, coverage and benefits is set out in the table below:

GLI PROGRAM PLAN PROVISIONS	
Eligible Employees	
The GLI Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:	
<ul style="list-style-type: none">• City of Richmond• City of Portsmouth• City of Roanoke• City of Norfolk• Roanoke City Schools Board	

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

Benefit Amounts

The benefits payable under the GLI Program have several components.

- **Natural Death Benefit** – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit.
- **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
 - Accidental dismemberment benefit
 - Safety belt benefit
 - Repatriation benefit
 - Felonious assault benefit
 - Accelerated death benefit option

Reduction in benefit Amounts

The benefit amounts provided to members covered under the GLI Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the GLI Program from Arlington Public Schools were \$94,275 and \$103,950 for the years ended June 30, 2018 and June 30, 2017, respectively.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB

At June 30, 2018, Schools reported a liability of \$1,631,000 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation as of that date. Schools' proportion of the net GLI OPEB liability was based on Schools' actuarially determined employer contributions to the GLI Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, Schools' proportion was 0.10838% as compared to 0.10331% at June 30, 2016.

For the year ended June 30, 2018, Schools recognized GLI OPEB expense of \$32,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, Schools' reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB Program from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$-	\$37,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	61,000
Change in assumptions	-	84,000
Change in proportion	75,000	-
Employer Contributions subsequent to the measurement date	94,275	-
Total	<u>\$169,275</u>	<u>\$182,000</u>

An amount of \$94,275 reported as deferred outflows of resources related to the GLI OPEB Program resulting from Schools' contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB Program will be recognized in the GLI OPEB expense in future reporting periods as follows:

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

For the Fiscal Years Ending June 30,

	<u>Balances</u>
2019	(\$23,000)
2020	(23,000)
2021	(23,000)
2022	(23,000)
2023	(8,000)
Thereafter	(7,000)
	<u>(\$107,000)</u>

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the entry age normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation: 2.5 percent

Salary increases, including inflation – Locality – General employees: 3.5 percent – 5.35 percent

Investment rate of return of 7.0 percent, net of investment expenses including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.00% to simplify preparation of the OPEB liabilities.

Mortality rates – Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75.
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14 to 15%

Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	<u>GLI</u>
	<u>OPEB Program</u>
Total GLI OPEB Liability	\$2,942,426
Plan Fiduciary Net Position	<u>1,437,586</u>
Employers' Net GLI OPEB Liability	<u>\$1,504,840</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GAAP in the System's notes to the financial statements and RSI.

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
	Inflation		2.50%
	* Expected arithmetic nominal return		7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of Schools' Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents Schools' proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what Schools' proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

1% Decrease	Current Discount Rate	1% Increase
6.00%	7.00%	8.00%
\$2,110,000	\$1,631,000	\$1,243,000

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

GLI Program Fiduciary Net Position

Detailed information about the GLI program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

This page has been intentionally left blank.



Required Supplementary Information

The exhibits included are required to supplement the basic financial statements. This information is considered to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historic context.

ARLINGTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
REVENUES:				
General Property taxes:				
Real estate	\$715,037,910	\$715,037,910	\$720,711,801	\$5,673,891
Personal	115,452,147	115,452,147	115,869,128	416,981
Other local taxes	208,520,073	208,520,073	208,137,410	(382,663)
Licenses, permits and fees	10,766,100	10,766,100	10,500,494	(265,606)
Charges for services	59,039,761	59,075,447	59,262,598	187,151
Fines and forfeitures	7,142,700	7,142,700	7,295,337	152,637
Grants:				
State grants	73,402,747	79,312,711	76,286,881	(3,025,830)
Federal grants	15,170,833	16,171,478	16,649,770	478,292
Use of money and property	12,727,506	11,624,766	8,645,196	(2,979,570)
Miscellaneous revenue	3,714,950	7,220,288	18,391,100	11,170,812
Total revenues	1,220,974,727	1,230,323,620	1,241,749,715	11,426,095
EXPENDITURES:				
General Government Administration:				
County Board	1,609,356	1,717,625	1,737,286	(19,661)
County Manager	5,740,793	5,740,793	5,282,244	458,549
Financial Management	7,906,201	7,906,201	7,724,907	181,294
Human Resources	9,525,537	9,697,628	9,185,349	512,279
Technology Services	20,538,645	20,930,645	21,686,651	(756,006)
County Attorney	3,003,267	3,003,267	2,989,682	13,585
Commissioner of Revenue	5,809,383	5,809,383	5,902,471	(93,088)
Treasurer	7,035,346	7,035,346	6,914,439	120,907
Electoral Board	1,316,048	1,316,048	1,109,336	206,712
Total General Government	62,484,576	63,156,936	62,532,365	624,571
Judicial Administration:				
Circuit Court & Circuit Court Judiciary	4,343,555	4,376,128	4,344,868	31,260
General District Court	392,416	392,416	360,684	31,732
Juvenile & Domestic Relations Court	6,802,948	7,003,126	6,530,317	472,809
Commonwealth Attorney	4,196,604	4,223,656	4,166,828	56,828
Sheriff & Jail	42,746,746	45,244,481	45,919,040	(674,559)
Office of the Public Defender	185,410	185,410	149,879	35,531
Magistrate's Office	42,720	42,720	38,918	3,802
Total Judicial Administration	58,710,399	61,467,937	61,510,534	(42,597)
Public Safety:				
Police	68,028,917	70,111,373	66,526,840	3,584,533
Pubic Safety Communications and Emergency Management	12,415,246	13,520,246	12,454,771	1,065,475
Fire	59,790,930	60,602,126	58,874,086	1,728,040
Total Public Safety	140,235,093	144,233,745	137,855,697	6,378,048
Environmental Services	96,238,270	98,740,096	94,573,460	4,166,636
Health & Welfare	137,101,996	142,012,388	136,105,243	5,907,145
Libraries	14,351,930	14,466,930	14,465,893	1,037

ARLINGTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Planning & Community Development:				
Economic Development	8,964,571	8,986,195	8,401,169	585,026
Community Planning, Housing & Development	11,685,628	11,460,014	10,981,228	478,786
Total Planning & Community Development	20,650,199	20,446,209	19,382,397	1,063,812
Parks and Recreation	41,677,156	41,858,507	40,416,046	1,442,461
Education	490,256,196	508,395,813	495,050,106	13,345,707
Non-Departmental:				
Non-Departmental	69,773,757	127,615,539	65,329,008	62,286,531
Debt Service				
Principal payment	40,937,728	40,937,728	43,682,412	(2,744,684)
Interest payment	21,901,617	21,901,617	18,636,523	3,265,094
Other costs	125,000	125,000	6,045	118,955
Regionals/Contributions	7,531,562	7,673,570	7,019,804	653,766
METRO	36,239,655	36,239,655	36,239,655	-
Total Non-Departmental	176,509,319	234,493,109	170,913,447	63,579,662
Total expenditures	1,238,215,134	1,329,271,670	1,232,805,188	96,466,482
Excess (deficiency) of revenues over expenditures	(17,240,407)	(98,948,050)	8,944,527	107,892,577
OTHER FINANCING SOURCES (USES):				
Transfers in	210,347	1,313,087	3,056,247	1,743,160
Transfers out	(14,496,878)	(15,921,673)	(16,519,973)	(598,300)
Total other financing sources/(uses)	(14,286,531)	(14,608,586)	(13,463,726)	1,144,860
Net change in fund balance*	(31,526,938)	(113,556,636)	(4,519,199)	109,037,437
Fund Balance - beginning of year	186,430,188	186,430,188	186,430,188	-
Fund Balance - end of year	\$154,903,250	\$72,873,552	\$181,910,989	\$109,037,437

*The net change in fund balance was included in the budget as an appropriation (i.e., spenddown) on fund balance.

ARLINGTON COUNTY, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION

Exhibit 11-B

Arlington County Government
Notes to Statement of Revenues, Expenditures, and Changes
in Fund Balance-Budget and Actual
For the Year Ended June 30, 2018

The following procedures are used by the County in establishing the annual budgetary data reflected in the budgetary comparison schedule.

- 1) Prior to March 1, the County Manager is charged with presenting a proposed operating budget for the fiscal year commencing the following July. A multi-year capital improvement program is developed and approved separately from the operating budget and the School Board prepares a separate operations budget, supported to a large degree by transfers from the County's general fund. The County Board conducts budget work sessions with the departments and advisory commissions and holds public hearings prior to the final adoption of the budget by May 15th.
- 2) Annual appropriations are adopted for the general, enterprise, special revenue, capital projects, and internal service funds. Appropriations are controlled at the department level in the general fund.
- 3) Departments are charged with making sure that approved budget levels reflect any supplemental appropriations approved by the County Board. In addition, DMF is authorized to transfer budgeted amounts within any department if the total departmental appropriation is not changed. Any revisions that alter estimated revenues or total expenditures for any department or fund must be approved by the County Board. Appropriations lapse at June 30 unless the County Board approves carrying them forward to the next fiscal year.
- 4) The budgets of the general government fund types, which include the general fund, special revenue funds, and general capital projects fund, are prepared on a modified-accrual basis of accounting.

ARLINGTON COUNTY, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION

Exhibit 11-C

Arlington County Retirement System
Schedule of Changes in the County's Net Pension Liability (Asset) and Related Ratios
For the Years Ended June 30, 2015 through 2018*
(\$ in millions)

	2018	2017	2016	2015
Total pension liability				
Service cost	\$56.5	\$53.8	\$54.8	\$52.1
Interest	139.1	143.6	135.6	131.6
Differences between expected and actual experience	(27.1)	(47.3)	(16.2)	(11.0)
Changes of assumptions	-	27.2	-	29.4
Benefit payments, including refunds of employee contributions	(99.7)	(95.3)	(90.8)	(86.3)
Net change in total pension liability	68.8	82.0	83.4	115.8
Total pension liability -- beginning	2,053.5	1,971.5	1,888.1	1,772.3
Total pension liability -- ending	<u>\$2,122.3</u>	<u>\$2,053.5</u>	<u>\$1,971.5</u>	<u>\$1,888.1</u>
Plan fiduciary net position				
Contributions - employer	\$51.8	\$54.5	\$58.2	\$53.7
Contributions - employee	12.7	12.3	12.2	11.9
Net investment income	246.3	(1.3)	37.3	304.2
Benefit payments, including refunds of employee contributions	(99.7)	(95.3)	(90.8)	(86.3)
Administrative expense	(0.8)	(1.7)	(1.5)	(0.7)
Net change in plan fiduciary net position	210.3	(31.5)	15.4	282.8
Plan fiduciary net position - beginning	1,963.5	1,995.0	1,979.6	1,696.8
Plan fiduciary net position - ending	<u>\$2,173.8</u>	<u>\$1,963.5</u>	<u>\$1,995.0</u>	<u>\$1,979.6</u>
County's net pension liability (asset) - ending	<u>(\$51.5)</u>	<u>\$90.0</u>	<u>(\$23.5)</u>	<u>(\$91.5)</u>
Plan fiduciary net position as a percentage of the total pension liability	102.4%	95.6%	101.2%	104.85%
Covered payroll	\$236.5	\$248.9	\$243.5	\$252.4
County's net position liability as a percentage of covered-payroll	-21.8%	36.2%	-9.7%	-36.3%

* The amounts presented in this schedule have a measurement date of the previous fiscal year end. Furthermore, this schedule is intended to show information for 10 years. Since 2018 is the fourth year for this presentation, there are only four years of information available. Additional years will be displayed as they become available.

ARLINGTON COUNTY, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION

Exhibit 11-D

Arlington County Retirement System
Schedule of Employer Contributions-County
Last 10 Fiscal Years
(\$ in millions)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$54.9	\$51.8	\$54.5	\$58.2	\$53.7	\$48.0	\$46.3	\$43.2	\$42.0	\$37.1
County contributions in relation to the actuarially determined contributions	54.9	51.8	54.5	58.2	53.7	48.0	46.3	43.2	42.0	37.1
Contribution deficiency/ (excess)	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Covered Payroll	\$ 261.4	\$ 236.5	\$ 248.9	\$ 243.5	\$252.4	\$233.0	\$224.8	\$209.7	\$203.9	\$180.1
Contributions as a percentage of covered payroll	21.0%	21.9%	21.9%	23.9%	22.6%	20.6%	20.7%	20.5%	19.9%	13.8%

ARLINGTON COUNTY, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION

Exhibit 11-E

Notes to Schedule-Arlington County Retirement System Pension-Key Assumptions

Valuation date	June 30, 2016
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the System year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Asset valuation method	Five year, smoothed
Amortization method	Level percent open
Discount rate	7.25%
Amortization growth rate	3.75%
Inflation	3.75%
Salary increases	3.75% plus merit/seniority component which vary by year of service and are compounded annually

Mortality	<u>General and Uniformed</u> RP-2000 Combined Mortality with generational mortality improvements using Scale AA for active employees and non-disabled inactive members; for Uniformed members, 50% of deaths assumed to be service-connected. RP-2000 Disabled Mortality projected with generational mortality improvements using Scale AA for disabled lives.
-----------	---

	<u>School</u> RP-2000 Employee Mortality with White Collar adjustment with generational improvements using Scale BB for active and non-disabled inactive members; no deaths assumed to be service-connected. RP-2000 Disabled Mortality projected with generational mortality improvements using Scale AA for disabled lives.
--	--

ARLINGTON COUNTY, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION

Exhibit 11-F

Schedule of Employer's Share of Net Pension Liability
VRS Teacher Retirement Plan
For the Years Ended June 30, 2015 through 2018*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	3.62326%	3.54755%	3.50960%	3.41217%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$445,588,000	\$497,158,000	\$441,730,000	\$412,350,000
Employer's Covered Payroll	278,505,978	295,036,838	264,893,277	-
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	159.99%	168.51%	166.76%	-
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%	68.28%	70.68%	70.88%

* The amounts presented in this schedule have a measurement date of the previous fiscal year end. Furthermore, this schedule is intended to show information for 10 years. Since 2018 is the fourth year for this presentation, there are only four years of information available. Additional years will be displayed as they become available.

Exhibit 11-G

VRS Teachers Retirement Plan
Schedule of Employer Contributions
For the Years Ended 2015 through 2018 *

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2018	\$47,818,256	\$47,818,256	\$-	\$293,004,021	16.32%
2017	\$40,828,976	\$41,192,000	(\$363,024)	\$278,505,978	14.66%
2016	\$41,482,179	\$41,585,081	(\$102,902)	\$295,036,838	14.06%
2015	\$38,409,525	\$37,194,010	\$1,215,515	\$264,893,277	14.04%

*This schedule is intended to show information for 10 years. Since 2018 is the fourth year for this presentation, there are only four years of information available. Additional years will be displayed as they become available.

ARLINGTON COUNTY, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION

Exhibit 11-H

Notes to Schedule-VRS Teachers Retirement Plan

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous

duty benefits. Because this is still a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 is not material.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four- year period ending June 30, 2016:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

ARLINGTON COUNTY, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION

Exhibit 11-I

**Schedule of Changes in the Political Subdivision's Net Pension Liability
and Related Ratios
For the Years Ended June 30, 2016 through 2018 ***

	2018	2017	2016
Total pension liability			
Service cost	\$1,874,972	\$1,828,396	\$2,027,449
Interest	2,837,805	2,699,983	2,439,032
Differences between expected and actual experience	(4,454)	(1,444,760)	237,081
Changes in assumptions	(947,788)	-	-
Benefit payments, including refunds of employee contributions	(1,160,059)	(1,069,403)	(881,977)
Net change in total pension liability	2,600,476	2,014,216	3,821,585
Total pension liability - beginning	41,120,105	39,105,889	35,284,304
Total pension liability - ending (a)	<u>\$43,720,581</u>	<u>\$41,120,105</u>	<u>\$39,105,889</u>
 Plan fiduciary net position			
Contributions - employer	\$1,077,379	\$1,225,860	\$954,339
Contributions - employee	935,848	884,066	722,556
Net investment income	4,632,064	667,328	1,570,563
Benefit payments, including refunds of employee contributions	(1,160,059)	(1,069,403)	(881,977)
Administrative expense	(25,371)	(21,338)	(20,294)
Other	(4,184)	(273)	(332)
Net change in plan fiduciary net position	5,455,677	1,686,240	2,344,855
Plan fiduciary net position - beginning	37,362,179	35,675,939	33,331,084
Plan fiduciary net position - ending (b)	<u>\$42,817,856</u>	<u>\$37,362,179</u>	<u>\$35,675,939</u>
 Political subdivision's net pension liability - ending (a) - (b)	<u>\$902,725</u>	<u>\$3,757,926</u>	<u>\$3,429,950</u>
 Plan fiduciary net position as a percentage of the total pension liability	97.94%	90.86%	91.23%
 Covered payroll	\$18,633,172	\$17,912,069	\$18,922,234
 Political subdivision's net pension liability as a percentage of covered payroll	4.84%	20.98%	18.13%

* The amounts presented in this schedule have a measurement date of the previous fiscal year end. Furthermore, this schedule is intended to show information for 10 years. Since 2018 is the fourth year for this presentation, there are only four years of information available. Additional years will be displayed as they become available.

ARLINGTON COUNTY, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION

Exhibit 11-J

VRS Political Subdivisions
Schedule of Employer Contributions
For the Years Ended 2015 through 2018 *

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2018	\$1,251,977	\$1,251,977	\$-	\$18,170,928	6.89%
2017	\$1,082,587	\$1,077,379	\$5,208	\$18,633,172	5.81%
2016	\$1,234,142	\$1,199,863	\$34,279	\$17,912,069	6.89%
2015	\$1,302,210	\$1,709,102	(\$406,892)	\$18,922,234	9.12%

* This schedule is intended to show information for 10 years. Since 2018 is the fourth year for this presentation, there are only four years of information available. Additional years will be displayed as they become available.

Exhibit 11-K

Notes to Schedule-VRS Political Subdivisions

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 is not material.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 20%

ARLINGTON COUNTY, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION

All Others (Non 10 Largest) – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Rate of Duty Disability	Increase rate from 14% to 15%

Exhibit 11-L

Schedule of Changes in Net OPEB Liability and Related Ratios-County OPEB Plan
For the Years Ended 2017 and 2018

	2018	2017
Total OPEB liability		
Service cost	\$7,045,072	\$6,789,601
Interest	20,569,239	19,577,252
Changes of assumptions	(855,957)	21,967,205
Differences between expected and actual experience	(4,316,370)	(7,417,570)
Benefit Payments	(15,838,142)	(12,672,328)
Net change in total OPEB liability	6,603,842	28,244,160
Total OPEB liability - beginning	305,474,162	277,230,002
Total OPEB liability - ending (a)	<u>\$312,078,004</u>	<u>\$305,474,162</u>
Plan fiduciary net position		
Contributions - employer	\$19,237,827	\$1,225,860
Net investment income	7,935,995	667,328
Benefit payments	(12,042,855)	(1,069,403)
Net change in plan fiduciary net position	15,130,967	823,785
Plan fiduciary net position - beginning	115,060,732	35,675,939
Plan fiduciary net position - ending (b)	<u>\$130,191,699</u>	<u>\$36,499,724</u>
Net OPEB Liability - ending	<u>\$181,886,305</u>	<u>\$268,974,438</u>
Plan fiduciary net position as a % of the total OPEB liability	42.7%	37.7%
Covered-employee payroll	\$272,210,858	N/A
Net OPEB liability as % of covered-employee payroll	66.82%	N/A

* This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

ARLINGTON COUNTY, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION

Exhibit 11-M

Schedule of Employer Contributions - County OPEB Plan
For the Years Ended 2009 through 2018

Date	Actuarially Determined Contribution (ADC)	Contributions in relation to ADC	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contribution as a Percentage of Covered Employee Payroll
2018	\$19,316,113	\$19,237,827	\$78,286	\$272,210,858	7.07%
2017	17,836,375	19,522,328	(1,685,953)	-	-
2016	18,448,969	19,706,851	(1,257,882)	-	-
2015	18,935,237	19,480,852	(545,615)	-	-
2014	19,871,609	20,942,046	(1,070,437)	-	-
2013	20,013,479	19,879,203	134,276	257,540,000	7.72%
2012	18,314,275	19,018,775	(704,500)	247,630,000	7.68%
2011	17,311,380	16,334,196	977,184	231,930,000	7.04%
2010	16,698,955	16,758,937	(59,982)	221,950,000	7.55%
2009	15,500,000	23,632,512	(8,132,512)	243,400,000	9.71%

Exhibit 11-N

Notes to Schedules-County OPEB

Valuation Date: July 1, 2017

Actuarially determined contribution rates are calculated as of July 1, 2017, prior to the fiscal year in when they are reported, and have been projected to June 30, 2018 on a “no gain / no loss” basis.

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age normal level % of salary

Amortization method/period Level % of salary, 26 years

Asset valuation method Fair value of assets

Inflation: 3.00% per year as of July 1, 2017

Medical trend rate: The medical trend rate assumption starts at 7.75% in 2018 and gradually declines to 5.0% by the year 2029.

Salary increases 3.00% salary scale as of July 1, 2018

Investment rate of return 6.75% per year as of July 1, 2018

Retirement age The average age at retirement is 62.

Mortality rates: The mortality rates for active and healthy retirees was calculated using the RPH-2015 Total Dataset Mortality Table fully generational using scale MP-2015. The mortality rates for disabled retirees and calculated using the PRH-2015 Disabled Mortality Table fully generational using scale MP-2015.

ARLINGTON COUNTY, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION

Exhibit O

County OPEB Plan
Schedule of Investment Returns
Last Two Fiscal Years

	<u>2018</u>	<u>2017</u>
Annual Money-Weighted Rate of Return		
Net of Investment Expense	6.89%	12.25%

The chart is intended to show information for 10 years. More data will be added as it becomes available.

ARLINGTON COUNTY, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION

Exhibit 11-P

Schedule of Employer's Share of Net OPEB Liability
Line of Duty Act Program (LODA)
For the Year Ended June 30, 2018*

	<u>2018</u>
Employer's Proportion of the Net LODA OPEB Liability	4.10%
Employer's Proportionate Share of the Net LODA OPEB Liability	\$10,773,000
Covered-Employee Payroll	\$309,889,759
Employer's Proportionate Share of the Net LODA OPEB Liability as a Percentage of its Covered-Employee Payroll	3.48%
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.30%

* The amounts presented have a measurement date of the previous fiscal year end. Furthermore, this schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, there is only one year of information available. Additional years will be displayed as they become available.

**The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan.

ARLINGTON COUNTY, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION

Exhibit 11-Q

Schedule of Employer Contributions
Line of Duty Act Program (LODA)
For the Years Ended June 30, 2009 through 2018

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a % of Covered- Employee Payroll
2018	\$441,414	\$441,414	\$-	\$272,210,858	0.16%
2017	442,123	442,123	-	309,889,759	0.14%
2016	418,315	418,315	-	300,085,853	0.14%
2015	409,235	409,235	-	292,004,396	0.14%
2014	435,192	435,192	-	271,739,851	0.16%
2013	365,562	365,562	-	273,314,371	0.13%
2012	204,420	204,420	-	266,910,120	0.08%
2011	N/A **	N/A **	N/A **	N/A **	N/A **
2010	N/A **	N/A **	N/A **	N/A **	N/A **
2009	N/A **	N/A **	N/A **	N/A **	N/A **

* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan.

**FY2011 was the first year for the Line of Duty Act Program (LODA); however, there were no contributions.

Exhibit 11-R

Notes to Required Supplementary Information
Line of Duty Act Program (LODA)
For the Year Ended June 30, 2018

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Employees In The Largest Ten Locality Employers With Public Safety Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

ARLINGTON COUNTY, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION

Employees In The Non- Largest Ten Locality Employers With Public Safety Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60 to 45%

Exhibit 11-S

Schedule of Changes in Net OPEB Liability and Related Ratios-Arlington Public Schools
For the Years Ended 2018 and 2017

Total OPEB Liability	2018	2017
Service cost	\$4,514,868	\$3,724,642
Interest	11,989,545	10,156,192
Changes in assumptions	(13,025,339)	18,230,091
Difference between expected and actual experience	2,312,548	7,411,499
Benefit payments	(6,774,239)	(6,227,027)
Net change in total OPEB liability	(982,617)	25,883,898
Total OPEB liability - beginning	176,439,833	143,144,436
Total OPEB liability - ending (a)	\$175,457,216	\$169,028,334
Plan fiduciary net position		
Contributions-employer	\$9,374,239	\$8,827,027
Contributions-retired members	-	-
Net investment income	3,506,989	5,287,676
Benefit payments	(6,774,239)	(6,227,027)
Net change in plan fiduciary net position	6,106,989	7,887,676
Plan fiduciary net position - beginning	50,874,863	42,987,187
Plan fiduciary net position - ending (b)	\$56,981,852	\$50,874,863
Net OPEB Liability-ending (a) - (b)	\$118,475,364	\$118,153,471
 Plan Fiduciary net position as % of total OPEB liability	 32.5%	 28.8%
Covered-employee payroll	\$305,435,909	\$294,660,463
Net OPEB liability as % of covered-employee payroll	38.8%	42.6%

This schedule is intended to show information for 10 years. Additional years will be added as they become available.

ARLINGTON COUNTY, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION

Exhibit 11-T

Schedule of Employer Contributions - Arlington County Public Schools
For the Years Ended June 30, 2009 through 2018

Date	Actuarially Determined Contribution (ADC)	Contributions in relation to ADC	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contribution as a Percentage of Covered- Employee Payroll
2018	\$11,712,327	\$9,374,239	\$2,338,088	\$305,435,909	3.1%
2017	9,448,250	8,827,027	621,223	294,660,463	3.0%
2016	9,072,082	8,033,056	1,039,026	275,631,084	2.9%
2015	7,516,603	8,000,708	(484,105)	211,917,981	3.8%
2014	7,631,362	7,910,729	(279,367)	204,258,295	3.9%
2013	8,062,374	9,352,970	(1,290,596)	267,192,229	3.5%
2012	9,248,589	10,293,067	(1,044,478)	255,686,344	4.0%
2011	9,373,969	12,217,684	(2,843,715)	244,675,927	5.0%
2010	8,986,982	9,830,945	(843,963)	234,139,643	4.2%
2009	15,000,000	7,473,320	7,526,680	221,800,000	3.4%

Exhibit 11-U

Notes to Schedules-Arlington Public Schools

Valuation Date: June 30, 2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry age normal level % of salary

Amortization method: Level % of salary

Amortization period: 29 years

Asset valuation method: Fair market value of assets

Inflation: 3.00% per year as of June 30, 2018

Medical trend rate: The medical trend rate assumption starts at 8.0% in 2018 and gradually declines to 5.0% by the year 2031.

Salary increases: 3.00% salary scale as of June 30, 2018

Investment rate of return: 6.75% per year as of June 30, 2018

Retirement age: The average retirement age is 62.

Mortality rates: The mortality rates for active and healthy retirees was calculated using the RPH-2014 Total Dataset Mortality Table fully generational using scale MP-2015. The mortality rates for disabled retirees was calculated using the PRH-2014 Disabled Mortality Table fully generational using scale MP-2015.

ARLINGTON COUNTY, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION

Exhibit V

Arlington Public Schools OPEB Plan
Schedule of Investment Returns
Last Two Fiscal Years

	<u>2018</u>	<u>2017</u>
Annual Money-Weighted Rate of Return		
Net of Investment Expense	6.89%	12.30%

The chart is intended to show information for 10 years. More data will be added as it becomes available.

Exhibit 11-W

Schedule of Employer's Share of Net OPEB Liability
Arlington Public Schools-Teachers Plan
Health Insurance Credit Program (HIC)
For the Year Ended June 30, 2018*

	<u>2018</u>
Employer's Proportion of the Net HIC OPEB Liability	3.63%
Employer's Proportionate Share of the Net HIC OPEB Liability	\$46,108,000
Covered Payroll	\$300,366,698
Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of its Covered Payroll	15.35%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	7.04%

* The amounts presented in this schedule have a measurement date of the previous fiscal year end. Furthermore, this schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, there is only one year of information available. Additional years will be displayed as they become available.

ARLINGTON COUNTY, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION

Exhibit 11-X

Schedule of Employer Contributions
Arlington County Public Schools-Teachers Plan
Health Insurance Credit (HIC) Program
For the Years Ended June 30, 2009 through 2018

Date	Contributions in			Contributions	
	Contractually	Relation to	Contribution	Covered	as a % of
	Required	Contractually	Deficiency	Payroll	Covered
	Contribution	Required	(Excess)		Payroll
2018	\$3,704,004	\$3,704,004	\$-	\$301,138,537	1.23%
2017	3,183,887	3,183,887	-	300,366,698	1.06%
2016	2,867,346	2,867,346	-	270,504,340	1.06%
2015	2,819,847	2,819,847	-	266,023,302	1.06%
2014	2,757,249	2,757,249	-	250,659,000	1.10%
2013	2,724,123	2,724,123	-	247,647,545	1.10%
2012	NA *	NA *	NA *	NA *	NA *
2011	NA *	NA *	NA *	NA *	NA *
2010	NA *	NA *	NA *	NA *	NA *
2009	NA *	NA *	NA *	NA *	NA *

* Information is not available prior to FY 2013

ARLINGTON COUNTY, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION

Exhibit 11-Y

Notes to Schedules
Arlington Public Schools HIC-Teachers Plan
For the Year Ended June 30, 2018

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Exhibit 11-Z

Schedule of Employer's Share of Net OPEB Liability
Arlington Public Schools-Teachers Plan
Group Life Insurance Program
For the Year Ended June 30, 2018*

	2018
Employer's Proportion of the Net GLI OPEB Liability	1.57%
Employer's Proportionate Share of the Net GLI OPEB Liability	\$23,574,000
Covered Payroll	\$288,942,885
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

* The amounts presented in this schedule have a measurement date of the previous fiscal year end. Furthermore, this schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, there is only one year of information available. Additional years will be displayed as they become available.

ARLINGTON COUNTY, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION

Exhibit 11-AA

Schedule of Employer Contributions
Arlington County Public Schools-Teachers Plan
General Life Insurance (GLI) Program
For the Years Ended June 30, 2009 through 2018

Date	Contributions in			Contributions	
	Contractually	Relation to	Contribution	Covered	as a % of
	Required	Contractually	Deficiency	Payroll	Covered
	Contribution	Required	(Excess)		Payroll
2018	\$1,737,553	\$1,737,553	\$-	\$334,144,790	0.52%
2017	1,655,136	1,502,503	152,633	288,942,885	0.52%
2016	1,573,752	1,314,583	259,169	252,804,423	0.52%
2015	1,386,596	1,386,596	-	266,653,025	0.52%
2014	1,304,982	1,304,982	-	250,957,983	0.52%
2013	1,170,864	1,170,864	-	225,166,134	0.52%
2012	NA *	NA *	NA *	NA *	NA *
2011	NA *	NA *	NA *	NA *	NA *
2010	NA *	NA *	NA *	NA *	NA *
2009	NA *	NA *	NA *	NA *	NA *

* Information is not available prior to FY 2013

Exhibit 11-AB

Notes to Schedules
For the Year Ended June 30, 2018
Arlington Public Schools-Teachers GLI Program

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Teachers

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

ARLINGTON COUNTY, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION

Exhibit 11-AC

Schedule of Employer's Share of Net OPEB Liability
Arlington County Public Schools-Non-Professional Employees
Group Life Insurance Program
For the Year Ended June 30, 2018*

	2018
Employer's Proportion of the Net GLI OPEB Liability	0.11%
Employer's Proportionate Share of the Net GLI OPEB Liability	\$1,631,000
Covered Payroll	\$18,508,403
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.81%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

* The amounts in this schedule have a measurement date of the previous fiscal year end. Furthermore, this schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, there is only one year of information available. Additional years will be displayed as they become available.

ARLINGTON COUNTY, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION

Exhibit 11-AD

Schedule of Employer Contributions
Arlington County Public Schools-Non-Professional Employees
Group Life Insurance (GLI) Program
For the Years Ended June 30, 2009 through 2018

Date	Contributions in			Contributions	
	Contractually	Relation to	Contribution	Covered	as a % of
	Required	Contractually	Deficiency	Payroll	Covered
	Contribution	Required	(Excess)		Payroll
2018	\$94,275	\$94,275	\$-	\$18,129,748	0.52%
2017	96,244	103,950	(7,706)	18,508,403	0.56%
2016	105,446	89,114	16,332	20,277,983	0.44%
2015	113,430	113,430	-	21,813,445	0.52%
2014	114,226	114,226	-	21,966,555	0.52%
2013	123,909	123,909	-	23,828,655	0.52%
2012	NA *	NA *	NA *	NA *	NA *
2011	NA *	NA *	NA *	NA *	NA *
2010	NA *	NA *	NA *	NA *	NA *
2009	NA *	NA *	NA *	NA *	NA *

* Information is not available prior to FY 2013

Exhibit 11-AE

Notes to Schedules
For the Year Ended June 30, 2018
Arlington Public Schools-Non-Professional Employees GLI Program

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest Ten Locality Employers - General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

ARLINGTON COUNTY, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75.
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14 to 15%

This page has been intentionally left blank.



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.

This page has been intentionally left blank.



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, 2018

	SPECIAL REVENUE FUNDS							CAPITAL PROJECTS FUNDS											Total Non-Major Governmental Funds	ASSETS
	Ballston Quarter Community Development Authority	Travel & Tourism Promotion	Ballston Business Improvement District	Rosslyn Business Improvement District	Crystal City Business Improvement District	Community Development Grants	Section 8 Housing Program	Street and Highway Bond Fund	Neighborhood Conservation Bond Fund	Government Facility Bond	Stormwater Fund	Public Recreation Bond Fund	Fire Station Bond Fund	Library Bond Fund	Transit Facility Bond Fund	Crystal City TIF	Columbia Pike TIF	IDA Bond Fund		
ASSETS																				
Equity in pooled cash and investments	\$65,420	\$206,546	\$861,732	\$2,063,559	\$1,327,399	\$2,595,847	\$-	\$15,386,414	\$10,737,625	\$53,072,987	\$16,662,506	\$38,083,022	\$4,625	\$44	\$18,082,585	\$21,782,391	\$374,083	\$6,525,473	\$187,832,258	Equity in pooled cash and investments
Receivables, net	-	-	-	-	-	50,369,240	-	-	-	-	30,628	-	-	-	-	95,882	-	-	50,495,750	Receivables, net
Receivables from other governments	-	132,166	-	-	-	115,641	44,387	-	-	-	-	-	-	-	-	142,167	-	-	434,361	Receivables from other governments
Prepaid items	-	-	-	-	-	-	1,438,170	-	4,275	-	-	-	-	-	-	-	-	-	1,442,445	Prepaid
Total assets	\$65,420	\$338,712	\$861,732	\$2,063,559	\$1,327,399	\$53,080,728	\$1,482,557	\$15,386,414	\$10,741,900	\$53,072,987	\$16,693,134	\$38,083,022	\$4,625	\$44	\$18,082,585	\$22,020,440	\$374,083	\$6,525,473	\$240,204,814	Total assets
LIABILITIES																				LIABILITIES
Vouchers payable	\$-	\$335,520	\$-	\$-	\$-	\$157,465	\$122,190	\$3,477,815	\$418,882	\$83,993	\$1,318,729	\$528,907	\$-	\$-	\$-	\$462,157	\$-	\$16,917	\$6,922,575	Vouchers payable
Contracts payable - retainage	-	-	-	-	-	-	-	385,047	165,177	-	212,203	127,603	-	-	-	-	-	-	890,030	Contracts payable - retainage
Temporary loan - General Fund	-	-	-	-	-	-	684,998	-	-	-	-	-	-	-	-	-	-	-	684,998	Temporary loan - General Fund
Other liabilities	-	-	-	-	-	-	-	-	3,200	-	-	-	-	-	-	-	-	-	3,200	Other liabilities
Total liabilities	-	335,520	-	-	-	157,465	807,188	3,862,862	587,259	83,993	1,530,932	656,510	-	-	-	462,157	-	16,917	8,500,803	Total liabilities
DEFERRED INFLOWS OF RESOURCES																				DEFERRED INFLOWS OF RESOURCES
Unavailable revenue-community development	-	-	-	-	-	50,369,856	-	-	-	-	-	-	-	-	-	-	-	-	50,369,856	Unavailable revenue-community development
Unavailable revenue-special assessments	-	-	847,111	1,838,004	1,289,318	2,553,407	675,369	-	-	-	-	-	-	-	-	-	-	-	3,974,433	Unavailable revenue-special assessments
Unavailable revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,228,776	Unavailable revenue
Total deferred inflows of resources	-	-	847,111	1,838,004	1,289,318	52,923,263	675,369	-	-	-	-	-	-	-	-	-	-	-	57,573,065	Total deferred inflows of resources
FUND BALANCES																				FUND BALANCES
Nonspendable - prepaid items	-	-	-	-	-	-	1,438,170	-	4,275	-	-	-	-	-	-	-	-	-	1,442,445	Nonspendable - prepaid items
Restricted	65,420	3,192	14,621	225,555	38,081	-	-	11,523,552	10,150,366	52,988,994	-	37,426,512	4,625	44	18,082,585	-	-	6,508,556	137,032,103	Restricted
Committed	-	-	-	-	-	-	-	-	-	-	15,162,202	-	-	-	-	21,558,283	374,083	-	37,094,568	Committed
Unassigned	-	-	-	-	-	-	(1,438,170)	-	-	-	-	-	-	-	-	-	-	-	(1,438,170)	Unassigned
Total fund balances	65,420	3,192	14,621	225,555	38,081	-	-	11,523,552	10,154,641	52,988,994	15,162,202	37,426,512	4,625	44	18,082,585	21,558,283	374,083	6,508,556	174,130,946	Total fund balances
Total liabilities, deferred inflows of resources and fund balance:	\$65,420	\$338,712	\$861,732	\$2,063,559	\$1,327,399	\$53,080,728	\$1,482,557	\$15,386,414	\$10,741,900	\$53,072,987	\$16,693,134	\$38,083,022	\$4,625	\$44	\$18,082,585	\$22,020,440	\$374,083	\$6,525,473	\$240,204,814	Total liabilities, deferred inflows of resources and fund balance:

ARLINGTON COUNTY, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	SPECIAL REVENUE FUNDS							CAPITAL PROJECTS FUNDS												Total Non-Major Governmental Funds	REVENUES:
	Ballston Quarter Community Development Authority	Travel & Tourism Promotion	Ballston Business Improvement District	Rosslyn Business Improvement District	Crystal City Business Improvement District	Community Development Grants	Section 8 Housing Program	Street and Highway Bond Fund	Neighborhood Conservation Bond Fund	Government Facility Bond Fund	Stormwater Fund	Public Recreation Bond Fund	Fire Station Bond Fund	Library Bond Fund	Transit Facility Fund	Crystal City TIF	Columbia Pike TIF	IDA Bond Fund			
REVENUES:																					
Other local taxes	\$65,420	\$1,251,241	\$1,436,122	\$3,665,735	\$2,597,175	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$9,015,693	Other local taxes	
Real estate taxes	-	-	-	-	-	-	-	-	-	-	9,459,705	-	-	-	-	5,157,771	-	-	14,617,476	Real estate taxes	
Intergovernmental	-	-	-	-	-	1,336,943	19,031,657	-	-	-	365,009	-	-	-	-	179,915	-	-	20,913,524	Intergovernmental	
Interest earnings	-	-	1,406	2,802	1,566	-	-	139,022	191,823	646,004	-	590,124	-	-	72,340	-	-	107,204	1,752,291	Interest income	
Charges for services	-	-	-	-	-	-	-	-	-	-	613,579	-	-	-	-	-	-	-	613,579	Charges for services	
Miscellaneous revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	221,892	-	-	221,892	Miscellaneous revenue	
Total revenues	65,420	1,251,241	1,437,528	3,668,537	2,598,741	1,336,943	19,031,657	139,022	191,823	646,004	10,438,293	590,124	-	-	72,340	5,559,578	-	107,204	47,134,455	Total revenues	
EXPENDITURES:																				EXPENDITURES:	
Current:																				Current:	
General government	-	-	-	-	-	-	-	-	-	-	8,394,692	-	-	-	-	187,146	-	249,532	8,831,370	General government	
Planning and community development	-	1,672,999	1,485,456	3,587,568	2,588,122	1,911,213	-	-	-	-	-	-	-	-	-	-	112,423	-	11,357,781	Planning and community development	
Health and welfare	-	-	-	-	-	-	19,031,657	-	-	-	-	-	-	-	-	-	-	-	19,031,657	Health and welfare	
Intergovernmental:																				Intergovernmental:	
Community development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	48,000,000	-	-	-	48,000,000	Community development	
Capital outlay	-	-	-	-	-	-	-	14,396,684	6,461,460	8,658,167	4,864,340	8,483,226	-	-	-	1,629,047	-	30,933,617	75,426,541	Capital outlay	
Total expenditures	-	1,672,999	1,485,456	3,587,568	2,588,122	1,911,213	19,031,657	14,396,684	6,461,460	8,658,167	13,259,032	8,483,226	-	-	48,000,000	1,816,193	112,423	31,183,149	162,647,349	Total expenditures	
Revenues over (under) expenditures	65,420	(421,758)	(47,928)	80,969	10,619	(574,270)	-	(14,257,662)	(6,269,637)	(8,012,163)	(2,820,739)	(7,893,102)	-	-	(47,927,660)	3,743,385	(112,423)	(31,075,945)	(115,512,894)	Revenues over (under) expenditures	
OTHER FINANCING SOURCES(USES):																				OTHER FINANCING SOURCES(USES):	
Proceeds for bond premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,067,577	6,067,577	Proceeds for bond premium	
Proceeds from sale of bonds	-	-	-	-	-	-	-	15,210,000	3,000,000	18,220,000	-	6,725,000	-	-	18,000,000	-	-	31,715,000	92,870,000	Proceeds from sale of bonds	
Payments to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(29,785,000)	(29,785,000)	Payments to refunded bond escrow agent	
Proceeds from sale of refunding bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	26,150,000	26,150,000	Proceeds from sale of refunding bonds	
Deferred cost of refunding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,635,000	3,635,000	Deferred cost of refunding	
Transfers in (out)	-	246,700	(14,361)	(36,657)	(25,972)	574,270	-	(139,022)	(191,823)	(646,005)	-	(590,123)	-	-	(72,340)	-	-	(107,204)	(1,002,537)	Transfers in (out)	
Total other financing sources (uses)	-	246,700	(14,361)	(36,657)	(25,972)	574,270	-	15,070,978	2,808,177	17,573,995	-	6,134,877	-	-	17,927,660	-	-	37,675,373	97,935,040	Total Other financing sources (uses)	
Net change in fund balances	65,420	(175,058)	(62,289)	44,312	(15,353)	-	-	813,316	(3,461,460)	9,561,832	(2,820,739)	(1,758,225)	-	-	(30,000,000)	3,743,385	(112,423)	6,599,428	(17,577,854)	Net change in fund balances	
FUND BALANCE, beginning of year	-	178,250	76,910	181,243	53,434	-	-	10,710,236	13,616,101	43,427,162	17,982,941	39,184,737	4,625	44	48,082,585	17,814,898	486,506	(90,872)	191,708,800	FUND BALANCE, beginning of year	
FUND BALANCE, end of year	\$65,420	\$3,192	\$14,621	\$225,555	\$38,081	\$-	\$-	\$11,523,552	\$10,154,641	\$52,988,994	\$15,162,202	\$37,426,512	\$4,625	\$44	\$18,082,585	\$21,558,283	\$374,083	\$6,508,556	\$174,130,946	FUND BALANCE, end of year	

This page has been intentionally left blank.



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.

This page has been intentionally left blank.

ARLINGTON COUNTY, VIRGINIA
GENERAL FUND
BALANCE SHEET
JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

	2018	2017
ASSETS		
Equity in pooled cash and investments	\$293,928,423	\$279,068,488
Petty cash	1,150	1,150
Cash with fiscal agents	270,456	270,456
Receivables(net, where applicable, of allowance for uncollectibles):		
Taxes	410,330,150	393,091,354
Accounts receivable - other	13,301,989	14,137,713
Accounts receivable - development loan	623,153	28,804,099
Accrued interest	1,584,731	1,230,417
Due from other governments	6,048,055	11,320,992
Temporary loan to other funds	1,002,398	1,120,470
Due from component unit	1,153,681	418,342
Prepaid items and other assets	61,626	35,036
Total assets	\$728,305,812	\$729,498,517
LIABILITIES		
Accrued payroll liabilities	\$23,128,677	\$22,640,958
Vouchers payable	8,940,526	7,867,241
Current maturities of interest payable	267,304	267,304
Other current liabilities	13,413,667	2,447,175
Unearned revenue	134,085	240,181
Due to component unit	93,168,181	92,774,673
Total liabilities	139,052,440	126,237,532
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	2,839,291	104,662
Unavailable revenue - community development	623,153	28,804,099
Unavailable revenue - taxes	403,879,939	387,922,036
Total deferred inflows of resources	407,342,383	416,830,797
FUND BALANCES:		
Non spendable:		
Prepaid items	61,626	35,036
Restricted:		
Grants	144,268	255,110
Seized assets	1,325,556	1,599,616
Committed:		
Self insurance reserve	5,000,000	5,000,000
Economic & revenue stabilization contingent	4,000,000	4,000,000
Operating reserve	63,791,653	62,635,601
Subsequent years' County budget	4,407,475	4,643,563
Capital projects	195,358	6,636,589
Incomplete projects	-	664,991
Affordable Housing Investment Fund - Allocated	46,121,170	44,073,880
Subsequent years' School's budget	9,989,113	24,217,093
Assigned:		
Contingency funds	2,115,131	622,049
Subsequent years' County capital projects	8,900,209	10,279,343
Operating reserve	6,379,165	-
Fresh AIRE program	-	156,301
Planned projects	5,258,062	2,532,004
Affordable Housing Investment Fund - Unallocated	7,898,390	13,841,061
Unassigned	16,323,813	5,237,951
Total fund balance	181,910,989	186,430,188
Total liabilities, deferred inflows of resources and fund balance	\$728,305,812	\$729,498,517

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, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

	2018			
	BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	2017 ACTUALS
REVENUES:				
Taxes	\$1,039,010,130	\$1,044,718,339	\$5,708,209	\$1,022,543,405
Licenses and permits	10,766,100	10,500,494	(265,606)	11,459,159
From the Commonwealth of Virginia	79,312,711	76,286,881	(3,025,830)	75,076,003
From the federal government	16,171,478	16,649,770	478,292	18,297,110
Charges for services	59,075,447	59,262,598	187,151	57,520,846
Fines and forfeitures	7,142,700	7,295,337	152,637	7,059,743
Use of money and property	11,624,766	8,645,196	(2,979,570)	7,415,759
Miscellaneous revenues	6,749,594	21,818,000	15,068,406	13,380,229
Total revenues	<u>1,229,852,926</u>	<u>1,245,176,615</u>	<u>15,323,689</u>	<u>1,212,752,254</u>
EXPENDITURES:				
Current:				
General government	63,156,936	62,532,365	624,571	60,596,060
Judicial administration	61,467,937	61,510,534	(42,597)	58,948,093
Public safety	144,233,745	137,855,697	6,378,048	135,737,313
Environmental services	98,740,096	94,573,460	4,166,636	93,100,334
Health and welfare	142,012,388	136,105,243	5,907,145	134,525,749
Parks and recreation	41,858,507	40,416,046	1,442,461	40,081,828
Libraries	14,466,930	14,465,893	1,037	13,648,924
Planning and community development	20,446,209	19,382,397	1,063,812	19,502,992
Non-departmental	127,615,539	65,329,008	62,286,531	69,607,342
Contributions to regional agencies	43,913,225	43,259,459	653,766	37,893,377
Debt service:				
Principal	40,937,728	43,682,412	(2,744,684)	43,967,972
Interest on serial bonds	21,901,617	18,636,523	3,265,094	16,280,240
Other costs	125,000	6,045	118,955	3,942
Total expenditures	<u>820,875,857</u>	<u>737,755,082</u>	<u>83,120,775</u>	<u>723,894,166</u>
Revenues over expenditures	<u>408,977,069</u>	<u>507,421,533</u>	<u>98,444,464</u>	<u>488,858,088</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	3,793,087	3,254,650	(538,437)	4,095,415
Transfers from component unit	-	2,505,208	2,505,208	372,376
Transfers out	(17,930,979)	(20,145,276)	(2,214,297)	(22,068,694)
Transfers to component unit	<u>(508,395,813)</u>	<u>(497,555,314)</u>	<u>10,840,499</u>	<u>(476,070,856)</u>
Total other financing sources (uses)	<u>(522,533,705)</u>	<u>(511,940,732)</u>	<u>10,592,973</u>	<u>(493,671,759)</u>
Revenues over (under) expenditures and other sources (uses)	<u>(113,556,636)</u>	<u>(4,519,199)</u>	<u>109,037,437</u>	<u>(4,813,671)</u>
FUND BALANCE, beginning of year	<u>186,430,188</u>	<u>186,430,188</u>	<u>-</u>	<u>191,243,859</u>
FUND BALANCE, end of year	<u><u>\$72,873,552</u></u>	<u><u>\$181,910,989</u></u>	<u><u>\$109,037,437</u></u>	<u><u>\$186,430,188</u></u>



Special Revenue Funds

Ballston Quarter Community Development Authority – to account for the operations of the Ballston Quarter redevelopment project. This will be funded by a CDA bond and backed with incremental tax revenues.

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

Ballston Business Improvement District – to account for the operations of a service district in the Ballston area created to collect and disperse local tax revenue for supplemental services to those already provided by county government

Rosslyn Business Improvement District – to account for the operations of a service district in the downtown Rosslyn area created to collect and disperse local tax revenue for supplemental services to those already provided by county government.

Crystal City Business Improvement District – to account for the operations of a service district in the downtown Crystal City area created to collect and disperse local tax revenue for supplemental services to those already provided by county government.

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.

This page has been intentionally left blank.

ARLINGTON COUNTY, VIRGINIA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

	Ballston Quarter Community Development Authority	Travel & Tourism Promotion	Ballston Business Improvement District	Rosslyn Business Improvement District	Crystal City Business Improvement District	Community Development Grants	Section 8 Housing Program	Totals	
								June 30, 2018	June 30, 2017
ASSETS									
Equity in pooled cash and investments	\$65,420	\$206,546	\$861,732	\$2,063,559	\$1,327,399	\$2,595,847	\$-	\$7,120,503	\$7,423,977
Receivable from other governments	-	132,166	-	-	-	115,641	44,387	292,194	179,066
Receivables-community development	-	-	-	-	-	50,369,240	-	50,369,240	21,227,548
Prepaid items	-	-	-	-	-	-	1,438,170	1,438,170	1,351,822
Total assets	<u>\$65,420</u>	<u>\$338,712</u>	<u>\$861,732</u>	<u>\$2,063,559</u>	<u>\$1,327,399</u>	<u>\$53,080,728</u>	<u>\$1,482,557</u>	<u>\$59,220,107</u>	<u>\$30,182,413</u>
LIABILITIES									
Vouchers payable	\$-	\$335,520	\$-	\$-	\$-	\$157,465	\$122,190	\$615,175	\$674,588
Temporary loan - General Fund	-	-	-	-	-	-	684,998	684,998	1,045,315
Total liabilities	<u>-</u>	<u>335,520</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>157,465</u>	<u>807,188</u>	<u>1,300,173</u>	<u>1,719,903</u>
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenues-community development	-	-	-	-	-	50,369,856	-	50,369,856	21,227,548
Unavailable revenues-special assessments	-	-	847,111	1,838,004	1,289,318	-	-	3,974,433	3,919,493
Unavailable revenues	-	-	-	-	-	2,553,407	675,369	3,228,776	2,825,632
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>847,111</u>	<u>1,838,004</u>	<u>1,289,318</u>	<u>52,923,263</u>	<u>675,369</u>	<u>57,573,065</u>	<u>27,972,673</u>
FUND BALANCES									
Nonspendable-prepaid items	-	-	-	-	-	-	1,438,170	1,438,170	1,351,822
Restricted	65,420	3,192	14,621	225,555	38,081	-	-	346,869	489,837
Unassigned	-	-	-	-	-	-	(1,438,170)	(1,438,170)	(1,351,822)
Total fund balances	<u>65,420</u>	<u>3,192</u>	<u>14,621</u>	<u>225,555</u>	<u>38,081</u>	<u>-</u>	<u>-</u>	<u>346,869</u>	<u>489,837</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$65,420</u>	<u>\$338,712</u>	<u>\$861,732</u>	<u>\$2,063,559</u>	<u>\$1,327,399</u>	<u>\$53,080,728</u>	<u>\$1,482,557</u>	<u>\$59,220,107</u>	<u>\$30,182,413</u>

ARLINGTON COUNTY, VIRGINIA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

	Ballston Quarter Community Development Authority	Travel and Tourism Promotion	Ballston Business Improvement District	Rosslyn Business Improvement District	Crystal City Business Improvement District	Community Development Grants	Section 8 Housing Program	Totals	
								June 30, 2018	June 30, 2017
REVENUES:									
Other local taxes	\$65,420	\$1,251,241	\$1,436,122	\$3,665,735	\$2,597,175	\$-	\$-	\$9,015,693	\$9,014,304
From the federal government	-	-	-	-	-	1,336,943	19,031,657	20,368,600	22,413,038
Interest earnings	-	-	1,406	2,802	1,566	-	-	5,774	4,133
Total revenues	65,420	1,251,241	1,437,528	3,668,537	2,598,741	1,336,943	19,031,657	29,390,067	31,431,475
EXPENDITURES:									
Current -									
Planning and community development	-	1,672,999	1,485,456	3,587,568	2,588,122	1,911,213	-	11,245,358	12,961,973
Health and welfare	-	-	-	-	-	-	19,031,657	19,031,657	18,791,247
Total expenditures	-	1,672,999	1,485,456	3,587,568	2,588,122	1,911,213	19,031,657	30,277,015	31,753,220
Revenues over (under) expenditures	65,420	(421,758)	(47,928)	80,969	10,619	(574,270)	-	(886,948)	(321,745)
OTHER FINANCING SOURCES (USES):									
Transfers out	-	-	(14,361)	(36,657)	(25,972)	-	-	(76,990)	(76,395)
Transfers in	-	246,700	-	-	-	574,270	-	820,970	626,148
Total other financing sources(uses)	-	246,700	(14,361)	(36,657)	(25,972)	574,270	-	743,980	549,753
Revenues and other financing sources (uses) over (under) expenditures	65,420	(175,058)	(62,289)	44,312	(15,353)	-	-	(142,968)	228,008
FUND BALANCES, beginning of year	-	178,250	76,910	181,243	53,434	-	-	489,837	261,829
FUND BALANCES, end of year	\$65,420	\$3,192	\$14,621	\$225,555	\$38,081	\$-	\$-	\$346,869	\$489,837

ARLINGTON COUNTY, VIRGINIA
 SPECIAL REVENUE FUNDS
 BALLSTON QUARTER COMMUNITY DEVELOPMENT AUTHORITY
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET (GAAP BASIS) AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Other local taxes	<u>\$-</u>	<u>\$65,420</u>	<u>\$65,420</u>
Total revenue	<u>-</u>	<u>65,420</u>	<u>65,420</u>
EXPENDITURES:			
Planning and community development	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>-</u>	<u>65,420</u>	<u>65,420</u>
FUND BALANCE, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, end of year	<u><u>\$-</u></u>	<u><u>\$65,420</u></u>	<u><u>\$65,420</u></u>

ARLINGTON COUNTY, VIRGINIA
SPECIAL REVENUE FUNDS
TRAVEL AND TOURISM PROMOTION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Other local taxes	<u>\$1,272,500</u>	<u>\$1,251,241</u>	<u>(\$21,259)</u>
Total revenue	<u>1,272,500</u>	<u>1,251,241</u>	<u>(21,259)</u>
EXPENDITURES:			
Planning and community development	<u>1,697,449</u>	<u>1,672,999</u>	<u>24,450</u>
Revenues over (under) expenditures	<u>(424,949)</u>	<u>(421,758)</u>	<u>3,191</u>
OTHER FINANCING SOURCES:			
Transfers in	<u>246,700</u>	<u>246,700</u>	<u>-</u>
Total other financing sources	<u>246,700</u>	<u>246,700</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>(178,249)</u>	<u>(175,058)</u>	<u>3,191</u>
FUND BALANCE, beginning of year	<u>178,250</u>	<u>178,250</u>	<u>-</u>
FUND BALANCE, end of year	<u><u>\$1</u></u>	<u><u>\$3,192</u></u>	<u><u>\$3,191</u></u>

ARLINGTON COUNTY, VIRGINIA
SPECIAL REVENUE FUNDS
BALLSTON BUSINESS IMPROVEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Other local taxes	\$1,539,333	\$1,436,122	(\$103,211)
Interest earnings	<u>-</u>	<u>1,406</u>	<u>1,406</u>
Total revenue	<u>1,539,333</u>	<u>1,437,528</u>	<u>(101,805)</u>
EXPENDITURES:			
Planning and community development	<u>1,523,940</u>	<u>1,485,456</u>	<u>38,484</u>
Revenues over(under) expenditures	<u>15,393</u>	<u>(47,928)</u>	<u>(63,321)</u>
OTHER FINANCING (USES):			
Transfers out	<u>(15,393)</u>	<u>(14,361)</u>	<u>1,032</u>
Total other financing (uses)	<u>(15,393)</u>	<u>(14,361)</u>	<u>1,032</u>
Revenues and other financing (uses) (under) expenditures	<u>-</u>	<u>(62,289)</u>	<u>(62,289)</u>
FUND BALANCE, beginning of year	<u>76,910</u>	<u>76,910</u>	<u>-</u>
FUND BALANCE, end of year	<u><u>\$76,910</u></u>	<u><u>\$14,621</u></u>	<u><u>(\$62,289)</u></u>

ARLINGTON COUNTY, VIRGINIA
SPECIAL REVENUE FUNDS
ROSSLYN BUSINESS IMPROVEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Other local taxes	\$3,813,445	\$3,665,735	(\$147,710)
Interest earnings	<u>-</u>	<u>2,802</u>	<u>2,802</u>
Total revenue	<u>3,813,445</u>	<u>3,668,537</u>	<u>(144,908)</u>
EXPENDITURES:			
Planning and community development	<u>3,777,369</u>	<u>3,587,568</u>	<u>189,801</u>
Revenues over expenditures	<u>36,076</u>	<u>80,969</u>	<u>44,893</u>
OTHER FINANCING (USES):			
Transfers out	<u>(38,134)</u>	<u>(36,657)</u>	<u>1,477</u>
Total other financing (uses)	<u>(38,134)</u>	<u>(36,657)</u>	<u>1,477</u>
Revenues and other financing sources (uses) over (under) expenditures *	<u>(2,058)</u>	<u>44,312</u>	<u>46,370</u>
FUND BALANCE, beginning of year	<u>181,243</u>	<u>181,243</u>	<u>-</u>
FUND BALANCE, end of year	<u><u>\$179,185</u></u>	<u><u>\$225,555</u></u>	<u><u>\$46,370</u></u>

* The net change in fund balance was included in the budget as an appropriation (i.e., spenddown) of fund balance.

ARLINGTON COUNTY, VIRGINIA
SPECIAL REVENUE FUNDS
CRYSTAL CITY BUSINESS IMPROVEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
Other local taxes	\$2,681,991	\$2,597,175	(\$84,816)
Interest earnings	<u>-</u>	<u>1,566</u>	<u>1,566</u>
Total revenue	<u>2,681,991</u>	<u>2,598,741</u>	<u>(83,250)</u>
EXPENDITURES:			
Planning and community development	<u>2,655,171</u>	<u>2,588,122</u>	<u>67,049</u>
Revenues over(under) expenditures	<u>26,820</u>	<u>10,619</u>	<u>(16,201)</u>
OTHER FINANCING (USES):			
Transfers out	<u>(26,820)</u>	<u>(25,972)</u>	<u>848</u>
Total other financing (uses)	<u>(26,820)</u>	<u>(25,972)</u>	<u>848</u>
Revenues and other financing (uses) (under) expenditures	<u>-</u>	<u>(15,353)</u>	<u>(15,353)</u>
FUND BALANCE, beginning of year	<u>53,434</u>	<u>53,434</u>	<u>-</u>
FUND BALANCE, end of year	<u><u>\$53,434</u></u>	<u><u>\$38,081</u></u>	<u><u>(\$15,353)</u></u>

ARLINGTON COUNTY, VIRGINIA
SPECIAL REVENUE FUNDS
COMMUNITY DEVELOPMENT GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
From the federal government	<u>\$6,687,186</u>	<u>\$1,336,943</u>	<u>(\$5,350,243)</u>
Total revenues	<u>6,687,186</u>	<u>1,336,943</u>	<u>(5,350,243)</u>
EXPENDITURES:			
Planning and community development	<u>7,261,456</u>	<u>1,911,213</u>	<u>5,350,243</u>
Revenues (under) expenditures	<u>(574,270)</u>	<u>(574,270)</u>	<u>-</u>
OTHER FINANCING SOURCES:			
Transfers in	<u>574,270</u>	<u>574,270</u>	<u>-</u>
Total other financing sources	<u>574,270</u>	<u>574,270</u>	<u>-</u>
Revenues & other financing sources	<u>-</u>	<u>-</u>	
FUND BALANCE, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, end of year	<u><u>\$-</u></u>	<u><u>\$-</u></u>	<u><u>\$-</u></u>

ARLINGTON COUNTY, VIRGINIA
SPECIAL REVENUE FUNDS
SECTION 8 HOUSING PROGRAM
SCHEDULE OF REVENUES, EXPENDITURE AND CHANGES IN FUND BALANCES
BUDGET(GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
REVENUES:			
From the federal government	<u>\$19,216,388</u>	<u>\$19,031,657</u>	<u>(\$184,731)</u>
EXPENDITURES:			
Health and welfare	<u>19,336,294</u>	<u>19,031,657</u>	<u>304,637</u>
Revenues over (under) expenditures *	<u>(119,906)</u>	<u>-</u>	<u>119,906</u>
FUND BALANCE, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, end of year	<u><u>(\$119,906)</u></u>	<u><u>\$-</u></u>	<u><u>\$119,906</u></u>

* The net change in fund balance was included in the budget as an appropriation (i.e., spenddown) of fund balance.

This page has been intentionally left blank.



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 general obligation bonds and IDA revenue bonds, Federal and State grants, general fund transfers, revenues from sanitary district tax and special incremental tax on real property.

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, IDA revenue bonds, revenues from sanitary district tax and special incremental tax on real property.

ARLINGTON COUNTY, VIRGINIA
CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

	General Capital Projects Fund	Street and Highway Bond Fund	Neighborhood Conservation Bond Fund	Government Facility Bond	Stormwater Fund	Public Recreation Bond Fund	Fire Station Bond Fund	Library Bond Fund	Transportation Capital Fund	Transit Facility Bond Fund	Crystal City TIF	Colubia Pike TIF	IDA Bond Fund	Totals		
														June 30, 2018	June 30, 2017	
ASSETS:																ASSETS:
Equity in pooled cash and investments:	\$115,253,123	\$15,386,414	\$10,737,625	\$53,072,987	\$16,662,506	\$38,083,022	\$4,625	\$44	\$169,271,454	\$18,082,585	\$21,782,391	\$374,083	\$6,525,473	\$465,236,332	\$480,706,533	Equity in pooled cash and investmen
Receivables	1,091,440	-	-	-	30,628	-	-	-	1,483,018	-	95,882	-	-	2,700,968	2,655,116	Receivables
Receivables from other governments	4,612,421	-	-	-	-	-	-	-	8,221,874	-	142,167	-	-	12,976,462	10,054,384	Receivables from other governments
Prepaid expenses	-	-	4,275	-	-	-	-	-	200,000	-	-	-	-	204,275	4,275	Prepaid expenses
Total assets	\$120,956,984	\$15,386,414	\$10,741,900	\$53,072,987	\$16,693,134	\$38,083,022	\$4,625	\$44	\$179,176,346	\$18,082,585	\$22,020,440	\$374,083	\$6,525,473	\$481,118,037	\$493,420,308	Total assets
LIABILITIES AND FUND BALANCES																LIABILITIES AND FUND BALANCES
LIABILITIES:																LIABILITIES:
Vouchers payable	\$3,332,285	\$3,477,815	\$418,882	\$83,993	\$1,318,729	\$528,907	\$-	\$-	\$3,647,622	\$-	\$462,157	\$-	\$16,917	\$13,287,307	\$15,002,931	Vouchers payable
Due to component unit	3,357,475	-	-	-	-	-	-	-	-	-	-	-	-	3,357,475	-	Due to component unit
Contracts payable-retainage	446,261	385,047	165,177	-	212,203	127,603	-	-	278,346	-	-	-	-	1,614,637	2,022,902	Contracts payable-retainage
Unearned revenue	9,027,075	-	-	-	-	-	-	-	466,629	-	-	-	-	9,493,704	16,422,313	Unearned revenue
Other liabilities	777,001	-	3,200	-	-	-	-	-	-	-	-	-	-	780,201	928,375	Other liabilities
Total liabilities	16,940,097	3,862,862	587,259	83,993	1,530,932	656,510	-	-	4,392,597	-	462,157	-	16,917	28,533,324	34,376,521	Total liabilities
FUND BALANCES:																FUND BALANCES:
<u>Non-spendable</u>	-	-	4,275	-	-	-	-	-	200,000	-	-	-	-	204,275	4,275	<u>Non-spendable</u>
Prepaid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Prepaid
<u>Restricted:</u>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,529,817	<u>Restricted:</u>
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Debt service
Capital projects	-	11,523,552	10,150,366	52,988,994	-	37,426,512	4,625	44	-	18,082,585	-	-	6,508,556	136,685,234	157,256,606	Capital projects
<u>Committed to:</u>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	<u>Committed to:</u>
Capital projects	104,016,887	-	-	-	15,162,202	-	-	-	174,583,749	-	21,558,283	374,083	-	315,695,204	288,343,961	Capital projects
<u>Unassigned</u>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(90,872)	<u>Unassigned</u>
Total fund balances	104,016,887	11,523,552	10,154,641	52,988,994	15,162,202	37,426,512	4,625	44	174,783,749	18,082,585	21,558,283	374,083	6,508,556	452,584,713	459,043,787	Total fund balances
Total liabilities and fund balances	\$120,956,984	\$15,386,414	\$10,741,900	\$53,072,987	\$16,693,134	\$38,083,022	\$4,625	\$44	\$179,176,346	\$18,082,585	\$22,020,440	\$374,083	\$6,525,473	\$481,118,037	\$493,420,308	Total liabilities and fund balances

ARLINGTON COUNTY, VIRGINIA
CAPITAL PROJECT FUNDS
COMBINING STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

	General Capital Projects Fund	Street and Highway Bond Fund	Neighborhood Conservation Bond Fund	Government Facility Bond	Stormwater Fund	Public Recreation Bond Fund	Fire Station Bond Fund	Library Bond Fund	Transportation Capital Fund	Transit Facility Bond Fund	Crystal City TIF	Columbia Pike TIF	IDA Bond Fund	Totals	
														June 30, 2018	June 30, 2017
REVENUES:															
From the Commonwealth of Virginia	\$2,437,650	\$-	\$-	\$-	\$365,009	\$-	\$-	\$-	\$7,717,236	\$-	\$8,578	\$-	\$-	\$10,528,473	\$6,760,701
From the federal government	2,741,387	-	-	-	-	-	-	-	1,900,967	-	171,337	-	-	4,813,691	1,466,952
Charges for services	4,254,282	-	-	-	613,579	-	-	-	1,020,171	-	-	-	-	5,888,032	5,013,034
Real estate taxes	-	-	-	-	9,459,705	-	-	-	24,742,753	-	5,157,771	-	-	39,360,229	40,305,395
Interest	-	139,022	191,823	646,004	-	590,124	-	-	-	72,340	-	-	107,204	1,746,517	578,499
Miscellaneous revenue	2,978,385	-	-	-	-	-	-	-	12,828,222	-	221,892	-	-	16,028,499	23,422,669
Total revenues	12,411,704	139,022	191,823	646,004	10,438,293	590,124	-	-	48,209,349	72,340	5,559,578	-	107,204	78,365,441	77,547,250
EXPENDITURES:															
Inter Governmental:															
Community development	-	-	-	-	-	-	-	-	-	48,000,000	-	-	-	48,000,000	8,300,000
Current operating:															
General Government	3,398,345	-	-	-	8,394,692	-	-	-	4,743,639	-	187,146	-	249,532	16,973,354	15,950,305
Planning and Community Development	277,003	-	-	-	-	-	-	-	-	-	-	112,423	-	389,426	872,724
Parks, Recreation and Cultural Development	203,651	-	-	-	-	-	-	-	-	-	-	-	-	203,651	151,941
Public Safety	6,824	-	-	-	-	-	-	-	-	-	-	-	-	6,824	618,911
Debt service:															
Principal	-	-	-	-	-	-	-	-	8,821,886	-	-	-	-	8,821,886	342,626
Interest	-	-	-	-	-	-	-	-	4,838	-	-	-	-	4,838	253,527
Capital outlay	33,077,753	14,396,684	6,461,460	8,658,167	4,864,340	8,483,226	-	-	27,318,027	-	1,629,047	-	30,933,617	135,822,321	100,559,244
Total expenditures	36,963,576	14,396,684	6,461,460	8,658,167	13,259,032	8,483,226	-	-	40,888,390	48,000,000	1,816,193	112,423	31,183,149	210,222,300	127,049,278
Revenues over/(under) expenditures	(24,551,872)	(14,257,662)	(6,269,637)	(8,012,163)	(2,820,739)	(7,893,102)	-	-	7,320,959	(47,927,660)	3,743,385	(112,423)	(31,075,945)	(131,856,859)	(49,502,028)
OTHER FINANCING SOURCES/(USES):															
Proceeds from lease purchase	3,759,718	-	-	-	-	-	-	-	-	-	-	-	-	3,759,718	9,530,658
Proceeds from bond premium	10,929,844	-	-	-	-	-	-	-	-	-	-	-	6,067,577	16,997,421	17,686,387
Proceeds from sale of bonds	-	15,210,000	3,000,000	18,220,000	-	6,725,000	-	-	-	18,000,000	-	-	31,715,000	92,870,000	109,895,000
Proceeds from sale of refunding bonds	-	-	-	-	-	-	-	-	-	-	-	-	26,150,000	26,150,000	-
Payments to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	-	-	-	(29,785,000)	(29,785,000)	-
Cost of refunding bonds	-	-	-	-	-	-	-	-	-	-	-	-	3,635,000	3,635,000	-
Transfers in	14,619,903	-	-	-	-	-	-	-	-	-	-	-	-	14,619,903	20,213,499
Transfers out	-	(139,022)	(191,823)	(646,005)	-	(590,123)	-	-	(1,102,740)	(72,340)	-	-	(107,204)	(2,849,257)	(3,770,060)
Transfers to component unit	(3,357,475)	-	-	-	-	-	-	-	-	-	-	-	-	(3,357,475)	-
Total other financing sources/(uses), net	25,951,990	15,070,978	2,808,177	17,573,995	-	6,134,877	-	-	(1,102,740)	17,927,660	-	-	37,675,373	122,040,310	153,555,484
Revenues and other financing sources/(uses) over/(under) expenditures	1,400,118	813,316	(3,461,460)	9,561,832	(2,820,739)	(1,758,225)	-	-	6,218,219	(30,000,000)	3,743,385	(112,423)	6,599,428	(9,816,549)	104,053,456
FUND BALANCE, beginning of year	102,616,769	10,710,236	13,616,101	43,427,162	17,982,941	39,184,737	4,625	44	168,565,530	48,082,585	17,814,898	486,506	(90,872)	462,401,262	354,990,331
FUND BALANCE, end of year	\$104,016,887	\$11,523,552	\$10,154,641	\$52,988,994	\$15,162,202	\$37,426,512	\$4,625	\$44	\$174,783,749	\$18,082,585	\$21,558,283	\$374,083	\$6,508,556	\$452,584,713	\$459,043,787

This page has been intentionally left blank.



Enterprise Funds

Utilities Fund – to account for the operations, maintenance and construction of the County’s water and sanitary sewer system and for the capital asset improvements in the water pollution control plant. 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.

Eighth Level Ballston Public Parking Garage Fund- to account for 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.

CPHD Development Fund – to account for financing of the fee-supported units of the Inspection Services Division and Planning Division. Operating expenses involved are recovered in the form of charges to users of such services.

ARLINGTON COUNTY, VIRGINIA
ENTERPRISE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

					Totals	
	Utilities	Ballston Public Parking Garage	8th Level Ballston Public Parking Garage	CPHD Development Fund	June 30, 2018	June 30, 2017
ASSETS						
CURRENT ASSETS:						
Equity in pooled cash and investments	\$61,008,452	\$3,238,595	\$1,224,805	\$18,202,323	\$83,674,175	\$92,920,518
Cash with fiscal agents	25,221	-	-	-	25,221	25,221
Accounts receivable:						
Water-sewer charges	1,358,842	-	-	-	1,358,842	604,531
Estimated unbilled service charges	13,876,596	-	-	-	13,876,596	12,810,360
Other	3,813,480	-	-	-	3,813,480	5,828,976
Prepaid expenses	2,447,864	-	-	-	2,447,864	2,447,864
Inventories	1,886,612	-	-	-	1,886,612	1,761,374
Total current assets	84,417,067	3,238,595	1,224,805	18,202,323	107,082,790	116,398,844
CAPITAL ASSETS:						
Land	6,161,255	-	-	-	6,161,255	6,161,255
Sewer system	402,809,761	-	-	-	402,809,761	387,432,363
Water system	822,188,932	-	-	-	822,188,932	795,324,630
Equipment	2,659,295	1,652,860	73,900	2,922,335	7,308,390	7,274,860
Building	-	22,344,767	3,511,471	-	25,856,238	25,856,238
Intangible assets	251,648	-	-	1,116,969	1,368,617	1,368,617
Construction in progress	23,153,200	5,995,924	-	1,823,785	30,972,909	47,796,454
Less accumulated depreciation-intangible assets	(108,124)	-	-	(1,116,969)	(1,225,093)	(1,180,740)
Less accumulated depreciation	(227,901,973)	(15,576,646)	(442,162)	(2,565,982)	(246,486,763)	(228,877,752)
Total capital assets (net of accumulated depreciation)	1,029,213,993	14,416,905	3,143,209	2,180,138	1,048,954,245	1,041,155,925
Total assets	\$1,113,631,060	\$17,655,500	\$4,368,014	\$20,382,461	\$1,156,037,035	\$1,157,554,769

ARLINGTON COUNTY, VIRGINIA
ENTERPRISE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

	Totals					
	Utilities	Ballston Public Parking Garage	8th Level Ballston Public Parking Garage	CPHD Development Fund	June 30, 2018	June 30, 2017
LIABILITIES						
CURRENT LIABILITIES:						
Payable from current assets:						
General obligation bonds payable	\$7,987,734	\$-	\$-	\$-	\$7,987,734	\$8,021,563
VRA loan payable	15,140,287	-	-	-	15,140,287	14,929,684
Interest payable	2,619,556	31,697,561	-	-	34,317,117	32,806,435
Vouchers payable	9,577,510	374,081	30,705	938,802	10,921,098	9,537,134
Contracts payable - retainage	267,113	-	-	-	267,113	255,255
Revenue bonds payable-current	-	-	-	-	-	4,600,000
Mortgage /notes payable	-	3,429,679	-	-	3,429,679	3,429,679
Capital leases	16,962	-	-	-	16,962	33,208
Other accrued liabilities	237,600	18,115,607	-	131,328	18,484,535	15,856,737
Compensated absences	134,378	-	-	67,765	202,143	195,893
Total current liabilities	35,981,140	53,616,928	30,705	1,137,895	90,766,668	89,665,588
LONG-TERM LIABILITIES:						
Compensated absences	1,209,402	-	-	609,886	1,819,288	1,763,028
Capital leases	-	-	-	-	-	16,962
VRA loan payable	158,905,982	-	-	-	158,905,982	176,384,956
General obligation bonds payable	77,975,745	-	-	-	77,975,745	85,963,480
Total long-term liabilities	238,091,130	-	-	609,886	238,701,016	264,128,426
Total liabilities	274,072,269	53,616,928	30,705	1,747,781	329,467,683	353,794,014
DEFERRED INFLOWS OF RESOURCES						
	2,275,263	-	-	-	2,275,263	2,438,496
NET POSITION						
Net investment in capital assets	766,644,907	10,987,226	3,143,209	2,180,138	782,955,480	799,266,053
Unrestricted (deficit)	70,638,620	(46,948,654)	1,194,100	16,454,542	41,338,608	12,038,596
Total net position (deficit)	837,283,528	(35,961,428)	4,337,309	18,634,680	824,294,089	801,322,259
Total liabilities, deferred inflows of resources and net position	\$1,113,631,060	\$17,655,500	\$4,368,014	\$20,382,461	\$1,156,037,035	\$1,157,554,769

ARLINGTON COUNTY, VIRGINIA
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITIONS
FOR THE YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

	Totals					
	Utilities	Ballston Public Parking Garage	8th Level Ballston Public Parking Garage	CPHD Development Fund	June 30, 2018	June 30, 2017
OPERATING REVENUES:						
Water-sewer service charges	\$94,465,528	\$-	\$-	\$-	\$94,465,528	\$97,263,095
Water-service hook-up charges	8,710,176	-	-	-	8,710,176	4,822,363
Water-service connection charges	1,197,405	-	-	-	1,197,405	1,176,940
Sewage treatment service charges	4,131,892	-	-	-	4,131,892	3,647,333
Permits and fees	-	-	-	18,838,358	18,838,358	15,928,767
Other	3,826,596	-	-	-	3,826,596	2,998,340
Parking charges	-	3,290,127	307,289	-	3,597,416	3,540,333
Total operating revenues	112,331,598	3,290,127	307,289	18,838,358	134,767,372	129,377,171
OPERATING EXPENSES:						
Personnel services	17,133,738	-	-	8,004,384	25,138,122	23,056,253
Fringe benefits	6,301,026	-	-	3,074,664	9,375,690	8,471,122
Contractual services	11,447,710	1,498,654	27,230	4,136,525	17,110,119	17,287,855
Purchases of water	6,977,489	-	-	-	6,977,489	6,919,628
Materials and supplies	11,430,790	388,419	30,110	69,126	11,918,445	9,712,410
Deferred rent	-	2,879,992	-	-	2,879,992	1,279,992
Depreciation and amortization	16,125,409	660,671	95,177	290,959	17,172,216	16,731,739
Equipment (construction contracts)	5,114,315	-	-	(1,007,184)	4,107,131	4,323,107
Internal services	-	-	-	2,413,535	2,413,535	2,350,431
Miscellaneous	6,105,219	381,180	16,143	-	6,502,542	6,647,459
Total operating expenses	80,635,697	5,808,916	168,660	16,982,009	103,595,282	96,779,996
Operating income (loss)	31,695,901	(2,518,789)	138,629	1,856,349	31,172,090	32,597,175
NON-OPERATING REVENUES(EXPENSES):						
Interest income and other income	418,839	21,992	-	103,126	543,957	420,674
Interest expense and fiscal charges	(8,629,785)	(2,066,785)	-	-	(10,696,570)	(11,292,047)
Interest expense on capital leases	(1,203)	-	-	-	(1,203)	(2,136)
Total non-operating revenues (expenses)	(8,212,149)	(2,044,793)	-	103,126	(10,153,816)	(10,873,510)
Net Income before contributions and net transfers	23,483,752	(4,563,582)	138,629	1,959,475	21,018,274	21,723,665
CONTRIBUTIONS AND TRANSFERS						
Contributions from developers and other sources	1,068,855	-	-	-	1,068,855	985,385
TRANSFERS						
Transfers in	600,000	-	-	284,701	884,701	400,000
Change in net position	25,152,607	(4,563,582)	138,629	2,244,176	22,971,830	23,109,050
Net position (deficit), beginning of year	812,130,921	(31,397,846)	4,198,680	16,390,504	801,322,259	778,213,209
Net position (deficit), end of year	\$837,283,528	(\$35,961,428)	\$4,337,309	\$18,634,680	\$824,294,089	\$801,322,259

ARLINGTON COUNTY, VIRGINIA
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

	Totals					
	Utilities	Ballston Public Parking Garage	8th Level Ballston Public Parking Garage	CPHD Development Fund	June 30 2018	June 30 2017
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers	\$112,518,963	\$3,290,127	\$307,289	\$18,838,358	\$134,954,737	\$126,398,338
Cash received for refund of working capital advance	-	-	-	-	-	187,880
Cash paid to suppliers	(39,142,665)	(3,041,314)	(44,384)	(5,774,925)	(48,003,288)	(45,289,148)
Cash paid to employees	(23,411,519)	-	-	(11,039,783)	(34,451,302)	(31,430,153)
Net cash provided by operating activities	49,964,779	248,813	262,905	2,023,650	52,500,147	49,866,917
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest income	418,840	21,992	-	103,126	543,958	420,674
Net cash provided by investing activities	418,840	21,992	-	103,126	543,958	420,674
Transfer received other funds	600,000	-	-	284,701	884,701	400,000
Net cash provided by non-capital financing activities	600,000	-	-	284,701	884,701	400,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Principal payments - bonds	(7,703,648)	(4,600,000)	-	-	(12,303,648)	(9,301,003)
Principal payment - capital leases	(33,208)	-	-	-	(33,208)	(32,276)
Interest payment - capital leases	(1,203)	-	-	-	(1,203)	(2,135)
Payment of VRA loan	(17,268,371)	-	-	-	(17,268,371)	(14,501,642)
Interest and other loan expenses	(9,170,354)	(15,536)	-	-	(9,185,890)	(9,526,281)
Purchase of property	(18,110,636)	(4,987,840)	-	(1,284,353)	(24,382,829)	(20,717,515)
Net cash (used for) capital and related financing activities	(52,287,420)	(9,603,376)	-	(1,284,353)	(63,175,149)	(54,080,852)
Net increase(decrease) in cash and cash equivalents	(1,303,801)	(9,332,571)	262,905	1,127,124	(9,246,343)	(3,393,261)
Cash and cash equivalents at beginning of year	62,312,253	12,571,166	961,900	17,075,199	92,920,518	96,313,779
Cash and cash equivalents at end of year	\$61,008,452	\$3,238,595	\$1,224,805	\$18,202,323	\$83,674,175	\$92,920,518
Reconciliation of operating income (loss) to net cash provided by (used for) operations:						
Operating Income (loss)	\$31,695,901	(\$2,518,789)	\$138,629	\$1,856,349	\$31,172,090	\$32,597,175
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation and amortization expense	16,125,409	660,671	95,177	290,959	17,172,216	16,731,739
(Increase)Decrease in accounts receivable	194,949	-	-	-	194,949	(3,038,933)
(Increase)Decrease in inventories	(125,238)	-	-	-	(125,238)	(161,740)
Increase(Decrease) in vouchers payable	1,984,654	(773,061)	29,099	(162,923)	1,077,769	1,930,801
Increase(Decrease) in compensated absences	23,245	-	-	39,265	62,510	137,177
Increase(Decrease) in contract retainage	73,444	-	-	-	73,444	142,726
Increase(Decrease) in accrued rent liability	-	2,879,992	-	-	2,879,992	1,279,992
Increase(Decrease) in unearned revenue	(7,585)	-	-	-	(7,585)	60,100
Increase(Decrease) working capital advance	-	-	-	-	-	187,880
Net cash provided by (used for) by operating activities	\$49,964,779	\$248,813	\$262,905	\$2,023,650	\$52,500,147	\$49,866,917
Schedule of non-cash capital and related financing activities:						
Contributions from developers and other sources	\$1,068,855	\$-	\$-	\$-	\$1,068,855	\$985,385

This page has been intentionally left blank.



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.

ARLINGTON COUNTY, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

			Totals	
	Automotive Equipment	Printing	June 30, 2018	June 30, 2017
ASSETS				
CURRENT ASSETS:				
Equity in pooled cash and investments	\$18,835,438	\$-	\$18,835,438	\$19,616,564
Accounts receivable	6,336	-	6,336	7,920
Inventories	724,212	24,714	748,926	771,024
Total current assets	19,565,986	24,714	19,590,700	20,395,508
CAPITAL ASSETS:				
Equipment and other capital assets	81,542,702	35,633	81,578,335	77,930,688
Less-accumulated depreciation	(51,382,036)	(14,090)	(51,396,126)	(47,971,617)
Net capital assets	30,160,666	21,543	30,182,209	29,959,071
Total assets	\$49,726,652	\$46,257	\$49,772,909	\$50,354,579
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES:				
Vouchers payable	\$1,622,426	\$157,563	\$1,779,989	\$1,681,651
Compensated absences	44,336	13,125	57,461	56,606
Obligations under capital lease	1,029,784	-	1,029,784	1,005,105
Due to other funds	-	317,400	317,400	-
Accounts payable	106,359	144,706	251,065	-
Total current liabilities	2,802,905	632,794	3,435,699	2,743,362
LONG-TERM LIABILITIES:				
Compensated absences	399,029	118,120	517,149	509,451
Obligations under capital lease	1,647,358	-	1,647,358	2,677,142
Total long-term liabilities	2,046,387	118,120	2,164,507	3,186,593
Total liabilities	4,849,292	750,914	5,600,206	5,929,955
NET POSITION:				
Net investment in capital assets	27,483,524	21,543	27,505,067	26,276,824
Unrestricted	17,393,836	(726,200)	16,667,636	18,147,800
Total net position	44,877,360	(704,657)	44,172,703	44,424,624
Total liabilities and net position	\$49,726,652	\$46,257	\$49,772,909	\$50,354,579

ARLINGTON COUNTY, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITIONS
FOR THE YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

			Totals	
	Automotive Equipment	Printing	June 30, 2018	June 30, 2017
OPERATING REVENUES:				
Charges for services	<u>\$20,567,937</u>	<u>\$2,662,456</u>	<u>\$23,230,393</u>	<u>\$23,352,513</u>
OPERATING EXPENSES:				
Cost of store issuances	4,173,631	927,951	5,101,582	4,555,970
Personnel services	4,268,431	515,478	4,783,909	4,636,878
Fringe benefits	1,834,321	242,788	2,077,109	1,968,425
Material and supplies	2,582,459	143,542	2,726,001	3,093,342
Utilities	183,429	57,804	241,233	189,801
Operating equipment	39,453	4,566	44,019	13,712
Outside services	1,504,550	1,528,629	3,033,179	2,593,177
Depreciation	<u>5,987,138</u>	<u>3,564</u>	<u>5,990,702</u>	<u>6,158,001</u>
Total operating expenses	<u>20,573,412</u>	<u>3,424,322</u>	<u>23,997,734</u>	<u>23,209,306</u>
Operating (loss)	<u>(5,475)</u>	<u>(761,866)</u>	<u>(767,341)</u>	<u>143,207</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest payment on capital lease	(71,867)	-	(71,867)	(99,782)
Gain on disposal of assets	<u>238,187</u>	<u>-</u>	<u>238,187</u>	<u>396,710</u>
Total non-operating revenues (expenses)	<u>166,320</u>	<u>-</u>	<u>166,320</u>	<u>296,928</u>
Income (loss) before transfers	<u>160,845</u>	<u>(761,866)</u>	<u>(601,021)</u>	<u>440,135</u>
CONTRIBUTIONS AND NET TRANSFERS				
Transfers in	229,500	249,600	479,100	342,269
Transfers out	<u>(130,000)</u>	<u>-</u>	<u>(130,000)</u>	<u>(130,000)</u>
Total operating transfers	<u>99,500</u>	<u>249,600</u>	<u>349,100</u>	<u>212,269</u>
Change in net position	260,345	(512,266)	(251,921)	652,404
Net position, beginning of year	<u>44,617,015</u>	<u>(192,391)</u>	<u>44,424,624</u>	<u>43,772,220</u>
Net position, end of year	<u>\$44,877,360</u>	<u>(\$704,657)</u>	<u>\$44,172,703</u>	<u>\$44,424,624</u>

ARLINGTON COUNTY, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

			Totals	
	Automotive Equipment	Printing	June 30, 2018	June 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$20,569,521	\$2,662,456	\$23,231,977	\$23,344,593
Cash paid to suppliers	(8,172,947)	(2,601,566)	(10,774,513)	(10,434,759)
Cash paid to employees	(6,105,382)	(747,083)	(6,852,465)	(6,594,524)
Net cash provided by (used in) operating activities	6,291,192	(686,193)	5,604,999	6,315,310
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Temporary loan from general fund	-	317,400	317,400	-
Operating transfers in	229,500	249,600	479,100	342,269
Operating transfers out	(130,000)	-	(130,000)	(130,000)
Net cash provided by non-capital financing activities	99,500	567,000	666,500	212,269
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal payment on capital lease	(1,005,105)	-	(1,005,105)	(1,200,379)
Payment of interest on capital lease	(71,867)	-	(71,867)	(99,782)
Purchases of equipment	(6,421,816)	-	(6,421,816)	(3,081,438)
Proceeds from sale of equipment	446,163	-	446,163	528,650
Net cash used in capital and related financing activities	(7,052,625)	-	(7,052,625)	(3,852,949)
Net increase (decrease) in cash and cash equivalents	(661,933)	(119,193)	(781,126)	2,674,630
Cash and cash equivalents at beginning of year	19,497,371	119,193	19,616,564	16,941,934
Cash and cash equivalents at end of period	\$18,835,438	\$-	\$18,835,438	\$19,616,564
Reconciliation of operating (loss) to net cash provided by (used in) operating activities				
Operating (loss)	(\$5,475)	(\$761,866)	(\$767,341)	\$143,207
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:				
Depreciation	5,987,138	3,564	5,990,702	6,158,001
Decrease in accounts receivable	1,584	-	1,584	(7,920)
(Increase)Decrease in inventories	(11,093)	33,191	22,098	(67,249)
Increase in payables	321,668	27,735	349,403	78,492
Increase(Decrease) in compensated absences	(2,630)	11,183	8,553	10,779
Net cash provided by (used in) operating activities	\$6,291,192	(\$686,193)	\$5,604,999	\$6,315,310



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.

Other Post-employment Benefits (OPEB) Fund – to account for the assets held in trust by the County for the employees / beneficiaries of its OPEB plan.

Private Purpose Trust Funds:

Alexandria/Arlington Waste To Energy –Facility Monitoring Group "WTE-FMG" Trust Fund – to account for the WTE-FMG Trust Fund set up by the County and the City of Alexandria for supervision and oversight of the Waste To Energy facility.

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

IDA- Signature Fund – to account for the loan to the Industrial Development Authority "IDA" for the sole purpose of funding the loan agreement to Signature Theater.

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.

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.

This page has been intentionally left blank.

ARLINGTON COUNTY, VIRGINIA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
TRUST FUNDS
JUNE 30, 2018

					Private Purpose Trust			
	Pension Trust	OPEB Trust	Total Pension and OPEB Trusts	Alexadria/Arlington Waste to Energy Facility Monitoring Group	IDA - Ballston Skating Facility	IDA Signature Loan	Other Private Purpose Trusts	Total Private Purpose Trusts
ASSETS								
Equity in pooled cash and investments	\$85,415,792	\$40,271	\$85,456,063	\$140,024	\$2,095,913	\$-	\$34,831	\$2,270,768
Contributions receivable:								
Employer	3,204,269	-	3,204,269	-	-	-	-	-
Employee	741,867	-	741,867	-	-	-	-	-
Accrued interest and other receivables	3,000,364	-	3,000,364	-	520,661	4,073,184	-	4,593,845
Capital assets, net	-	-	-	-	21,484,196	-	-	21,484,196
Investments, at fair value:								
Foreign, municipal and U.S. Government Obligations, including Fixed Instruments in Pooled Funds	52,097,944	45,567,095	97,665,039	-	-	-	-	-
Corporate fixed income obligations	92,375,836	-	92,375,836	-	-	-	-	-
Domestic and foreign equities, including equities in pooled funds	566,539,782	84,624,604	651,164,386	-	-	-	-	-
Other investments	183,077,606	-	183,077,606	-	-	-	-	-
Real estate funds	3,529,065	-	3,529,065	-	-	-	-	-
Pooled equity	789,471,543	-	789,471,543	-	-	-	-	-
Pooled fixed income	518,532,788	-	518,532,788	-	-	-	-	-
Convertibles	7,128,420	-	7,128,420	-	-	-	-	-
Total assets	2,305,115,276	130,231,970	2,435,347,246	140,024	24,100,770	4,073,184	34,831	28,348,809
DEFERRED OUTFLOWS OF RESOURCES								
Loss on refunding bonds, net	-	-	-	-	187,608	-	-	187,608
LIABILITIES								
Accounts payable and accrued liabilities	2,035,737	40,271	2,076,008	8,272	525,661	4,073,184	-	4,607,117
Bonds payable	-	-	-	-	23,095,000	-	-	23,095,000
Total liabilities	2,035,737	40,271	2,076,008	8,272	23,620,661	4,073,184	-	27,702,117
NET POSITION HELD IN TRUST FOR PLAN BENEFITS AND OTHER PURPOSES								
	\$2,303,079,539	\$130,191,699	\$2,433,271,238	\$131,752	\$667,717	\$-	\$34,831	\$834,300

ARLINGTON COUNTY, VIRGINIA
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Private Purpose Trusts			
	Alexadria/Arlington Waste to Energy Facility Monitoring Group	IDA - Ballston Skating Facility	IDA Signature Loan	Other Private Purpose Trusts
				Total Private Purpose Trusts
ADDITIONS				
Contributions and revenues				
Shared revenues	\$118,000	\$2,368,911	\$-	\$-
Private donations-others	-	-	-	89,873
Total contributions	118,000	2,368,911	-	89,873
Investment earnings:				
Interest and other	672	22,906	42,046	-
Total investment earnings	672	22,906	42,046	-
Less investment expenses	-	1,268,911	42,046	-
Net investment earnings/(loss)	672	(1,246,005)	-	-
Total additions	118,672	1,122,906	-	89,873
DEDUCTIONS				
Administrative expenses/other	98,315	661,101	-	73,989
Total deductions	98,315	661,101	-	73,989
Change in net position	20,357	461,805	-	15,884
Net position- beginning of the year	111,395	205,912	-	18,947
Net position- ending of the year	\$131,752	\$667,717	\$-	\$34,831

ARLINGTON COUNTY, VIRGINIA
PENSION AND OPEB TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

	Pension Trust	OPEB Trust	June 30, 2018	June 30, 2017
ADDITIONS:				
Employer contributions	\$54,909,640	\$7,194,972	\$62,104,612	\$58,632,007
Members' contributions	12,734,626	-	12,734,626	12,498,591
Other contributions	210,702	40,271	250,973	210,194
Investment income:				
Interest and dividends	29,812,361	7,940,328	37,752,689	40,134,019
Net appreciation (depreciation) in fair value	143,298,225	(4,333)	143,293,892	224,574,213
Commission recapture	-	-	-	103
Gross income from securities lending	311,958	-	311,958	354,176
Bank fees and income/expenses from securities lending	(75,744)	-	(75,744)	(88,539)
Investment expense	(5,027,387)	-	(5,027,387)	(5,853,260)
Total Additions	<u>236,174,381</u>	<u>15,171,238</u>	<u>251,345,619</u>	<u>330,461,504</u>
DEDUCTIONS:				
Members' benefits	104,327,193	-	104,327,193	98,729,853
Refund of members' contributions	719,055	-	719,055	946,394
Administrative expenses	817,243	-	817,243	796,901
Other consulting expenses	1,050,519	40,271	1,090,790	992,031
Total Deductions	<u>106,914,010</u>	<u>40,271</u>	<u>106,954,281</u>	<u>101,465,179</u>
Net Increase	129,260,371	15,130,967	144,391,338	228,996,325
Net Position Held in Trust for Plan Benefits, beginning of year	<u>2,173,819,168</u>	<u>115,060,732</u>	<u>2,288,879,900</u>	<u>2,059,883,575</u>
Net Position Held in Trust for Plan Benefits, end of year:	<u>\$2,303,079,539</u>	<u>\$130,191,699</u>	<u>\$2,433,271,238</u>	<u>\$2,288,879,900</u>

ARLINGTON COUNTY, VIRGINIA
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 AGENCY FUNDS
 JUNE 30, 2018

	Commonwealth of Virginia	Urban Area Security Initiative	Other Agency Funds	Total Agency Funds
ASSETS				
Equity in pooled cash and investments	\$87,985	\$282,005	\$24,767,811	\$25,137,801
Receivable from other governments	-	-	51,147	51,147
Total assets	<u>87,985</u>	<u>282,005</u>	<u>24,818,958</u>	<u>25,188,948</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>87,985</u>	<u>282,005</u>	<u>24,818,958</u>	<u>25,188,948</u>
Total liabilities	<u>87,985</u>	<u>282,005</u>	<u>24,818,958</u>	<u>25,188,948</u>
NET POSITION	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

ARLINGTON COUNTY, VIRGINIA
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<u>Commonwealth of Virginia</u>				
ASSETS:				
Equity in pooled cash and investments	\$46,344	\$41,641	\$-	\$87,985
Receivable from other governments	4,549	-	4,549	-
Total assets	<u>\$50,893</u>	<u>\$41,641</u>	<u>\$4,549</u>	<u>\$87,985</u>
LIABILITIES:				
Accounts payable and accrued liabilities	\$50,893	\$37,092	\$-	\$87,985
Total liabilities	<u>\$50,893</u>	<u>\$37,092</u>	<u>\$-</u>	<u>\$87,985</u>
<u>Urban Area Security Initiative</u>				
ASSETS:				
Equity in pooled cash and investments	\$282,005	\$-	\$-	\$282,005
Total assets	<u>\$282,005</u>	<u>\$-</u>	<u>\$-</u>	<u>\$282,005</u>
LIABILITIES:				
Accounts payable and accrued liabilities	\$282,005	\$-	\$-	\$282,005
Total liabilities	<u>\$282,005</u>	<u>\$-</u>	<u>\$-</u>	<u>\$282,005</u>
<u>Other Agency Fund</u>				
ASSETS:				
Equity in pooled cash and investments	\$16,234,269	\$8,647,393	\$113,851	\$24,767,811
Receivable from other governments	-	51,147	-	51,147
Total assets	<u>\$16,234,269</u>	<u>\$8,698,540</u>	<u>\$113,851</u>	<u>\$24,818,958</u>
LIABILITIES:				
Accounts payable and accrued liabilities	\$16,234,269	\$8,584,689	\$-	\$24,818,958
Total liabilities	<u>\$16,234,269</u>	<u>\$8,584,689</u>	<u>\$-</u>	<u>\$24,818,958</u>
<u>Total All Agency Funds</u>				
ASSETS:				
Equity in pooled cash and investments	\$16,562,618	\$8,689,034	\$113,851	\$25,137,801
Receivable from other governments	4,549	51,147	4,549	51,147
Total assets	<u>\$16,567,167</u>	<u>\$8,740,181</u>	<u>\$118,400</u>	<u>\$25,188,948</u>
LIABILITIES:				
Accounts payable and accrued liabilities	\$16,567,167	\$8,621,781	\$-	\$25,188,948
Total liabilities	<u>\$16,567,167</u>	<u>\$8,621,781</u>	<u>\$-</u>	<u>\$25,188,948</u>

This page has been intentionally left blank.



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 Food and Nutrition Services 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 School Board Retiree Welfare Benefit Plan Trust – to account for the assets held in trust by the School Board for the employees / beneficiaries of its OPEB plan.

This page has been intentionally left blank.

ARLINGTON COUNTY, VIRGINIA
 COMBINING BALANCE SHEET
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 JUNE 30, 2018
 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

	Governmental Funds								Totals	
	School Operating Fund	School Food & Nutrition Service 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, 2018	June 30, 2017
ASSETS										
Equity in pooled cash and investments	\$45,670,716	\$4,623,095	\$-	\$1,043,406	\$134,060,329	\$42,390,796	\$-	\$-	\$227,788,342	\$190,574,105
Petty cash	-	315	375	-	-	-	-	-	690	915
Accounts receivable	3,604,434	335,828	13,144	4,268,962	-	-	-	-	8,222,368	4,420,871
Due from other funds	-	-	-	65,034	-	-	-	-	65,034	62,667
Due from primary government	69,302,426	-	1,081,169	-	-	26,049,912	-	92,149	96,525,656	92,774,673
Inventories and other assets	272,263	47,853	-	-	-	-	-	-	320,116	213,956
Total assets	\$118,849,839	\$5,007,091	\$1,094,688	\$5,377,402	\$134,060,329	\$68,440,708	\$-	\$92,149	\$332,922,206	\$288,047,187
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accrued salaries payable	\$53,889,146	\$366,555	\$779,769	\$953,808	\$-	\$91	\$-	\$-	\$55,989,369	\$54,068,010
Vouchers payable	2,510,181	233,663	190,372	85,435	6,759,209	795,368	-	92,149	10,666,377	8,427,088
Contracts payable - retainage	-	-	-	-	3,167,975	-	-	-	3,167,975	2,501,060
Other liabilities	8,227,148	-	-	-	-	-	-	-	8,227,148	8,189,448
Deferred revenue	195,357	-	14,258	-	-	-	-	-	209,615	85,734
Due to other funds	65,034	-	-	-	-	-	-	-	65,034	62,667
Due to primary government	1,153,681	-	-	-	-	-	-	-	1,153,681	418,342
Total liabilities	66,040,547	600,218	984,399	1,039,243	9,927,184	795,459	-	92,149	79,479,199	73,752,349
FUND BALANCES										
<u>Non spendable:</u>										
Inventory	-	47,853	-	-	-	-	-	-	47,853	48,550
<u>Restricted for:</u>										
Capital projects	-	-	-	-	95,425,038	62,118,690	-	-	157,543,728	132,830,419
Grants	-	-	-	4,338,159	-	-	-	-	4,338,159	3,955,671
<u>Committed to:</u>										
Incomplete projects	7,138,417	142,345	110,289	-	28,708,107	5,526,559	-	-	41,625,717	21,980,077
Next years' School budget	25,319,573	-	-	-	-	-	-	-	25,319,573	17,317,655
<u>Assigned to:</u>										
Operating reserve	-	4,216,675	-	-	-	-	-	-	4,216,675	5,485,560
Unfunded liabilities	2,000,000	-	-	-	-	-	-	-	2,000,000	2,000,000
Subsequent years' debt service	643,621	-	-	-	-	-	-	-	643,621	3,310,000
Health insurance reserve	1,000,000	-	-	-	-	-	-	-	1,000,000	1,000,000
Future year budget reserve	9,495,442	-	-	-	-	-	-	-	9,495,442	19,204,667
VRS reserve	2,512,239	-	-	-	-	-	-	-	2,512,239	2,512,239
Compensation reserve	4,700,000	-	-	-	-	-	-	-	4,700,000	4,650,000
Total fund balances	52,809,292	4,406,873	110,289	4,338,159	124,133,145	67,645,249	-	-	253,443,007	214,294,838
Total liabilities and fund balance	\$118,849,839	\$5,007,091	\$1,094,688	\$5,377,402	\$134,060,329	\$68,440,708	\$-	\$92,149	\$332,922,206	\$288,047,187

ARLINGTON COUNTY, VIRGINIA
 RECONCILIATION OF THE FUND BALANCES OF COMPONENT UNIT - SCHOOLS TO
 NET POSITION OF COMPONENT UNIT - SCHOOLS
 JUNE 30, 2018

Total-component unit-Schools' fund balances	\$253,443,007
---	---------------

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds	677,250,202
Net OPEB liabilities are not due and payable in the current period and are not reported in the funds	(189,788,364)
Deferred outflows of resources from pensions are not available to pay for current period expenditures and are not reported in the funds	75,589,651
Deferred outflows of resources from OPEB are not available to pay for current period expenditures and are not reported in the funds	31,443,023
Net pension liabilities are not due and payable in the current period and are not reported in the funds	(446,490,725)
Deferred inflows of resources from pension are not due and payable in the current period and are not reported in the funds	(51,378,092)
Deferred inflows of resources from OPEB are not due and payable in the current period and are not reported in the funds	(16,065,623)
Long-term liabilities, including capital leases, are not due and payable in the current period and are not reported in the funds	<u>(43,449,238)</u>

Net position of component unit - Schools	<u><u>\$290,553,841</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, 2018
 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

	Governmental Funds								Totals	
	School Operating Fund	School Food & Nutrition Service 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, 2018	June 30, 2017
REVENUES:										
Sales tax	\$26,332,866	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$26,332,866	\$24,458,713
State/local government	39,034,873	129,552	-	3,590,683	-	713,467	-	1,795,411	45,263,986	43,031,519
Federal	646,080	5,681,988	-	10,078,552	-	-	-	-	16,406,620	15,191,225
Charges for services	3,100,882	4,686,471	12,054,570	2,386,205	-	-	-	-	22,228,128	33,408,214
Use of money and property	-	58,162	-	-	1,351,527	-	-	-	1,409,689	372,376
Total revenues	69,114,701	10,556,173	12,054,570	16,055,440	1,351,527	713,467	-	1,795,411	111,641,289	116,462,047
EXPENDITURES:										
Current:										
Community Activities	-	-	17,552,491	-	-	-	-	-	17,552,491	16,909,533
Education	501,836,742	9,692,019	-	15,672,952	-	-	-	3,570,826	530,772,539	499,528,735
Capital projects	-	-	-	-	60,386,722	18,273,217	-	-	78,659,939	49,970,393
Debt service:										
Principal	-	-	-	-	-	-	34,747,054	-	34,747,054	32,313,399
Interest	-	-	-	-	-	-	15,564,822	-	15,564,822	13,929,730
Total expenditures	501,836,742	9,692,019	17,552,491	15,672,952	60,386,722	18,273,217	50,311,876	3,570,826	677,296,845	612,651,790
Excess (deficiency) of revenues over (under) expenditures	(432,722,041)	864,154	(5,497,921)	382,488	(59,035,195)	(17,559,750)	(50,311,876)	(1,775,415)	(565,655,556)	(496,189,743)
Other financing sources(uses):										
Transfers in	433,113,228	-	5,422,625	-	-	11,589,645	49,011,876	1,775,415	500,912,789	476,070,856
Transfers out	(2,600,000)	-	-	-	(1,351,527)	-	-	-	(3,951,527)	(2,972,376)
Interfund transfers	(4,500,000)	-	-	-	-	3,200,000	1,300,000	-	-	-
Bond proceeds	-	-	-	-	92,400,000	15,442,463	-	-	107,842,463	75,200,000
Proceeds from leases	-	-	-	-	-	-	-	-	-	1,991,412
Total other financing sources(uses)	426,013,228	-	5,422,625	-	\$91,048,473	30,232,108	50,311,876	1,775,415	604,803,725	550,289,892
Excess (deficiency) of revenues and other sources over (under) expenditures and other financing uses	(6,708,813)	864,154	(75,296)	382,488	32,013,278	12,672,358	-	-	39,148,169	54,100,149
FUND BALANCES, beginning of year	59,518,105	3,542,719	185,585	3,955,671	92,119,867	54,972,891	-	-	214,294,838	160,194,689
FUND BALANCES, end of year	\$52,809,292	\$4,406,873	\$110,289	\$4,338,159	\$124,133,145	\$67,645,249	\$-	\$-	\$253,443,007	\$214,294,838

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, 2018

Net change in fund balances - component unit-Schools		\$39,148,169
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	\$87,520,137	
Less Depreciation expense	<u>(26,376,478)</u>	61,143,659
Lease proceeds provide current financial resources to the governmental funds, but capital leases increases long-term liabilities in the Statement of Net Position. Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the Statement of Net Position.		
Add: Repayment of capital leases	3,191,354	
Less: Proceeds from capital leases	<u>(3,357,475)</u>	(166,121)
OPEB expenses		
Add: FY 2018 OPEB contributions deferred	5,535,832	
Less: OPEB expense	<u>(7,943,174)</u>	(2,407,342)
Pension expenses		
Add: FY 2018 pension contributions deferred	49,069,977	
Less: Pension expense	<u>(38,814,553)</u>	10,255,424
Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds such as compensated absences		
		<u>(477,443)</u>
Change in net position of component unit-Schools		<u><u>\$107,496,346</u></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, 2018

	School Operating Fund			School Food & Nutrition Service Fund			School Community Activities Fund		
	Budget	Actual	Variance- Positive (Negative)	Budget	Actual	Variance- Positive (Negative)	Budget	Actual	Variance- Positive (Negative)
REVENUES:									
Sales tax	\$26,232,606	\$26,332,866	\$100,260	\$-	\$-	\$-	\$-	\$-	\$-
Intergovernmental									
State	39,918,403	39,034,873	(883,530)	92,148	129,552	37,404	-	-	-
Federal	-	646,080	646,080	4,904,193	5,681,988	777,795	-	-	-
Charges for services	2,995,500	3,100,882	105,382	4,059,745	4,686,471	626,726	11,646,833	12,054,570	407,737
Use of money and property	-	-	-	-	58,162	-	-	-	-
Total revenues	69,146,509	69,114,701	(31,808)	9,056,086	10,556,173	1,441,925	11,646,833	12,054,570	407,737
EXPENDITURES:									
Education	530,372,717	501,836,742	28,535,975	9,064,695	9,692,019	(627,324)	-	-	-
Community Activities	-	-	-	-	-	-	18,217,984	17,552,491	665,493
Capital projects	-	-	-	-	-	-	-	-	-
Debt service:									
Principal retirement	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-
Total expenditures	530,372,717	501,836,742	28,535,975	9,064,695	9,692,019	(627,324)	18,217,984	17,552,491	665,493
Excess (deficiency) of revenues over (under) expenditures	(461,226,208)	(432,722,041)	28,504,167	(8,609)	864,154	814,601	(6,571,151)	(5,497,921)	1,073,230
Other financing sources(uses):									
Transfers in	440,378,978	433,113,228	(7,265,750)	-	-	-	6,385,566	5,422,625	(962,941)
Transfers out	-	(2,600,000)	(2,600,000)	-	-	-	-	-	-
Interfund transfers	(2,500,000)	(4,500,000)	(2,000,000)	-	-	-	-	-	-
Proceeds from sale of bonds	-	-	-	-	-	-	-	-	-
Total other financing sources(uses)	437,878,978	426,013,228	(11,865,750)	-	-	-	6,385,566	5,422,625	(962,941)
Excess (deficiency) of revenues and other sources over (under) expenditures and other financing uses	(23,347,230)	(6,708,813)	16,638,417	(8,609)	864,154	814,601	(185,585)	(75,296)	110,289
FUND BALANCES, beginning of year	59,518,105	59,518,105	-	3,542,719	3,542,719	-	185,585	185,585	-
FUND BALANCES, end of year	\$36,170,875	\$52,809,292	\$16,638,417	\$3,534,110	\$4,406,873	\$814,601	\$-	\$110,289	\$110,289

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, 2018

	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	3,743,896	3,590,683	(153,213)	-	-	-	-	-	-
Federal	15,680,946	10,078,552	(5,602,394)	-	-	-	-	-	-
Charges for services	2,307,806	2,386,205	78,399	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	-	-	1,351,527	1,351,527
Total revenues	<u>21,732,648</u>	<u>16,055,440</u>	<u>(5,677,208)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,351,527</u>	<u>1,351,527</u>
EXPENDITURES:									
Education	25,688,319	15,672,952	10,015,367	-	-	-	-	-	-
Community Activities	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	184,519,867	60,386,722	124,133,145
Debt service:									
Principal retirement	-	-	-	33,462,054	34,747,054	(1,285,000)	-	-	-
Interest and fiscal charges	-	-	-	15,759,570	15,564,822	194,748	-	-	-
Total expenditures	<u>25,688,319</u>	<u>15,672,952</u>	<u>10,015,367</u>	<u>49,221,624</u>	<u>50,311,876</u>	<u>(1,090,252)</u>	<u>184,519,867</u>	<u>60,386,722</u>	<u>124,133,145</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,955,671)</u>	<u>382,488</u>	<u>4,338,159</u>	<u>(49,221,624)</u>	<u>(50,311,876)</u>	<u>(1,090,252)</u>	<u>(184,519,867)</u>	<u>(59,035,195)</u>	<u>125,484,672</u>
Other financing sources(uses):									
Transfers in	-	-	-	47,921,624	49,011,876	1,090,252	-	-	-
Transfers out	-	-	-	-	-	-	-	(\$1,351,527)	(1,351,527)
Interfund transfers	-	-	-	1,300,000	1,300,000	-	-	-	-
Proceeds of sale of bonds	-	-	-	-	-	-	92,400,000	92,400,000	-
Total other financing sources(uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,221,624</u>	<u>50,311,876</u>	<u>1,090,252</u>	<u>92,400,000</u>	<u>91,048,473</u>	<u>(1,351,527)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other financing uses	<u>(3,955,671)</u>	<u>382,488</u>	<u>4,338,159</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(92,119,867)</u>	<u>32,013,278</u>	<u>124,133,145</u>
FUND BALANCES, beginning of year	<u>3,955,671</u>	<u>3,955,671</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,119,867</u>	<u>92,119,867</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$-</u>	<u>\$4,338,159</u>	<u>\$4,338,159</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$124,133,145</u>	<u>\$124,133,145</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, 2018

	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	\$-	\$-	\$-	\$-	\$-	\$-	\$26,232,606	\$26,332,866	\$100,260
Intergovernmental	-	-	-	-	-	-	-	-	-
State	713,467	713,467	-	1,880,000	1,795,411	(84,589)	46,347,914	45,263,986	(1,083,928)
Federal	-	-	-	-	-	-	20,585,139	16,406,620	(4,178,519)
Charges for services	-	-	-	-	-	-	21,009,884	22,228,128	1,218,244
Use of money and property	-	-	-	-	-	-	-	1,409,689	1,409,689
Total revenues	713,467	713,467	-	1,880,000	1,795,411	(84,589)	114,175,543	111,641,289	(2,534,254)
EXPENDITURES:									
Education	-	-	-	4,000,000	3,570,826	429,174	569,125,731	530,772,539	38,353,192
Community Activities	-	-	-	-	-	-	18,217,984	17,552,491	665,493
Capital projects	83,680,779	18,273,217	65,407,562	-	-	-	268,200,646	78,659,939	189,540,707
Debt service:									
Principal retirement	-	-	-	-	-	-	33,462,054	34,747,054	(1,285,000)
Interest and fiscal charges	-	-	-	-	-	-	15,759,570	15,564,822	194,748
Total expenditures	83,680,779	18,273,217	65,407,562	4,000,000	3,570,826	429,174	904,765,985	677,296,845	227,469,140
Excess (deficiency) of revenues over (under) expenditures	(82,967,312)	(17,559,750)	65,407,562	(2,120,000)	(1,775,415)	344,585	(790,590,442)	(565,655,556)	224,934,886
Other financing sources(uses):									
Transfers in	11,589,645	11,589,645	-	2,120,000	1,775,415	(344,585)	508,395,813	500,912,789	(7,483,024)
Transfers out	-	-	-	-	-	-	-	(3,951,527)	(3,951,527)
Interfund transfers	1,200,000	3,200,000	-	-	-	-	-	-	-
Proceeds of sale of bonds	15,204,776	15,442,463	-	-	-	-	\$107,604,776	107,842,463	-
Total other financing sources(uses)	27,994,421	30,232,108	-	2,120,000	1,775,415	(344,585)	616,000,589	604,803,725	(11,434,551)
Excess (deficiency) of revenues and other sources over (under) expenditures and other financing uses	(54,972,891)	12,672,358	67,645,249	-	-	-	(174,589,853)	39,148,169	213,500,335
FUND BALANCES, beginning of year	54,972,891	54,972,891	-	-	-	-	214,294,838	214,294,838	-
FUND BALANCES, end of year	\$-	\$67,645,249	\$67,645,249	\$-	\$-	\$-	\$39,704,985	\$253,443,007	\$213,500,335

EXHIBIT G-4

ARLINGTON COUNTY, VIRGINIA
 OPEB TRUST FUND - SCHOOLS
 STATEMENT OF PLAN NET POSITION
 JUNE 30, 2018
 (WITH COMPARATIVE TOTALS FOR 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Investments	\$54,381,852	\$48,274,863
Accounts Receivable	<u>2,600,000</u>	<u>2,600,000</u>
Total assets	<u>56,981,852</u>	<u>50,874,863</u>
LIABILITIES	<u>-</u>	<u>-</u>
NET POSITION	<u><u>\$56,981,852</u></u>	<u><u>\$50,874,863</u></u>

ARLINGTON COUNTY, VIRGINIA
 OPEB TRUST FUND - SCHOOLS
 STATEMENT OF CHANGES IN PLAN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2018
 (WITH COMPARATIVE TOTALS FOR 2017)

	<u>2018</u>	<u>2017</u>
ADDITIONS:		
Employer contributions	\$2,600,000	\$2,600,000
Investment Income:		
Interest and dividends	3,510,742	2,054,302
Net appreciation (depreciation) in fair value	<u>(3,753)</u>	<u>3,233,374</u>
Total additions	<u>6,106,989</u>	<u>7,887,676</u>
Net Increase	6,106,989	7,887,676
Net Position Held in Trust for Plan Benefits, beginning of year	<u>50,874,863</u>	<u>42,987,187</u>
Net Position Held in Trust for Plan Benefits, end of year:		
Undesignated	<u><u>\$56,981,852</u></u>	<u><u>\$50,874,863</u></u>

This page has been intentionally left blank.



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 CASH AND INVESTMENTS - ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Funds			Proprietary Funds		Fiduciary Funds	Component Unit	
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	Schools	Total (Memorandum Only)
BALANCES, beginning of year	\$279,068,488	\$7,423,977	\$480,706,533	\$92,920,516	\$19,616,564	\$18,812,049	\$190,574,105	\$1,089,122,232
Receipts (net):								
Taxes	1,044,718,339	9,015,693	39,360,229	-	-	-	26,332,866	1,119,427,127
Licenses and permits	10,500,494	-	-	-	-	-	-	10,500,494
Fines and forfeitures	7,295,337	-	-	-	-	-	-	7,295,337
Revenue from use of money and property	8,645,196	5,774	1,746,517	543,957	-	-	1,409,689	12,351,133
Charges for services	59,262,598	-	5,888,032	134,767,372	23,230,393	99,598	22,228,128	245,476,121
Miscellaneous	21,818,000	-	16,028,499	1,068,855	-	8,149,305	-	47,064,659
Intergovernmental	92,936,651	20,368,600	15,342,164	-	-	10,464,715	61,670,606	200,782,736
Proceeds from indebtedness	-	-	126,414,718	-	-	-	-	126,414,718
Proceeds from sale of assets	-	-	-	-	446,163	-	-	446,163
Total Receipts	1,245,176,615	29,390,067	204,780,159	136,380,184	23,676,556	18,713,618	111,641,289	1,769,758,488
Total Receipts and Balance	1,524,245,103	36,814,044	685,486,692	229,300,700	43,293,120	37,525,667	302,215,394	2,858,880,720
Disbursements (net):								
Warrants(checks)issued	656,050,968	30,437,521	202,513,531	107,721,310	23,729,809	13,661,859	521,076,438	1,555,191,436
Retirement of indebtedness	43,682,412	-	-	29,605,227	1,005,105	-	34,747,054	109,039,798
Interest and other debt costs	18,642,568	-	26,150,000	9,184,687	71,867	-	15,564,822	69,613,944
Total Disbursements	718,375,948	30,437,521	228,663,531	146,511,224	24,806,781	13,661,859	571,388,314	1,733,845,178
Interfund Transfers:								
Transfers in	5,759,858	820,970	14,619,903	884,701	479,100	3,585,032	500,912,789	527,062,353
Transfers out	(517,700,590)	(76,990)	(6,206,732)	-	(130,000)	-	(3,951,527)	(528,065,839)
BALANCES, end of year	\$293,928,423	\$7,120,503	\$465,236,332	\$83,674,177	\$18,835,439	\$27,448,840	\$227,788,342	\$1,124,032,056

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF CASH AND INVESTMENTS
ADJUSTED CASH IN BANKS (BOOK BALANCE)
JUNE 30, 2018

Assets held by the Treasurer	
Cash on hand	<u>\$15,000</u>
Cash in banks:	
Checking	
Wells Fargo	2,518,187
SunTrust	432,830
Citibank	474,757
Bank of America	18,885
First Va. Community Bank	173,399
John Marshall	49,260
United Bank	203,011
Burke and Herbert Bank	111,595
Total Checking Account	<u>3,981,924</u>
Savings :	
Wells Fargo	5,697,213
Bank of America	797,386
Total Savings Account	<u>6,494,599</u>
Certificates of Deposit :	
John Marshall	20,626,584
Sandy Spring	15,063,405
United Bank	7,131,012
EagleBank	1,015,112
Total Certificates of Deposit	<u>43,836,113</u>
Money Markets :	
John Marshall Money Market - ICS	6,839,150
John Marshall Money Market	2,003
First Virginia Community Bank Money Market	12,591,128
United Bank Money Market - ICS	1,064,599
United Bank Money Market	3,000,045
Sandy Spring Money Market	5,109,160
Total Money Markets	<u>28,606,085</u>
Held with trustee:	
Cash - Wells Trust	<u>53,125</u>
Total Cash in Banks	<u>82,971,846</u>
Investments:	
Held with Trustee :	
Corporate Notes	135,354,992
Commercial Paper	9,951,650
Federal Agency Bonds/ Notes	96,687,285
Municipal Investments	39,892,453
Total Held with Trustee	<u>281,886,380</u>
State Treasurer's Local Government Investment Pool	224,551
Virginia Investment Pool	40,695,813
Virginia Investment Pool Daily Liquidity	332,454,594
State Non Arbitrage Investment Program (SNAP)	376,228,299
Total Investments	<u>1,031,489,637</u>
Total Cash and Investments held by the Treasurer	<u>1,114,476,483</u>
Assets held with Trustees	
Mellon- IDA Ballston Skating Facility	2,195,913
Mellon- IDA Lease Revenue Bonds	7,167,681
Total Assets held with Trustees	<u>9,363,595</u>
Total Cash & Investment Balances, June 30, 2018	<u>\$1,123,840,078</u>

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF CASH AND INVESTMENTS
CASH IN BANKS
JUNE 30, 2018

Assets Held by the Treasurer	
Cash on Hand	<u>\$15,000</u>
Cash in Banks:	
Checking	
Wells Fargo	14,676,466
SunTrust	432,830
Citibank	474,757
Bank of America	18,885
First Va. Community Bank	173,399
John Marshall	49,260
United Bank	273,056
Burke and Herbert Bank	111,595
Total Checking Account	<u>16,210,248</u>
Savings:	
Wells Fargo	5,697,213
Bank of America	797,386
Total Savings Account	<u>6,494,599</u>
Certificates of Deposit:	
John Marshall	20,626,584
Sandy Spring	15,063,405
United Bank	7,131,012
Eagle Bank	1,015,112
Total Certificates of Deposit	<u>43,836,113</u>
Money Markets:	
John Marshall Money Market - ICS	6,839,150
John Marshall Money Market	2,003
First Virginia Community Bank Money Market	12,591,128
United Bank Money Market - ICS	1,064,599
United Bank Money Market	3,000,045
Sandy Spring Money Market	5,109,160
Total Money Markets	<u>28,606,085</u>
Held with trustee:	
Cash - Wells Trust	<u>53,126</u>
Total Cash in Banks	<u>95,200,171</u>
Investments:	
Held with Trustee :	
Corporate Notes	135,354,992
Commercial Paper	9,951,650
Federal Agency Bonds/ Notes	96,687,285
Municipal Investments	39,892,453
Total Held with Trustee	<u>281,886,380</u>
State Treasurer's Local Government Investment Pool	224,551
Virginia Investment Pool	40,695,813
Virginia Investment Pool Daily Liquidity	332,454,594
State Non Arbitrage Investment Program (SNAP)	376,228,299
Total Investments	<u>1,031,489,637</u>
Total Cash and Investments held by the Treasurer	<u>1,126,704,808</u>
Assets held with Trustees	
Mellon- IDA Ballston Skating Facility	2,195,913
Mellon- IDA Lease Revenue Bonds	7,167,681
Total Assets held with Trustees	<u>9,363,595</u>
Total Cash & Investment Balances, June 30, 2018	<u>\$1,136,068,403</u>

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF INVESTMENTS-ALL FUNDS
JUNE 30, 2018

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Market Value</u>
Certificate of Deposit			
JOHN MARSHALL BANK	1.45%	08/23/18	\$980,823
UNITED BANK	1.64%	09/18/18	1,026,037
JOHN MARSHALL BANK	1.60%	09/30/18	5,224,552
JOHN MARSHALL BANK	1.60%	09/30/18	5,403,148
UNITED BANK	1.98%	10/25/18	2,076,736
UNITED BANK	1.98%	11/07/18	1,028,238
SANDY SPRINGS BANK	2.37%	11/19/18	12,024,198
JOHN MARSHALL BANK	1.62%	11/29/18	5,000,000
SANDY SPRINGS BANK	1.65%	12/01/18	2,016,489
JOHN MARSHALL BANK	1.65%	12/06/18	2,000,000
UNITED BANK	1.69%	12/06/18	3,000,000
JOHN MARSHALL BANK	1.65%	12/13/18	2,018,061
EAGLE BANK	2.25%	12/30/18	1,015,113
SANDY SPRINGS BANK	1.65%	06/08/19	1,022,718
Total Certificates of Deposits			43,836,113
Corporate Notes			
WELLESLEY COLLEGE	2.12%	07/01/18	1,250,000
CREDIT SUISSE NY	1.70%	09/25/18	7,488,450
ROYAL BANK OF CANADA	3.00%	01/30/19	1,507,500
TOYOTA MOTOR CREDIT CORP	1.55%	10/18/19	2,464,850
TORONTO DOMINION BANK	2.25%	11/05/19	4,961,300
WESTPAC BKG CORP	4.88%	11/19/19	5,126,550
WESTPAC BKG CORP	4.88%	11/19/19	3,236,904
MET LIFE GLOB FUNDING	2.00%	04/14/20	2,029,006
TOYOTA MOTOR CREDIT CORP	1.95%	04/17/20	1,965,600
USAA CAPITAL CORP	2.45%	08/01/20	1,949,147
SVENSKA HANDELSBANKEN	2.40%	10/01/20	1,983,297
ROYAL BANK OF CANADA	2.35%	10/30/20	3,432,555
ROYAL BANK OF CANADA	2.35%	10/30/20	4,315,212
BAYLOR SCOTT & WHITE	2.12%	11/15/20	4,034,006
BAYLOR SCOTT & WHITE	2.12%	11/15/20	490,755
AUST & NZ BANKING GRP NY	2.70%	11/16/20	2,171,246
MASSMUTUAL GLOBAL FUNDING	2.45%	11/23/20	1,623,105
WESTPAC BANKING CORP	2.60%	11/23/20	1,705,601
WESTPAC BANKING CORP	2.60%	11/23/20	1,968,380
TORONTO DOMINION BANK	2.50%	12/14/20	2,459,725
TORONTO DOMINION BANK	2.50%	12/14/20	1,967,780
COMMONWEALTH BK AUSTR NY	2.55%	03/15/21	4,908,250
COMMONWEALTH BK AUSTR NY	2.55%	03/15/21	1,055,274
PARTNERS HEALTHCARE SYSTEM	3.44%	07/01/21	1,008,830
TORONTO DOMINION BANK	1.80%	07/13/21	2,451,584
TORONTO DOMINION BANK	1.80%	07/13/21	4,788,250
SVENSKA HANDELSBANKEN	1.88%	09/07/21	2,578,257
BANK OF MONTREAL	1.55%	09/21/21	4,792,450
BAYLOR SCOTT & WHITE HOL	1.95%	11/15/21	4,061,512
TORONTO DOMINION BANK	1.60%	11/28/21	4,754,300
APPLE INC	2.15%	02/09/22	2,422,400

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF INVESTMENTS-ALL FUNDS
JUNE 30, 2018

	Interest Rate	Maturity Date	Market Value
APPLE INC	2.70%	05/13/22	2,460,675
APPLE INC	2.70%	05/13/22	2,460,675
NATIONAL AUSTRALIA BANK NY	2.50%	05/22/22	1,916,380
NATIONAL AUSTRALIA BANK NY	2.50%	05/22/22	958,190
NATIONAL AUSTRALIA BANK NY	2.50%	05/22/22	2,874,570
TOYOTA MOTOR CREDIT CORP	2.13%	06/29/22	9,746,400
TOYOTA MOTOR CREDIT CORP	2.15%	09/08/22	4,324,076
TOYOTA MOTOR CREDIT CORP	2.13%	11/29/22	10,031,900
TORONTO DOMINION BANK	2.50%	01/26/23	4,816,500
TORONTO DOMINION BANK	2.60%	02/15/23	4,813,550
Total Corporate Notes			135,354,992
Government Agency Bonds			
FEDERAL HOME LOAN BANK	1.60%	08/01/19	2,973,720
FEDERAL NATIONAL MTG ASSN	0.00%	10/09/19	2,420,375
FEDERAL NATIONAL MTG ASSN	0.00%	10/09/19	6,050,938
FEDERAL HOME LOAN BANK	1.37%	10/24/19	723,757
FEDERAL FARM CREDIT BANK	1.59%	03/23/20	4,567,382
FEDERAL HOME LOAN MTG CORP	1.25%	10/29/20	7,404,225
FEDERAL FARM CREDIT BANK	1.44%	01/19/21	4,845,850
FEDERAL HOME LOAN BANK	1.50%	02/26/21	1,102,002
FEDERAL HOME LOAN BANK	1.50%	02/26/21	983,930
FEDERAL HOME LOAN MTG CORP	1.25%	02/26/21	1,075,173
FEDERAL HOME LOAN MTG CORP	1.13%	04/28/21	2,138,362
FEDERAL HOME LOAN MTG CORP	1.50%	04/28/21	2,395,652
FEDERAL HOME LOAN BANK	1.25%	05/25/21	3,604,146
FEDERAL HOME LOAN BANK	1.25%	05/25/21	5,060,360
FEDERAL HOME LOAN MTG CORP	1.50%	06/07/21	5,830,560
FEDERAL HOME LOAN MTG CORP	1.25%	06/30/21	4,387,770
FEDERAL HOME LOAN MTG CORP	1.50%	06/30/21	1,455,930
FEDERAL FARM CREDIT BANK	1.50%	07/06/21	5,771,880
FEDERAL HOME LOAN MTG CORP	1.00%	07/27/21	1,462,470
FEDERAL NATIONAL MTG ASSN	1.25%	07/27/21	6,256,560
FEDERAL NATIONAL MTG ASSN	1.00%	07/28/21	982,250
FEDERAL HOME LOAN MTG CORP	1.25%	09/30/21	2,876,308
FEDERAL HOME LOAN BANK	1.13%	11/23/21	8,229,360
FEDERAL FARM CREDIT BANK	1.95%	03/14/22	969,230
FEDERAL FARM CREDIT BANK	1.95%	03/14/22	1,938,460
FEDERAL HOME LOAN BANK	2.00%	10/27/22	4,942,650
FEDERAL NATIONAL MTG ASSN	2.20%	10/27/22	242,405
FEDERAL HOME LOAN MTG CORP	3.00%	06/07/23	1,998,260
FEDERAL HOME LOAN MTG CORP	2.00%	06/14/23	1,998,660
FEDERAL HOME LOAN MTG CORP	2.00%	06/14/23	1,998,660
Total Government Agency Bonds			96,687,285
Municipal Obligations			
PRINCE WILLIAM CNTY VA	1.74%	10/01/18	934,084

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF INVESTMENTS-ALL FUNDS
JUNE 30, 2018

	Interest Rate	Maturity Date	Market Value
VIRGINIA ST CLG BLDG AUTH	3.35%	02/01/19	930,300
FL ST DEPT OF ENVRNMTL PROT PRES REV BAB	5.46%	07/01/19	1,026,380
PENNSYLVANIA ST BAB	4.05%	07/15/19	1,013,660
BURLINGTON VT TXBL REF SER D	1.70%	11/01/19	388,427
NORFOLK VA	4.00%	11/01/19	51,590
MONMOUTH CNTY NJ	3.00%	11/14/19	750,968
VIRGINIA ST CLG BLDG AUTH	4.50%	02/01/20	514,420
VIRGINIA ST BUILD AMER BOND	3.05%	06/01/20	320,720
FLORIDA ST HURRICANE	3.00%	07/01/20	2,471,951
FLORIDA ST HURRICANE	3.00%	07/01/20	3,524,912
FLORIDA ST HURRICANE	3.00%	07/01/20	2,507,050
UPPER OCCOQUAN VA SEWAGE AUTH	4.25%	07/01/20	514,570
UPPER OCCOQUAN VA SEWAGE AUTH	4.25%	07/01/20	169,808
VIRGINIA ST PORT AUTH CMWLTH	2.15%	07/01/20	493,130
PORTSMOUTH VA SER C	5.92%	07/15/20	1,033,860
FLORIDA ST BAB	5.59%	08/01/20	2,311,695
PORTSMOUTH VA	2.00%	08/01/20	1,720,898
NORFOLK VA BUILD AMERICAN BOND	4.85%	03/01/21	261,252
VIRGINIA CMWLTH REV BOND	4.35%	05/15/21	1,041,310
FLORIDA ST REV BOND	2.64%	07/01/21	2,476,650
FLORIDA ST REV BOND	2.64%	07/01/21	2,971,980
FLORIDA ST REV BOND	2.64%	07/01/21	2,625,249
UPPER OCCOQUAN SEWAGE AUTH	2.05%	07/01/21	488,510
SPOTSYLVANIA CNTY VA	5.30%	07/15/21	1,028,700
VIRGINIA ST PUBLIC BLDG	5.30%	08/01/21	519,891
VIRGINIA ST PUBLIC BLDG AUTH	4.20%	08/01/21	980,961
VIRGINIA ST PUBLIC BLDG AUTH	4.20%	08/01/21	516,295
MARYLAND ST CMNTY DEV	2.47%	09/01/21	710,130
FAIRFAX CNTY VA ECON DEV AUTHFAC	2.90%	10/01/21	497,970
CONNECTICUT ST TXBL-SER B	2.40%	10/15/21	969,070
CONNECTICUT ST TXBL-SER B	2.40%	10/15/21	3,154,323
HAMPTON ROADS VA	2.98%	07/01/22	491,715
MILWAUKEE CNTY WI	2.35%	12/01/22	480,025
Total Municipal Obligations			39,892,453
Commercial Paper			
NATIXIS NY BRNCH		09/04/18	4,980,350
TOYOTA MOTOR CREDIT		10/01/18	4,971,300
TOTAL COMMERCIAL PAPER			9,951,650
Money Market Funds			
SANDY SPRING	1.75%		5,109,160
FIRST VIRGINIA COMMUNITY BANK	1.75%		12,591,128
JOHN MARSHALL BANK ICS	1.95%		6,839,150
UNITED BANK ICS	1.91%		1,064,599
JOHN MARSHALL BANK	1.70%		2,003
UNITED BANK	1.85%		3,000,045

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF INVESTMENTS-ALL FUNDS
JUNE 30, 2018

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Market Value</u>
Total Money Market Funds			<u>28,606,085</u>
Virginia State Non-Arbitrage Program (SNAP)			376,228,299
Virginia Investment Pool (VIP)			40,695,813
State Treasurer's Local Government Investment Pool			123,856
State Treasurer's Local Government Investment Pool Extended Maturity			100,695
Virginia Investment Pool Daily Liquidity			332,454,594
TOTAL SECURITIES			<u><u>\$1,103,931,835</u></u>

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2018

			Bonds Outstanding: (Relates to total amount authorized and sold)		Payments: (Relates to total amount authorized and sold)	
	Amount Authorized and Sold	Date of Bonds	Interest Rate- %	Principal	Annual Amount	Maturity Date
General obligation debt:						
<u>Serviced by general fund:</u>						
G.O. Public improvement (\$39,217,322)		8/15/09				
Neighborhood conservation	\$4,817,322		5.00	195,313	195,313	08/15/18
Parks and recreation	2,050,000					
Metro	8,000,000					
	<u>\$14,867,322</u>			<u>\$195,313</u>		
G.O. Public improvement refunding (\$41,262,678)		8/15/09				
Street & Highway	\$9,122,919		3.00	1,145,500	1,145,500	08/15/18
Neighborhood conservation	2,195,414		5.00	1,377,500	1,377,500	08/15/18
Parks and recreation	10,465,543					
Fire	1,575,576					
Library	145,744					
Metro	4,401,924					
	<u>\$27,907,120</u>			<u>\$2,523,000</u>		
G.O. Public improvement refunding (\$65,650,000)		8/15/09				
Street & Highway	\$5,519,144		5.00	4,666,617	4,666,617	08/01/18
Neighborhood conservation	2,769,159		5.00	1,694,502	1,694,502	08/01/19
Government facility bond	653,173		5.00	1,695,615	1,695,615	08/01/20
Parks and recreation	10,466,863					
Fire	1,686,726					
Library	1,130,373					
Metro	4,934,823					
	<u>\$27,160,261</u>			<u>\$8,056,734</u>		
G.O. Public improvement (\$73,415,000)		7/27/10				
Street & Highway	\$7,150,000		2.00	1,270,000	1,270,000	08/15/18
Neighborhood conservation	6,900,000		2.125	1,270,000	1,270,000	08/15/19
Government facility bond	1,270,000		3.693	1,270,000	1,270,000	08/15/20
Parks and recreation	1,500,000		3.993	1,270,000	1,270,000	08/15/21
Metro	7,542,000		4.193	1,270,000	1,270,000	08/15/22
	<u>\$24,362,000</u>		4.393	1,270,000	1,270,000	08/15/23
			4.593	1,270,000	1,270,000	08/15/24
			4.693	1,270,000	1,270,000	08/15/25
			5.301	6,325,000	1,265,000	08/15/26-30
				<u>\$16,485,000</u>		
G.O. Public improvement refunding (65,870,000)		7/27/10				
Street & Highway	\$5,661,131		5.00	3,596,516	3,596,516	08/15/18
Neighborhood conservation	2,906,731		4.00	2,405,957	2,405,957	08/15/19
Government facility bond	1,167,608		5.00	7,087,694	7,087,694	08/15/20
Parks and recreation	11,120,617		5.00	6,995,352	6,995,352	08/15/21
Fire	1,486,736		3.00	1,639,501	1,639,501	08/15/22
Library	2,204,188					
Metro	3,577,903					
	<u>\$28,124,914</u>			<u>\$21,725,020</u>		
G.O. Public improvement (\$127,000,000)		6/28/11				
Street & Highway	\$10,669,428		4.00	3,685,000	3,685,000	08/15/18
Neighborhood conservation	6,400,000		5.00	3,685,000	3,685,000	08/15/19
Government facility bond	4,675,000					
Parks and recreation	39,005,572					
Metro	10,000,000					
	<u>\$70,750,000</u>			<u>\$7,370,000</u>		

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2018

G.O. Public improvement refunding (\$106,445,000)		2/22/12				
Street & Highway	\$6,073,372	4.00/3.00	5,760,000	5,760,000	08/01/19	
Neighborhood conservation	4,851,013	4.00/3.00	3,165,000	3,165,000	08/01/21	
Government facility bond	959,373	5.00	11,955,000	11,955,000	08/01/22	
Parks and recreation	15,124,026	5.00	9,240,000	9,240,000	08/15/23	
Fire Station	1,349,591	5.00	7,175,000	7,175,000	08/15/24	
Library	1,152,494	5.00	2,280,000	2,280,000	08/15/25	
Metro	10,065,131					
	<u>\$39,575,000</u>		<u>\$39,575,000</u>			
G.O. Public improvement (\$108,140,000)		6/20/12				
Street & Highway	\$6,150,000	5.00	5,873,175	1,957,725	08/15/18-20	
Neighborhood conservation	4,000,000					
Government facility bond	4,435,000					
Parks and recreation	11,010,000					
Metro	10,000,000					
	<u>\$35,595,000</u>		<u>\$5,873,175</u>			
G.O. Public improvement (\$93,975,000)		5/9/13				
Street & Highway	\$11,190,000	5.00	9,940,000	2,485,000	08/01/18-21	
Neighborhood conservation	4,000,000	4.00	4,960,000	2,480,000	08/01/31-32	
Government facility bond	11,395,000					
Parks and recreation	15,410,000					
Metro	10,000,000					
	<u>\$51,995,000</u>		<u>\$14,900,000</u>			
G.O. Public improvement refunding (\$30,320,000)		5/9/13				
Street & Highway	\$2,411,674	4.00	230,000	230,000	08/01/24	
Neighborhood conservation	982,015	5.00	2,830,000	2,830,000	08/01/25	
Government facility bond	380,957	5.00	4,980,000	4,980,000	08/01/26	
Parks and recreation	3,618,568	4.00	3,000,000	3,000,000	08/01/27	
Fire station	164,926					
Library	457,644					
Metro	3,024,216					
	<u>\$11,040,000</u>		<u>\$11,040,000</u>			
G.O. Public improvement refunding (\$81,255,000)		5/9/13				
Street & Highway	\$10,194,261	1.076	6,610,000	6,610,000	08/01/18	
Neighborhood conservation	6,878,456	1.339	6,335,000	6,335,000	08/01/19	
Parks and recreation	15,956,083	1.659	6,275,000	6,275,000	08/01/20	
Fire station	1,564,102	1.925	3,310,000	3,310,000	08/01/21	
Library	1,591,281	2.075	2,245,000	2,245,000	08/01/22	
Metro	8,060,817	2.225	1,345,000	1,345,000	08/01/23	
	<u>\$44,245,000</u>	2.320	880,000	880,000	08/01/24	
		2.470	860,000	860,000	08/01/25	
		2.620	635,000	635,000	08/01/26	
			<u>\$28,495,000</u>			
G.O. Public improvement (\$64,910,000)		5/28/14				
Street & Highway	\$7,405,000	5.000	5,580,000	1,395,000	02/15/19-22	
Neighborhood conservation	5,000,000	3.000	1,395,000	1,395,000	02/15/24	
Parks and recreation	3,640,000	3.000	1,390,000	1,390,000	02/15/25	
Government facility bond	5,705,000	3.000	2,790,000	1,395,000	02/15/26-27	
Metro	5,000,000	3.000	1,395,000	1,395,000	02/15/29	
	<u>\$26,750,000</u>	3.750	6,950,000	1,390,000	02/15/30-34	
			<u>\$19,500,000</u>			
G.O. Public improvement refunding (\$40,455,000)		5/28/14				
Street & Highway	\$3,177,905	5.000	1,940,000	1,940,000	08/15/21	
Neighborhood conservation	1,633,800	5.000	1,885,000	1,885,000	08/15/22	
Parks and recreation	7,423,080	5.000	8,720,000	4,360,000	08/15/23-24	
Government facility bond	2,326,465	5.000	1,875,000	1,875,000	08/15/25	
Metro	3,403,750	5.000	3,545,000	3,545,000	08/15/27	
	<u>\$17,965,000</u>		<u>\$17,965,000</u>			

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2018

G.O. Public improvement (\$77,440,000)	6/17/15				
Street & Highway	\$9,370,000	4.000	18,520,000	2,315,000	08/15/18-25
Neighborhood conservation	3,000,000	3.000	4,630,000	2,315,000	08/15/26-27
Parks and recreation	5,705,000	4.000	2,315,000	2,315,000	08/15/28
Government facility bond	18,365,000	3.500	4,630,000	2,315,000	08/15/29-30
Metro	8,000,000	3.500	2,310,000	2,310,000	08/15/31
	<u>\$44,440,000</u>	3.750	6,930,000	2,310,000	08/15/32-34
			<u>\$39,335,000</u>		
G.O. Public improvement (\$55,200,000)	5/4/16				
Street & Highway	\$3,075,000	5.000	980,000	980,000	08/15/21
Neighborhood conservation	4,000,000	5.000	16,520,000	1,180,000	08/15/22-35
Parks and recreation	5,610,000				
Government facility bond	8,365,000				
Metro	1,600,000				
	<u>\$22,650,000</u>				
			<u>\$17,500,000</u>		
G.O. Public improvement refunding (\$161,530,000)	5/4/16				
Street & Highway	\$13,758,132	5.000	680,000	680,000	08/15/18
Neighborhood conservation	9,438,268	3.000	4,370,000	4,370,000	08/15/20
Parks and recreation	27,586,418	5.000	3,505,000	3,505,000	08/15/21
Government facility bond	7,093,846	5.000	3,730,000	3,730,000	08/15/22
Metro	17,419,589	5.000	3,520,000	3,520,000	08/15/23
Higher Education	548,993	5.000	4,120,000	4,120,000	08/15/24
Fire Station	2,524,864	5.000	6,190,000	6,190,000	08/15/25
Libraries	519,890	5.000	8,195,000	8,195,000	08/15/26
		5.000	5,985,000	5,985,000	08/15/27
		2.500	8,970,000	8,970,000	08/15/28
		2.500	8,835,000	8,835,000	08/15/29
		2.500	7,930,000	7,930,000	08/15/30
		2.750	5,340,000	5,340,000	08/15/31
		2.750	1,655,000	1,655,000	08/15/32
	<u>\$78,890,000</u>				
			<u>\$73,025,000</u>		
G.O. Public improvement (\$185,095,000)	5/31/17				
Street & Highway	\$15,670,000	4.000	5,190,000	5,190,000	08/15/18
Neighborhood conservation	9,600,000	5.000	6,200,000	6,200,000	05/15/19
Parks and recreation	11,900,000	5.000	3,765,000	3,765,000	08/15/20
Government facility bond	26,125,000	5.000	4,745,000	4,745,000	08/15/21
Metro	46,600,000	2.000	5,720,000	5,720,000	08/15/22
	<u>\$109,895,000</u>	5.000	28,600,000	5,720,000	08/15/23-27
		5.000	17,145,000	5,715,000	08/15/28-30
		4.000	34,290,000	5,715,000	08/15/31-36
			<u>\$105,655,000</u>		
G.O. Public improvement (\$153,555,000)	6/20/2018	5.000	4,425,000	4,425,000	08/15/18
Street & Highway	\$15,210,000	5.000	1,550,000	1,550,000	08/15/19
Neighborhood conservation	3,000,000	5.000	200,000	200,000	08/15/20
Parks and recreation	6,725,000	5.000	600,000	600,000	08/15/21
Government facility bond	18,220,000	5.000	1,000,000	1,000,000	08/15/22
Metro	18,000,000	5.000	2,000,000	2,000,000	08/15/23
	<u>\$61,155,000</u>	5.000	2,250,000	2,250,000	08/15/24
		5.000	2,500,000	2,500,000	08/15/25
		5.000	3,000,000	3,000,000	08/15/26
		5.000	3,250,000	3,250,000	08/15/27
		5.000	3,500,000	3,500,000	08/15/28
		5.000	3,750,000	3,750,000	08/15/29
		5.000	8,290,000	4,145,000	8/15/2030-31
		5.000	24,840,000	4,140,000	8/15/1932-37
			<u>\$61,155,000</u>		
SUBTOTAL:			<u>\$490,373,242</u>		
FY 2004 Bond premium to be amortized			663,702.00		
FY 2005 Bond premium to be amortized			1,475,989.00		
FY 2006 Bond premium to be amortized			657,739.00		
FY 2007 Bond premium to be amortized			202,724.00		
FY 2008 Bond premium to be amortized			745,750.00		
FY 2010 Bond premium to be amortized			563,621.00		

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2018

FY 2011 Bond premium to be amortized	4,198,204.00
FY 2012 Bond premium to be amortized	4,521,335.00
FY 2013 Bond premium to be amortized	8,230,931.00
FY 2014 Bond premium to be amortized	1,953,658.00
FY 2015 Bond premium to be amortized	2,903,452.00
FY 2016 Bond premium to be amortized	4,376,705.00
FY 2017 Bond premium to be amortized	16,802,068.00
FY 2018 Bond premium to be amortized	16,997,420.00
Total GO Bonds serviced by general fund:	<u>\$554,666,540</u>

IDA Revenue bond (\$11,940,000)	1/27/11				
FS #3, Arlington Mill and Buckingham Park		4.00	625,000	625,000	2/15/19
		4.00	620,000	620,000	2/15/20
			<u>\$1,245,000</u>		

IDA Revenue bond (\$76,315,000)	5/9/13				
Refunding 2004 IDA					
2020		5.00/1.37	3,010,000	3,010,000	12/15/18
Buckingham Village 3		5.00/1.74	3,020,000	3,020,000	12/15/19
		5.00/1.99	3,030,000	3,030,000	12/15/20
		5.00/2.43	3,040,000	3,040,000	12/15/21
		5.00/2.58	3,055,000	3,055,000	12/15/22
		5.00/2.73	3,060,000	3,060,000	12/15/23
		5.00/2.93	3,080,000	3,080,000	12/15/24
		3.08	1,955,000	1,955,000	12/15/25
		3.48	1,985,000	1,985,000	12/15/26
		3.48	2,015,000	2,015,000	12/15/27
		3.48	2,050,000	2,050,000	12/15/28
		4.01	2,085,000	2,085,000	12/15/29
		4.01	2,130,000	2,130,000	12/15/30
		4.01	2,175,000	2,175,000	12/15/31
		4.01	2,220,000	2,220,000	12/15/32
		4.11	1,205,000	1,205,000	12/15/33
		4.11	1,255,000	1,255,000	12/15/34
		4.11	1,310,000	1,310,000	12/15/35
		4.11	1,365,000	1,365,000	12/15/36
		4.11	1,420,000	1,420,000	12/15/37
		4.11	1,480,000	1,480,000	12/15/38
		4.11	1,545,000	1,545,000	12/15/39
		4.11	1,610,000	1,610,000	12/15/40
		4.11	1,675,000	1,675,000	12/15/41
		4.11	1,745,000	1,745,000	12/15/42
			<u>\$52,520,000</u>		

2017 IDA Revenue and refunding bonds (\$57,865,000)					
Refunding 2009B IDA		5.00	990,000	990,000	02/15/19
2011 IDA		5.00	830,000	830,000	02/15/20
Buckingham Village 3		5.00	2,760,000	2,760,000	02/15/21
		5.00	2,805,000	2,805,000	02/15/22
		5.00	2,855,000	2,855,000	02/15/23
		5.00	2,900,000	2,900,000	02/15/24
		5.00	2,950,000	2,950,000	02/15/25
		5.00	2,995,000	2,995,000	02/15/26
		5.00	3,050,000	3,050,000	02/15/27
		5.00	3,105,000	3,105,000	02/15/28
		5.00	3,160,000	3,160,000	02/15/29
		5.00	3,215,000	3,215,000	02/15/30
		5.00	3,275,000	3,275,000	02/15/31
		5.00	2,790,000	2,790,000	02/15/32
		5.00	2,860,000	2,860,000	02/15/33
		5.00	2,930,000	2,930,000	02/15/34
		5.00	3,005,000	3,005,000	02/15/35
		5.00	2,680,000	1,340,000	2/15/2036-37
		5.00	8,010,000	1,335,000	2/15/2038-43

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2018

						<u>\$57,165,000</u>			
Total IDA revenue bonds serviced by general fund						<u>\$110,930,000</u>			
Compensated absences						\$33,604,212			
Estimated liability for workers' compensation claims						4,892,131			
Serviced by general fund-capital leases						15,186,686			
Net pension liability						(51,500,000)			
Net OPEB liability						<u>192,659,305</u>			
Total general obligation debt serviced by general fund:						860,438,874			
Due in one year						<u>(58,350,901)</u>			
Total long term liabilities -general fund						<u>\$802,087,973</u>			
<u>Serviced by School Operating Fund:</u>									
G.O. Public improvement (\$39,217,322)		8/15/09							
School Improvements	<u>\$24,350,000</u>		3.00		304,688	304,688	08/15/18		
						<u>\$304,688</u>			
G.O. Public improvement refunding (\$41,262,678)		8/15/09							
School Improvements	<u>\$11,455,110</u>		5.00		997,500	997,500	08/15/18		
			3.00		829,500	829,500	08/15/18		
						<u>\$1,827,000</u>			
G.O. Public improvement refunding (\$65,650,000)		8/15/09							
School Improvements	<u>\$27,608,536</u>		5.00		4,631,381	4,631,381	08/01/18		
			5.00		2,540,397	2,540,397	08/01/19		
			5.00		2,544,916	2,544,916	08/01/20		
						<u>\$9,716,694</u>			
Schools- QSCB (\$3,380,000)		7/6/10							
School Improvements	<u>\$3,380,000</u>		5.31		1,800,000	200,000	06/01/19-27		
						<u>\$1,800,000</u>			
G.O. Public improvement (\$73,415,000)		7/27/10							
School Improvements	<u>\$30,703,000</u>		2.00		1,535,000	1,535,000	08/15/18		
			2.125		1,535,000	1,535,000	08/15/19		
			3.693		1,535,000	1,535,000	08/15/20		
			3.993		1,535,000	1,535,000	08/15/21		
			4.193		1,535,000	1,535,000	08/15/22		
			4.393		1,535,000	1,535,000	08/15/23		
			4.593		1,535,000	1,535,000	08/15/24		
			4.693		1,535,000	1,535,000	08/15/25		
			5.301		7,675,000	1,535,000	08/15/26-30		
						<u>\$19,955,000</u>			
G.O. Public improvement refunding (\$65,870,000)		7/27/10							
School Improvements	<u>\$25,408,254</u>		5.00		2,713,871	2,713,871	08/15/18		
			4.00		2,734,043	2,734,043	08/15/19		
			5.00		5,201,560	5,201,560	08/15/20		
			5.00		6,061,492	6,061,492	08/15/21		
			3.00		1,550,499	1,550,499	08/15/22		
			3.125		1,355,000	1,355,000	08/15/23		
						<u>\$19,616,465</u>			
G.O. Public improvement (\$127,000,000)		6/28/11							
School Improvements	<u>\$44,450,000</u>		4.00		2,225,000	2,225,000	08/15/18		

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2018

		5.00	2,225,000	2,225,000	08/15/19
			<u>\$4,450,000</u>		
G.O. Public improvement refunding (\$106,445,000)	2/22/12				
School Improvements		4.00/3.00	3,065,000	3,065,000	08/01/19
		4.00/3.00	3,125,000	3,125,000	08/01/21
		5.00	9,015,000	9,015,000	08/01/22
		5.00	7,650,000	7,650,000	08/15/23
		5.00	7,525,000	7,525,000	08/15/24
		5.00	3,365,000	3,365,000	08/15/25
			3,770,000	3,770,000	08/15/26
			1,740,000	1,740,000	08/15/27
			<u>\$39,255,000</u>		
G.O. Public improvement (\$108,140,000)	6/20/12				
School Improvements		5.00	9,771,825	3,257,275	08/15/18-20
			<u>\$9,771,825</u>		
G.O. Public improvement (\$93,975,000)	5/9/13				
School Improvements		5.00	7,680,000	1,920,000	08/01/18-21
		4.00	1,920,000	1,920,000	08/01/31
		4.00	1,915,000	1,915,000	08/01/32
			<u>\$11,515,000</u>		
G.O. Public improvement refunding (\$30,320,000)	5/9/13				
School Improvements		4.00	240,000	240,000	08/01/24
		5.00	2,975,000	2,975,000	08/01/25
		5.00	5,225,000	5,225,000	08/01/26
		4.00	3,150,000	3,150,000	08/01/27
			<u>\$11,590,000</u>		
G.O. Public improvement refunding (\$81,255,000)	5/9/13				
School Improvements		1.076	5,845,000	5,845,000	08/01/18
		1.339	4,885,000	4,885,000	08/01/19
		1.659	3,840,000	3,840,000	08/01/20
		1.925	1,655,000	1,655,000	08/01/21
		2.075	1,325,000	1,325,000	08/01/22
		2.225	525,000	525,000	08/01/23
		2.320	925,000	925,000	08/01/24
		2.470	900,000	900,000	08/01/25
		2.620	670,000	670,000	08/01/26
			<u>\$20,570,000</u>		
G.O. Public improvement (\$64,910,000)	5/28/14				
School Improvements		5.000	7,300,000	1,825,000	02/15/2019-22
		3.000	1,825,000	1,825,000	02/15/24
		3.000	1,825,000	1,825,000	02/15/25
		3.000	3,650,000	1,825,000	02/15/2026-27
		3.000	1,820,000	1,820,000	02/15/29
		3.750	9,100,000	1,820,000	02/15/2030-34
			<u>\$25,520,000</u>		
G.O. Public improvement refunding (\$40,455,000)	5/28/14				
School Improvements		5.000	1,170,000	1,170,000	08/15/21
		5.000	3,135,000	3,135,000	08/15/22
		5.000	10,170,000	5,085,000	08/15/2023-24
		5.000	3,115,000	3,115,000	08/15/25
		5.000	2,135,000	2,135,000	08/15/27
			<u>\$19,725,000</u>		
G.O. Public improvement (\$77,440,000)	6/17/15				
School Improvements		4.000	12,000,000	1,500,000	08/15/18-25
		3.000	3,000,000	1,500,000	08/15/26-27
		4.000	1,500,000	1,500,000	08/15/28
		3.500	3,000,000	1,500,000	08/15/29-30
		3.500	1,500,000	1,500,000	08/15/31
		3.750	4,500,000	1,500,000	08/15/32-34
			<u>\$25,500,000</u>		

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2018

G.O. Public improvement (\$55,200,000)		5/4/16				
School Improvements	\$32,550,000		4.000	1,630,000	1,630,000	08/15/18
			3.000	1,630,000	1,630,000	08/15/19
			5.000	11,410,000	1,630,000	08/15/20-26
			5.000	14,625,000	1,625,000	08/15/27-35
				\$29,295,000		
G.O. Public improvement refunding (\$161,530,000)		5/4/16				
School Improvements	\$72,220,000		5.000	810,000	810,000	08/15/18
			3.000	3,370,000	3,370,000	08/15/20
			5.000	4,140,000	4,140,000	08/15/21
			5.000	3,810,000	3,810,000	08/15/22
			5.000	2,120,000	2,120,000	08/15/23
			5.000	2,935,000	2,935,000	08/15/24
			5.000	4,155,000	4,155,000	08/15/25
			5.000	7,460,000	7,460,000	08/15/26
			5.000	7,135,000	7,135,000	08/15/27
			2.500	8,685,000	8,685,000	08/15/28
			2.500	8,555,000	8,555,000	08/15/29
			2.500	7,225,000	7,225,000	08/15/30
			2.750	5,180,000	5,180,000	08/15/31
			2.750	2,755,000	2,755,000	08/15/32
				\$68,335,000		
G.O. Public improvement (\$185,095,000)		5/31/17				
School Improvements	\$75,200,000		4.000	3,760,000	3,760,000	08/15/18
			5.000	11,280,000	3,760,000	05/15/19-21
			2.000	3,760,000	3,760,000	08/15/22
			5.000	30,080,000	3,760,000	08/15/23-30
			2.000	22,560,000	3,760,000	08/15/31-36
				\$71,440,000		
G.O. Public improvement (\$153,555,000)		6/20/2018	5.000	6,325,000	6,325,000	08/15/18
School Improvements	\$92,400,000		5.000	3,425,000	3,425,000	08/15/19
			5.000	3,470,000	3,470,000	08/15/20
			5.000	3,500,000	3,500,000	08/15/21
			5.000	7,400,000	3,700,000	8/15/2022-23
			5.000	4,000,000	4,000,000	08/15/24
			5.000	4,200,000	4,200,000	08/15/25
			5.000	4,400,000	4,400,000	08/15/26
			5.000	4,500,000	4,500,000	08/15/27
			5.000	30,720,000	5,120,000	8/15/2028-33
			5.000	20,460,000	5,115,000	8/15/2034-37
				\$92,400,000		
SUB TOTAL				\$482,586,672		
FY 2004 Bond Premium to be amortized				435,714		
FY 2005 Bond Premium to be amortized				1,024,511		
FY 2006 Bond Premium to be amorized				233,067		
FY 2007 Bond Premium to be amortized				115,741		
FY 2008 Bond Premium to be amortized				1,203,920		
FY 2010 Bond Premium to be amortized				889,742		
FY 2011 Bond Premium to be amortized				2,819,628		
FY 2012 Bond Premium to be amortized				7,654,287		
FY 2013 Bond Premium to be amortized				4,743,194		
FY 2014 Bond Premium to be amortized				2,608,636		
FY 2015 Bond Premium to be amortized				1,896,766		
FY 2016 Bond Premium to be amortized				6,488,312		
FY 2017 Bond Premium to be amortized				11,281,451		
FY 2018 Bond Premium to be amortized				15,442,463		

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2018

Total serial bonds serviced by school operating fund:	539,424,104
Compensated absences	38,953,324
Capital leases serviced by schools	4,495,914
Net pension liability schools	446,490,725
Net OPEB liability schools	189,788,364
Total general obligation debt serviced by school operating fund:	1,219,152,431
Due in one year	(50,422,665)
Total long term liabilities - schools	1,168,729,766
Total general obligation debt serviced by general fund and school operating fund:	\$1,970,817,739

Serviced by utilities fund:

G.O. Public improvement refunding (\$65,650,000)	8/15/09				
Water share	\$1,765,156				
Sewer share	953,197	3.00	1,502,001	1,502,001	08/01/18
Advanced Water Treatment	8,162,851	4.00	1,430,101	1,430,101	08/01/19
	<u>\$10,881,204</u>	3.125	1,499,469	1,499,469	08/01/20
			\$4,431,571		
G.O. Public improvement (\$73,415,000)	7/27/10				
Water share	\$4,000,000				
Advanced Water Treatment	14,350,000	2.00	960,000	960,000	08/15/18
	<u>\$18,350,000</u>	2.125	955,000	955,000	08/15/19
		3.693	955,000	955,000	08/15/20
		3.993	955,000	955,000	08/15/21
		4.193	955,000	955,000	08/15/22
		4.393	955,000	955,000	08/15/23
		4.593	955,000	955,000	08/15/24
		4.693	955,000	955,000	08/15/25
		5.301	4,775,000	955,000	08/15/26-30
			\$12,420,000		
G.O. Public improvement refunding (\$65,870,000)	7/27/10				
Water share	\$1,211,039				
Sewer share	1,243,833	5.00	3,449,613	3,449,613	08/15/18
Advanced Water Treatment	9,881,960	5.00	3,685,746	3,685,746	08/15/20
	<u>\$12,336,832</u>	5.00	308,156	308,156	08/15/21
			\$7,443,515		
G.O. Public improvement (\$127,000,000)	6/28/11				
Advanced Water Treatment	<u>\$11,800,000</u>	4.00	615,000	615,000	08/15/18
		5.00	615,000	615,000	08/15/19
			\$1,230,000		
G.O. Public improvement refunding (\$106,445,000)	2/22/12				
Water share	\$2,696,098	4.00/3.00	3,440,000	3,440,000	08/01/19
Sewer share	2,944,245	4.00/3.00	4,700,000	4,700,000	08/01/21
Advanced Water Treatment	21,974,657	5.00	5,910,000	5,910,000	08/01/22
	<u>\$27,615,000</u>	5.00	5,390,000	5,390,000	08/15/23
		5.00	4,975,000	4,975,000	08/15/24
		5.00	3,200,000	3,200,000	08/15/25
			\$27,615,000		
G.O. Public improvement (\$108,140,000)	6/20/12				
Advanced Water Treatment	<u>\$7,400,000</u>	5.00	1,155,000	385,000	08/15/2018-20
			\$1,155,000		
G.O. Public improvement (\$93,975,000)	5/9/13				
Water share	<u>\$3,600,000</u>	5.00	720,000	180,000	08/01/18-21
		4.00	360,000	180,000	08/01/31-32
			\$1,080,000		
G.O. Public improvement refunding (\$30,320,000)	5/9/13				
Water share	\$380,262	4.00	160,000	160,000	08/01/24
Sewer share	422,514	5.00	1,975,000	1,975,000	08/01/25
Advanced Water Treatment	<u>6,887,224</u>	5.00	3,465,000	3,465,000	08/01/26

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2018

	<u>\$7,690,000</u>	4.00	2,090,000	2,090,000	08/01/27
			<u>\$7,690,000</u>		
G.O. Public improvement refunding (\$81,255,000)		5/9/13			
Water share	\$697,476				
Sewer share	1,641,858	1.076	345,000	345,000	08/01/18
Advanced Water Treatment	<u>1,165,666</u>	1.339	250,000	250,000	08/01/19
	<u>\$3,505,000</u>	1.659	210,000	210,000	08/01/20
		2.225	15,000	15,000	08/01/23
		2.320	615,000	615,000	08/01/24
		2.470	600,000	600,000	08/01/25
		2.620	450,000	450,000	08/01/26
			<u>\$2,485,000</u>		
G.O. Public improvement (\$64,910,000)		5/28/14			
Water share	<u>\$1,700,000</u>	5.000	340,000	85,000	02/15/2019-22
		3.000	85,000	85,000	02/15/24
		3.000	85,000	85,000	02/15/25
		3.000	170,000	85,000	02/15/2026-27
		3.000	85,000	85,000	02/15/29
		3.750	425,000	85,000	02/15/2030-34
			<u>\$1,190,000</u>		
G.O. Public improvement refunding (\$40,455,000)		5/28/14			
Water share	\$348,335	5.000	325,000	325,000	08/15/21
Advanced Water Treatment	<u>2,416,665</u>	5.000	370,000	370,000	08/15/22
	<u>\$2,765,000</u>	5.000	1,110,000	555,000	08/15/2023-24
		5.000	370,000	370,000	08/15/25
		5.000	590,000	590,000	08/15/27
			<u>\$2,765,000</u>		
G.O. Public improvement (\$77,440,000)		6/17/15			
Advanced Water Treatment	<u>\$3,000,000</u>	4.000	1,200,000	150,000	08/15/18-25
		3.000	300,000	150,000	08/15/26-27
		4.000	150,000	150,000	08/15/28
		3.500	300,000	150,000	08/15/29-30
		3.500	150,000	150,000	08/15/31
		3.750	450,000	150,000	08/15/32-34
			<u>\$2,550,000</u>		
G.O. Public improvement refunding (\$161,530,000)		5/4/16			
Water share	\$1,987,360	4.000			
Sewer share	31,547	3.000	600,000	600,000	08/15/20
Advanced Water Treatment	<u>8,401,093</u>	5.000	640,000	640,000	08/15/21
	<u>\$10,420,000</u>	5.000	235,000	235,000	08/15/22
		5.000	585,000	585,000	08/15/23
		5.000	605,000	605,000	08/15/24
		5.000	795,000	795,000	08/15/25
		5.000	1,190,000	1,190,000	08/15/26
		5.000	680,000	680,000	08/15/27
		2.500	1,190,000	1,190,000	08/15/28
		2.500	1,175,000	1,175,000	08/15/29
		2.500	1,155,000	1,155,000	08/15/30
		2.750	940,000	940,000	08/15/31
		2.750	325,000	325,000	08/15/32
			<u>\$10,115,000</u>		
SUBTOTAL:			<u>\$82,170,086</u>		
FY 2005 Bond premium to be amortized			170,810		
FY 2007 Bond premium to be amortized			411,421		
FY 2008 Bond premium to be amortized			549,610		
FY 2011 Bond premium to be amortized			1,010,501		
FY 2012 Bond premium to be amortized			895,057		
FY 2013 Bond premium to be amortized			444,773		
FY 2014 Bond premium to be amortized			121,546		
FY 2015 Bond premium to be amortized			189,676		

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2018

Total serial bonds serviced by utilities fund:	<u>85,963,480</u>
Compensated absences - utilities fund	1,343,780
Bond and VRA interest payable - utilities fund	2,619,556
Capital leases serviced by utilities fund	16,962
VRA loans payable	<u>174,046,269</u>
Total long term obligations serviced by utilities fund:	<u>263,990,047</u>
Compensated absences - Internal service funds	574,610
Compensated absences - CPHD Development fund	677,651
Capital leases serviced by auto equipment fund	<u>2,677,142</u>
Subtotal:	<u>267,919,450</u>
Bond and mortgage interest payable	31,697,561
Mortgage payable-ballston public garage fund	<u>3,429,679</u>
Total business-type activities obligations:	<u>303,046,690</u>
Due in one year	<u>(62,181,167)</u>
Total business-type activities long term obligations:	<u>\$240,865,523</u>
Total long term obligations:	<u><u>\$2,211,683,262</u></u>

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF DELINQUENT PROPERTY TAXES RECEIVABLE
JUNE 30, 2018

FISCAL YEAR	REAL ESTATE	PERSONAL PROPERTY	TOTAL
2018	\$38,889	\$514,014	552,903
2017	38,391	267,190	305,581
2016	24,577	263,363	287,941
2015	11,023	265,418	276,441
2014	1,089	256,647	257,736
2013	121	-	121
2012	31	-	31
2011	-	-	-
2010	-	-	-
2009	-	-	-
2008	1,197	-	1,197
2007	2,684	-	2,684
2006	720	-	720
2005	-	-	-
2004	-	-	-
2003	-	-	-
2002	-	-	-
2001	240	-	240
2000	193	-	193
1999	-	-	-
1990-1998 *	147	-	147
TOTAL	<u>\$119,301</u>	<u>\$1,566,634</u>	<u>\$1,685,935</u>

NOTES:

Figures are rounded to the nearest dollar.

The amounts of delinquent real and personal property taxes receivable at June 30, 2018 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 real estate tax for fiscal years 1990-1998 were deferred pursuant to Arlington County's Real Estate Tax Relief Program. Such deferred taxes are due upon sale of the property or within one year of the death of the last owner who qualified for relief.

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 estate and personal property taxes totaled \$9,185 and \$345,119 respectively.

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
2009	\$620,724,099	\$3,508,418	\$617,215,681	99.43%	\$3,555,509	\$620,771,190	100.01%	\$885,868	\$1,476,023	\$4,445,528	0.72%
2010	631,481,234	2,753,079	628,728,155	99.56%	2,965,008	631,693,163	100.03%	1,074,788	1,450,150	4,107,640	0.65%
2011	653,198,268	2,147,274	651,050,994	99.67%	3,259,661	654,310,655	100.17%	924,343	1,391,658	3,596,781	0.55%
2012	701,019,137	1,585,301	699,433,836	99.77%	3,158,923	702,592,759	100.22%	1,016,583	1,362,159	3,358,566	0.48%
2013	754,569,203	4,983,622	749,585,581	99.34%	2,803,775	752,389,356	99.71%	720,244	2,097,357	3,107,347	0.41%
2014	787,485,043	1,730,821	785,754,221	99.78%	2,736,519	788,490,740	100.13%	1,016,011	2,303,573	2,623,869	0.33%
2015	812,023,501	1,379,131	810,644,370	99.83%	2,588,689	813,233,059	100.15%	848,789	2,394,515	2,197,169	0.27%
2016	837,718,155	1,297,393	836,420,761	99.85%	1,544,871	837,965,632	100.03%	599,182	3,052,244	2,034,123	0.24%
2017	868,874,581	1,380,080	867,494,501	99.84%	2,194,749	869,689,250	100.09%	903,604	3,158,640	1,964,782	0.23%
2018	899,725,011	1,322,536	898,402,475	99.85%	2,146,492	900,548,967	100.09%	597,207	3,491,420	1,685,935	0.19%

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 collected during each fiscal year.

"Current Taxes Collected" reflects the amount of a fiscal year's tax levy

"Total Taxes Collected" reflects "Current Taxes Collected" plus collection of prior year's taxes and penalties in the current year plus reimbursements from the Commonwealth for the Personal Property Tax Relief Act.

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

Source: Arlington County Treasurer's Office

ARLINGTON COUNTY, VIRGINIA
NET BOOK VALUE OF CAPITAL ASSETS USED IN THE OPERATION OF
GOVERNMENTAL FUNDS SCHEDULE BY SOURCE (1)
JUNE 30, 2018

	Governmental Funds <u>Total Cost</u>
Governmental funds capital assets:	
Land	\$206,048,284
Infrastructure	747,941,899
Buildings	380,672,043
Furniture, fixtures and equipment	245,835,096
Construction in Progress	281,731,039
Intangibles	<u>7,588,025</u>
Total governmental funds capital assets	<u><u>\$1,869,816,386</u></u>
Investments in governmental funds' capital assets by source:	
General fund	\$244,734,703
Special revenue funds	135,506
Capital projects funds	1,617,416,082
State literary loans	1,680,040
Donated assets	<u>5,850,055</u>
Total investment in general capital assets	<u><u>\$1,869,816,386</u></u>

(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. The capital assets of internal service funds are included as governmental activities in the statement of net position.

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS - BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2018

FUNCTION AND ACTIVITY:	General Capital Assets			
	6/30/2017 Beginning Balance	Additions	Deletions	6/30/2018 Ending Balance
Governmental funds:				
General Government	\$330,507,031	\$10,025,199	\$-	340,532,230
Public Safety	114,406,881	5,469,609	-	119,876,490
Environmental Services	939,856,784	103,341,520	170,713	1,043,027,591
Health and Public Welfare	34,260,585	195,817	-	34,456,402
Libraries	30,465,610	34,996	-	30,500,606
Parks and Recreation	223,208,995	12,144,600	-	235,353,595
Planning and Community Development	59,303,754	6,766,201	483	66,069,472
Total governmental funds	<u>1,732,009,640</u>	<u>137,977,942</u>	<u>171,196</u>	<u>1,869,816,386</u>
Internal Services Fund				
Auto Equipment Fund	77,930,688	6,421,816	2,774,169	81,578,335
Total Internal Services Fund	<u>77,930,688</u>	<u>6,421,816</u>	<u>2,774,169</u>	<u>81,578,335</u>
Component Unit: Schools	<u>916,017,125</u>	<u>87,520,137</u>	<u>-</u>	<u>1,003,537,262</u>
Total general capital assets	<u>\$2,725,957,453</u>	<u>\$231,919,895</u>	<u>\$2,945,365</u>	<u>\$2,954,931,983</u>

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF GENERAL CAPITAL ASSETS - BY FUNCTION AND ACTIVITY
JUNE 30, 2018

EXHIBIT S-8

FUNCTION AND ACTIVITY:	Total	Land	Infrastructure	Buildings	Equipment	Intangibles	CIP
General Government:							
Control-							
Legislative	\$1,190,662	\$-	\$-	\$-	\$1,190,662	\$-	\$-
Executive	532,598	-	-	-	532,598	-	-
Judicial	6,600,515	-	-	-	4,938,094	899,576	762,845
Total Control	8,323,775	-	-	-	\$6,661,354	899,576	762,845
Staff Agencies-							
Elections	1,129,595	-	-	-	1,129,595	-	-
Management and Finance	1,610,532	-	-	-	1,610,532	-	-
Human Resources	414,403	-	-	-	331,135	83,268	-
Office of County Attorney	1,092,069	-	-	-	972,247	119,822	-
Commissioner of the Revenue	607,454	-	-	-	607,454	-	-
Treasurer	349,169	-	-	244,884	72,199	32,086	-
Department of Technology Services	59,877,714	-	428,654	991,860	36,814,814	1,470,902	20,171,484
General government	267,127,519	140,919,088	82,261,846	26,328,154	10,730,114	1,001,390	5,886,927
Total Staff Agencies	332,208,455	140,919,088	82,690,500	27,564,898	52,268,090	2,707,468	26,058,411
Total General Government	340,532,230	140,919,088	82,690,500	27,564,898	58,929,444	3,607,044	26,821,256
Public Safety:							
Police	21,735,178	-	958,127	9,837,613	6,433,713	-	4,505,725
Fire	81,664,498	5,499,264	32,569,290	7,125,394	36,352,440	-	118,110
Public Safety Communications and Emergency Management	16,476,814	-	-	-	15,345,817	794,936	336,061
Total Public Safety	119,876,490	5,499,264	33,527,417	16,963,007	58,131,970	794,936	4,959,896
Community Services:							
Environmental Services	1,043,027,591	37,228,144	512,758,867	219,862,681	95,313,302	2,183,337	175,681,260
Health and Public Welfare	34,456,402	-	-	14,127,700	19,463,266	636,104	229,332
Libraries	30,500,606	-	11,857,686	18,349,791	293,129	-	-
Recreation	235,353,595	20,198,483	71,559,536	68,565,188	12,927,795	-	62,102,593
Community Development	66,069,472	2,203,305	35,547,893	15,238,778	776,190	366,604	11,936,702
Total Community Service	1,409,407,666	59,629,932	631,723,982	336,144,138	128,773,682	3,186,045	249,949,887
Total General Capital Assets	\$1,869,816,386	\$206,048,284	\$747,941,899	\$380,672,043	\$245,835,096	\$7,588,025	\$281,731,039
Internal Services Fund:							
Auto Equipment Fund	\$81,578,335	\$-	\$-	\$-	\$81,578,335	\$-	\$-
Total Internal Services Fund	\$81,578,335	\$-	\$-	\$-	\$81,578,335	\$-	\$-
Component Unit: Schools	\$1,003,537,262	\$4,697,946	\$-	\$879,478,774	\$119,360,542	\$-	\$-
Total General Capital Assets	\$2,954,931,983	\$210,746,230	\$747,941,899	\$1,260,150,817	\$446,773,973	\$7,588,025	\$281,731,039

ARLINGTON COUNTY, VIRGINIA
GENERAL AND SPECIAL REVENUE FUNDS
DETAIL SCHEDULE OF REVENUES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

	2018			
	Budget	Actual	Variance - Positive (Negative)	2017 Actuals
GENERAL FUND				
General property taxes:				
Real estate	\$715,037,910	\$720,711,801	\$5,673,891	\$698,901,529
Personal	115,452,147	115,869,128	416,981	114,836,050
Total general property taxes	830,490,057	836,580,929	6,090,872	813,737,579
Other local taxes:				
Business, professional and occupational license (BPOL) tax	63,088,073	62,986,320	(101,753)	63,837,926
Sales tax	42,000,000	42,007,601	7,601	41,197,357
Meals tax	39,900,000	39,469,397	(430,603)	39,047,018
Transient tax	25,450,000	25,026,707	(423,293)	25,267,916
Utility tax	12,652,000	12,048,319	(603,681)	11,426,615
Recordation, car rental and other local taxes	25,430,000	26,599,066	1,169,066	28,028,994
Total other local taxes	208,520,073	208,137,410	(382,663)	208,805,826
Total taxes	1,039,010,130	1,044,718,339	5,708,209	1,022,543,405
License, permits and fees	10,766,100	10,500,494	(265,606)	11,459,159
Fines and forfeitures	7,142,700	7,295,337	152,637	7,059,743
Charges for services	59,075,447	59,262,598	187,151	57,520,846
Grants:				
State grants	79,312,711	76,286,881	(3,025,830)	75,076,003
Federal grants	16,171,478	16,649,770	478,292	18,297,110
Total grants	95,484,189	92,936,651	(2,547,538)	93,373,113
Use of money and property	11,624,766	8,645,196	(2,979,570)	7,415,759
Miscellaneous revenue	6,749,594	21,818,000	15,068,406	13,380,229
GRAND TOTALS FOR GENERAL FUND	\$1,229,852,926	\$1,245,176,615	\$15,323,689	\$1,212,752,254
GENERAL FUND TRANSFERS FROM OTHER FUNDS:				
Rosslyn Business Improvement District	\$38,134	\$36,657	(\$1,477)	\$35,150
Crystal City Business Improvement District	26,820	25,972	(848)	25,380
Automotive Equipment Fund	130,000	130,000	-	130,000
General Capital Projects	-	-	-	2,500,000
Street & Highway Bond Fund	-	139,022	139,022	20,434
Neighborhood Conservation Bond Fund	-	191,823	191,823	62,019
Government Facility Bond	-	646,005	646,005	205,711
Ballston Business Improvement District	15,393	14,361	(1,032)	15,865
Public Recreation Bond Fund	-	590,123	590,123	224,079
TCF – NVTA 30%	1,067,019	1,067,019	-	594,340
TCF C&I Tax	35,721	35,721	-	97,221
Transit Facilities Bond Fund	-	72,340	72,340	63,183
IDA Bond Funds	-	107,204	107,204	3,073
IDA Skating Facility	2,400,000	-	(2,400,000)	-
School Capital Improvement Bond Fund	-	1,351,527	1,351,527	372,376
School Operating	-	1,153,681	1,153,681	-
Trust & Agency Fund	80,000	198,403	118,403	118,960
Total transfers	\$3,793,087	\$5,759,858	\$1,966,771	\$4,467,791
GRAND TOTALS	\$1,233,646,013	\$1,250,936,473	\$17,290,460	\$1,217,220,045

ARLINGTON COUNTY, VIRGINIA
GENERAL AND SPECIAL REVENUE FUNDS
DETAIL SCHEDULE OF REVENUES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

	2018			
	Budget	Actual	Variance - Positive (Negative)	2017 Actuals
SPECIAL REVENUE FUNDS:				
Ballston BID	\$1,539,333	\$1,437,528	(\$101,805)	\$1,587,597
Ballston Quarter CDA	-	65,420	65,420	111,785
Travel & Tourism Fund	1,272,500	1,251,241	(21,259)	1,262,988
Rosslyn BID	3,813,445	3,668,537	(144,908)	3,517,098
Crystal City BID	2,681,991	2,598,741	(83,250)	2,538,970
Community Development Block Grant Fund	6,687,186	1,336,943	(5,350,243)	3,621,791
Section 8 Housing	19,216,388	19,031,657	(184,731)	18,791,247
Total Special Revenue Funds	\$35,210,843	\$29,390,067	(\$5,820,776)	\$31,431,476
BREAKDOWN OF REVENUE BY FUNCTION:				
	Charges for services includes licenses & fees	Operating grants/Contributions State	Federal	Capital Grants Contributions
General government	\$20,559,698	\$31,956,811	\$58,380	\$-
Public safety	10,696,452	10,452,415	1,045,515	-
Environmental services	30,188,869	12,005,829	-	-
Health & welfare	4,525,655	21,555,516	15,409,956	-
Libraries	424,682	182,139	-	-
Economic development	158,566	4,500	-	-
Planning & community development	793,488	19,936	-	-
Parks & recreation	9,711,019	109,735	135,919	-
Total General Fund	\$77,058,429	\$76,286,881	\$16,649,770	\$-

ARLINGTON COUNTY, VIRGINIA
GENERAL AND SPECIAL REVENUE FUNDS
DEETAIL SCHEDULE OF EXPENDITURES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

	2018			
	Budget	Actual	Variance - Positive (Negative)	2017 Actuals
General Government Administration:				
County Board	\$1,717,625	\$1,737,286	(\$19,661)	\$1,405,569
County Manager	5,740,793	5,282,244	458,549	5,425,724
Management and Finance	7,906,201	7,724,907	181,294	7,428,284
Human Resources	9,697,628	9,185,349	512,279	8,919,460
Technology Services	20,930,645	21,686,651	(756,006)	20,459,333
County Attorney	3,003,267	2,989,682	13,585	3,141,596
Commissioner of Revenue	5,809,383	5,902,471	(93,088)	5,457,960
Treasurer	7,035,346	6,914,439	120,907	6,879,063
Electoral Board	1,316,048	1,109,336	206,712	1,479,070
Total General Government	63,156,936	62,532,365	624,571	60,596,060
Judicial Administration:				
Circuit Court Judiciary	1,136,627	1,168,331	(31,704)	1,052,604
Circuit Court Clerk	3,239,501	3,176,537	62,964	3,194,744
District Court	392,416	360,684	31,732	332,851
Juvenile & Domestic Relations Court	7,003,126	6,530,317	472,809	6,003,989
Commonwealth Attorney	4,223,656	4,166,828	56,828	4,049,552
Sheriff & Jail	45,244,481	45,919,040	(674,559)	44,118,172
Magistrate's Office	42,720	38,918	3,802	39,044
Office of the Public Defender	185,410	149,879	35,531	157,137
Total Judicial Administration	61,467,937	61,510,534	(42,597)	58,948,093
Public Safety:				
Police	70,111,373	66,526,840	3,584,533	66,040,676
Public Safety Communications and Emergency Management	13,520,246	12,454,771	1,065,475	11,662,065
Fire	60,602,126	58,874,086	1,728,040	58,034,572
Total Public Safety	144,233,745	137,855,697	6,378,048	135,737,313
Department of Environmental Services:				
DES-Environmental Services	98,740,096	94,573,460	4,166,636	93,100,334
Health & Welfare:				
Human Services	142,012,388	136,105,243	5,907,145	134,525,749
Libraries:	14,466,930	14,465,893	1,037	13,648,924
Planning & Community Development:				
Economic Development	8,986,195	8,401,169	585,026	8,524,531
Community Planning, Housing & Development	11,460,014	10,981,228	478,786	10,978,461
Total Planning & Community Development	20,446,209	19,382,397	1,063,812	19,502,992
Parks & Recreation:	41,858,507	40,416,046	1,442,461	40,081,828
Non-Departmental:				
Non-Departmental	127,615,539	65,329,008	62,286,531	69,607,342
Debt Service				
Principal payment	40,937,728	43,682,412	(2,744,684)	43,967,972
Interest payment	21,901,617	18,636,523	3,265,094	16,280,240
Other costs	125,000	6,045	118,955	3,942
Regionals/Contributions	7,673,570	7,019,804	653,766	7,550,062
METRO	36,239,655	36,239,655	-	30,343,315
Total Non-Departmental	234,493,109	170,913,447	63,579,662	167,752,873
Total expenditures before transfers-out	820,875,857	737,755,082	83,120,775	723,894,166

ARLINGTON COUNTY, VIRGINIA
GENERAL AND SPECIAL REVENUE FUNDS
DEETAIL SCHEDULE OF EXPENDITURES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017)

	2018			2017
	Budget	Actual	Variance - Positive (Negative)	Actuals
Transfers-Out				
Travel & Tourism	246,700	246,700	-	626,148
Community Development Block Grant	574,270	574,270	-	-
Auto Equipment Fund	32,000	229,500	(197,500)	100,500
Printing Fund	249,600	249,600	-	241,769
General Capital Projects Fund	14,619,903	14,619,903	-	20,191,849
Utilities - Construction (Pay as U Go)	199,200	600,000	(400,800)	400,000
OPEB Trust Fund	-	40,271	(40,271)	33,734
Schools				
General Operating	508,395,813	429,755,753	78,640,060	401,688,697
Community Activities/Cable TV	-	5,422,625	(5,422,625)	5,490,043
Pay-As-You-Go	-	11,589,645	(11,589,645)	21,047,721
Debt Service	-	49,011,876	(49,011,876)	45,593,129
Comprehensive Services Act	-	1,775,415	(1,775,415)	2,251,266
Trust & Agency	2,009,306	3,585,032	(1,575,726)	474,694
Total transfers-out	526,326,792	517,700,590	8,626,202	498,139,550
GRAND TOTALS EXPENDITURES	\$1,347,202,649	\$1,255,455,672	\$91,746,977	\$1,222,033,716
SPECIAL REVENUE FUNDS:				
Ballston Quarter CDA	\$-	\$-	\$-	\$111,785
Travel & Tourism Promotion	1,697,449	1,672,999	24,450	1,710,886
Ballston Business Improvement District	1,523,940	1,485,456	38,484	1,566,072
Rosslyn Business Improvement District	3,777,369	3,587,568	189,801	3,453,883
Crystal City Business Improvement District	2,655,171	2,588,122	67,049	2,497,556
Community Development Block Grant	7,261,456	1,911,213	5,350,243	3,621,791
Section 8 Housing	19,336,294	19,031,657	304,637	18,791,247
Total Special Revenue Funds	\$36,251,679	\$30,277,015	\$5,974,664	\$31,753,220
TOTAL GENERAL AND SPECIAL REVENUE FUNDS	\$1,383,454,328	\$1,285,732,687	\$97,721,641	\$1,253,786,936

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF CAPITAL OUTLAYS AND CAPITAL PROJECTS
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2018

FUND AND FUNCTION	AMOUNT
GENERAL FUND:	
Capital Outlays:	
General Government	\$728,803
Public Safety	620,454
Public Works	631,416
Health & Public Welfare	94,997
Libraries	34,996
Parks & Recreation	34,962
Planning & Community development	9,993
	<hr/>
Total General Fund	\$2,155,621
CAPITAL PROJECTS FUNDS:	
General Capital Projects Fund:	
Public Works:	
Transportation Projects	10,096,415
Government Facilities	14,330,418
Cultural & Recreation - Community Affairs:	
Government Facilities	4,958,736
Parks	3,692,184
	<hr/>
Total General Capital Projects Funds	33,077,753
NVTA	27,318,027
NOVA Transportation Authority	
Street & Highway Bond Fund:	
Capital Projects - Public Works/Transportation/ Street & Highway Improvements	14,396,684
Neighborhood Conservation Bond Fund:	
Neighborhood Capital Projects	6,461,460
Government Facility Bond	8,658,167
Stormwater Fund	4,864,340
Public Recreation Bond Fund:	
Public Recreation	8,483,226
TIF Tax Increment Finance Fund:	
Crystal City	1,629,047
TOTAL ALL OTHER GOVERNMENTAL FUNDS	<hr/> 75,426,541
GRAND TOTAL	<hr/> <hr/> \$137,977,942



STATISTICAL (Unaudited)

This part of the Arlington County Comprehensive Annual Financial Report (“CAFR”) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County’s overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the County’s financial performance and well-being have changed over time (Table A, Table B, Table C, Table C1, Table D, Table D1, Table D2, Table E and Table F.)

Revenue Capacity

These schedules contain information to help the reader assess the County’s most significant local revenue source, the property tax (Table G, and Table H.)

Debt Capacity

These schedules present information to help the reader assess the affordability of the County’s current levels of outstanding debt and its ability to issue additional debt in the future (Table I , Table I1, Table J1, and Table J2.)

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the County’s financial activities take place (Table K and Table L.)

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the County’s CAFR relates to the services the County provides and the activities it performs (Table M, Table N, Table O, and Table P.)

Other

These schedules contain information needed for NRMSIRs and other disclosures (Tables Q-W.)

This page has been intentionally left blank.

ARLINGTON COUNTY, VIRGINIA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Restated 2014</u>	<u>2015</u>	<u>Restated 2016</u>	<u>Restated 2017</u>	<u>2018</u>
Governmental Activities										
Net investment in capital assets	\$235,420,881	\$249,738,653	\$344,322,135	\$403,542,902	\$474,696,280	\$535,062,341	\$574,586,273	\$635,380,832	\$680,734,809	\$709,263,105
Restricted	124,467,627	153,848,423	225,288,981	232,698,808	227,995,685	269,842,611	330,023,604	334,149,978	173,130,986	138,501,927
Unrestricted	54,370,602	68,983,307	(17,457,284)	25,744,732	49,538,622	79,773,920	81,902,773	117,459,284	68,643,510	69,280,588
Total governmental activities net position	\$414,259,110	\$472,570,383	\$552,153,832	\$661,986,442	\$752,230,587	\$884,678,872	\$986,512,650	\$1,086,990,094	\$922,509,305	\$917,045,620
Business-Type Activities										
Net investment in capital assets	\$429,845,632	\$526,943,363	\$550,468,690	\$597,679,391	\$635,958,255	\$665,755,045	\$690,358,957	\$716,480,873	\$745,082,642	\$782,955,479
Restricted	6,945,927	3,432,530	-	-	-	-	-	-	-	-
Unrestricted	117,637,207	81,235,660	100,132,907	90,488,927	74,065,947	68,677,574	66,850,074	61,732,336	56,239,617	41,338,610
Total business-type activities net position	\$554,428,766	\$611,611,553	\$650,601,597	\$688,168,318	\$710,024,202	\$734,432,619	\$757,209,031	\$778,213,209	\$801,322,259	\$824,294,089
Primary government										
Net investment in capital assets	\$665,266,513	\$776,682,016	\$894,790,825	\$1,001,222,293	\$1,110,654,535	\$1,200,817,386	\$1,264,945,229	\$1,351,861,705	\$1,425,817,450	\$1,492,218,584
Restricted	131,413,554	157,280,953	225,288,981	232,698,808	227,995,685	269,842,611	330,023,604	334,149,978	173,130,986	138,501,927
Unrestricted	172,007,809	150,218,967	82,675,623	116,233,659	123,604,569	148,451,494	148,752,848	179,191,620	124,883,128	110,619,198
Total primary government activities net position	\$968,687,876	\$1,084,181,936	\$1,202,755,429	\$1,350,154,760	\$1,462,254,789	\$1,619,111,491	\$1,743,721,681	\$1,865,203,303	\$1,723,831,564	\$1,741,339,709
School Component Unit										
Net investment in capital assets	\$356,757,290	\$386,599,276	\$404,050,823	\$464,751,903	\$514,336,832	\$530,311,199	\$556,749,155	\$581,646,003	\$609,275,690	\$669,586,313
Restricted	15,008,543	4,549,397	55,906,993	58,009,636	56,593,162	60,416,507	72,843,131	75,799,932	136,786,090	161,881,887
Unrestricted	(29,729,500)	(32,814,262)	-	-	16,013,663	14,011,637	(406,303,553)	(463,796,368)	(563,004,285)	(540,914,359)
Total schools component unit activities net position	\$342,036,333	\$358,334,411	\$459,957,816	\$522,761,539	\$586,943,657	\$604,739,343	\$223,288,733	\$193,649,567	\$183,057,495	\$290,553,841
Other Component Units										
Net investment in capital assets	\$29,978,738	\$27,878,594	\$27,962,471	\$26,577,683	\$23,930,078	\$23,120,590	\$22,012,946	\$20,877,403	\$21,156,037	\$20,059,291
Unrestricted	(5,578,810)	(554,073)	(982,778)	428,056	3,123,030	4,052,943	5,317,754	5,797,323	4,218,609	4,543,551
Total other component units activities net position	\$24,399,928	\$27,324,521	\$26,979,693	\$27,005,739	\$27,053,108	\$27,173,533	\$27,330,700	\$26,674,726	\$25,374,646	\$24,602,842
Total reporting entity										
Net investment in capital assets	\$806,431,777	\$938,055,120	\$1,058,123,481	\$1,174,960,089	\$1,287,156,290	\$1,404,633,540	\$1,488,963,284	\$1,594,563,029	\$1,870,742,636	\$1,766,689,820
Restricted	146,422,097	161,830,350	281,195,974	290,708,444	284,588,847	330,259,118	402,866,735	409,949,910	309,917,076	299,058,258
Unrestricted	382,270,263	369,955,398	350,373,483	434,253,505	504,506,417	516,131,709	102,511,095	81,014,657	(248,396,007)	(10,577,242)
Total reporting entity net position	\$1,335,124,137	\$1,469,840,868	\$1,689,692,938	\$1,899,922,038	\$2,076,251,554	\$2,251,024,367	\$1,994,341,114	\$2,085,527,596	\$1,932,263,705	\$2,056,496,392

ARLINGTON COUNTY, VIRGINIA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

Expenses						Restated		Restated	Restated	
Primary government:	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
General government	\$157,913,828	\$195,846,347	\$180,060,339	\$212,776,822	\$197,890,282	\$246,530,409	\$231,359,735	\$394,484,321	\$279,284,619	\$256,738,339
Public safety	101,207,180	110,207,376	116,211,459	118,391,330	120,977,618	130,260,142	122,974,380	129,088,522	144,637,250	137,159,492
Environmental services	74,059,602	76,327,661	76,871,992	80,272,770	84,444,970	92,633,746	92,336,816	100,110,934	112,310,807	109,706,002
Health & welfare	100,667,830	108,035,699	109,078,189	115,139,323	113,901,082	121,333,852	115,512,691	121,129,960	139,912,548	151,108,894
Libraries	12,828,135	11,946,021	11,313,749	12,134,689	12,464,589	13,191,542	12,479,621	12,570,917	14,451,289	14,303,753
Parks, recreation & culture	35,355,942	37,291,412	36,866,666	34,180,696	36,105,159	38,608,095	36,436,310	39,197,586	45,591,640	43,938,152
Planning & community development	67,595,397	46,833,700	42,986,854	54,626,473	60,359,027	63,669,222	58,062,841	54,600,221	63,855,173	79,827,438
Education	341,109,269	343,067,722	417,655,490	411,415,097	462,562,274	418,066,409	457,765,814	507,079,426	617,535,503	679,345,453
Interest and other charges	18,429,947	18,531,609	18,551,212	18,282,330	28,131,683	16,786,171	18,380,254	18,435,458	16,537,709	18,647,406
Total governmental activities expenses	909,167,130	948,087,547	1,009,595,950	1,057,219,530	1,116,836,685	1,141,079,588	1,145,308,461	1,376,697,345	1,434,116,538	1,490,774,929
Business-type activities:										
Utilities	59,052,176	64,616,867	68,006,236	76,050,327	93,564,517	85,448,387	85,965,153	83,764,431	83,798,393	89,266,685
Ballston Public Parking Garage	5,626,403	5,577,545	5,234,038	6,062,024	5,750,518	5,315,660	6,307,728	6,215,496	6,218,247	7,875,701
IDA Revenue Bond Fund	1,695,732	1,701,967	-	-	-	-	-	-	-	-
8th Level Ballston Public Parking Garage	52,808	88,383	132,027	50,496	53,085	157,097	174,141	193,955	172,755	168,660
CPHD Development Fund	9,554,317	9,824,617	10,556,125	11,598,557	12,173,696	13,762,118	14,948,371	16,355,916	17,484,785	16,982,009
Total business-type activities expenses	75,981,436	81,809,379	83,928,426	93,761,404	111,541,816	104,683,282	107,395,393	106,529,798	107,674,180	114,293,055
Total primary government expenses	\$985,148,566	\$1,029,896,926	\$1,093,524,376	\$1,150,980,934	\$1,228,378,501	\$1,245,762,870	\$1,252,703,854	\$1,483,227,143	\$1,541,790,718	\$1,605,067,984
Component units:										
Schools	422,055,027	412,450,899	407,401,980	431,308,198	485,061,915	930,311,090	487,285,239	603,030,183	645,639,200	608,191,193
Other	8,189,092	7,702,100	7,505,677	7,317,002	7,375,441	7,468,573	7,480,926	8,268,201	8,235,021	8,457,705
Total component units activities expenses	\$430,244,119	\$420,152,999	\$414,907,657	\$438,625,200	\$492,437,356	\$937,779,663	\$494,766,165	\$611,298,384	\$653,874,221	\$616,648,898
Program Revenues										
Primary government:										
Governmental activities:										
Charges for services:										
General government	\$20,158,108	\$17,968,134	\$19,911,198	\$20,870,357	\$20,219,252	\$20,009,810	\$20,223,240	\$18,696,900	\$20,352,884	\$20,559,698
Environmental services	20,133,391	20,973,628	26,728,203	28,408,484	26,049,002	26,811,532	25,683,556	27,222,714	29,865,144	30,188,869
Public safety	6,365,373	8,581,235	10,204,341	9,949,039	10,793,294	11,590,616	10,621,445	11,010,776	11,064,477	10,696,452
Other activities	12,111,147	10,665,194	13,056,130	16,750,057	14,154,588	20,447,573	32,491,876	16,911,503	19,770,277	21,501,442
Operating grants and contributions	102,379,382	106,770,638	113,012,048	136,827,855	120,764,535	134,856,589	129,818,926	136,159,090	124,013,804	128,647,415
Capital grants and contributions	1,812,817	1,807,735	1,822,203	1,818,130	-	-	-	-	-	-
Total governmental activities program revenues	162,960,218	166,766,564	184,734,123	214,623,922	191,980,671	213,716,120	218,839,043	210,000,983	205,066,586	211,593,876
Business-type activities:										
Charges for services:										
Water-sewer service charges	72,457,575	77,806,563	81,641,099	86,840,829	86,768,619	88,880,766	94,542,664	93,056,953	97,263,095	94,465,528
Water-service hook-up charges	4,627,014	2,390,390	3,165,075	4,419,474	5,672,805	5,499,780	6,273,269	5,474,991	4,822,363	8,710,176
Other activities	46,804,145	41,260,025	34,258,022	35,828,391	34,594,120	30,649,078	27,925,859	27,473,298	27,291,713	31,591,667
Capital grants and contributions	26,845,784	16,319,975	5,626,019	3,317,976	6,322,423	3,789,066	1,065,000	906,855	985,385	1,068,855
Total business-type activities program revenues	150,734,518	137,776,953	124,690,215	130,406,670	133,357,967	128,818,690	129,806,792	126,912,097	130,362,556	135,836,227
Total primary government program revenues	\$313,694,736	\$304,543,517	\$309,424,338	\$345,030,592	\$325,338,638	\$342,534,810	\$348,645,835	\$336,913,080	\$335,429,142	\$347,430,103
Component units:										
Charges for services	\$20,561,183	\$26,743,790	\$27,358,213	\$23,945,689	\$31,354,968	\$28,565,024	\$28,974,950	\$34,839,210	\$40,966,481	\$29,786,395
Operating grants and contributions	368,136,757	395,178,524	471,380,848	459,514,609	507,003,321	465,682,654	505,002,526	54,346,672	58,222,744	61,670,606
Capital grants and contributions	500,000	586,833	-	-	-	-	-	-	-	-
Total component units program revenues	\$389,197,940	\$422,509,147	\$498,739,061	\$483,460,298	\$538,358,289	\$494,247,678	\$533,977,476	\$89,185,882	\$99,189,225	\$91,457,001

ARLINGTON COUNTY, VIRGINIA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

	2009	2010	2011	2012	2013	2014	2015	Restated 2016	Restated 2017	2018
Net (Expense) Revenue										
Primary government:										
Governmental activities	(\$746,206,912)	(\$781,320,983)	(\$824,851,827)	(\$842,595,608)	(\$924,856,014)	(\$927,363,468)	(\$926,469,418)	(\$1,166,696,362)	(\$1,229,049,952)	(\$1,279,181,052)
Business-type activities	74,753,082	55,967,574	40,761,789	36,645,266	21,816,151	24,135,428	22,411,399	20,382,299	22,688,376	21,543,172
Total primary government net expense	(\$671,453,830)	(\$725,353,409)	(\$784,090,038)	(\$805,950,342)	(\$903,039,863)	(\$903,228,040)	(\$904,058,019)	(\$1,146,314,063)	(\$1,206,361,576)	(\$1,257,637,880)
Component units:										
Component unit activities	(\$41,046,179)	\$2,356,148	\$83,831,404	\$44,835,098	\$45,920,933	(\$443,531,985)	\$39,211,311	(\$522,112,502)	(\$554,684,996)	(\$525,191,897)
Total component units net expense	(\$41,046,179)	\$2,356,148	\$83,831,404	\$44,835,098	\$45,920,933	(\$443,531,985)	\$39,211,311	(\$522,112,502)	(\$554,684,996)	(\$525,191,897)
General Revenues and Changes in Net Position										
Governmental activities:										
Property taxes:										
Real estate property taxes	\$523,725,497	\$527,562,107	\$572,591,637	\$619,748,841	\$648,659,020	\$683,987,883	\$701,941,723	\$722,486,477	\$753,992,522	\$768,501,925
Personal property taxes	99,844,289	93,046,854	95,246,129	100,928,065	106,957,213	110,688,939	108,913,548	111,768,494	114,836,050	115,869,128
Other local taxes:										
Business, professional occupancy license taxes	57,272,629	58,611,239	60,460,108	61,939,212	61,341,154	62,752,491	58,970,752	60,181,386	63,837,926	62,986,320
Other local taxes	130,617,472	129,262,316	135,568,319	139,639,610	143,631,442	139,621,783	144,447,846	146,376,918	153,982,204	154,166,783
Investment and interest earnings	11,505,984	10,149,713	8,328,982	5,443,855	4,287,344	6,578,889	7,895,921	9,852,799	7,998,391	10,397,487
Miscellaneous	18,480,331	21,000,027	11,505,318	27,112,773	50,223,986	34,381,768	27,933,406	53,010,555	133,419,247	161,795,724
Total governmental activities	\$841,446,202	\$839,632,256	\$883,700,493	\$954,812,356	\$1,015,100,159	\$1,038,011,753	\$1,050,103,196	\$1,103,676,629	\$1,228,066,340	\$1,273,717,367
Business-type activities:										
Investment and interest earnings	\$3,447,340	\$1,215,213	\$691,356	\$747,823	\$39,733	\$272,989	\$365,013	\$621,879	420,674	543,957
Revenue from General Fund	-	-	-	-	-	-	-	-	-	884,701
Total business-type activities	\$3,447,340	\$1,215,213	\$691,356	\$747,823	\$39,733	\$272,989	\$365,013	\$621,879	\$420,674	1,428,658
Total primary government	\$844,893,542	\$840,847,469	\$884,391,849	\$955,560,179	\$1,015,139,892	\$1,038,284,742	\$1,050,468,209	\$1,104,298,508	\$1,228,487,014	\$1,275,146,025
Component units activities:										
Other local taxes										
Other local taxes	\$16,163,026	\$16,332,840	\$17,134,732	\$17,782,467	\$18,171,301	\$19,368,052	\$21,198,389	\$23,067,985	\$24,458,713	\$26,332,866
Revenue from the general fund/miscellaneous	1,319,336	533,684	312,440	212,204	137,253	172,798	204,103	468,749,277	519,085,091	605,583,573
Total primary government	\$17,482,362	\$16,866,524	\$17,447,172	\$17,994,671	\$18,308,554	\$19,540,850	\$21,402,492	\$491,817,262	\$24,958,723	\$631,916,439
Changes in Net Position										
Primary government:										
Governmental activities	\$95,239,289	\$58,311,273	\$58,848,666	\$112,216,748	\$90,244,145	\$110,648,285	\$123,633,778	(\$63,019,733)	(\$983,612)	(\$5,463,685)
Business-type activities	78,200,422	57,182,787	41,453,145	37,393,089	21,855,884	24,408,417	22,776,412	21,004,178	23,109,050	22,971,830
Total primary government net expense	\$173,439,711	\$115,494,060	\$100,301,811	\$149,609,837	\$112,100,029	\$135,056,702	\$146,410,190	(\$42,015,555)	\$22,125,438	\$17,508,145
Component units:										
Component units activities	(\$23,563,817)	\$19,222,672	\$101,278,576	\$62,829,769	\$64,229,487	(\$423,991,135)	\$60,613,803	(\$30,295,140)	(\$10,973,165)	\$106,724,542
Total component units net expense	(\$23,563,817)	\$19,222,672	\$101,278,576	\$62,829,769	\$64,229,487	(\$423,991,135)	\$60,613,803	(\$30,295,140)	(\$10,973,165)	\$106,724,542

Note: Through FY 2015, transfers from the primary government were reported as operating grants and contributions. From FY 2016 to present, the transfers are reported in revenue from the general fund/miscellaneous for the component units.

ARLINGTON COUNTY, VIRGINIA
FUND BALANCES, GOVERNMENTAL FUNDS AND COMPONENT UNITS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	2009
General Fund	
Reserved for	
Encumbrances	\$270,619
Four Mile Run	-
Unreserved	
Designated for Self Insurance	5,000,000
Designated for Operating Reserve	30,769,734
Designated for Subsequent Years' Budget	44,666,386
Designated for Incomplete Projects	57,713,108
Designated for Retirement	-
Total General Fund Balance	<u>\$138,419,847</u>
General Fund Balance as Percent of General Fund Expenditures and Other Financing Uses	14.98%
Other Governmental Funds	
Special revenue funds	
Reserved	\$-
Unreserved	6,121,704
Capital Project funds	
Reserved	23,836,818
Unreserved	95,115,125
Total Other Governmental Funds	<u>\$125,073,647</u>
Component Unit - Schools	
Reserved	\$28,788,084
Unreserved	7,155,183
Total Component Unit - Schools	<u>\$35,943,267</u>

ARLINGTON COUNTY, VIRGINIA
FUND BALANCES, GOVERNMENTAL FUNDS AND COMPONENT UNITS (1)
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund									
<u>Nonspendable:</u>									
Prepaid	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$35,036	\$61,626
<u>Restricted for:</u>									
Seized assets	\$3,032,049	\$2,385,573	\$2,436,464	\$2,272,448	\$2,522,979	\$2,459,482	\$1,515,487	\$1,599,616	1,325,556
Grants	45,206	-	-	-	-	-	-	255,110	144,268
<u>Committed to:</u>									
Self insurance reserve	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Economic & revenue stabilization contingent	-	-	-	3,000,000	3,000,000	8,599,377	3,000,000	4,000,000	4,000,000
Operating reserve	32,377,943	40,192,725	50,240,906	52,605,487	54,575,340	57,385,360	57,997,382	62,635,601	63,791,653
Subsequent years' County budget	17,061,007	11,151,929	10,488,080	5,208,794	4,860,024	4,529,331	7,165,939	4,643,563	4,407,475
Capital projects	-	4,946,013	1,902,323	8,403,862	14,831,642	2,833,146	2,057,099	6,636,589	195,358
Incomplete projects	150,176	230,734	171,861	130,223	412,220	281,390	562,321	664,991	-
Affordable Housing Investment Fund-Allocated	17,656,893	19,163,965	7,050,422	21,838,549	45,631,924	36,914,040	36,834,387	44,073,880	46,121,170
Subsequent years' school budgets	33,218,860	32,481,838	64,669,485	26,269,900	46,735,944	29,898,607	25,164,263	24,217,093	9,989,113
<u>Assigned to:</u>									
Contingency funds	-	10,913,573	12,565,023	19,649,922	15,593,759	8,904,967	5,950,000	5,860,000	2,115,131
Subsequent years' County capital projects	13,942,559	6,135,259	18,978,462	12,162,577	11,782,428	16,289,709	17,248,521	10,279,343	8,900,209
Economic Stabilization reserve	-	-	3,000,000	5,000,000	-	-	-	-	6,379,165
Operating reserve	2,672,083	10,048,181	2,364,581	1,969,853	2,810,020	612,022	1,887,880	-	-
Employee furlough day restoration	1,012,911	-	-	-	-	-	-	-	-
Fresh AIRE program	663,804	354,877	1,244,577	1,224,867	1,480,249	1,029,381	652,621	156,301	-
Planned projects	6,610,975	933,856	2,416,189	5,215,352	3,772,275	2,562,778	2,531,501	2,532,004	5,258,062
Affordable Housing Investment Fund-Unallocated	3,564,742	3,717,920	8,930,790	29,647,093	20,045,133	22,960,486	23,676,458	13,841,061	7,898,390
<u>Unassigned:</u>	-	-	-	-	-	-	-	-	16,323,813
Total General Fund Balance	\$137,009,208	\$160,754,645	\$191,459,163	\$199,598,927	\$233,053,937	\$200,260,076	\$191,243,859	\$186,430,188	\$181,910,989
General Fund Balance as Percent of General Fund Expenditures and Other Financing Uses	14.40%	16.62%	19.02%	18.44%	21.16%	17.07%	16.15%	15.26%	14.49%
Other Governmental Funds									
Special Revenue funds									
<u>Nonspendable:</u>									
Prepaid	\$1,223,394	\$1,252,930	\$1,286,469	\$1,299,658	\$1,288,591	\$1,265,793	\$1,382,728	\$1,351,822	\$1,438,170
<u>Restricted for:</u>									
Grants	4,673,397	4,318,223	2,755,933	1,257,426	1,002,099	178,471	261,829	489,837	346,869
<u>Unassigned:</u>	-	-	-	-	-	(1,265,793)	(1,382,728)	(1,351,822)	(1,438,170)
Capital Project funds									
<u>Nonspendable:</u>									
Prepaid	-	-	-	4,275	4,275	4,275	4,275	4,275	204,275
<u>Restricted for:</u>									
Grants	1,423,044	1,380,184	-	-	-	-	-	-	-
Debt Service	5,735,926	18,383,560	20,743,558	35,790,356	29,790,565	27,117,029	22,682,341	13,529,817	-
Capital Project	-	-	-	-	-	-	-	157,256,606	136,685,234
<u>Committed to:</u>									
Capital Projects	155,615,078	199,954,084	233,848,803	228,964,200	271,072,724	332,569,683	335,752,062	291,701,436	315,695,204
<u>Unassigned:</u>	-	-	-	-	-	(90,872)	(90,872)	(90,872)	-
Total Other Governmental Fund Balance	\$168,670,839	\$225,288,981	\$258,634,763	\$267,315,915	\$303,158,254	\$361,135,251	\$358,609,635	\$462,891,099	\$452,931,582
Component unit - Schools									
<u>Nonspendable:</u>									
Inventory	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$48,550	\$47,853
<u>Restricted for:</u>									
Capital projects	4,549,397	52,726,465	47,055,029	54,583,825	57,977,311	69,833,117	72,212,556	132,830,419	157,543,728
Grants	-	2,077,853	2,109,001	2,009,337	2,439,196	3,010,014	3,587,376	3,955,671	4,338,159
<u>Committed to:</u>									
Incomplete projects	14,294,085	18,077,449	26,987,189	26,082,805	25,505,075	16,152,851	24,234,549	21,980,077	41,625,717
Subsequent years' School budget	-	6,545,000	7,975,000	16,749,704	15,121,892	7,179,001	16,689,537	17,317,655	25,319,573
<u>Assigned to:</u>									
Operating reserve	4,235,289	2,363,770	2,413,261	2,843,426	3,208,571	3,716,159	4,429,512	5,485,560	4,216,675
Unfunded liabilities	-	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Subsequent years' debt service	-	7,000,000	5,025,000	3,625,000	3,360,000	5,260,000	4,610,000	3,310,000	643,621
OPEB reserve	695,565	-	-	-	-	-	-	-	-
Health insurance reserve	-	-	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
General reserve	-	3,000,000	4,000,000	-	1,201,283	20,824,898	21,593,920	19,204,667	9,495,442
VRS reserve	-	11,587,239	7,387,239	7,387,239	5,637,239	5,637,239	4,637,239	2,512,239	2,512,239
Compensation reserve	-	-	-	-	-	2,000,000	5,200,000	4,650,000	4,700,000
Total Component Unit - Schools	\$23,774,336	\$105,377,776	\$105,951,719	\$116,281,336	\$117,450,567	\$136,613,279	\$160,194,689	\$214,294,838	\$253,443,007

(1) Required disclosure by Implementation of GASB 54 in Fiscal Year 2011.

ARLINGTON COUNTY, VIRGINIA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
REVENUES:										
General property taxes:										
Real estate property taxes	\$514,518,691	\$528,220,762	\$548,838,350	\$592,363,670	\$632,709,421	\$668,556,176	\$688,841,170	\$713,443,705	\$739,206,924	\$760,072,030
Personal property taxes	99,844,289	93,046,854	95,246,129	100,928,065	106,957,213	110,688,939	108,913,548	111,768,494	114,836,050	115,869,128
Other Local taxes:										
BPOL	57,272,629	58,611,239	60,460,108	61,939,212	61,341,154	62,752,491	58,970,752	60,181,386	63,837,926	62,986,320
Other local taxes	130,617,472	129,262,316	135,568,319	139,639,610	143,631,442	139,621,783	144,447,846	146,376,918	153,982,204	154,166,783
Fines and forfeitures	8,720,950	7,851,193	9,590,928	10,641,659	8,468,253	8,113,863	7,941,007	7,059,138	7,059,743	7,295,337
Licenses, permits and fees	7,768,974	7,362,947	9,929,105	10,606,117	10,502,137	12,396,844	11,231,202	9,846,558	11,459,159	10,500,494
Intergovernmental	104,192,200	108,578,373	114,834,250	138,645,985	124,506,820	130,888,641	129,818,926	136,159,090	124,013,804	128,647,415
Charges for services	42,278,095	42,974,051	50,379,839	52,346,023	52,245,746	58,348,824	69,847,908	56,936,197	62,533,880	65,150,630
Interest and rent	11,505,984	10,149,713	8,328,982	5,443,855	4,287,344	6,578,890	7,895,921	9,852,799	7,998,391	10,397,487
Miscellaneous revenues	16,378,642	25,950,164	12,891,977	19,008,738	23,192,304	31,320,765	16,519,366	9,987,188	36,435,080	34,419,599
Total revenues	993,097,926	1,012,007,612	1,046,067,987	1,131,562,934	1,167,841,834	1,229,267,216	1,244,427,646	1,261,611,473	1,321,363,161	1,349,505,223
EXPENDITURES:										
Current operating:										
General government	155,243,762	182,074,416	168,558,845	200,088,702	184,333,469	225,143,159	231,403,533	227,511,625	242,249,446	248,875,917
Public safety	102,791,792	109,550,701	112,925,159	117,033,171	118,725,350	123,709,905	128,312,548	132,891,285	135,910,402	137,242,067
Environmental services	64,803,607	72,315,850	71,924,393	74,921,125	76,672,481	80,154,573	84,449,239	90,475,552	92,794,551	93,942,044
Health and welfare	102,804,509	107,892,357	109,509,790	115,330,415	113,418,239	117,309,171	122,873,986	127,311,224	134,083,906	155,041,903
Libraries	12,855,344	11,630,740	11,074,270	11,880,873	12,366,401	12,486,165	13,007,081	12,934,327	13,604,095	14,430,897
Parks, recreation and culture	34,801,755	35,871,582	35,652,708	32,849,180	32,686,242	34,197,295	35,811,989	37,839,728	40,102,122	40,584,735
Planning and community development	35,308,979	36,252,223	36,154,777	45,056,535	48,773,039	48,990,317	48,475,367	48,076,861	52,064,879	31,007,188
Debt service										
Principal	33,046,404	33,813,374	36,310,305	36,160,046	35,841,532	38,600,630	41,173,105	40,178,151	44,310,598	52,504,298
Interest and other charges	18,429,947	18,531,609	18,551,212	18,282,330	19,715,860	17,958,561	18,380,254	18,703,765	16,537,709	18,647,406
Bond issuance costs	-	358,995	273,649	-	8,415,823	(1,172,390)	-	(55,934)	-	-
Community development	32,985,081	10,190,869	6,372,169	8,804,947	10,052,960	11,504,210	11,286,794	7,596,576	8,300,000	48,000,000
Education	341,109,269	343,067,722	364,633,453	423,610,118	479,997,640	443,783,010	485,542,768	497,281,408	562,773,691	606,250,044
Capital outlay	113,133,467	86,792,008	111,378,633	92,185,904	144,985,816	77,111,549	86,217,132	103,529,116	102,738,956	137,977,942
Total expenditures	1,047,313,916	1,048,342,446	1,083,319,363	1,176,203,346	1,285,984,852	1,229,776,155	1,306,933,796	1,344,273,684	1,445,470,355	1,584,504,441
Deficiency of revenues under expenditures	(54,215,990)	(36,334,834)	(37,251,376)	(44,640,412)	(118,143,018)	(508,939)	(62,506,150)	(82,662,211)	(124,107,194)	(234,999,218)
OTHER FINANCING SOURCES(USES):										
Transfers in	22,225,678	22,028,499	26,716,715	30,385,999	33,382,459	29,921,732	30,328,278	21,548,610	24,794,452	18,497,120
Transfers out	(40,383,849)	(22,133,809)	(26,794,414)	(30,582,672)	(33,527,183)	(30,054,131)	(30,466,776)	(21,706,445)	(25,406,721)	(19,446,220)
Capital leases	13,524,783	7,418,179	4,287,958	1,435,230	4,473,803	5,459,005	6,383,803	5,418,570	9,530,658	3,759,718
Proceeds from refunding of note	-	35,666,099	-	-	-	-	-	-	-	-
Payment on refunded note	-	(35,962,739)	-	-	-	-	-	-	-	-
Refunding bonds issued	-	55,067,382	53,533,168	41,885,000	127,097,545	37,690,000	-	151,110,000	-	-
Payments to refunded bond escrow agent	-	(56,747,745)	(54,922,067)	(44,350,490)	(118,681,722)	(38,862,390)	-	(151,165,934)	-	--
Deferred cost of refunding	-	1,680,363	1,388,899	2,465,490	-	-	-	-	-	3,635,000.00
Premium from sale of bonds	-	1,145,925	6,458,775	6,712,155	11,594,033	2,442,072	5,647,316	12,072,242	29,561,598	32,439,884
Issuance of revenue bonds	-	41,280,000	11,940,000	-	-	-	-	-	-	-
Issuance of debt	35,962,739	14,867,322	173,655,000	100,740,000	110,625,000	63,210,000	74,440,000	55,200,000	185,095,000	185,270,000
Bond proceeds Schools	-	-	(78,543,000)	-	-	-	-	-	-	-
Total other financing sources, net	31,329,351	64,309,476	117,721,034	108,690,712	134,963,935	69,806,288	86,332,621	72,477,043	223,574,987	220,520,502
Net change in fund balances	(\$22,886,639)	\$27,974,642	\$80,469,658	\$64,050,300	\$16,820,917	\$69,297,349	\$23,826,471	(\$10,185,168)	\$99,467,793	(\$14,478,716)
Debt service as a percentage of noncapital expenditures	5.5%	5.4%	5.6%	5.0%	4.9%	4.9%	4.7%	4.7%	4.5%	4.9%

TABLE D-1

ARLINGTON COUNTY, VIRGINIA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTIONS (1)
LAST TEN FISCAL YEARS

Fiscal Year	General Government	Public Safety	Public Works/ Environmental Services	Health & Welfare	Culture/ Recreation (2)	Education	Non- Depart- mental	Debt Service(3)	Contributions to Regional Agencies		Total
									Transit	Other	
2009	\$92,272,385	\$106,701,887	\$67,845,515	\$103,057,795	\$96,883,233	\$370,854,547	\$37,354,073	\$83,573,363	\$18,394,223	\$8,117,301	\$985,054,322
2010	93,880,098	110,184,753	73,187,350	108,138,231	97,922,803	365,864,891	60,696,417	83,776,203	20,518,770	8,062,884	1,022,232,400
2011	95,464,852	112,696,379	72,721,915	109,677,751	96,741,115	363,204,699	43,769,131	88,099,570	21,473,703	8,149,062	1,011,998,177
2012	98,637,205	119,356,254	75,750,178	115,347,313	103,765,797	393,832,257	68,114,014	89,268,683	24,510,207	8,186,444	1,096,768,352
2013	102,029,048	119,744,336	77,419,666	113,479,716	108,495,964	430,523,375	43,851,605	92,980,788	25,475,000	8,352,183	1,122,351,681
2014	105,703,611	124,205,497	80,533,785	117,358,298	110,126,685	436,028,377	76,452,328	99,504,576	28,194,000	7,854,224	1,185,961,381
2015	111,169,816	128,820,489	85,161,962	122,965,470	112,125,804	440,895,526	73,575,715	103,652,359	29,885,640	7,821,061	1,216,073,842
2016	116,780,112	133,129,820	90,929,047	127,949,353	114,633,008	475,846,878	63,067,532	103,412,767	30,328,935	6,182,977	1,262,260,429
2017	119,544,153	135,737,313	93,100,334	134,525,749	121,896,497	499,528,735	69,607,342	107,091,436	30,343,315	7,550,062	1,318,924,936
2018	124,042,899	137,855,697	94,573,460	136,105,243	122,093,842	530,772,539	65,329,008	121,463,580	36,239,655	7,019,804	1,375,495,727

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, Special Revenue and Capital Project Funds of the County and School Board.

TABLE D-2

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
2009	\$792,159,244	\$7,768,974	\$150,311,253	\$55,115,142	\$8,720,950	\$24,892,171	\$1,038,967,734
2010	798,707,195	7,362,947	152,874,209	59,634,597	7,851,193	28,463,122	1,054,893,263
2011	828,985,623	9,929,105	159,329,241	70,094,896	9,590,928	23,152,911	1,101,082,704
2012	879,404,041	10,606,117	154,376,886	67,754,260	10,641,659	29,126,756	1,151,909,719
2013	926,920,232	10,502,137	151,775,127	75,576,387	8,468,253	37,260,396	1,210,502,532
2014	963,946,680	12,396,844	156,810,777	74,212,578	8,113,863	37,374,435	1,252,855,177
2015	985,665,544	11,231,202	153,311,932	74,135,262	7,941,007	25,291,766	1,257,576,713
2016	1,017,112,658	9,846,558	162,131,804	81,787,347	7,059,138	26,824,880	1,304,762,385
2017	1,056,016,422	11,459,159	174,008,895	90,929,060	7,059,743	21,168,364	1,360,641,643
2018	1,080,066,898	10,500,494	174,975,857	81,490,726	7,295,337	31,878,659	1,386,207,971

NOTES:

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

TABLE E

ARLINGTON COUNTY, VIRGINIA
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS

Fiscal Year	General Property	Local Sales	Local Cigarette	Transient (1)	Bank Stock	Recordation	Car Rental	Commercial Utility	Meals	Short Term Rental	Estate Taxes	Total
2009	\$588,145,875	\$38,392,636	\$2,812,428	\$22,238,054	\$1,934,989	\$4,402,916	\$5,065,320	\$10,058,084	\$28,855,113	\$65,491	\$64,614	\$702,035,520
2010	594,540,616	35,954,703	2,916,152	21,863,421	2,847,946	5,048,400	5,180,239	10,931,030	29,182,443	55,975	67,519	708,588,444
2011	615,862,280	36,889,985	2,928,357	22,913,832	3,313,327	6,011,781	5,279,343	11,341,864	31,425,804	46,513	109,483	736,122,569
2012	660,105,238	38,630,486	3,125,075	21,789,115	3,079,109	6,536,109	5,630,079	10,433,639	33,409,536	41,857	72,779	782,853,022
2013	703,847,389	39,447,636	3,109,154	22,270,627	2,915,557	6,974,187	6,173,823	10,093,508	34,707,200	47,895	64,011	829,650,987
2014	742,255,176	39,046,328	2,902,811	20,784,241	3,275,105	5,318,784	5,270,912	10,310,369	34,951,030	50,698	67,790	864,233,244
2015	761,105,054	39,590,910	2,503,451	23,343,314	3,523,174	5,298,205	5,936,666	10,256,548	36,508,911	51,292	72,860	888,190,385
2016	787,537,662	39,683,462	2,412,224	24,106,373	3,341,220	6,049,810	6,222,399	9,869,041	37,332,584	64,907	69,902	916,689,584
2017	813,816,937	41,197,357	2,384,533	26,530,904	3,699,383	7,048,071	6,890,584	9,773,431	39,047,018	52,244	64,757	950,505,219
2018	836,627,052	42,007,601	2,370,175	26,277,948	3,845,928	6,022,870	6,528,308	10,021,776	39,469,397	49,489	57,618	973,278,162

NOTES:

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

TABLE F

ARLINGTON COUNTY, VIRGINIA
 ASSESSED AND ACTUAL VALUE OF TAXABLE PROPERTY (1)
 LAST TEN FISCAL YEARS

Fiscal Year	Real Property		Personal Property		Public Property		Total		Real Property Tax Rate (2)(3)	Personal Property Tax Rate
	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value		
2009	\$57,781,547,100	\$57,781,547,100	\$2,014,144,083	\$2,014,144,083	\$718,898,384	\$718,898,384	\$60,514,589,567	\$60,514,589,567	.848/.875	5.00%
2010	53,985,515,000	53,985,515,000	1,916,920,257	1,916,920,257	716,299,020	716,299,020	56,618,734,277	56,618,734,277	.875/.958	5.00%
2011	57,459,163,400	57,459,163,400	1,892,908,108	1,892,908,108	709,218,039	709,218,039	60,061,289,547	60,061,289,547	.958/.958	5.00%
2012	61,672,361,900	61,672,361,900	1,947,478,083	1,947,478,083	774,586,506	774,586,506	64,394,426,489	64,394,426,489	.958/.971	5.00%
2013	62,891,330,300	62,891,330,300	2,134,754,992	2,134,754,992	758,819,988	758,819,988	65,784,905,280	65,784,905,280	.971/1.006	5.00%
2014	66,399,525,600	66,399,525,600	2,222,369,095	2,222,369,095	801,404,536	801,404,536	69,423,299,231	69,423,299,231	1.006/.996	5.00%
2015	69,269,138,400	69,269,138,400	2,152,448,649	2,152,448,649	823,361,286	823,361,286	72,244,948,335	72,244,948,335	.996/.996	5.00%
2016	71,275,163,280	71,275,163,280	2,187,502,318	2,187,502,318	915,737,900	915,737,900	74,378,403,498	74,378,403,498	.996/.991	5.00%
2017	73,388,290,300	73,388,290,300	2,233,412,227	2,233,412,227	949,109,098	949,109,098	76,570,811,625	76,570,811,625	.991/1.006	5.00%
2018	74,983,635,100	74,983,635,100	2,250,358,804	2,250,358,804	760,481,473	760,481,473	77,994,475,377	77,994,475,377	1.006/1.006	5.00%

NOTES:

- (1) The amounts shown for assessed and estimated actual value of taxable property represent valuations for County tax years which end December 31st.
 Property in the County assessed each year at actual value. Therefore, the assessed values are equal to the actual value. Rates are per \$100 of assessed valuation.
- (2) Rate is established each calendar year; the first rate represents second half of the previous calendar year, and the second rate represents first half of the calendar year.
- (3) Rate includes sanitary district tax for stormwater management initiatives.

TABLE G

ARLINGTON COUNTY, VIRGINIA
PRINCIPAL TAXPAYERS (1)
CURRENT YEAR AND NINE YEARS AGO

2018				2009			
Taxpayer/ Type of Business	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxpayer/ Type of Business	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Vornado Realty Trust Office buildings, apartartments, hotel, land	\$3,535,270,100	1	4.71%	Vornado Realty Trust Office buildings, apartartments, hotel, land	\$7,005,222,500	1	12.12%
Albrittain Interests Apartments, general commercial	1,352,270,100	2	1.80%	Albrittain interests Apartment, general commercial	1,511,586,800	2	2.62%
Paradigm Managed Properties Apartments, general commercial	1,240,304,100	3	1.65%	Paradigm Managed Properties Apartments, general commercial	1,098,865,000	3	1.90%
JBG Companies Office buildings, aparts, hotel, land	1,218,800,100	4	1.62%	Arland Towers Co Office building, land	966,006,300	4	1.67%
Arland Towers Company Office Building, land	1,213,100,600	5	1.61%	JBG/ Trize Chahn Office building, land	687,219,800	5	1.19%
Fashion Centre Associates Mixed use retail	901,104,700	6	1.20%	Fashion Centre Assoc Mixed use retail, hotel	618,496,600	6	1.07%
Shirley Park Leasing Office buildings, land	809,669,900	7	1.07%	Shirley Park Leasing Lp Office building, Apartments	603,689,900	7	1.04%
Beacon Office buildings, land	726,772,100	8	0.97%	Beacon Capital Partners Office building	596,719,100	8	1.03%
Street Retail Inc Office buildings, hotel, land	698,157,700	9	0.93%	Teachers Insurance & Annuity Office buildings, general commercial	446,715,500	9	0.77%
Caruthers Retail, Office Apartment	689,098,400	10	0.92%	Avalon Properties Apartments	431,452,600	10	0.75%
Total	<u>\$12,384,547,800</u>		<u>16.48%</u>		<u>\$13,965,974,100</u>		<u>24.16%</u>

NOTES:

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

TABLE H

ARLINGTON COUNTY, VIRGINIA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Combined Real Estate and Personal Property Tax

	Total adjusted Tax Levy*	Collected in Fiscal Year of Levy		Collected in Subsequent Years	Total Collections to date	
		Amount	Percentage of Levy		Amount	Percentage of levy
2009	\$620,932,479	\$617,215,681	99.40%	\$3,176,147	\$620,391,828	99.91%
2010	632,119,664	628,272,902	99.39%	3,469,505	631,742,407	99.94%
2011	655,026,191	650,965,303	99.38%	3,807,128	654,772,431	99.96%
2012	696,342,898	697,633,240	100.19%	(1,555,959)	696,077,281	99.96%
2013	753,003,110	748,656,079	99.42%	4,119,328	752,775,407	99.97%
2014	788,217,645	784,483,188	99.53%	3,476,721	787,959,909	99.97%
2015	812,909,473	809,269,205	99.55%	3,363,827	812,633,032	99.97%
2016	838,399,688	835,542,405	99.66%	2,569,342	838,111,747	99.97%
2017	870,206,078	867,494,501	99.69%	2,405,996	869,900,497	99.96%
2018	899,725,011	898,402,474	99.85%	-	898,402,474	99.85%

Real Estate Taxes

	Total adjusted Tax Levy*	Collected in Fiscal Year of Levy		Collected in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$522,711,697	\$521,181,642	99.71%	\$1,530,054	\$522,711,697	100.00%
2010	535,673,858	533,974,360	99.68%	1,699,498	535,673,858	100.00%
2011	556,655,907	554,896,565	99.68%	1,759,342	556,655,907	100.00%
2012	596,245,450	599,088,319	100.48%	(2,842,900)	596,245,419	100.00%
2013	644,486,971	642,101,576	99.63%	2,385,274	644,486,850	100.00%
2014	676,543,530	674,587,922	99.71%	1,954,520	676,542,442	100.00%
2015	701,722,568	699,630,645	99.70%	2,080,901	701,711,546	100.00%
2016	724,854,576	723,726,055	99.84%	1,103,944	724,829,999	100.00%
2017	753,061,586	751,657,270	99.81%	1,365,925	753,023,195	99.99%
2018	779,821,337	779,012,815	99.90%	-	779,012,815	99.90%

NOTE: Large tax refunds for FY2012 collections were processed during FY2013 resulting in negative collections

Personal Property Taxes

	Total adjusted Tax Levy*	Collected in Fiscal Year of Levy		Collected in Subsequent Years	Total Collections to date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$98,220,783	\$96,034,039	97.77%	\$1,646,093	\$97,680,132	99.45%
2010	96,445,806	94,298,542	97.77%	1,770,007	96,068,549	99.61%
2011	98,370,284	96,068,738	97.66%	2,047,786	98,116,524	99.74%
2012	100,097,448	98,544,921	98.45%	1,286,941	99,831,862	99.73%
2013	108,516,139	106,554,504	98.19%	1,734,054	108,288,557	99.79%
2014	111,674,114	109,895,266	98.41%	1,522,201	111,417,467	99.77%
2015	111,186,904	109,638,560	98.61%	1,282,927	110,921,486	99.76%
2016	113,545,112	111,816,350	98.48%	1,465,398	113,281,748	99.77%
2017	117,144,493	115,837,231	98.88%	1,040,071	116,877,302	99.77%
2018	119,903,674	119,389,660	99.57%	-	119,389,660	99.57%

* Levy adjusted to reflect supplemental assessments included in the applicable tax year less taxes deferred, not due.

Source: Arlington County Treasurer's Office

TABLE I

ARLINGTON COUNTY, VIRGINIA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities						Business-type activities						Total Primary Government	Pct. Of Personal Income (1)	Debt Per Capita (1)
	General Obligation Bonds (2)	Bond Premiums	IDA Revenue Bonds (3)	IDA Lease Revenue Bonds (2)	IDA Notes Payable (3)	Capital Leases	Utilities General Obligation Bonds (4)	Bond Premiums	BPPG Revenue Bonds (4)	BPPG Note Payable	VRA Bonds (4)	Capital Leases			
2009	\$576,842,463	\$14,698,208	\$-	\$47,120,000	\$35,962,739	\$20,557,272	\$112,617,553	\$3,280,753	\$12,800,000	\$3,429,679	\$216,152,600	\$-	\$1,043,461,267	6.91%	4,900
2010	566,435,124	16,238,342	41,280,000	41,900,000	35,666,099	24,006,914	105,459,880	2,154,622	12,300,000	3,429,679	256,458,344	333,412	1,105,662,416	7.14%	5,122
2011	687,933,174	27,954,839	40,135,000	48,455,000	35,016,099	21,776,322	127,396,828	3,581,390	11,800,000	3,429,679	263,158,039	276,850	1,270,913,220	7.89%	5,894
2012	730,532,411	43,491,622	38,970,000	42,635,000	35,016,099	16,618,189	124,517,591	4,654,464	10,600,000	3,429,679	253,204,991	218,393	1,303,888,439	7.27%	5,814
2013	776,934,905	57,387,895	125,285,000	-	-	17,262,270	119,765,096	4,977,984	9,400,000	3,429,679	246,193,772	173,932	1,360,810,533	7.12%	5,874
2014	779,454,489	59,689,141	116,500,000	-	-	19,983,772	112,630,511	4,830,753	8,900,000	3,429,679	233,282,935	144,301	1,274,325,637	6.99%	5,765
2015	791,622,939	61,649,694	106,855,000	-	-	20,463,505	107,467,060	4,747,140	7,000,000	3,429,679	219,832,909	113,814	1,256,784,906	6.89%	5,686
2016	780,605,263	69,752,807	101,925,000	-	-	21,467,996	97,974,737	4,429,224	5,800,000	3,429,679	205,816,282	82,446	1,217,101,402	6.67%	5,506
2017	893,276,266	94,741,666	96,980,000	-	-	24,807,058	89,873,734	4,111,309	4,600,000	3,429,679	191,314,640	50,170	1,403,184,522	6.56%	5,854
2018	972,959,914	121,130,730	110,930,000	-	-	17,863,828	82,170,086	3,793,394	-	3,429,679	174,046,269	16,962	1,486,340,862	6.87%	6,045

NOTES:

- (1) Population and personal Income estimates are from Arlington County Planning Division presented in Table K.
(2) Amounts for bonds are reported gross, excluding premiums and/or discounts and deferred amounts on refundings.
(3) These amounts are IDA Revenue notes and bonds issued as subject to appropriation obligations of the County.
(4) Business type amounts are self supporting debt obligations that are repaid by user fees or tenant income, not by General Fund Revenues.

TABLE I-1

ARLINGTON COUNTY, VIRGINIA
PRIMARY GOVERNMENT RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Assessed Value (2)	General Bonded Debt					Total Primary Government	Pct. Of Actual Taxable Value of Real Property	Debt Per Capita
			General Obligation Bonds Debt (3)	Utilities General Obligation Bonds (3)	IDA Revenue Bonds (4)	IDA Lease Revenue Bonds (4)	IDA Notes Payable (4)			
2009	209,300	\$60,514,589,567	\$576,842,463	\$112,617,553	\$-	\$47,120,000	\$35,962,739	\$772,542,755	1.28%	3,691
2010	212,200	56,618,734,277	566,435,124	105,459,880	41,280,000	41,900,000	35,666,099	790,741,103	1.40%	3,726
2011	210,280	60,061,289,547	687,933,174	127,396,828	40,135,000	42,635,000	35,016,099	933,116,101	1.55%	4,437
2012	216,004	64,394,426,489	730,532,413	124,517,591	50,660,000	30,945,000	35,016,099	971,671,103	1.51%	4,498
2013	221,045	65,627,006,417	776,934,905	119,765,096	125,285,000	-	-	1,021,985,001	1.56%	4,623
2014	215,000	69,423,299,231	779,454,489	112,630,511	116,500,000	-	-	1,008,585,000	1.45%	4,691
2015	216,700	72,244,948,335	791,622,939	107,467,060	106,855,000	-	-	898,477,939	1.24%	4,146
2016	220,400	74,378,403,498	780,605,263	97,974,737	101,925,000	-	-	980,505,000	1.36%	4,449
2017	222,800	76,570,811,625	893,276,266	89,873,734	96,980,000	-	-	1,080,130,000	1.45%	4,848
2018	225,200	77,994,475,377	972,959,914	82,170,086	110,930,000	-	-	1,166,060,000	1.57%	5,178

NOTES:

- (1) Population estimates are from Arlington County Planning Division
(2) The assessed value figures are based on County tax years which end December 31st
(3) Amounts for bonds are reported gross, excluding premiums and/or discounts and deferred amounts on refundings. Amounts do not include revenue bonds
(4) These amounts are IDA Revenue notes and bonds issued as subject to appropriation obligations of the County

TABLE J-1

ARLINGTON COUNTY, VIRGINIA
 PLEDGED - REVENUE COVERAGE
 BALLSTON PUBLIC PARKING GARAGE
 LAST TEN FISCAL YEARS

Fiscal Year	Gross Revenue	Total Expenses (1)	Less Capital Exp	Less Deferred Rent	Cash Basis Direct Operating Expenses	Net Revenue Available for Debt Service	Total Debt Service	Coverage
2009	\$3,770,271	\$3,551,444	(\$176,871)	(\$654,996)	\$2,719,577	\$1,050,694	\$794,264	1.32
2010	3,963,512	3,510,857	(201,882)	(654,996)	2,653,979	1,309,533	724,316	1.81
2011	4,318,389	3,117,191	-	(654,996)	2,462,195	1,856,194	707,210	2.62
2012	4,528,050	3,401,220	(67,000)	(904,992)	2,429,228	2,098,822	1,413,109	1.49
2013	4,811,697	3,476,857	(53,216)	(904,992)	2,518,649	2,293,048	1,368,601	1.68
2014	4,411,414	3,259,670	-	(773,747)	2,485,923	1,925,491	629,401	3.06
2015	4,337,754	3,938,272	-	(1,279,992)	2,658,280	1,679,474	2,031,398	0.83
2016	3,994,636	3,413,568	-	(1,279,992)	2,133,576	1,861,060	1,313,435	1.42
2017	3,272,841	3,561,867	-	(1,279,992)	2,281,875	990,966	1,316,860	0.75
2018	3,290,127	5,148,245	-	(2,879,992)	2,268,253	1,021,874	4,615,536	0.22

(1) Excludes depreciation and amortization

TABLE J-2

ARLINGTON COUNTY, VIRGINIA
 PLEDGED - REVENUE COVERAGE
 UTILITIES BOND COVERAGE
 LAST TEN FISCAL YEARS

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirement			
				Principal	Interest	Total	Coverage
2009	\$106,771,787	\$42,908,573	\$63,863,214	\$7,084,109	\$9,634,224	\$16,718,333	3.82
2010	105,141,066	45,960,228	59,180,838	7,987,869	11,897,384	19,885,253	2.98
2011	101,182,400	47,186,908	53,995,492	7,956,950	14,055,589	22,012,539	2.45
2012	105,787,143	52,382,893	53,404,250	8,295,238	14,030,986	22,326,224	2.39
2013	107,453,634	59,471,356	47,982,278	8,523,845	14,061,159	22,585,004	2.12
2014	105,668,151	58,743,860	46,924,291	8,741,975	12,863,094	21,605,069	2.17
2015	110,141,975	59,505,522	50,636,453	8,163,452	11,679,095	19,842,547	2.55
2016	106,693,535	57,993,775	48,699,760	8,423,257	10,595,245	19,018,502	2.56
2017	109,908,071	59,263,440	50,644,631	8,101,003	9,409,421	17,510,424	2.89
2018	112,331,598	64,510,288	47,821,310	7,703,648	9,170,354	16,874,002	2.83

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.

TABLE K

ARLINGTON COUNTY, VIRGINIA
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Personal Income (thousands of dollars)	Per Capita Income (2)	School Enrollment (3)	Unemployment Rate (4)
2009	209,300	\$14,841,044	\$70,908	19,534	4.7%
2010	212,200	15,217,499	71,713	20,233	4.3%
2011	210,280	15,707,916	74,700	21,168	3.9%
2012	216,004	17,273,192	79,967	21,853	3.5%
2013	221,045	18,234,223	82,491	22,763	4.0%
2014	215,000	18,554,500	86,300	23,612	3.5%
2015	216,700	18,614,530	85,900	24,664	3.4%
2016	220,400	18,601,760	84,400	25,463	2.9%
2017	222,800	19,896,040	89,300	26,405	2.6%
2018	225,200	19,814,447	87,986	26,983	2.5%

NOTES:

- 1) The 2011-2013 population figures are estimates from the US Census Bureau.
The 2009-2010, & 2014-2018 population figures are estimates from the Arlington County Planning Division.
- (2) Source - 2014 -2018 estimates from the Arlington County Planning Division. 2009-2013 figures reported by U.S. Dept of Commerce
- (3) Source - Arlington County School Board, Office of Planning, Management and Budget. Data is for pre K-12 only.
All figures are as of June 30.
- (4) Source Figures for 2014-2018 U.S. Bureau of Labor Statistics, Figures 2009-2013 Virginia Employment Commission

TABLE L

ARLINGTON COUNTY, VIRGINIA
PRINCIPAL EMPLOYERS*
CURRENT YEAR AND NINE YEARS AGO

2018**				2009			
<u>Employers</u>	<u>Employees</u>	<u>Rank</u>	Percentage of Total County	<u>Employers</u>	<u>Employees</u>	<u>Rank</u>	Percentage of Total County
			<u>Employment</u>				<u>Employment</u>
Deloitte	9,400	1	4.19%	Virginia Hospital Center	2,354	1	1.52%
Accenture	4,900	2	2.19%	Corporate Executive Board	1,534	2	0.99%
Virginia Hospital Center	3,200	3	1.43%	US Airways	1,472	3	0.95%
FDIC	2,900	4	1.29%	Lockheed Martin Group	1,453	4	0.94%
Booz Allen Hamilton	1,700	5	0.76%	Marriott International Inc.	1,450	5	0.94%
Lidl	1,400	6	0.62%	BAE Systems	1,407	6	0.91%
Corporate Executive Board	1,400	7	0.62%	Booz Allen Hamilton	1,384	7	0.89%
Bloomberg BNA***	1,100	8	0.49%	SRA International, Inc.	1,283	8	0.83%
PAE Government Services	900	9	0.40%	SAIC	1,257	9	0.81%
Marymount University	630	10	0.28%	CACI	1,198	10	0.77%
Marriott International Inc.	600	11	0.27%	Bureau of National Affairs (BNA)	900	11	0.58%
NRECA	540	12	0.24%	Verizon	790	12	0.51%
Evolent Health	540	12	0.24%	Marymount University	637	13	0.41%
CAN	530	13	0.24%	The Boeing Company	545	14	0.35%
PBS	500	14	0.22%	Cambridge Associates	520	15	0.34%
The Nature Conservancy	480	15	0.21%	Macy's	507	16	0.33%
Cambridge Associates	440	16	0.20%	Interstate Hotels & Resorts	501	17	0.32%
Rand Corporation	420	17	0.19%	Watson Wyatt Worldwide, Inc.	500	18	0.32%
The Boeing Company	420	17	0.19%	NRECA	500	18	0.32%
Politico	420	17	0.19%	Jacobs Engineering	500	18	0.32%
Total	32,420		14.46%		20,692		13.37%
Total At-Place Employment	224,200				154,764		

Source: Arlington County Planning Division; Arlington Economic Development

* Represents Principal Private Employers

** 1st Quarter Estimates

*** Formerly known as Bureau of National Affairs (BNA).

TABLE M

ARLINGTON COUNTY, VIRGINIA
FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

<u>Department</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
County Board	8.0	7.8	7.8	8.0	8.0	7.8	8.3	9.3	10.0	10.0
County Manager	34.5	37.9	36.9	36.9	37.1	35.9	35.9	37.4	33.4	36.0
Management and Finance	57.0	50.0	54.0	55.0	55.0	55.5	56.5	57.5	57.5	58.5
Technology Services	67.8	70.0	71.0	72.0	74.0	73.0	72.0	78.0	78.0	77.0
Human Resources	51.5	53.5	50.0	51.0	52.0	52.0	52.0	52.0	53.0	53.0
County Attorney	14.0	14.0	14.0	14.0	14.0	14.0	14.0	15.0	15.0	16.0
Circuit Court	35.8	33.8	32.3	32.3	32.3	32.3	33.8	36.8	36.8	37.3
General District Court	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Juvenile and Domestic Relations Court	57.5	56.3	55.8	55.8	55.8	55.8	55.8	55.8	55.8	57.8
Commonwealth's Attorney	39.0	35.5	34.0	35.0	35.0	35.0	35.0	36.0	34.0	35.0
Sheriff	277.8	268.4	266.0	267.0	271.0	271.0	272.0	279.0	286.0	293.0
Commissioner of Revenue	56.0	54.0	53.0	53.0	52.0	52.0	52.0	52.0	52.0	53.0
Treasurer	63.2	61.8	60.8	60.8	59.8	61.8	61.8	62.4	62.7	62.7
Electoral Board	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4
Office of Emergency Management	72.5	72.5	71.5	71.5	79.5	76.5	74.5	74.5	74.5	76.5
Police	476.0	475.0	465.0	466.0	466.0	466.0	470.0	472.0	478.0	478.0
Fire	321.3	317.3	316.0	317.0	320.0	321.0	321.0	319.0	332.0	332.0
Public Works/Environmental Services	699.7	688.7	694.7	700.2	721.2	730.2	765.0	774.5	783.5	793.5
Human Services	712.2	703.3	694.7	699.7	685.8	680.5	681.5	705.9	717.9	725.6
Libraries	157.8	142.4	125.1	127.6	135.6	133.9	133.9	133.9	133.9	134.9
Economic Development	31.8	28.8	28.8	28.8	61.6	61.6	63.6	56.7	60.0	63.2
Community Planning, Housing & Development	181.1	179.0	176.0	177.0	197.1	198.6	198.6	184.5	188.5	194.5
Parks, Recreation & Cultural Resources	400.5	378.2	355.8	360.3	345.9	365.9	371.2	370.9	379.0	379.1
Total County Positions	3,824.8	3,737.8	3,672.9	3,698.7	3,768.6	3,790.0	3,838.2	3,872.8	3,931.3	3,976.4
Total School Positions	3,676.6	3,770.3	3,787.5	3,937.4	4,047.1	4,109.0	4,159.3	4,371.7	4,544.9	4,674.5
TOTAL POSITIONS	7,501.4	7,508.1	7,460.4	7,636.1	7,815.7	7,898.9	7,997.5	8,244.5	8,476.2	8,650.9

Sources: Arlington County FY2018 Adopted Budget and Arlington County School Board's Adopted Budget FY 2018

TABLE N

ARLINGTON COUNTY, VIRGINIA
OPERATING INDICATORS BY FUNCTION-PROGRAM
LAST TEN FISCAL YEARS

Form of Government Date of Adoption January 1, 1932	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Area (square miles)	26	26	26	26	26	26	26	26	26	26
Lane Miles	961	961	974	974	974	974	974	974	974	1,051
Number of Street Lights	14,657	16,580	16,723	17,267	17,796	18,708	19,642	18,349	18,493	18,500
<u>Fire Protection:</u>										
Number of Stations	10	10	10	10	10	10	10	10	10	10
Training Academy	1	1	1	1	1	1	1	1	1	1
<u>Education:</u>										
Attendance Centers	35	37	37	37	37	37	38	39	39	39
Number of Classrooms (1)	1,720	1,720	1,720	1,720	1,740	1,760	1,780	1,851	1,913	1,797
Number of Teachers	2,046	2,096	2,105	2,241	2,295	2,406	2,501	2,628	2,736	2,828
Number of Students	19,420	20,233	21,168	21,853	22,763	23,612	24,664	25,463	26,405	26,983
<u>County Water System:</u>										
Number of consumer service locations	36,877	37,228	37,574	37,151	37,189	37,343	37,464	37,658	37,577	37,487
Average daily consumption (gallons)	23,498,000	23,217,000	23,217,000	22,500,000	22,220,000	22,010,000	22,190,000	22,390,000	22,040,000	21,160,000
Miles of water mains	525	525	525	525	525	525	525	525	525	525
<u>County Sewer System:</u>										
Miles of sanitary sewers	470	470	470	470	470	470	470	470	470	470
Average gallons per day treated	24,620,000	26,470,000	26,470,000	22,000,000	20,273,507	23,139,205	23,019,096	23,320,000	21,590,000	21,970,000
System capacity under construction (gallons per day)	10,000,000	10,000,000	10,000,000	10,000,000	-	-	-	-	-	-
<u>Building Permits:</u>										
Construction Permits	2,473	2,543	2,939	3,074	3,019	3,035	3,250	3,702	3,376	3,082
Plumbing, Electrical & Mechanical Permits	7,232	6,531	7,834	7,907	8,264	8,338	8,873	10,288	9,477	9,083
Fire Permits	842	804	982	1,052	953	997	1,064	1,214	1,192	942
Elevator Permits	75	116	72	77	99	95	115	106	110	89
<u>Recreation and Culture:</u>										
Number of Parks and Playgrounds (2)	212	212	212	219	236	236	210	213	214	220
Number of Libraries	8	8	8	8	8	8	8	8	8	8
Number of Items (e-materials) (3)	635,284	643,950	662,757	632,517	653,092	633,127	675,924	687,584	690,700	40,274
Number of Community Centers	14	14	14	14	14	14	14	14	13	13
Number of Nature Centers	2	2	2	2	2	2	2	2	2	2
Number of Historical Districts	30	31	31	32	34	34	36	38	40	40

(1) Beginning in FY 2018, Arlington Public Schools revised how classrooms are counted per grade level. The following methodology was utilized for FY 2018:

- (a) Elementary classroom counts shall include pre-kindergarten through grade five, special education, small and large group instruction, art, music, and relocatable classrooms
- (b) Middle, High School, and Program classroom counts shall include grade six through twelve, special education, small and large group instruction, lab, art, music, theater technical, gymnasium, physical education stations, and relocatable classrooms

(2) Prior to FY 2015, the parks and playground count included 26 areas not under the Department of Parks and Recreation maintenance responsibilities such as playgrounds owned and maintained by Arlington Public Schools. In FY 2015, the count was updated to include only parks and playgrounds maintained by the Department of Parks and Recreation

(3) Beginning in FY 2018, Libraries will report number of items in terms of e-materials instead of print and audiovisual materials as e-materials is a more relevant measure

ARLINGTON COUNTY, VIRGINIA
CAPITAL ASSET STATISTICS BY FUNCTION/ PROGRAM
LAST TEN FISCAL YEARS

Primary Government

FUNCTION AND ACTIVITY:	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government:										
Control-										
Legislative	\$81,144	\$92,430	\$114,522	\$114,522	\$114,522	\$114,522	\$694,222	\$694,222	\$1,190,662	\$1,190,662
Executive	340,573	387,942	480,663	480,663	480,663	492,215	497,308	532,598	532,598	532,598
Judicial	1,791,038	2,107,374	2,594,988	3,934,611	4,700,614	5,334,523	5,622,649	5,738,322	5,822,409	6,600,515
Total Control	2,212,755	2,587,746	3,190,173	4,529,796	5,295,799	5,941,260	6,814,179	6,965,142	7,545,669	8,323,775
Staff Agencies-										
Elections	191,588	218,235	270,396	270,396	270,396	1,129,595	1,129,595	1,129,595	1,129,595	1,129,595
Management and Finance	331,542	377,655	467,918	1,077,827	1,588,298	1,610,532	1,610,532	1,610,532	1,610,532	1,610,532
Human Resources	231,753	347,256	410,350	414,403	414,403	414,403	414,403	414,403	414,403	414,403
Office of County Attorney	53,983	61,491	876,188	923,699	953,687	966,128	1,092,069	1,092,069	1,092,069	1,092,069
Commissioner of the Revenue	67,350	76,718	595,054	595,054	595,054	595,054	595,054	607,454	607,454	607,454
Treasurer	1,157,077	1,350,098	65,114	65,114	65,114	65,114	65,114	283,967	349,169	349,169
Department of Technology Service	23,133,198	17,200,391	11,344,264	14,597,576	18,195,395	29,114,164	36,702,653	45,702,921	50,630,621	59,877,714
General government buildings	33,686,400	135,952,812	327,020,186	327,020,186	327,604,012	263,901,049	265,310,754	267,110,754	267,127,519	267,127,519
Total Staff Agencies	58,852,891	155,584,656	341,049,470	344,964,255	349,686,359	297,796,039	306,920,174	317,951,695	322,961,362	332,208,455
Total General Government	61,065,646	158,172,402	344,239,643	349,494,051	354,982,158	303,737,299	313,734,353	324,916,837	330,507,031	340,532,230
Public Safety:										
Police	21,722,625	23,703,421	10,138,856	13,102,757	15,073,584	15,273,434	16,965,207	18,117,833	18,892,893	21,735,178
Fire	6,977,207	18,234,142	83,442,395	85,337,968	85,829,937	79,368,941	79,413,215	79,644,908	81,537,998	81,664,498
Emergency management	1,278,179	1,455,957	4,086,134	5,405,411	5,681,058	5,864,294	9,088,294	9,876,843	13,975,990	16,476,814
Total Public Safety	29,978,011	43,393,520	97,667,385	103,846,136	106,584,579	100,506,669	105,466,716	107,639,584	114,406,881	119,876,490
Environmental Services	497,345,576	434,334,394	474,009,827	526,053,112	632,215,203	732,287,767	793,284,160	863,240,831	939,856,784	1,043,027,591
Health and Public Welfare	33,758,494	31,765,248	33,069,717	33,105,155	33,322,630	33,767,799	33,916,913	33,990,233	34,260,585	34,456,402
Libraries	11,184,328	18,162,154	29,731,690	30,413,627	30,442,689	30,420,141	30,420,141	30,432,892	30,465,610	30,500,606
Recreation	86,420,777	98,111,470	120,041,977	143,004,838	168,516,013	199,547,391	207,560,864	215,364,983	223,208,995	235,353,595
Community Development	52,373,433	32,837,780	33,022,546	38,051,773	42,891,236	45,798,988	47,900,040	53,843,517	59,303,754	66,069,472
Total General Capital Assets	\$878,085,322	\$964,877,331	\$1,131,782,785	\$1,223,968,692	\$1,368,954,508	\$1,446,066,054	\$1,532,283,187	\$1,629,338,877	\$1,732,009,640	\$1,869,816,386
Internal Services Fund										
Auto Equipment Fund	\$47,569,216	\$51,981,340	\$56,525,607	\$63,781,962	\$64,955,970	\$71,496,453	\$72,843,569	\$76,415,982	\$77,930,688	\$81,578,335
Total Internal Services Fund	\$47,569,216	\$51,981,340	\$56,525,607	\$63,781,962	\$64,955,970	\$71,496,453	\$72,843,569	\$76,415,982	\$77,930,688	\$81,578,335
Component Unit: School Board										
Schools	\$511,265,426	\$556,680,225	\$587,053,184	\$663,053,770	\$736,920,550	\$771,819,038	\$816,594,534	\$864,063,643	\$916,017,125	\$1,003,537,262
GRAND TOTAL	\$1,436,919,964	\$1,573,538,896	\$1,775,361,576	\$1,950,804,424	\$2,170,831,028	\$2,289,381,545	\$2,421,721,290	\$2,569,818,502	\$2,725,957,453	\$2,954,931,983

TABLE P

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)	Debt Service to Total General Expenditures
2009	\$53,715,890	\$29,857,473	\$83,573,363	\$985,054,322	8.48%
2010	53,827,131	29,949,072	83,776,203	1,022,232,400	8.20%
2011	57,645,110	29,848,250	87,493,360	1,011,998,177	8.65%
2012	59,289,762	29,978,921	89,268,683	1,096,768,352	8.14%
2013	60,281,364	32,699,424	92,980,788	1,122,351,681	8.28%
2014	67,578,026	31,926,550	99,504,576	1,185,961,381	8.39%
2015	71,181,548	32,440,408	103,621,956	1,216,073,842	8.52%
2016	69,034,806	34,372,229	103,407,035	1,262,260,429	8.19%
2017	76,623,997	30,463,497	107,087,494	1,318,924,936	8.12%
2018	87,251,352	34,206,183	121,457,535	1,375,495,727	8.83%

NOTES:

- (1) Excludes debt service on general obligation bonds payable from the Enterprises Funds and all paying agent charges;
 (2) Includes all categories of expenditures as presented in Table D-1.

ARLINGTON COUNTY, VIRGINIA SCHEDULE OF INSURANCE JULY 1, 2017 - JUNE 30, 2018					
Type of Coverage & Insurance Company	Policy Number	Period From	Period To	Summary of Coverage & Liability Limits	Premium Costs
<u>Property</u> VACorp 1	VA-AR-006-18	07/01/17	07/01/18	All Risk Package Policy coverage on real and personal property, valuable papers and records, Inland Marine equipment, extra expense and business interruptions, Theatrical Equipment Floater, Fine Arts, Property Floater, EDP, Voting Machines and off premises power failures & boiler & machinery. \$50,000 deductible. TIV \$636 million subject program limits of \$ 500million. Incl. earthquake, flood, boiler & mach. Garagekeeper's Liab., Physical Damage on County vehicles while garaged	\$522,398.00 Includes TRIA
<u>Crime Policy</u> VaCorp 2	VA-AR-006-18	07/01/17	07/01/18	Public Employee Dishonesty , Forgery or Alteration, Theft, Disappearance and Destruction and computer Fraud. Faithful performance of duty a covered cause of loss. Volunteer workers included as employees Limit: \$1 million, Deductible: \$25,000	\$8,850.00 Excludes TRIA
<u>Fine Arts Policy</u> VACorp 3	VA-AR-006-18	07/01/17	07/01/18	Museum Collection and Temporary Loans Policy-- Limits of \$ 1,000,000 on AC premises \$ 250,000 any other location \$ 1,000 Deductible/ \$ 2,500 per outdoor sculpture Legal Liability -- \$ 250,000 any one loss	Included in Property
<u>General Liability, Public Officials Liab. Law Enforcement Liab. Auto Liability</u> Covers Arlington County employees and Officials conducting County business 4	County Board Resolution	Continuous	Continuous	Self Insured for Liability Exposures. AL, POL, LEL, GL - Primary \$1,000,000	
<u>Umbrella Excess Liability Policy</u> VACoRP 5	VA-AR-006-18	07/01/17	07/01/18	Excess Public Entity Liability Policy Excess of \$ 1,000,000 self-insured retention \$ 10 million limits excess of SIR	\$340,614.00

ARLINGTON COUNTY, VIRGINIA SCHEDULE OF INSURANCE JULY 1, 2017 - JUNE 30, 2018					
Type of Coverage & Insurance Company	Policy Number	Period From	Period To	Summary of Coverage & Liability Limits	Premium Costs
<u>Constitutional Officers Business Auto Package Policy</u> VACorp 6	VA-AR-006-18	07/01/17	07/01/18	Covers Owned, Hired and Non-owned Liability, Uninsured Motorists & Medical Payments. \$1,000,000 each occurrence for Liability Liability, \$1,000 for medical payments. Const. Officers and Volunteer General Liability \$ 2 million per occurrence	\$33,277.00
<u>Medical Prof. Liability</u> Arch Speciality Insurance 7	FLP0022336	07/01/17	07/01/18	Professional Liability Insurance Employed and Contracted Physicians Clinic Staf and EMS Limits: \$ 2/6 million \$ 25,000 DED. Each claim	\$227,000.00
<u>Group Accident Coverage</u> National Union Fire Ins. National Union Fire Ins. National Union Fire Ins. VaCorp VaCorp 8	SRG 0009105405 SRG 0009105406 SRG 0009105403 VA-AR-006-18 VA-AR-006-18	07/01/17 07/01/17 07/01/17 07/01/17 07/01/17	07/01/18 07/01/18 07/01/18 07/01/18 07/01/18	Coverage coordinated with pers. Coverage AD&D for volunteers AD&D for Campers AD& D for Recreational Sports AD&D for Community Service Program AD&D for Auxiliary Police	\$10,500.00 \$10,000.00 \$13,000.00 Included Included
TOTAL PREMIUM					\$33,500.00
<u>County Board Surety Bond</u> 9	K. Cristol C. Dorsey L. Garvey E. Gutshall J. Vihstadt	Continuous until Cancelled		Bond limit \$ 2,500	3 yr. policy
<u>VDOT Permit Bond</u> Travelers 10	53 S 101062299	Continuous		Virginia highways permit bond for facilities located on the VDOT right-of-way Limit \$ 100,000	\$0
<u>Excess Liability Ballston Garage</u> Torus/First Mercury Travelers 11	03076C153ALI ZUP-10T21909-15-NF	07/01/17 07/01/17	07/01/18 07/01/18	Excess liability coverage required by May Co. regarding ice rink at Ballston Garage.	\$50,125.00 \$29,875.00

ARLINGTON COUNTY, VIRGINIA SCHEDULE OF INSURANCE JULY 1, 2017 - JUNE 30, 2018					
Type of Coverage & Insurance Company	Policy Number	Period From	Period To	Summary of Coverage & Liability Limits	Premium Costs
<u>Fiduciary Liability Policy</u> Employee's Suppl. Retirement Sys 2 National Union/Alton Agency 12	PLS 2672194			Fiduciary Liab. To \$ 10million ERISA Fidelity bond D&O, Trustees liab. To \$ 3million These policies handled by the Retirement Board <u>Risk Management is not involved in the purchase of these policies</u>	Premium not incl. in total
<u>Constitutional Officers' Liability Plan</u> <u>Risk Coverage</u> Commonwealth of Virginia (SIR)				Combined Program for CGL/POL & LEL covers Public Officials & Employees by reason of any wrongful Act, rendered in the discharge of	
Clerk of Court	Virginia Risk	Continuous		Limits: \$1 million per loss	
Sheriff	Virginia Risk	Continuous		Limits: \$1.5 million per loss	
Commissioner of Revenue	Virginia Risk	Continuous		Limits: \$1 million per loss	
Commonwealth's Attorney	Virginia Risk	Continuous		Limits: \$1 million per loss	
Registrar of Voters	Virginia Risk	Continuous		Limits: \$1 million per loss	
Arlington County Treasurer 13	Virginia Risk	Continuous		Limits: \$1 million per loss	
<u>Fire and Rescue Auto Physical Damage</u> VaCorp 14	VA-AR-006-18	07/01/17	07/01/18	Provides comprehensive and collision coverage on vehicles owned or operated by ACFD \$ 1,000 Ded. Per unit	\$64,422.00 Incl. TRIA
<u>Police Command Vehicle</u> Hartford Fire Insurance Company 15	VA-AR-006-18	07/01/17	07/01/18	Inland Marine policy covering portable Police equipment and Command Vehic	Incl Incl. TRIA
<u>Portable Equipment-Fire Command Vehicle</u> VFIS American Alternative Insurance 16	VA-AR-006-18	07/01/17	07/01/18	Inland Marine policy covering ACFD equipment & Command Veh.	\$1,222.00
<u>Blanket Volunteer Liability</u> VaCorp 17	VA-AR-006-18	07/01/17	07/01/18	Covers Liability of Volunteers	\$3,200.00
<u>Blanket Volunteer Liability</u> VaCorp 18	VA-AR-006-18	07/01/17	07/01/18	\$5,000,000 Limit provides coverage for hacking and other technology related liabilities	\$42,000.00
TOTAL					\$1,356,483.00

TABLE R

ARLINGTON COUNTY, VIRGINIA
CONSTRUCTION ACTIVITY AND REAL PROPERTY VALUE
LAST TEN FISCAL YEARS

Fiscal Year	Residential Construction (1)		Commercial Construction (1)		Miscellaneous Construction (1)		Real Property Value (2)		
	Permits	Valuation	Permits	Valuation	Permits	Valuation	Residential	Commercial	Non-Taxable
2009	160	\$43,325,775	84	\$409,257,463	11,526	\$372,491,217	\$31,176,590,200	\$26,604,956,900	\$7,489,437,300
2010	172	45,497,100	50	165,948,125	12,454	363,788,580	30,395,184,100	23,590,330,900	7,079,999,000
2011	204	59,770,300	60	372,020,336	12,690	367,577,766	30,826,414,200	26,435,423,200	7,155,902,000
2012	158	49,734,782	86	487,803,163	12,003	443,979,014	31,308,133,600	30,363,228,300	7,313,610,400
2013	179	61,926,017	98	406,183,727	13,219	538,830,401	36,869,425,300	26,021,905,000	7,410,523,300
2014	188	93,344,705	83	179,141,259	15,338	466,745,648	39,564,853,200	26,835,092,400	7,936,267,300
2015	188	86,410,180	156	380,466,809	16,202	190,079,034	35,479,510,900	33,789,627,500	7,840,094,400
2016	242	146,050,201	79	456,210,899	18,451	626,573,460	36,472,113,000	34,803,050,300	8,089,795,900
2017	209	89,329,019	134	411,319,170	17,051	618,650,872	37,377,857,200	36,010,433,100	8,413,261,200
2018	210	86,974,365	90	867,372,358	16,176	658,484,898	38,833,059,600	36,150,575,500	8,261,279,200

NOTES:

(1) Department of Community Planning, Housing and Development, Planning Division--Inspection Services

(2) Estimated actual value. Excludes public service corporations.

TABLE S

ARLINGTON COUNTY, VIRGINIA
BUSINESS AND PROFESSIONAL LICENSE TAX REVENUES
LAST TEN FISCAL YEARS

Fiscal Year	Revenues	Change
2009	\$57,272,629	0.01%
2010	58,611,239	2.34%
2011	60,460,108	3.15%
2012	61,939,212	2.45%
2013	61,341,154	-0.97%
2014	62,752,491	2.30%
2015	58,970,752	-6.03%
2016	60,181,386	2.05%
2017	63,837,926	6.08%
2018	62,986,320	-1.33%

DEPARTMENT OF MANAGEMENT AND FINANCE



2100 Clarendon Blvd., Suite 501 Arlington, VA 22201
TEL 703-228-3415 FAX 703-228-3401 EMAIL dmf@arlingtonva.us www.arlingtonva.us

ARLINGTON COUNTY, VIRGINIA
CERTIFICATE OF NO DEFAULT
June 30, 2018

Pursuant to Section 10.3 of the Financing Agreements between Virginia Resources Authority and Arlington County, I hereby certify that during the fiscal year ended June 30, 2018, and through the date of this certificate, no event or condition has happened or existed, or is happening or existing, which constitutes or which would constitute an Event of Default as defined in Section 11.1 of the Financing Agreements for Loan Number C-515319-02, Loan Number C-515378-02b, Loan Number C-515396-01, Loan Number C-515396-02, Loan Number C-515413-01, Loan Number C-515413-02, and Loan Number C-515413-02b.

Stephen J. Agostini

Stephen Agostini
Director
Department of Management & Finance

10 - 11 - 2018

Date

TABLE U

ARLINGTON COUNTY, VIRGINIA
LARGEST USERS OF THE WATER & SEWER SYSTEM
For the twelve months ending June 30, 2018

WATER Customer / Type of Business	Monthly Average Consumption In Thousands of Gallons	SEWER Customer / Type of Business	Monthly Average Consumption In Thousands of Gallons
Joint Base Myer-Henderson Hall Military	8,185	Ronal Reagan Washington National Airport Aviation	12,168
Gates Hudson - 1600 S. Eads Street Residential	4,908	Pentagon Military	10,474
Pentagon City Mall Associates - 1100 S. Hayes St. Retail	3,352	Joint Base Myer-Henderson Hall Military	7,536
RP Washington Buchanan - 320 S. 23rd Street Residential	2,545	Gates Hudson - 1600 S. Eads Street Residential	4,908
Avalon Ballston Square - 850 N. Randolph Street Apartments	2,481	Pentagon City Mall Associates - 1100 S. Hayes St. Retail	3,352
VNO Ashley House LLC- 1600 S. Joyce Street Retail	2,449	RP Washington Buchanan - 320 S. 23rd Street Residential	2,545
Virginia Hospital Center - 5129 N. 16th Street Healthcare	2,396	Avalon Ballston Square - 850 N. Randolph Street Apartments	2,481
Crystal City Lessee LLC - 300 S. Army Navy Drive Hotel	2,377	VNO Ashley House LLC- 1600 S. Joyce Street Retail	2,449
Dittmar Company - 5550 S. Columbia Pike Apartments	2,363	Virginia Hospital Center - 5129 N. 16th Street Healthcare	2,396
Dittmar Company - 3900 N. Fairfax Drive Apartments	2,017	Crystal City Lessee LLC - 300 S. Army Navy Drive Hotel	2,377

NOTE:

(1) Source - County Department of Environmental Services - Utilities Services Office

ARLINGTON COUNTY, VIRGINIA
DESCRIPTION OF THE WASTEWATER & WATER SYSTEM
& WASTEWATER & WATER RATES
JUNE 30, 2018

Wastewater System

Description of System

The County began its pollution abatement program in 1933 with the approval of a bond referendum for a county-wide sewage system to include 100 miles of sanitary sewers and a water pollution control plant (the "Plant") providing primary treatment. The Plant was placed in service in 1937. In response to continued growth, the Plant has been repeatedly expanded, with upgrades providing for advanced treatment, new preliminary treatment, a new dewatering building, and a new equalization tank to minimize fluctuation of flow to the Plant.

The County's system presently consists of 470 miles of gravity sewer lines, eleven pumping stations, three ejector stations, two meter stations and the Plant. The Plant has a rated capacity of 40 million gallons per day (MGD). Current flows average 21.97 MGD.

Plant Upgrade & Expansion

In April 2001, County staff and an external engineering team were assembled to update the 1988 Master Plan to address wet weather external bypasses, new and foreseen regulations, aging infrastructure and capacity requirements with respect to the Wastewater System. The result of this effort is the Master Plan Update 2001 ("MP01"). The MP01 provides for the goal of minimization of wet weather external bypasses, increased redundancy, expansion of capacity to handle flows to approximately 2020 + and a positive environmental impact for Four Mile Run, the Potomac River, and the Chesapeake Bay. The MP01 featured a two-phase design process and three construction contracts as well as program management and engineering services. Major facilities included in the MP01 include two new aeration tanks, two new equalization tanks, a new biofilter facility, and three new secondary clarifiers.

The total cost of all phases of the MP01 was \$566.3 million. County ratepayer's share was 82 percent; Inter-Jurisdictional Partners' share was 18 percent. Financing for the County's share was provided by several sources. There were eight Wastewater System & Water System Revenue bonds totaling \$300 million issued to the Virginia Water Facilities Revolving Loan Fund Program (the "VWFRF") which is administered by the Virginia Resources Authority ("VRA"). General Obligation bonds of the County were issued in 2007 for \$48.5 million, 2008 for \$27.4 million, and 2009 for \$11.7 million. Grant funds from the Water Quality Improvement Fund under the Department of Environmental Quality Chesapeake Bay Program for approximately \$96 million were authorized in February 2007.

Major Customers

The County's wastewater system serves residents and businesses in the County. A list of the top ten retail wastewater customers is included in Table U of the Statistical Section. On a wholesale basis, the County's wastewater system serves Alexandria Sanitation Authority; the City of Alexandria, Virginia; the City of Falls Church, Virginia; and Fairfax County, Virginia (together, the "Inter-Jurisdictional Partners" or "IJ Partners"). Arlington has contractual agreements for wastewater conveyance and treatment with the IJ Partners that set forth the terms of these relationships, including the calculation of both operating and capital charges. A summary of each IJ Partner contract is included in the table below; additional information on the contracts can be requested from the County's Department of Environmental Services, Utilities Service Office at (703)228-3601.

IJ Partner	Share of Plant Capacity	Agreement Expiration Date
Fairfax County	3.0 MGD Peak flow capacity reservation of 6.6 MGD	June 30, 2004 Fairfax provided written notification that contract will be honored until new agreement is negotiated
City of Alexandria & Alexandria Sanitation Authority (ASA)	3.0 MGD Maximum daily flow capacity reservation of 7.5 MGD	June 30, 1987 Agreement provides that it is binding until Arlington system is not in existence and as long as either party is not in default. ASA provided written notification that contract will be honored until new agreement is negotiated
City of Falls Church	0.8 MGD Peak flow capacity of 2.0 MGD	September 9, 2012 Contract still being honored. Negotiation of new agreement in process.

Water Distribution System

Description of System

Arlington County purchases water on a wholesale basis from the Washington Aqueduct, a branch of the U.S. Army Corps of Engineers. The water system was established in 1927 after an Act of Congress, approved April 14, 1926, authorized Arlington County to receive water from a water supply pumping station at the Dalecarlia Reservoir Water Treatment Plant in northwest Washington, D.C. Average daily production for the entire Washington Aqueduct system, which includes two water treatment plants in the District of Columbia, Dalecarlia and McMillan, is 140 MGD.

The County's water distribution system presently consists of approximately 500 miles of pipes with diameters of up to 48 inches, five pumping stations, and 32 million gallons of finished storage. Current daily average flow is 22.14 MGD to approximately 37,500 service accounts. The system serves residents and businesses in the County but does not provide water to the Pentagon or Reagan National Airport except under emergency situations, during construction, or other unusual circumstances.

Washington Aqueduct Agreement

The County entered into an agreement dated as of July 17, 1997 (the "Water Sales Agreement") with the United States of America acting through the Secretary of the Army providing for the sale and furnishing of water to the County from the Washington Aqueduct. The County has pledged the revenues derived from the ownership and operation of its water system to secure its pro rata share of Aqueduct operating costs, including operations and maintenance, the cost of any water purchases for resale, and debt service on certain loans made by the Secretary of the Treasury to the District of Columbia and the Secretary of the Army and debt service on certain bonds previously issued by the District of Columbia, all of which were incurred to finance improvements to the Secretary of the Army's water system. Additional information on the Water Sales Agreement can be requested from the County's Department of Environmental Services, Utilities Service Office at (703)228-3601.

Wastewater & Water Rates

Retail rates for fiscal years 2014 through 2019 are shown in the following table. The typical residential customer pays \$68.10 per month, assuming annual consumption of 60,000 gallons. Historically, rate increases have been effective on May 1 prior to the start of the fiscal year; however, for FY 2019, the effective date has been converted to match up with the fiscal year start of July 1.

**FY 2014 – FY 2019 Wastewater & Water Rates
Per 1,000 Gallons of Metered Water Usage**

Fiscal Year	Water	Wastewater	Total	Percent Change
2014	\$3.98	\$8.63	\$12.61	0%
2015	\$4.10	\$8.94	\$13.04	3%
2016	\$4.21	\$9.06	\$13.27	2%
2017	\$4.21	\$9.06	\$13.27	0%
2018	\$4.53	\$9.09	\$13.62	3%
2019	\$4.53	\$9.09	\$13.62	0%

The County also charges a variety of other water and wastewater fees to its retail customers, including infrastructure availability fees, connection fees, pretreatment fees, late charges, and new account fees, among others.

Outstanding Debt

As of June 30, 2018, general obligation debt outstanding attributable to the Utilities Fund totaled \$82,170,086. As of June 30, 2018, outstanding debt for Wastewater System and Water System Revenue Bonds issued through the VWFRF to the VRA totaled \$174,046,269. The following table shows future debt service on these obligations.

Fiscal Year Ended June 30	TOTAL EXISTING GO DEBT SERVICE			VRA BONDS			TOTAL		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2019	7,671,614	3,491,148	11,162,763	15,140,287	4,620,494	19,760,781	22,811,901	8,111,642	30,923,544
2020	7,490,101	3,154,691	10,644,792	15,560,155	4,200,626	19,760,781	23,050,256	7,355,317	30,405,573
2021	7,750,216	2,863,365	10,613,580	15,991,799	3,768,982	19,760,781	23,742,015	6,632,346	30,374,361
2022	7,343,155	2,460,590	9,803,746	16,435,552	3,325,229	19,760,781	23,778,708	5,785,819	29,564,527
2023	7,620,000	2,124,466	9,744,466	16,891,758	2,869,023	19,760,781	24,511,758	4,993,488	29,505,246
2024	7,735,000	1,751,176	9,486,176	17,360,770	2,400,011	19,760,781	25,095,770	4,151,186	29,246,956
2025	8,100,000	1,372,591	9,472,591	17,842,951	1,917,830	19,760,781	25,942,951	3,290,421	29,233,372
2026	8,130,000	999,957	9,129,957	18,338,675	1,422,106	19,760,781	26,468,675	2,422,063	28,890,738
2027	6,295,000	683,455	6,978,455	12,049,444	964,742	13,014,186	18,344,444	1,648,197	19,992,641
2028	4,465,000	447,286	4,912,286	12,361,018	653,167	13,014,186	16,826,018	1,100,453	17,926,472
2029	2,380,000	302,986	2,682,986	7,636,635	365,078	8,001,713	10,016,635	668,064	10,684,699
2030	2,365,000	214,624	2,579,624	6,150,916	165,016	6,315,932	8,515,916	379,640	8,895,556
2031	2,345,000	126,437	2,471,437	2,286,309	28,767	2,315,076	4,631,309	155,204	4,786,513
2032	1,355,000	61,725	1,416,725	-	-	-	1,355,000	61,725	1,416,725
2033	740,000	28,506	768,506	-	-	-	740,000	28,506	768,506
2034	235,000	11,625	246,625	-	-	-	235,000	11,625	246,625
2035	150,000	2,813	152,813	-	-	-	150,000	2,813	152,813
	82,170,086	20,097,442	102,267,528	174,046,269	26,701,069	200,747,338	256,216,355	46,789,511	303,014,866

Historical debt service coverage can be found in Table J-2 of the Statistical Section, and additional information on debt attributable to the Utilities Fund can be found in Exhibit S-3, the Combined Schedule of Long-Term Obligations.

Other Financial & Legal Information

Additional financial information on the Utilities Fund can be found in Exhibits D-1, D-2, and D-3 and the accompanying Notes to the Financial Statements, including a statement regarding significant litigation, if any. Information on insurance coverage can be found in Table Q of the Statistical Section. Required certificates from the County and its independent engineer can be found in Tables T and W of the Statistical Section. Information on management of the County and the Department of Environmental Services and the Department of Management and Finance can be found in the Introductory Section.



**ROSS
TECHNICAL
SERVICES, INC.**

TABLE W

April 2, 2018

Mr. Tom Broderick
Arlington County Water Pollution Control Bureau
3402 S. Glebe Road
Arlington, VA 22202

Dear Mr. Broderick,

Pursuant to Section 5.3 of the Financing Agreement dated as of June 28, 2005 (the "Financing Agreement") between the Virginia Resources Authority as administrator of the Virginia Revolving Loan Fund, and Arlington County ("the County"), the undersigned states the following based on my inquiry of the person or persons who manage the system and whose persons directly responsible for gathering the information:

1. I am a Professional Engineer consulting for Arlington County at the Water Pollution Control Bureau (WPCB).
2. For the fiscal year that will end on June 30, 2019, the County has prepared a budget that
 - a. contains an appropriate estimation of costs for maintenance, repair, replacement and operations, and,
 - b. establishes the proper rates in order to satisfy the rate covenant in Section 5.2 of the Financing Agreement.

Dated: 4/2/2018

By: Dennis W. Orbe
Professional Engineer, 0402037947
Representative of Ross Technical Services, Inc.

cc: Krista Bourgon Abele, Utilities Fund Manager, Department of Environmental Services
David Walmsley, Technical Services Manager, ACWPCB

This page has been intentionally left blank.



FEDERALLY ASSISTED PROGRAMS

Information on Federally Assisted Programs is presented for purposes of additional analysis and is required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. This regulation provides audit requirements for state, local government, and non-profit organizations that receive federal awards.

Contained in this section are the following:

- Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters
- Independent Auditors' Report on Compliance for each Major Federal Program, Report on Internal Control over Compliance, and Report on the Schedule of Expenditures of Federal Awards required by the Uniform Guidance
- The Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- Schedule of Findings and questioned costs

This page has been intentionally left blank.

**Report of Independent Auditor on Internal Control over Financial Reporting and on
Compliance with Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

To the Honorable Members of the County Board
Arlington County, Virginia

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 30, 2018. Our report includes a reference to other auditors who audited the financial statements of the Gates Partnership, a discretely presented component unit of the County. The financial statements of the Gates Partnership were not audited in accordance with *Government Auditing Standards*. Our report also recognizes that the County implemented a new accounting standard effective July 1, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

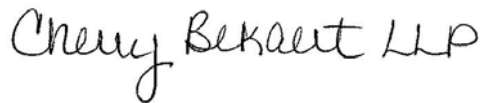
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink that reads "Cheryl Bekant LLP". The signature is written in a cursive, flowing style.

Tyson's Corner, Virginia
October 30, 2018

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Honorable Members of the County Board
Arlington County, Virginia

Report on Compliance for Each Major Federal Program

We have audited Arlington County, Virginia's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2018. 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. The County's basic financial statements include the operations of the Gates Partnership, which is not included in the schedule for the year ended June 30, 2018. Our audit, described below, did not include the operations of Gates Partnership, which is audited by other auditors.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

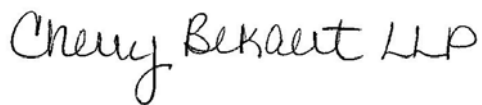
Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Cherry Bekaert LLP".

Tysons Corner, Virginia
October 30, 2018

**ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Granting Agency / Pass-Through Entity / Program / Cluster	CFDA Number	Cluster Name	Pass-Through Entity Identifying Number	2018 Federal Expenditures	Passed-Through to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE					
Passed Through the Commonwealth of Virginia:					
Department of Education:					
National School Breakfast Program	10.553	Child Nutrition Cluster (1)		\$ 1,193,363	\$ -
National School Lunch Program	10.555	Child Nutrition Cluster (1)		4,492,431	3,806
Child and Adult Care Food Program	10.558		19CSA.C123	16,611	-
Department of Agriculture and Consumer Services:					
Special Supplemental Nutrition Program for Women, Infant, and Children	10.557		16161VA707W5003, 181VA707W1003	669,418	-
State Administrative Matching Grants for Supplemental Nutrition Assistance Program (SNAP)	10.561	SNAP Cluster (2)		2,900,428	-
Office for Aging Services:					
Nutrition Services Incentive Program	10.570			89,066	-
Total Passed Through the Commonwealth of Virginia:				\$ 9,361,317	\$ 3,806
Passed Through the National Fish & Wildlife Foundation:					
National Fish and Wildlife Foundation	10.683		16CA11132422213	29,905	29,905
Total Passed Through the National Fish & Wildlife Foundation				\$ 29,905	\$ 29,905
TOTAL U.S. DEPARTMENT OF AGRICULTURE				\$ 9,391,222	\$ 33,711
(1) Total Child Nutrition Cluster (CFDA #10.553, #10.555)				\$ 5,685,794	
(2) Total SNAP Cluster (CFDA #10.561)				\$ 2,900,428	
U.S. DEPARTMENT OF COMMERCE					
Direct Awards:					
Chesapeake Bay Studies	11.457			\$ 54,348	\$ -
Total Direct Awards				\$ 54,348	\$ -
TOTAL U.S. DEPARTMENT OF COMMERCE				\$ 54,348	\$ -
U.S. DEPARTMENT OF DEFENSE					
Direct Awards:					
Junior Reserve Officer Training	12.000		VA070821	\$ 123,199	\$ -
Language Grant Program	12.900		H98230-17-1-0112	72,179	-
Total Direct Awards				\$ 195,378	\$ -
TOTAL U.S. DEPARTMENT OF DEFENSE				\$ 195,378	\$ -
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Direct Awards:					
Community Development Block Grants (CDBG) - Entitlement Grants	14.218	CDBG - Entitlement Grants Cluster (3)	B17UC510002, B16UC510002, B14UC510002	\$ 1,553,852	\$ 1,224,788
Shelter Plus Care	14.238		VA0162L3G001607	268,046	-
Home Investment Partnerships Program	14.239		M17UC510500, M16UC510500	123,685	23,724
Housing Opportunities for Persons with AIDS	14.241		DCH17-F001	96,019	-
Continuum of Care Program	14.267		VA0320L3G001600	63,896	-

Federal Granting Agency / Pass-Through Entity / Program / Cluster	CFDA Number	Cluster Name	Pass-Through Entity Identifying Number	2018 Federal Expenditures	Passed-Through to Subrecipients
Section 8 Housing Choice Vouchers	14.871	Housing Voucher Cluster (4)		18,667,594	-
Total Direct Awards				\$ 20,773,092	\$ 1,248,512
DEVELOPMENT				\$ 20,773,092	\$ 1,248,512
(3) Total CDBG - Entitlement Cluster (CFDA #14.218)				\$ 1,553,852	
(4) Total Housing Voucher Cluster (CFDA #14.871)				\$ 18,667,594	

U.S. DEPARTMENT OF THE INTERIOR

Passed Through the National Fish & Wildlife Foundation:

National Fish and Wildlife Foundation	15.663		F16AP00398	\$ 30,000	\$ 30,000
Total Passed Through the National Fish & Wildlife Foundation				\$ 30,000	\$ 30,000
TOTAL U.S. DEPARTMENT OF THE INTERIOR				\$ 30,000	\$ 30,000

U.S. DEPARTMENT OF JUSTICE

Direct Awards:

High Intensity Drug Trafficking Area Program	16.000		G18WB0004A, I-2018ARLPD	\$ 281,393	\$ -
Joint Terrorism Task Force	16.001			6,352	-
Metropolitan Area Fraud Task Force	16.002			6,147	-
Electronic Crimes Task Force	16.003			3,935	-
Justice Systems Response to Families	16.021		2017-FJ-AX-0016	28,174	-
Public Safety Partnership and Community Policing Grants	16.710		COPS 2013 #2013ULWX0044	9,370	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738		2015-DJ-BX-0889, 2014-DJ-BX-0572	37,617	-
Equitable Sharing Program	16.922			276,230	-
Total Direct Awards				\$ 649,218	\$ -

Passed Through the Commonwealth of Virginia: Department of Criminal Justice Services:

Crime Victim Assistance	16.575		18-T3031VW16	183,546.00	-
Total Passed Through the Commonwealth of Virginia				\$ 183,546	\$ -
TOTAL U.S. DEPARTMENT OF JUSTICE				\$ 832,764	\$ -

U.S. DEPARTMENT OF LABOR

Passed Through the Commonwealth of Virginia: Virginia Community College System:

Employment Service/Wagner-Peyser Funded Activities	17.207	Employment Services Cluster (5)	DOLJ131A22067	\$ 15,710	\$ 2,851
Workforce Innovation and Opportunity Act (WIOA) Adult Program	17.258	WIOA Cluster (6)	AA-30941-17-55-A-51, AA-28347-16-55-A-51	306,217	110,644
WIOA Youth Activities	17.259	WIOA Cluster (6)	AA-30941-17-55-A-51	171,927	59,862
WIOA Dislocated Worker Formula Grants	17.278	WIOA Cluster (6)	AA-30941-17-55-A-51, AA-28347-16-55-A-51	237,061	111,206
Total Passed Through the Commonwealth of Virginia				\$ 730,915	\$ 284,563
TOTAL U.S. DEPARTMENT OF LABOR				\$ 730,915	\$ 284,563

(5) Total Employment Services Cluster (CFDA #17.207)
(6) Total WIOA Cluster (CFDA #17.258, #17.259, #17.278)

\$ 15,710
\$ 715,205

U.S. DEPARTMENT OF TRANSPORTATION

Direct Award:

Federal Granting Agency / Pass-Through Entity / Program / Cluster	CFDA Number	Cluster Name	Pass-Through Entity Identifying Number	2018 Federal Expenditures	Passed-Through to Subrecipients
Highway Research and Development Program	20.200		DTFH6116H00003	\$ 176,830	\$ -
Federal Transit - Capital Investment Grants	20.500	Federal Transit Cluster (8)	VA-04-0021-01, VA-04-0028-01	402,271	402,271
Federal Transit - Formula Grants	20.507	Federal Transit Cluster (8)	VA-95-X062	74,708	74,708
Total Direct Awards				\$ 653,809	\$ 476,979
Passed Through the Commonwealth of Virginia:					
Department of Rail and Public Transportation:					
Highway Planning and Construction	20.205	Highway Planning and Construction Cluster (7)	47018-01	4,000,004	-
Department of Transportation:					
Highway Planning and Construction	20.205	Highway Planning and Construction Cluster (7)	Application #766 & #819, 70625, 94213, 95636/T8596, 96750, 96751, 99179, 100634, 100640, 101689, 103595, 106144, 106473, 106496, 107662	4,690,796	4,616,981
Department of Motor Vehicle Administration:					
State and Community Highway Safety	20.600	Highway Safety Cluster (9)	FSC-2018-58154-8154, FPS-2018-58157-8157, FOP-2018-58158-8158, PS-2017-57261-6910, SC-2017-57121-6770	31,001	-
Natioanl Priority Safety Programs	20.616	Highway Safety Cluster (9)	M2HVE-2017-57122-6771, FDL*AL-2018-58427-8429	14,991	-
Alcohol Open Container Requirements	20.607		154AL-2018-58153-8153, 154AL-2017-57076-6725	15,866	-
Total Passed Through the Commonwealth of Virginia				\$ 8,752,658	\$ 4,616,981
Passed Through the Washington Metro Area Transit Authority:					
Federal Transit - Capital Investment Grants	20.500	Federal Transit Cluster (8)	DC-03-0039	34,197	34,197
Total Passed Through the Washington Metro Area Transit Authority:				\$ 34,197	\$ 34,197.00
TOTAL U.S. DEPARTMENT OF TRANSPORTATION				\$ 9,440,664	\$ 5,128,157
(7) Total Highway Planning and Construction Cluster (CFDA #20.205)				\$ 8,690,800	
(8) Total Federal Transit Cluster (CFDA #20.500, #20.507)				\$ 511,176	
(9) Total Highway Safety Cluster (CFDA #20.616, #20.600)				\$ 45,992	
U.S. DEPARTMENT OF THE TREASURY					
Direct Awards:					
Equitable Sharing	21.016			\$ 8,254	\$ -
Total Direct Awards				\$ 8,254	\$ -
TOTAL U.S. DEPARTMENT OF THE TREASURY				\$ 8,254	\$ -
NATIONAL ENDOWMENT FOR THE ARTS					
Direct Awards:					
Promotion of the Arts Grants to Organizations and Individuals	45.024		17-6200-7022	\$ 25,000	\$ -
Total Direct Awards				\$ 25,000	\$ -
TOTAL NATIONAL ENDOWMENT FOR THE ARTS				\$ 25,000	\$ -
U.S. ENVIRONMENTAL PROTECTION AGENCY					
Passed Through the Commonwealth of Virginia:					
Department of Environmental Quality:					
Congressionally Mandated Programs	66.202		XP-973615-01	\$ 145,594	\$ 145,594

Federal Granting Agency / Pass-Through Entity / Program / Cluster	CFDA Number	Cluster Name	Pass-Through Entity Identifying Number	2018 Federal Expenditures	Passed-Through to Subrecipients
Total Passed Through the Commonwealth of Virginia				\$ 145,594	\$ 145,594
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY				\$ 145,594	\$ 145,594
U.S. DEPARTMENT OF EDUCATION					
Passed Through the Commonwealth of Virginia:					
Department of Behavioral Health and Developmental Services:					
Special Education - Grants for Infants and Families	84.181		H181A170017	\$ 367,956	\$ -
Department of Education:					
Title I Grants to Local Educational Agencies	84.010		S010A160046, S010A170046	2,293,922	-
Special Education Grants to States	84.027	Special Education Cluster (IDEA) (10)	H027A150107, H027A160107, H027A170107	5,146,452	-
Career and Technical Education - Basic Grants to States	84.048		V048A170046	217,172	-
Special Education Preschool Grants	84.173	Special Education Cluster (IDEA) (10)	H173A160112	112,959	-
Education for Homeless Children and Youth	84.196		S196A170048	29,889	-
Twenty-First Century Community Learning Centers	84.287		S287C170047	29,148	-
English Language Acquisition State Grants	84.365		S365A150046, S365B150046, S365A160046, S365A170046	861,177	-
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367		S367A150044, S367A160044, S367A170044	596,318	-
Total Passed Through the Commonwealth of Virginia				\$ 9,654,993	\$ -
Passed Through the County of Fairfax, Virginia:					
Fairfax County Public Schools:					
Adult Education - Basic Grants to States	84.002		AEFLA-42801-029-1718-ReA, IELCE-61380-007-1718, IELCE-61380-007-1718-ReA	409,729	-
Total Passed Through the County of Fairfax, Virginia				\$ 409,729	\$ -
TOTAL U.S. DEPARTMENT OF EDUCATION				\$ 10,064,722	\$ -
(10) Total Special Education Cluster (IDEA) (CFDA #84.027, #84.173)				\$ 5,259,411	

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Passed Through the Commonwealth of Virginia:

Department for the Aging:

Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041			1,943	-
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043			2,233	-
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Care	93.044	Aging Cluster (12)		274,121	-
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	Aging Cluster (12)		231,323	-
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048			3,442	-
National Family Caregiver Support, Title III, Part E	93.052			90,845	-
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779			61,852	-

Department of Social Services:

Promoting Safe Stable Families	93.556			72,708	-
Temporary Assistance for Needy Families (TANF)	93.558	TANF Cluster (13)	CVS-18-210-03	1,166,488	70,550
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566			18,006	-
Low-Income Home Energy Assistance	93.568			123,233	-

Federal Granting Agency / Pass-Through Entity / Program / Cluster	CFDA Number	Cluster Name	Pass-Through Entity Identifying Number	2018 Federal Expenditures	Passed-Through to Subrecipients
Community Service Block Grant	93.569	Community Service Block Grant Cluster (11)	CVS-18-210-03, CVS-17-001-03, CVS-16-001-03	162,865	159,380
Child Care Mandatory and Matching Funds of the Child Care Development Fund (CCDF)	93.596	CCDF Cluster (14)		171,200	-
Chafee Education and Training Vouchers Program	93.599			5,155	-
Adoption and Legal Guardianship Incentive Payments	93.603			6,868	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645			2,975	-
Foster Care Title IV-E	93.658			1,471,637	-
Adoption Assistance	93.659			781,123	-
Social Services Block Grant	93.667			892,768	-
Chafee Foster Care Independence Program	93.674			20,717	-
Children's Health Insurance Program	93.767			109,051	-
Medical Assistance Program	93.778	Medicaid Cluster (15)		3,634,537	-
Department of Health Services:					
Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements	93.074		1NU90TP921886-01-00	92,951	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		U52PS004675-03	43,000	-
Family Planning Services	93.217		5FPHPA036250-02-00	134,922	-
Immunization Cooperative Agreement	93.268		5NH23IP000763-05-00	5,567	-
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539		5NH23IP000763-05-00	69,446	-
Maternal and Child Health Services Block Grant to the States	93.994		6B04MC30648-01-04	90,843	-
Department of Behavioral Health and Developmental Services:					
Projects for Assistance in Transition from Homelessness	93.150			70,294	-
Block Grants for Community Mental Health Services	93.958			547,617	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959			593,031	-
Health Administration Traineeships Program	93.962			166,907	-
Total Passed Through the Commonwealth of Virginia				\$ 11,119,668	\$ 229,930
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				\$ 11,119,668	\$ 229,930
<i>(11) Total Community Service Block Grant Cluster (CFDA #93.569)</i>				<i>\$ 162,865</i>	
<i>(12) Total Aging Cluster (CFDA #93.044, #93.045)</i>				<i>\$ 594,510</i>	
<i>(13) Total TANF Cluster (CFDA #93.558)</i>				<i>\$ 1,166,488</i>	
<i>(14) Total CCDF Cluster (CFDA #93.596)</i>				<i>\$ 171,200</i>	
<i>(15) Total Medicaid Cluster (CFDA #93.778)</i>				<i>\$ 3,634,537</i>	

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

Direct Awards:					
Americorps	94.006		CVS-14-031-02	\$ 8,465	\$ -
Total Direct Awards				\$ 8,465	\$ -
SERVICE				\$ 8,465	\$ -

U.S. DEPARTMENT OF HOMELAND SECURITY

Direct Awards:					
Preparing for Emerging Threats and Hazards	97.133		EMW-2016-GR-00231	204,334	204,334
Total Direct Awards				\$ 204,334	\$ 204,334

Passed Through the Commonwealth of Virginia:

Federal Granting Agency / Pass-Through Entity / Program / Cluster	CFDA Number	Cluster Name	Pass-Through Entity Identifying Number	2018 Federal Expenditures	Passed-Through to Subrecipients
Department of Emergency Management:					
Emergency Management Performance Grants	97.042		LEMPG 2017	56,017	56,017
Department of Fire Programs:					
Homeland Security Grant Program (15)	97.067		EMW-2016-SS-00030	105,240.00	-
Total Passed Through the Commonwealth of Virginia				\$ 161,257	\$ 56,017
Passed Through the Government of the District of Columbia:					
Homeland Security and Emergency Management Agency:					
Homeland Security Grant Program (15)	97.067		17UASI879-01, 17UASI879-02, 17UASI879-03, 17UASI879-04, 16UASI527-01, 16UASI879-01, 16UASI879-02, 16UASI879-03, 16UASI879-04	508,904	508,904
Total Passed Through the Government of the District of Columbia				\$ 508,904	\$ 508,904
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY				\$ 874,495	\$ 769,255
<i>(16) Total Homeland Security Grant Program (CFDA #97.067) funded by multiple agencies.</i>				<i>\$ 614,144</i>	<i>\$ 508,904</i>
TOTAL FEDERAL ASSISTED PROGRAMS				\$ 63,694,582	\$ 7,869,723

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1: BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards (SEFA) is presented on the modified accrual basis of accounting in all material respects and includes all expenditures of federal awards administered by the County and its component units. The County's reporting entity is defined in Note 1, Part I of the County's basic financial statements. 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 presented in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, otherwise known as the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from the amounts present in, or used in the preparation of, the basic financial statements.

NOTE 2: FEDERAL COGNIZANT AGENCY

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

NOTE 3: INDIRECT COSTS

The County did not elect to use the 10% de minimus cost rate.

NOTE 4: NON-CASH

The Commonwealth of Virginia funds the program vouchers distributed directly to eligible citizens in the following programs: Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA #10.557), Supplemental Nutrition Assistance Program (CFDA #10.561), Temporary Assistance for Needy Families (CFDA #93.558), and Medicaid (CFDA #93.778). The value of these vouchers are not included on the County's SEFA. Only the County's administrative expenditures are included in the SEFA.

The U.S. Department of Agriculture runs a program to provide donated food and assigns values for all donated food. For the National School Lunch Program (CFDA #10.555), the County received \$558,162 for the fiscal year ended June 30, 2018, which is included in the total expenditures in the Schedule under this program.

**Arlington County, Virginia
Schedule of Findings and Questioned Costs
June 30, 2018**

A. Summary of Auditor's Results

1. The type of report issued on the basic financial statements: **Unmodified opinion**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements: **None reported**
3. Material weaknesses in internal control disclosed by the audit of financial statements: **None**
4. Noncompliance, which is material to the financial statements: **None**
5. Significant deficiencies in internal control over major programs: **None reported**
6. Material weaknesses in internal control over major programs: **None**
7. The type of report issued on compliance for major programs: **Unmodified opinion**
8. Any audit findings which are required to be reported under the Uniform Guidance: **No**
9. The programs tested as major programs were:

<u>CFDA Number</u>	<u>Name of Federal Program and Cluster</u>
10.561	State Administrative Matching Grants for Supplemental Nutrition Assistance Program (SNAP)
14.871	Section 8 Housing Choice Vouchers
84.027, 84.173	Special Education Cluster

10. Dollar threshold used to distinguish between type A and type B programs: **\$1,910,837**
11. Arlington County qualifies as a low-risk auditee under Section 530 of Uniform Guidance

B. Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*:

None reported

C. Findings and Questioned Costs Relating to Federal Awards:

None reported

D. Status of Prior Year Findings

None noted

Arlington County 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



Department of Management and Finance
2100 Clarendon Boulevard
Suite 501
Arlington, VA 22201
703.228.3415
www.arlingtonva.us