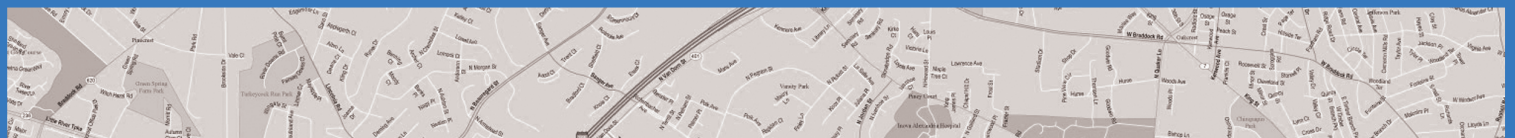




Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017



ARLINGTON COUNTY, VIRGINIA

Comprehensive Annual Financial Report

FISCAL YEAR 2017

(July 1, 2016 - June 30, 2017)



DEPARTMENT OF MANAGEMENT AND FINANCE

**Stephen J. Agostini, Director
Bhavana Nichani, Comptroller**

The FY 2017 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 ***

ARLINGTON COUNTY, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2017

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INTRODUCTORY SECTION

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

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DEPARTMENT OF MANAGEMENT AND FINANCE

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October 31, 2017

To the Honorable Chairman, Members of the County Board and Citizens 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, 2017. 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 Division 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 Generally Accepted Accounting Principles (“GAAP”) and audited in accordance with generally accepted auditing standards 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 CliftonLarsonAllen 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, 2017, 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 Arlington County financial statements for the fiscal year ended June 30, 2017, are fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

Management’s Discussion and Analysis (“MD&A”) immediately follows the independent auditor’s report 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.

The independent audit of the financial statements of the County was part of a broader, federally mandated “Single Audit,” also known as OMB A-133 audit, designed to meet the requirements of federal grantor agencies. The audit is 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 auditing standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also to perform the audit to obtain reasonable assurance on the audited government’s internal controls with special emphasis on internal controls over compliance, contractual and legal requirements involving the administration of federal awards. The audited reports are 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 the geographically smallest self-governing county in the United States, occupying slightly less than 26 square miles. Arlington maintains a rich variety of stable neighborhoods, quality schools and 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.B in the notes to the financial statements.

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

Because of its unique unitary structure, the County provides a full range of local government services often associated with both cities and counties. These services include public safety (police and fire protection), judicial (courts, prosecuting offices and detention center), water and sewer, health, welfare and social services, public improvements, streets and highways, planning and zoning, community planning and development, libraries, parks and recreation, education and general administrative services. With respect to streets and highways, the County is one of only a few of the ninety-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. Under Virginia law, the County Board must adopt a School Board budget for the following fiscal year no later than May 1 of the current fiscal year.

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 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, 2017 was \$73.4 billion. The County government's adopted budget for all funds for Fiscal Year 2017 totaled \$1,561.0 million, which included \$581.9 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 49% commercial and 51% residential properties, enabling the County to maintain a competitive property tax rate in the Washington D.C. region. In CY 2017, the tax rate (the base rate plus the county wide sanitary district tax rate) increased from CY 2016 at \$0.991 per \$100 of assessed value to \$1.006 per \$100 of assessed value. In the aggregate, CY 2017 real estate assessments increased 3.0% over CY 2016 levels, reflecting modest growth in the residential and commercial properties, with a slight increase in value. Excluding apartments, CY 2017 existing commercial assessments were up slightly (2.1%) compared to CY 2016, due to strength in the hotel market. An additional .9% of growth came from new construction. Apartment assessments grew 4.1% with 2.4% of that growth attributable to new construction. The residential property assessment base increased 2.5% in the aggregate. Detached home and townhome assessments gained 3.0%, while condominiums saw slightly less growth at 1.0%. The average single-family home value in Arlington continued to increase – gaining 2.3% in 2017 – increasing from \$603,500 in CY 2016 to \$617,200 in CY 2017.

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 650 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 89.2% of Arlington's over 11,000 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 5,300 new residential units have been delivered in the past three years and approximately 2,000 remain under construction. In the 2nd quarter of 2017, the County's office vacancy rate was 17.8% and 18.0% for the third quarter. The residential unemployment rate is very low, averaging 2.6% for FY 2017, below regional, state, and national averages. Arlington's per capita income and property wealth indicators are among the highest in the nation.

In May 2017, 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 triple AAA/Aaa/AAA rating validates that Arlington's financial position is strong, with ample liquidity, sound General Fund reserves, a competitive tax structure, and excellent financial planning. The continued growth of high wage jobs in the technology, research and financial services sectors, high per-capita retail sales and strong operating reserves serve to establish Arlington County, as of June 30, 2017, as only one of 45 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

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

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 2018 represents a compromise and a consensus of the Board, and reflects the values of Arlington's community – protecting the health and safety of our residents as well as providing quality public education, a safety net for those in need, affordable housing, and environmental sustainability. The County government's adopted budget for all funds for FY 2018 increased 4.4% of which the General Fund increased 4.3% and Schools increased 5.6% from the FY 2017 Adopted Budget. The FY 2018 adopted General Fund budget includes a modest one and a half cent real estate increase on the property tax rate needed to fund the extraordinary needs of Metro and Arlington Public Schools. The FY 2018 adopted General Fund budget includes select budget reductions and reallocations to mitigate the real estate tax rate increase. The tax rate increase is 100 percent dedicated to Metro and Schools reflecting that the FY 2018 adopted budget fully funded the continuing service demand increases within the existing tax rate. The average Arlington homeowner will still see their property taxes increase roughly \$277, reflecting the higher tax rate and rising property assessments of 2.3%. 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 capital income remains among the highest in the state. Home prices continue on a positive trajectory and CY 2017 saw growth in the commercial real estate sector. Arlington's strong employment and solid real estate market are the foundation for steady incremental growth in the County's major revenue streams.

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 Board approved a CY 2017 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 commercial sector, relative to homeowners, especially compared to neighboring jurisdictions. This is the fiscal benefit of "smart growth". The FY 2018 budget includes no increases to the tax rates of personal property, business tangible property, or business and professional occupational licenses.

Metro

Metro is key to Arlington's commercial corridors and our economic development strategies. The FY 2018 Adopted Budget includes a substantial \$14 million increase in funding for Metro. Including local sources and Arlington's share of state transit aid, this brings Arlington's total operating support for Metro to \$71 million annually.

Education

Like most local governments, Arlington's largest single expenditure is for schools. 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 2018, funding for Schools will increase \$23.3 million to \$490.3 million in ongoing and one-time funding, which includes the portion of the tax rate increase approved by the County Board. The County is proud of the continuing accomplishments of its students and schools with the many notable achievements by Arlington Public Schools (APS).

- In 2017, 93.0% of all APS students and 97% of students in the comprehensive high schools graduated on time.
- Since 2009, the dropout rate has declined by 52%.
- 94% of all APS graduates attend a 2- or 4-year college, and received over \$32 million in scholarships.

- Since 2015, all 32 APS schools have been fully accredited by the Virginia Department of Education according to state and federal accountability ratings.
- APS received the prestigious Medallion of Excellence Award from the U.S. Senate Productivity and Quality Awards for Virginia and the District of Columbia, the first Virginia school division to receive it in more than a decade.
- The 2017 Washington Post Challenge Index listed all APS high schools in the Top 100 high schools in the metropolitan area. This is the ninth year in a row all APS high schools made the list.
- Niche.com named APS the #1 school district in Virginia and #58 among all school districts in the nation on their 2018 rankings of top schools and school divisions.

Arlington's commitment to schools 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, half the cost of Prince William County Public Schools, for example, is paid by the state, while Arlington pays around 80 percent of the cost of educating our students.

Public Safety and Court Services

Critical to Arlington's success is the safe and secure community our residents and visitors enjoy. The FY 2018 Adopted Budget increased funding for public safety, adding seven new Sheriffs, three more Emergency Communications Center call takers and three police patrol officers. The FY 2018 Adopted Budget also funded two large recruit classes for the Fire Department to meet current needs and projected attrition.

Columbia Pike and Lee Highway

The FY 2018 Adopted Budget increases funding into Columbia Pike revitalization and Lee Highway planning, noting the importance of these two corridors that lie outside the County's Metro corridors. The adopted budget includes \$200,000 in new funding for the Columbia Pike Revitalization Organization (CPRO) non-profit, which partners with the County to spearhead revitalization along the Pike. The new funding brings Arlington's total support for the CPRO to \$400,000 for FY 2018. The adopted budget also includes \$150,000 for a County retail and marketing study to identify strategies for stimulating economic development along the Pike. The County Board allocated \$60,500 for the non-profit Lee Highway Alliance, a grassroots partner with Arlington in long-term planning efforts along Lee Highway.

Funding Land Acquisition, Road Paving and Infrastructure Maintenance

The FY 2018 Adopted Budget includes \$4 million for land acquisition and a \$0.540 million increase in funding for road paving with Pay-As-You-Go funds, and a total paving program of \$14.5 million including GO Bond funds. The adopted budget also funded \$3.5 million for county facility maintenance and synthetic turf fields. Arlington will significantly improve its streetlight program in FY 2018 adding three positions, equipment and supplies to improve repair time for streetlights across Arlington.

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 2018 Adopted Budget continues that commitment with \$1.3 million increased funding of the Affordable Housing Investment Fund (AHIF) bringing the total AHIF funding to just over \$15 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. Management can transfer funds within a department's 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 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 the Arlington County Public Schools. 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 19, 2016, the Arlington County Board adopted a Capital Improvement Plan (CIP) for fiscal years 2017 to 2026, totaling \$3.3 billion for the County and Arlington Public Schools. Highlights include:

- Fully funding Arlington Public Schools' \$510.29 million Capital Improvement Plan, which includes the building of new schools and expanding existing ones to address growing school enrollment.
- Improving roads, countywide bus service and trails.
- Building a scaled-down Long Bridge Park Aquatics Center and finishing its surrounding 10 acres of parkland.
- Re-building fire stations No. 8 and 10.
- Continued investment in neighborhood conservation projects.
- Creating a new online payment portal and replacing the County's tax assessment and collection system with more advanced technology.
- Buying more public land and funding costs of acquisition of the Buck property on North Quincy Street.

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 triple-Aaa bond ratings. The updates to the County policies included expanding the Economic & Revenue Stabilization Contingent to include budget events, as well as increasing the contingent to \$4 million. The policies also confirm the County's debt affordability ratios, including, variable rate debt. Finally, new policies were adopted regarding Ballston Garage and Ballston 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 should not exceed three percent within the ten-year projection.
- The ratio of net tax-supported debt to 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.

Other Post-Employment Benefits (OPEB)

In addition to the pension benefits described in footnote 16, the County provides post-employment health care benefits to all permanent employees who meet the requirements under the County's or the State's pension plans. Eligibility is contingent upon the retiree being eligible for one of the County's current health plans at the time of retirement. The County Board considers and approves these benefits annually as part of the Adopted Budget process. As of July 1, 2016, there were 1,681 retiree participants in the OPEB plan. Funding for these OPEB benefits was made through a combination of pay-as-you-go contribution from the County's General Fund and additional pre-funding contribution

into the OPEB Trust. In June 2015, the Government Accounting Standards Board (GASB) issued Statement Number 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. 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. The financial reporting impact resulting from the implementation of GASB 75 included a restatement of FY 2016 net position from \$1,865,203,303 to \$1,701,706,126 for the County and from \$269,316,799 to \$193,649,567 for Schools.

In an actuarial analysis dated June 30, 2017, the County's actuary estimated a total OPEB liability of \$305.4 million (for the Fiscal Year ending June 30, 2017) with an Actuarially Determined Contribution (ADC) of \$17.8 million and net OPEB liability of \$190.4 million. The County contributed \$19.5 million for FY 2017.

In an actuarial analysis dated June 30, 2017, the Schools' actuary estimated a total OPEB liability of \$176.4 million (for Fiscal Year ending June 30, 2017) with an ADC of \$9.4 million and a net OPEB liability of \$125 million. The Schools' contributed \$8.8 million for FY 2017. Both the County and Schools will receive annual actuarial updates and continue to monitor health care costs and consider additional plan design changes if necessary.

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 depository, 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 Arlington County, Virginia for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. This was the 31st 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), Generally Accepted Accounting Principles (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 Arlington County, Virginia for its FY 2018 budget. This award is the highest form of recognition in governmental budgeting.

The School Board's Adopted FY 2018 Budget received the Government Finance Officers Association Distinguished Budget Presentation Award for the thirteenth year in a row as well as the Association for School Business Officials International Meritorious Budget Award for the seventh 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 Governmental Accounting Standards Board, and the Government Finance Officers Association of the United States and Canada to improve accounting and financial reporting standards. The implementation of standards provides, in the County's opinion, a sound framework for a truly "comprehensive" annual financial report. The preparation of this Comprehensive Annual Financial Report was made possible by the efficient and dedicated services of the staff of the Department of Management and Finance. In addition, this report could not have been completed without the active participation of the Treasurer's Office, the Office of the Assistant Superintendent of Finance in the Arlington Public Schools, the County Attorney's Office, the Commissioner of Revenue's Office, and the staff of the County's Retirement Office.

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

Respectfully submitted,



Stephen J. Agostini, Director
Department of Management and Finance



Bhavana Nichani, Comptroller
Department of Management and Finance



Government Finance Officers Association

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

Presented to

**Arlington County
Virginia**

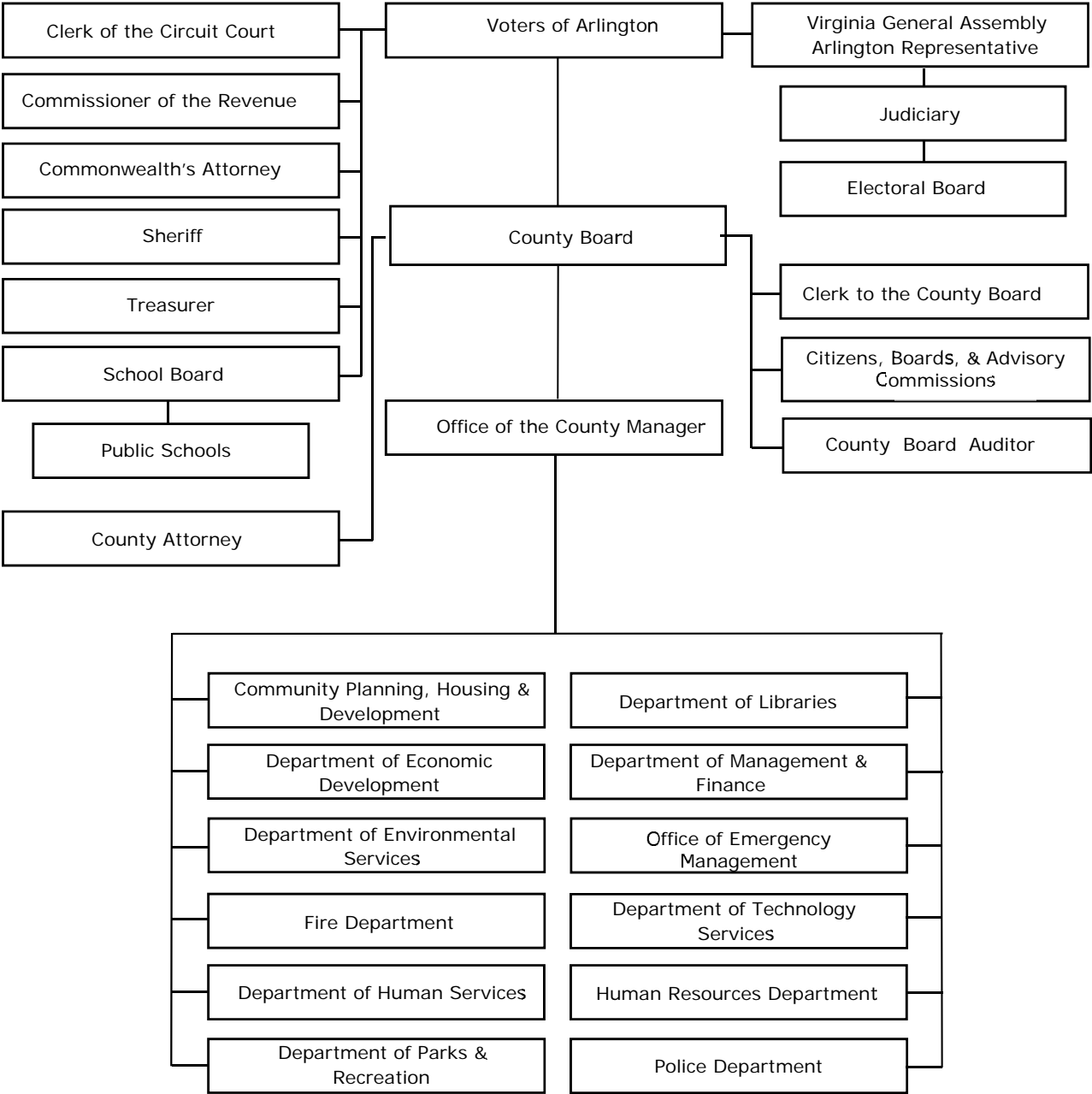
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

A handwritten signature in black ink, reading "Jeffrey R. Emswiler". The signature is written in a cursive, flowing style.

Executive Director/CEO

ORGANIZATION OF ARLINGTON COUNTY GOVERNMENT



**ARLINGTON COUNTY, VIRGINIA
DIRECTORY OF OFFICIALS
June 30, 2017**

COUNTY BOARD

Jay Fisette, Chair

Katie Cristol, Vice Chairman

Christian Dorsey

John Vihstadt

Libby Garvey

COUNTY SCHOOL BOARD

Dr. Barbara Kanninen, Chair

Reid Goldstein, Vice Chair

James S. Lander

Tannia Talento

Nancy Van Doren

FINANCE BOARD

Jay Fisette, 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
Assistant County Manager
Deputy County Manager
Deputy County Manager
Deputy County Manager
County Attorney
Clerk to the County Board
County Auditor
Acting 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 Office of Emergency Management

Mark J. Schwartz
Samia Byrd
Michelle G. Cowan
Carol Mitten
James H. Schwartz
Stephen MacIsaac
Hope Halleck
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
Jack Brown

Administrative - County School Board

Superintendent of Schools
Clerk of the School Board
Deputy Clerk of the School Board
Internal Auditor Director
Interim Assistant Superintendent, Human Resources
Assistant Superintendent, Finance & Management Services
Assistant Superintendent, Information Services
Assistant Superintendent, Instruction
Assistant Superintendent, Student Services
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
Dr. Brenda Wilks
Cintia Johnson
Linda M. Erdos
John Chadwick



FINANCIAL SECTION

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

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Independent Auditor's Report

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

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

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INDEPENDENT AUDITORS' REPORT

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, 2017, 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.

Auditors' 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 8 percent, 9 percent, and 0 percent, respectively, of the assets, net position, and revenues of the 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 the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 auditor, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the pension information, and OPEB information, as noted on 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 Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with 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.

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 supplementary information, as noted in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying schedule of expenditures of federal awards, as noted in the Federally Assisted Programs section of the table of contents, 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 not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and schedules and the budgetary comparison of the General Fund and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 by us and the other auditors. In our opinion, based on our audit, the

procedures performed as described above, and the report of the other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Arlington County, Virginia as of and for the year ended June 30, 2016 (not presented herein), and have issued our report thereon dated November 3, 2016, which contained unmodified opinions on the respective 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. The 2016 comparative totals or summarized comparative totals included in the other supplemental schedules, such as the combining and individual non-major fund financial statements, general fund financial statements and budgetary comparison statements for the year ended June 30, 2017 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2016 financial statements. The other supplemental schedules containing comparative totals or summarized comparative totals have been subjected to the auditing procedures applied in the audit of the 2016 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those 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 supplemental schedules containing comparative totals or summarized comparative totals is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2016.

The introductory section and statistical tables, as noted in the table of contents, 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.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

CliftonLarsonAllen LLP

Arlington, Virginia
October 31, 2017

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Management's Discussion and Analysis

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Arlington County, Virginia ("the County"), we offer readers of the County's annual financial statements this overview and analysis of the financial activities of the County and its component units, Arlington Public Schools ("Schools"), and Gates Partnership for the fiscal year ended June 30, 2017.

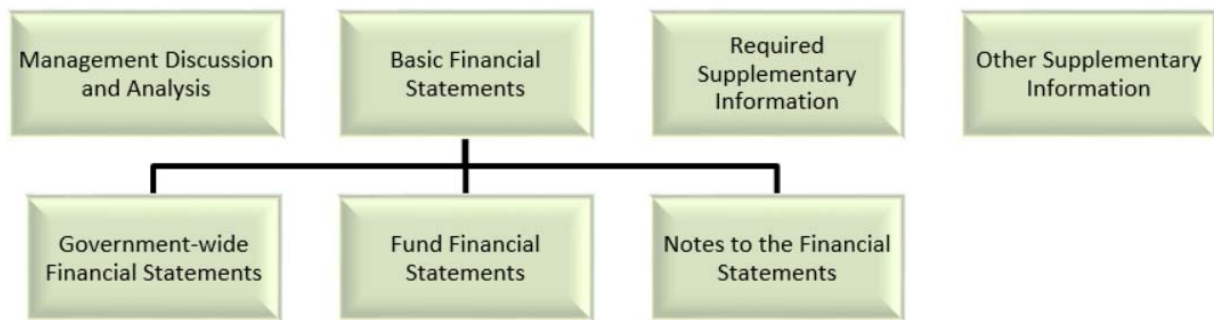
This report is intended to provide accountability and insight into the County's financials in alignment with operational performance, in light of economic factors and overall goals and objectives adopted by the County Board. We encourage readers to consider the information presented here in conjunction 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 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 was to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). 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. GASB 75 resulted in a restatement of FY 2016 net position from \$1,865.2 million to \$1,701.7 million for the County and from \$269.3 million to \$193.6 million for Schools, respectively. Additional disclosures are included in Note 17 and the RSI section following the notes to the financial statements.
- The Total Reporting Entity, which includes component units (Schools and Gates Partnership), continues to have a positive net position of \$2,012.8 million at June 30, 2017, an increase of \$90.8 million from FY 2016. This is primarily a result of an increase in school’s assets and offset partly by the increase in OPEB liability as a result of the impact of the GASB 75 implementation. The implementation of GASB 75 reduced beginning net position for the Total Reporting Entity by \$239.2 million.
- The County and School’s net investment in capital assets that are not available to liquidate represents 79.3% of net position of the total reporting entity. Additionally, 15.4% of the net position represents resources that are subject to external restrictions imposed by law, such as grants.
- Revenue for the Total Reporting Entity was \$2,206.7 million, comprised of 65.0% generated from governmental activities, 5.9% generated from business type activities and 29.1% of component unit revenues. The Primary Government’s total revenue was \$1,563.9 million, of which general revenue was \$1,228.1 million, program revenue from governmental activities was \$205.1 million and revenue from business type activities was \$130.7 million. The Component Unit revenue was \$642.8 million, of which 98.8% represents revenue generated by schools. Primary Government’s general revenue from governmental activities was 55.7% of the revenue for the Total Reporting Entity.
- The Primary Government’s revenue exceeded expenses by \$33.6 million or 2.2%, which includes revenue generated from governmental and business-type activities, while the Component Unit revenue exceeded expenses by \$57.2 million or 8.9%.
- Expenses for the Total Reporting Entity were \$2,115.9 million comprised of 67.2% from governmental activities, 5.1% from business type activities and 27.7% from Component Units, substantially represented by Schools. The expenses for the reporting entity as a whole, increased by 1.0% from FY 2016, while the County’s total revenues increased by 9.1% from FY 2016.
- The Primary Government’s total expenses were \$1,530.3 million, comprised of expenses from governmental activities of \$1,422.6 million and expenses from business-type activities of \$107.7 million, representing 72.3% of Total Reporting Entity.
- Taxes continue to be the largest source of revenue for the Total Reporting Entity, amounting to 50.4% of government-wide total revenue, while education is the largest expense, representing 56.5% of Total Reporting Entity’s expenses.
- Total fund balance for the County’s Governmental Funds increased by \$99.5 million to \$649.3 million from FY 2016, an overall increase of 18.1%.

Components of the Financial Section



Overview of the Financial Statements

This section is intended to serve as an introduction to the layout of the Comprehensive Annual Financial Report. The Governmental Accounting Standards Board (GASB) Statement No. 34 “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments” (“GASB 34”) as amended, established that the financial section should consist of the following:

- *Management’s Discussion and Analysis (MD&A)*
 - MD&A introduces the basic financial statements and provides an analytical overview of the government’s financial activities.
- *Basic Financial Statements*
 - Government-wide financial statements, consisting of a statement of net position and a statement of activities.
 - Fund financial statements consisting of a series of statements that focus on information about the government’s major governmental, enterprise and fiduciary funds, including its blended component units.
 - Notes to the financial statements consisting of disclosures required for better transparency that provide information that is essential to a user’s understanding of the basic financial statements.
- *Required Supplementary Information (RSI)*
 - The RSI statement is supplementary to the notes and presented in Exhibit 11 and contains budgetary comparison schedules along with other types of required disclosures in accordance with the Governmental Accounting Standards Board (GASB) pronouncements. The other required disclosures include schedules related to County and Schools, pension and OPEB plans. The details include information on net pension liability, net OPEB liability, employer contribution information, and notes detailing assumptions made related to each plan.
- *Other Supplementary Information*
 - This is an optional section presenting combined statements for non-major governmental funds, internal service funds, component units and budget and actual schedules.

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 presented as a Total Reporting Entity. These financial statements include not only the County itself (known as the Primary Government), but also its component units, a legally separate school system (“Schools”) for which the County is financially accountable and Gates Partnership where the organization has fiscal dependency on the Primary Government. Financial information for these component units is reported in separate columns presented within Exhibit 1 and Exhibit 2.

The *Statement of Net Position* presents information on all of the Primary Government’s and its Component Units’ assets, liabilities, and deferred inflows/outflows of resources with the difference between the two 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 government'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 in this statement include items that will only result in cash flows in future fiscal periods when benefits are expected (e.g., uncollected taxes and compensated absences i.e., earned but unused vacation leave).

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

The government-wide financial statements can be found in Exhibit 1, Exhibit 2, and Exhibits 5 through 7 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 of the County in accordance with GASB requirements. The County and Schools, like other state and local governments, use fund accounting to ensure and demonstrate compliance with finance-related legal and reporting requirements. All funds of the County and Schools can be divided into three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. Reconciliation between the government-wide financial statements and governmental activities is shown on Exhibits 3-A and Exhibits 4-A.

The County reports 21 governmental funds and the Schools maintain 8 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and general capital projects fund, which are considered to be major funds. Data from the other County governmental funds are combined into a single, aggregated presentation; data from the Schools governmental funds are combined into a single, aggregated presentation as a component-unit, a presentation mandated by state law and as required by GASB standards. Individual fund data for each of non-major governmental funds is provided in the form of combining statements. The County adopts an annual appropriated budget for its general fund, special revenue funds, capital projects fund and internal service fund, including Schools operating expenses within separate funds established. Budgetary comparison statements have been provided as a part of the RSI section to demonstrate compliance with this budget.

The governmental fund financial statements can be found in Exhibit 3, Exhibit 3(A), Exhibit 4, Exhibit 4(A). General fund, special revenue fund and capital projects fund financial statements can be found in Exhibit A-1 through Exhibit C-2. Non-major governmental fund financial statements can be found in Exhibit X and Exhibit Y of this report.

Proprietary Funds

The County maintains two different types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its 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 its fleet of vehicles, automotive and printing operation. Since these services predominantly benefit governmental rather than business-type functions, they are included within governmental activities in the government-wide financial statements, as required by GASB standards.

The County reports 5 proprietary funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations, public parking garage operations, including the Eighth-Level Ballston Public Parking Garage, and the CPHD Development Fund. The water and sewer operations are considered to be a major fund of the County. Conversely, the two internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements.

The basic proprietary fund financial statements can be found in Exhibit 5 through Exhibit 7. Combining statement for enterprise funds can be found in Exhibit D-1, through Exhibit D-3. Combining Statements of internal service funds are shown on Exhibit E-1 through Exhibit E-3 of this report.

Fiduciary Funds

The County reports 4 fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those are not available to support the County's own programs. Fiduciary funds account for pensions, OPEB, and Private Purpose Trust funds. OPEB trust funds are used to account for the assets held in trust by the County and Schools for other post-employment benefits other than pensions such as health care and life insurance. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found in Exhibits 8 and 9. Combining fiduciary financial statements are presented on Exhibit F-1 through Exhibit F-5. Schools OPEB trust funds are presented as a part of the discretely presented combining statements of this report.

Discretely Presented Component Unit: Schools combining statements are presented in Exhibit G-1 through Exhibit G-3. Additional information is presented on various exhibits and schedules of the Comprehensive Financial Annual Report.

Notes to the Financial Statements: The notes to the financial statements provide additional disclosures that are essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the section titled Exhibit 10 of this report.

Government-wide Financial Analysis

Net Position

Net position may serve over time as a useful indicator of government's financial position. As of June 30, 2017, net position for the Total Reporting Entity was \$2,012.8 million. The following table (Table A-1) reflects the condensed statement of net position for FY 2017 and FY 2016:

Table A-1
Condensed Statement of Net Position
June 30, 2017
With Comparative Totals for June 30, 2016
(in millions of dollars)

| | Primary Government | | | | | | Component Units | | | | Total Reporting Entity | |
|--|-------------------------|-----------|--------------------------|---------|--------------|-----------|-----------------|---------|-------------------|--------|------------------------|------------|
| | Governmental Activities | | Business-type Activities | | Total | | Schools | | Gates Partnership | | | |
| | (Restated) * | | | | (Restated) * | | (Restated) * | | | | (Restated) * | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Current and other assets | \$1,273.1 | \$1,141.2 | \$116.4 | \$116.8 | \$1,389.5 | \$1,258.0 | \$287.6 | \$223.6 | \$6.4 | \$7.6 | \$1,683.5 | \$1,489.2 |
| Capital assets | 1,166.0 | 1,106.4 | 1,041.1 | 1,036.7 | 2,207.1 | 2,143.1 | 616.1 | 588.6 | 72.8 | 74.8 | 2,896.0 | 2,806.5 |
| Total assets | 2,439.1 | 2,247.6 | 1,157.4 | 1,153.4 | 3,596.6 | 3,401.1 | 903.7 | 812.2 | 79.2 | 82.4 | 4,579.4 | 4,295.7 |
| Deferred outflows | 201.4 | 69.8 | - | - | 201.4 | 81.0 | 109.6 | 56.1 | - | - | 311.0 | 137.1 |
| Total assets and deferred outflows | 2,640.4 | 2,317.4 | 1,157.4 | 1,153.4 | 3,798.0 | 3,482.1 | 1,013.3 | 868.4 | 79.2 | 82.4 | 4,890.4 | 4,432.8 |
| Long-term debt outstanding | 1,148.6 | 1,011.6 | 328.1 | 350.4 | 1,476.7 | 1,362.0 | 42.8 | 40.2 | 51.7 | 53.9 | 1,571.2 | 1,456.1 |
| Other liabilities | 449.5 | 156.5 | 25.6 | 22.2 | 475.1 | 178.7 | 699.8 | 524.3 | 1.7 | 1.8 | 1,176.6 | 704.8 |
| Total liabilities | 1,598.1 | 1,168.1 | 353.7 | 372.6 | 1,951.8 | 1,540.7 | 742.6 | 564.5 | 53.4 | 55.8 | 2,747.9 | 2,161.0 |
| Deferred inflows | 108.3 | 62.2 | 2.4 | 2.6 | 110.8 | 64.8 | 18.9 | 34.6 | - | - | 129.7 | 99.4 |
| Total liabilities and deferred inflows | 1,706.4 | 1,230.3 | 356.1 | 375.2 | 2,062.6 | 1,605.5 | 761.5 | 599.1 | 53.4 | 55.8 | 2,877.5 | 2,260.4 |
| Net Position: | | | | | | | | | | | | |
| Investment in capital assets | 682.8 | 637.4 | 747.8 | 719.1 | 1,430.6 | 1,356.5 | 611.8 | 583.9 | 22.0 | 21.7 | 1,595.4 | 1,962.1 ** |
| Restricted for: | | | | | | | | | | | | |
| Capital projects | 157.30 | 358.6 | - | - | 157.3 | 358.6 | 132.8 | 75.8 | - | - | 290.1 | 434.4 |
| Seized assets | 1.6 | - | - | - | 1.6 | - | - | - | - | - | 1.6 | - |
| Grants | 0.7 | - | - | - | 0.7 | - | 4.0 | - | - | - | 4.7 | - |
| Debt Service | 13.5 | - | - | - | 13.5 | - | - | - | - | - | 13.5 | - |
| Unrestricted | 78.1 | (72.5) | 53.5 | 59.1 | 131.6 | (13.4) | (496.8) | (466.1) | 3.8 | 5.0 | 107.5 | (474.5) ** |
| Total Net Position | \$934.0 | \$923.5 | \$801.3 | \$778.2 | \$1,735.3 | \$1,701.7 | \$251.8 | \$193.6 | \$25.8 | \$26.7 | \$2,012.8 | \$1,922.0 |

Note: Totals may not add due to rounding.

* FY 2016 restated columns were a result of implementation of GASB 75

** 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 Governmental Activities does not include the Component Unit - School's debt issued by the Primary Government for a total of \$468,880,314 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 \$468,880,314 because the debt related to the 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 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 (outflows that are expected to benefit future periods) exceeded liabilities and deferred inflows (inflows that are for future periods) by \$934.0 million.

For business-type activities, assets exceeded liabilities and deferred inflows by \$801.3 million for a Primary Government total of \$1,735.3 million at the close of the most recent fiscal year. In the case of the Schools, assets and deferred outflows exceeded liabilities and deferred inflows by \$251.8 million, and in the case of the Gates Partnership, assets exceeded liabilities by \$25.8 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 79.3% of the total net position. The Primary Government and Schools use these capital assets to provide services to 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 15.4% of the net position of the total reporting entity as of June 30, 2017. The unrestricted net position was 5.3% 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 Governmental Accounting Standards Board (GASB) Statement No. 34, a state law was passed in FY 2002 to allow the County and Schools to consider the debt-financed School assets owned by "tenancy in common" and would permit the County to display these assets in the County column. The County has chosen not to do so. However, in accordance with GASB 34, School's 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, 2017, the Total Reporting Entity reported a positive net position comprised of the Primary Government with a positive net position and offset with a negative unrestricted net position for Schools, partly due to the resulting impact of the implementation of GASB 75. Additional information is provided in Note 17.

Changes in Net Position

The activities of the Primary Government and Component Units as of June 30, 2017 increased in net position from FY 2016 as follows:

| Total Reporting Entity | <u>Increase/Decrease in Net Position</u> | |
|------------------------------------|---|----------------------|
| | <i>(\$ In millions)</i> | <i>Percentage</i> |
| Governmental activities | \$10.5 | 11.6% |
| Business type activities | \$23.1 | 25.4% |
| Component unit - Schools | \$58.1 | 64.0% |
| Component unit - Gates Partnership | (\$0.9) | -1.0% |
| Change in Net Position | <u>\$90.8</u> | <u>100.0%</u> |

The following table (Table A-2) displays the changes in net position for FY 2017 and FY 2016:

Table A-2
Statement of Changes in Net Position
Year Ended June 30, 2017
With Comparative Totals for June 30, 2016
(in millions of dollars)

| | Primary Government | | | | | | Component Units | | | | | |
|--|---|---------|--------------------------|---------|-----------|-----------|-------------------------|---------|-------------------|--------|--|-----------|
| | Governmental Activities (Restated) * | | Business-type Activities | | Total | | Schools (Restated) * | | Gates Partnership | | Total Reporting Entity (Restated) * | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenues | | | | | | | | | | | | |
| Program revenue | | | | | | | | | | | | |
| Charges for services | \$81.1 | \$73.8 | \$129.4 | \$126.0 | \$210.5 | \$199.8 | \$33.4 | \$27.3 | \$7.6 | \$7.5 | \$251.5 | \$234.6 |
| Operating grants and contributions | 124.0 | 136.1 | - | - | 124.0 | 136.1 | 58.2 | 54.3 | - | - | 182.2 | 190.4 |
| Capital grants and contributions | - | - | 1.0 | 0.9 | 1.0 | 0.9 | - | - | - | - | 1.0 | 0.9 |
| General revenue | | | | | | | | | | | | |
| Property taxes | 868.8 | 834.3 | - | - | 868.8 | 834.3 | - | - | - | - | 868.8 | 834.3 |
| Other local taxes | 217.8 | 206.6 | - | - | 217.8 | 206.6 | 24.5 | 23.1 | - | - | 242.3 | 229.7 |
| Revenue from general fund | - | - | - | - | - | - | 518.6 | 468.4 | - | - | 518.6 | 468.4 |
| Investment and interest earnings | 8.0 | 9.9 | 0.4 | 0.6 | 8.4 | 10.5 | 0.3 | 0.3 | - | - | 8.7 | 10.8 |
| Miscellaneous | 133.4 | 53.0 | - | - | 133.4 | 53.0 | - | - | - | - | 133.5 | 53.0 |
| Total revenues | 1,433.1 | 1,313.7 | 130.8 | 127.5 | 1,563.9 | 1,441.2 | 635.0 | 573.4 | 7.6 | 7.5 | 2,206.6 | 2,022.1 |
| Expenses | | | | | | | | | | | | |
| General government | 267.8 | 394.5 | - | - | 267.8 | 394.5 | - | - | - | - | 267.8 | 394.5 * |
| Public safety | 144.6 | 129.1 | - | - | 144.6 | 129.1 | - | - | - | - | 144.6 | 129.1 |
| Environmental services | 112.3 | 100.1 | - | - | 112.3 | 100.1 | - | - | - | - | 112.3 | 100.1 |
| Health and welfare | 139.9 | 121.1 | - | - | 139.9 | 121.1 | - | - | - | - | 139.9 | 121.1 |
| Libraries | 14.5 | 12.6 | - | - | 14.5 | 12.6 | - | - | - | - | 14.5 | 12.6 |
| Parks, culture and recreation | 45.6 | 39.2 | - | - | 45.6 | 39.2 | - | - | - | - | 45.6 | 39.2 |
| Planning and community development | 63.9 | 54.6 | - | - | 63.9 | 54.6 | - | - | - | - | 63.9 | 54.6 |
| Education | 617.5 | 507.1 | - | - | 617.5 | 507.1 | 576.9 | 603.1 | - | - | 1,194.4 | 1,110.2 * |
| Debt service: | | | | | | | | | | | | |
| Interest and other charges | 16.5 | 18.4 | - | - | 16.5 | 18.4 | - | - | - | - | 16.5 | 18.4 |
| Water and sewer | - | - | 83.8 | 83.8 | 83.8 | 83.8 | - | - | - | - | 83.8 | 83.8 |
| Parking garage | - | - | 6.2 | 6.2 | 6.2 | 6.2 | - | - | - | - | 6.2 | 6.2 |
| 8th Level Ballston Public Parking Garage | - | - | 0.2 | 0.2 | 0.2 | 0.2 | - | - | - | - | 0.2 | 0.2 |
| Rental Properties | - | - | - | - | - | - | - | - | 8.6 | 8.3 | 8.6 | 8.3 |
| CPHD Development Fund | - | - | 17.5 | 16.3 | 17.5 | 16.3 | - | - | - | - | 17.5 | 16.3 |
| Total expenses | 1,422.6 | 1,376.7 | 107.7 | 106.5 | 1,530.3 | 1,483.2 | 576.9 | 603.1 | 8.6 | 8.3 | 2,115.9 | 2,094.6 |
| Increase/(Decrease) in Net Position | 10.5 | (63.0) | 23.1 | 21.0 | 33.6 | (42.0) | 58.1 | (29.7) | (0.9) | (0.7) | 90.8 | (72.2) |
| Net Position-Beginning | 923.5 | 986.5 | 778.2 | 757.2 | 1,701.7 | 1,743.7 | 193.6 | 223.3 | 26.7 | 27.3 | 1,922.0 | 1,994.3 |
| Net Position-Ending | \$934.0 | \$923.5 | \$801.3 | \$778.2 | \$1,735.3 | \$1,701.7 | \$251.8 | \$193.6 | \$25.8 | \$26.7 | \$2,012.8 | \$1,922.0 |

Note: Totals may not add due to rounding.

* Restated FY 2016 as a result of GASB 75 implementation

Revenues

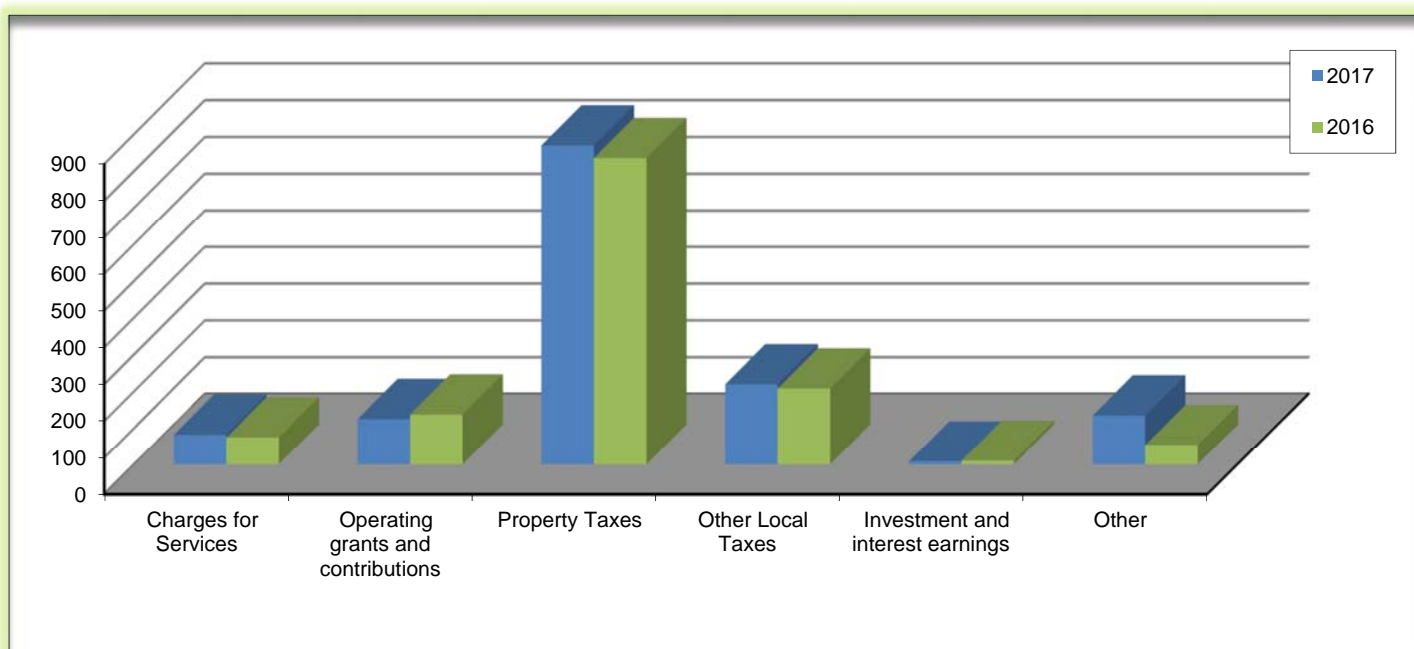
Overall revenues for the County's governmental activities were \$1,433.1 million for Fiscal Year 2017 representing an increase of \$119.3 million from the prior year. General revenues were a major contributing factor for the increase in governmental activity revenue of \$124.4 million, primarily due to increases in property tax revenue, other local taxes and other revenue. These increases were partially offset by a decrease in operating grants and contributions. Taxes constitute the largest source of County revenues, amounting to \$1,086.6 million for fiscal year 2017, an increase of \$45.8 million over fiscal year 2016. Real estate taxes increased by \$31.5 million to \$754.0 million due to increased assessments and real estate growth in the County. Personal property taxes increased by \$3.0 million to \$114.8 million. Higher personal property tax revenue is driven primarily by higher than anticipated business tangible property and vehicle personal property 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 \$217.8 million

which represents a \$11.3 million increase from FY 2016. Increase in recordation tax revenue was due to a higher level of real estate sales and refinancing. In addition, there was an increase in bank stock tax, partially offset by decreased communications tax.

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 \$205.1 million. Operating grants and contributions represent the most significant of these revenues, totaling \$124.0 million. Charges for services totaled \$81.1 million. For additional information and comparative results, refer to Table A-2.

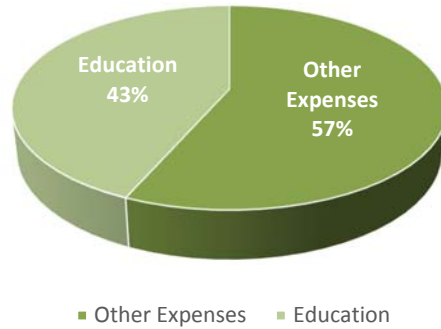
Business-type activities generated revenues of \$130.8 million, primarily from charges for services, which totaled \$129.4 million. The total revenue increased from FY 2016 by \$3.3 million mainly because of an increase of \$3.4 million in charges for services.

Chart A-3
Sources of Revenue from Governmental Activities
For Fiscal Years 2017 and 2016
(in millions)



Expenses

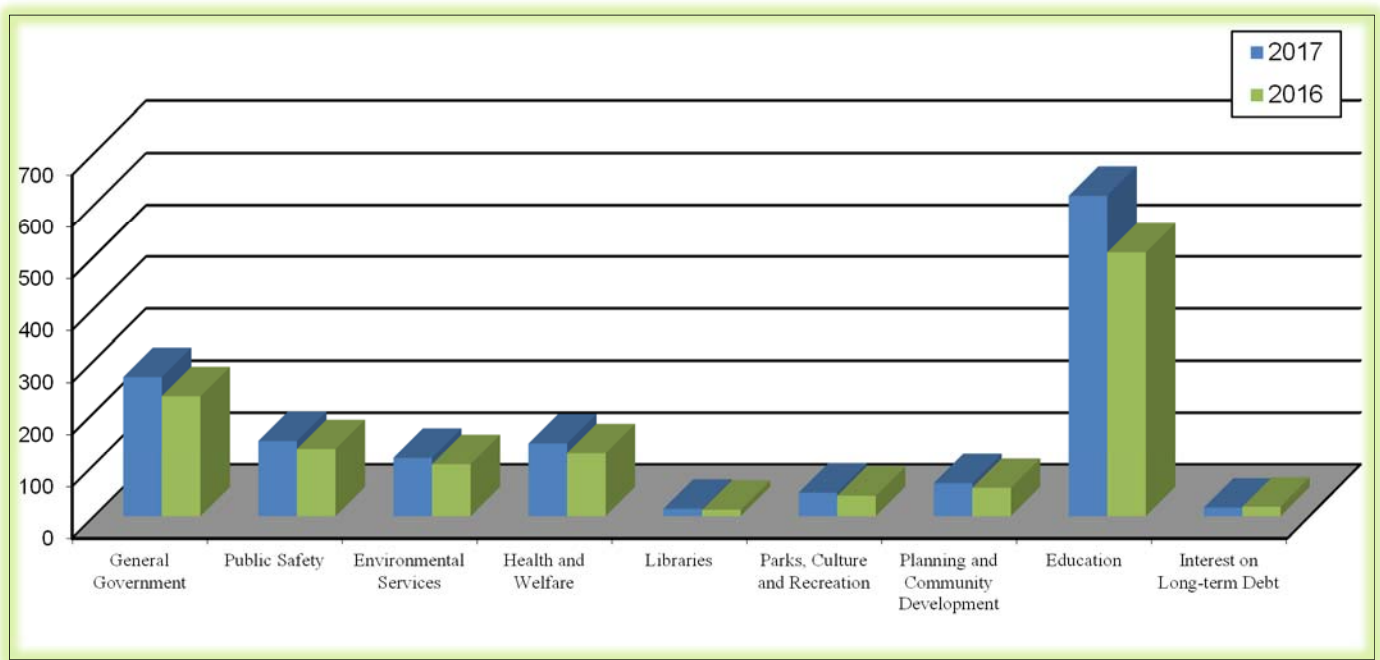
Total cost of all the County's governmental activities for fiscal year 2017 was \$1,422.6 million, representing an increase of \$45.8 million from fiscal year 2016. Education expense for fiscal year 2017 was \$617.5 million, an increase of \$110.4 million from the previous fiscal year. As the following chart indicates, education continues to be the County's largest program. General government expenses represent the second largest expense, totaling \$267.8 million in Fiscal Year 2017.



Expenses for the County’s business-type activities totaled \$107.7 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 2017 and 2016
(in millions of dollars)



Financial Analysis of Governmental Funds

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

Governmental Fund Balance

The focus of the County’s and Schools’ governmental funds is to provide information on near-term inflows, outflows and balances of expendable resources. Such information is useful in assessing the County’s and Schools’ financial

requirements. In particular, committed, assigned and unrestricted fund balances serve as a useful measure of a government's net resources that have been Board appropriated or designated by the County Manager that may be leveraged for spending at the end of the fiscal year. As of the end of Fiscal Year 2017, the County's governmental funds reported combined ending fund balances of \$649.3 million for governmental funds. This represents an overall increase of \$99.5 million in comparison with the prior year.

Non-spendable and restricted fund balance equates to 26.9% or \$174.5 million of the total governmental fund balance and is comprised of inventories and pre-paid items or restricted funds related to seized assets, debt service, bond funds and grants that cannot be used for other purposes.

Committed fund balance constitutes to 68.3% or \$443.6 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. \$151.8 million or 34.2% of the total committed fund balance is from the general fund. The remaining fund balance of \$291.7 million is primarily appropriated for ongoing capital projects.

The combined assigned fund balance of 5.0% applies to funds that are intended for specific purposes designated and proposed by the County Manager and set aside for appropriation by the County Board as a part of the County's year-end close out process.

General Fund

The general fund is one of the major governmental funds of the County. At the end of Fiscal Year 2017, the general fund balance was \$186.4 million or 28.7% of the total fund balance. \$71.6 million of the committed general fund balance represents reserves from the general fund that is set aside in accordance to the board's policy for unexpected critical and unpredictable financial needs. These reserves include an operating reserve of \$62.6 million which is set at 5.0% of the next year's general fund revenue, an economic stabilization reserve of \$4.0 million and a self-insurance reserve of \$5.0 million. Total reserves represent 47.2% of the total committed fund balance and equate to 38.4% of the general fund balance.

At the end of Fiscal Year 2017, committed and assigned fund balance for the general fund was \$184.5 million or 99.0% of the total general fund balance. \$57.9 million or 31.1% of the general fund 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 2017, committed and assigned fund balance equated to 14.3% of general fund expenditures. Total general fund balance represents 14.5% of total general fund expenditures.

As of June 30, 2017, the total general fund balance dropped from FY 2016 by 2.5% to \$186.4 million. The fund balance of the County's general fund decreased by \$4.8 million during the current fiscal year; driven primarily by an increase in education expenditures for Schools and health and welfare services and were partially offset by an increase in real estate tax revenues.

General Fund Budgetary Variances

At the end of FY 2017, the difference in general fund balance between the original (adopted) budget and the final budget was \$115.1 million, which consisted of a decrease in the revenue budget of \$10.1 million, an increase in the expenditure budget of \$98.2 million and an increase in other financing sources/(uses) of (\$6.7) million in the following areas:

- \$60.1 million in increases was allocated to Non-Departmental for affordable housing, economic and revenue budget stabilization contingency, master lease financing, and incomplete projects from FY 2017. This includes \$1.8 million allocated to Non-Departmental for planning projects, consultant projects, the operating contingent, and funding for the Northern Virginia Emergency Response System, as a result of the FY 2017 closeout.

- \$5.4 million in increases allocated to the Department of Environmental Services primarily for various grant funding, additional fare box revenue for Art service enhancements, and the carryover of FreshAIRE funding.
- \$5.3 million in increases allocated to the Department of Human Services through carryover of incomplete projects for prior years as well as new grants and funding for a wide variety of services for persons with mental illness, substance abuse services, emergency assistance, homelessness prevention, housing assistance resources, and employment and health services.
- \$3.3 million in increases from grants funding for public safety for the Police Department, Office of Emergency Management, and Fire department for FY 2016 encumbrance / purchase order carryover, Fire compensation adjustments, safety, equipment purchases, and emergency preparedness, and carryover of Seized Asset funding.
- \$0.8 million in increases allocated to the Department of Parks and Recreation in grants and FY 2016 carryover funding for a variety of services, including public spaces master plan and facility and repair improvements.
- \$0.6 million in increases allocated to the Judicial Administration. This primarily includes grant funding paid to State Criminal Alien Assistance Program (SCAAP), Virginia Department of Criminal Justice Services for the Victim Witness Program, and the Library of Virginia, carryover of incomplete projects from prior years for digital conversion, seized assets, appropriation of fees charged to Drug Court participants, and a supplemental appropriation for an amendment to the agreement with the City of Falls Church for judicial and public safety services provided by the County.
- \$0.2 million in increases allocated to the general government for carryover of incomplete projects from prior years, including funding for the County Board auditor and completion of the barrier analysis as well as a transfer of funds from Non-Departmental to the Department of Technology Services for open data.
- \$0.4 million in decreases to Planning and Community Development from transferring Arlington County Visitor Services funding from Arlington Economic Development to the Travel and Tourism Promotion Fund and from transferring local single family program funds from Community Planning Housing and Developing to Non-Departmental, partially offset by increases from FY 2016 carryover funding primarily for the transition of the single-family loan program and a variety of grant funding.
- \$22.7 million increase in transfers out to the Schools, primarily as a result of FY 2016 closeout.

At the end of FY 2017, the general fund balance, exceeded the final budget by \$110.2 million which consisted of \$83.6 million of favorable expenditure variance, \$25.3 million of favorable revenue variance and a \$1.4 million favorable variance of other financing sources/(uses). The total variances were a result of the following revenue and expenditure variances:

- \$5.5 million revenue variance in Real Estate taxes due to the tax rate increase from \$0.978 per \$100 of value to \$0.993.
- \$6.9 million variance in BPOL due to higher than anticipated revenue and lower than anticipated refunds.
- \$2.8 million variance in Personal Property due primarily to higher than anticipated vehicle personal property taxes.
- \$2.0 million variance in Recordation tax revenue due to a higher than anticipated level of real estate sales.
- \$1.0 million variance in Sales tax due to higher than anticipated level of sales.
- \$0.9 million variance in Car Rental tax revenue due in part to increases in non-traditional car rental activity.
- \$5.2 million revenue Housing Fund and HFC Buckingham Village variance will be appropriated during FY 2017 closeout. Unpredictable project and reimbursement pipeline natural accounts are not budgeted.
- \$33.4 million expenditure variance of CDBG-Other Contributions is a result of unspent allocated AHIF Funds for Bricks and Mortar projects. These funds were allocated by the County Board in FY 2017 for specific projects but have not yet been spent. These funds will be carried over to FY 2018.
- \$19.3 million Non-Departmental - Contingent Housing expenditure variance can be attribute to unallocated AHIF funds remaining. These funds will be carried over to FY 2018.
- \$9.2 million Non-Departmental – Principal Lease Purchase expense variance stems from several large projects that were budgeted to be financed with lease purchase funds but were delayed and were not fully implemented in FY 2017. 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 2017, it will be carried over to fund the contingent in the FY 2018 adopted budget.
- \$3.1 million 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.
- \$2.8 million– in Department of Environmental favorable expense savings from unspent grant appropriations.
- \$2.4 million 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.
- \$2.0 million Human Services – favorable expense variance is due to a number of extended vacancies.
- \$1.6 million Police and Commonwealth Attorney budget for seized asset expenses and any unused funds are carried over each fiscal year.
- \$1.5 million favorable Regional program expense variable. The surplus for regional programs is due to carryover and savings resulting from lower than expected client need.

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.

Special Revenue and Capital Projects Funds

Special revenue funds and capital projects fund balance was \$462.9 million and represents 71.3% of the total governmental fund balance. The transportation capital projects fund is a major fund of the County and contributes to 26.0% of the total fund balance. At the end of the current fiscal year, total fund balance of the transportation capital fund was \$168.6 million and general capital projects fund was \$102.6 million. All other funds combined were \$191.7 million.

As a measure of the capital project fund’s liquidity, it may be useful to compare total fund balance to total expenditures. Total capital projects fund balance represents 364.0% of total capital project fund expenditures, of which \$155.0 million represents the fund balance for various bond funded projects such as metro, government facility, public recreation, neighborhood conservation, street and highway and storm water projects.

The fund balance of the County’s general capital projects fund increased by \$14.7 million during the current fiscal year. This is primarily attributed to general obligation bond premiums that are now accounted for within the general capital projects fund instead of the general fund and offset by a decrease in capital outlay. The fund balance for the transit facility bond fund has increased by \$38.3 million during the current fiscal year and it is mainly due to higher bond proceeds.

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

Capital Asset and Capital Projects

The County’s investment in capital assets for its governmental, business type activities, and component units as of June 30, 2017 amounted to \$1,595.4 million (net of related debt). The net book value of capital assets was \$2,896.0 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 from the capital projects funds included the following:

- \$7.2 million for Parks and Recreation center improvements including playgrounds, land acquisition, and field and court upgrades.

- \$17.8 million for Government facilities construction including Barcroft gymnasium, Trades Center Parking Garage, and maintenance capital improvements at the Justice Center, Lee Community Center, Central Library, 2020 14th Street North, Fire Station 6 and acquisition of land for the replacement of Fire Station 8.
- \$4.6 million for Neighborhood Conservation projects to include improvements to streetlights, sidewalks, and parks, and construction of neighborhood beautification projects.
- \$13.1 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.
- \$1.6 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 and Peumansend Creek Regional Jail Authority.
- \$8.4 million for locality's share of the regional Metro projects.
- \$14.5 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.
- \$13.4 million for paving.
- \$15.9 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.
- \$4.9 million for intelligent transportation systems as well as traffic and pedestrian signal upgrades.
- \$2.9 million for bicycle and pedestrian safety improvements and expansion.
- \$5.0 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.
- \$15.0 million for Stormwater Management infrastructure.
- \$23.6 million for Utilities infrastructure including water and sewer replacements.

Capital assets increased by \$89.6 million for the reporting entity as a whole and by \$64.2 million for the Primary Government. Majority of the 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 of the Total Reporting Entity.

Table A-5 Net Capital Assets
June 30, 2017
With Comparative Totals for June 30, 2016
(in millions of dollars)

| | Primary Government | | | | | | Component Units | | | | Total | |
|--------------------------|-------------------------|------------------|--------------------------|------------------|------------------|------------------|-----------------|----------------|-------------------|---------------|------------------|------------------|
| | Governmental Activities | | Business-type Activities | | Total | | Schools | | Gates Partnership | | Reporting Entity | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Land | \$176.8 | \$171.9 | \$6.2 | \$6.2 | \$183.0 | \$178.1 | \$4.7 | \$4.7 | \$13.4 | \$13.4 | \$201.1 | \$196.2 |
| Buildings | 226.6 | 226.9 | 10.9 | 11.4 | 237.5 | 238.3 | 571.3 | 547.2 | 59.4 | 61.4 | 868.2 | 846.9 |
| Equipment | 110.1 | 110.9 | 2.6 | 3.2 | 112.7 | 114.1 | 40.1 | 36.7 | - | - | 152.8 | 150.8 |
| Infrastructure | 385.2 | 354.3 | - | - | 385.2 | 354.3 | - | - | - | - | 385.2 | 354.3 |
| Intangible assets | 3.4 | 2.2 | 0.2 | 0.3 | 3.6 | 2.5 | - | - | - | - | 3.6 | 2.5 |
| Plant -sewer system | - | - | 280.3 | 279.5 | 280.3 | 279.5 | - | - | - | - | 280.3 | 279.5 |
| Plant - water system | - | - | 693.1 | 702.0 | 693.1 | 702.0 | - | - | - | - | 693.1 | 702.0 |
| Construction in progress | 233.9 | 206.9 | 47.8 | 34 | 281.7 | 240.9 | - | - | - | - | 281.7 | 240.9 |
| Internal service funds | 30.0 | 33.2 | - | - | 30.0 | 33.2 | - | - | - | - | 30.0 | 33.2 |
| Total | \$1,166.0 | \$1,106.4 | \$1,041.1 | \$1,036.7 | \$2,207.1 | \$2,142.9 | \$616.1 | \$588.6 | \$72.8 | \$74.8 | \$2,896.0 | \$2,806.4 |

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.

Debt Administration

Long-term debt. At the end of the current fiscal year, the Total Reporting Entity had total long-term liabilities outstanding of \$1,571.2 million. This amount comprised of \$1,343.6 million for general obligation bonds, notes payable and related accrued interest and capital leases backed by the full faith credit of the government.

The remainder of the County's debt of \$227.6 million represents bonds secured solely by specified revenue sources i.e., revenue bonds of \$148.4 million, worker's compensation reserves of \$4.7 million and accrued compensated absences of \$74.5 million.

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

Table A-6
Arlington County Outstanding Debt
June 30, 2017
With Comparative Totals for June 30, 2016
(in millions of dollars)

| | Primary Government | | | | | | Component Units | | | | Total Reporting Entity | |
|------------------------------------|--------------------|------------------|----------------|----------------|------------------|------------------|-----------------|---------------|-------------------|---------------|------------------------|------------------|
| | Governmental | | Business-type | | Total | | Schools | | Gates Partnership | | | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| General obligation bonds** | \$988.0 | \$850.4 | \$94.0 | \$102.4 | \$1,082.0 | \$952.8 | \$- | \$- | \$- | \$- | \$1,082.0 | \$952.8 |
| Revenue bonds | - | - | 4.6 | 5.8 | 4.6 | \$5.8 | - | - | - | - | 4.6 | 5.8 |
| IDA Revenue Bonds | 97.0 | 101.9 | - | - | 97.0 | \$101.9 | - | - | - | - | 97.0 | 101.9 |
| Mortgage payable | - | - | 3.4 | 3.4 | 3.4 | \$3.4 | - | - | 18.9 | 19.4 | 22.3 | 22.8 |
| VRA Note payable | - | - | 191.3 | 205.8 | 191.3 | \$205.8 | - | - | 8.3 | 8.4 | 199.6 | 214.2 |
| Obligations under capital lease | 24.8 | 21.5 | 0.1 | 0.1 | 24.9 | \$21.6 | 4.3 | 4.6 | - | - | 29.2 | 26.2 |
| Worker's compensation claims | 4.7 | 3.9 | - | - | 4.7 | \$3.9 | - | - | - | - | 4.7 | 3.9 |
| Accrued compensated absences | 34.1 | 33.9 | 1.9 | 1.8 | 36.0 | \$35.8 | 38.5 | 35.6 | - | - | 74.5 | 71.4 |
| Mortgage and bond interest payable | - | - | 32.8 | 31.0 | 32.8 | \$31.0 | - | - | - | - | 32.8 | 31.0 |
| Bonds Payable | - | - | - | - | - | - | - | - | 24.4 | 26.1 | 24.4 | 26.1 |
| Development fee payable | - | - | - | - | - | - | - | - | 0.1 | - | 0.1 | 0.0 |
| Total | \$1,148.6 | \$1,011.6 | \$328.1 | \$350.4 | \$1,476.7 | \$1,362.0 | \$42.8 | \$40.2 | \$51.7 | \$53.9 | \$1,571.2 | \$1,456.1 |

Note: Totals may not add due to rounding

** Bond-financed capital assets for schools is accounted through the General Fund

The County's total debt increased by \$115.1 million during the current fiscal year. The key factors that contributed to this change include increase of \$129.2 million for issuance of GO bonds and increase of \$14.6 million obligations under capital leases and decrease of \$4.9 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.

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 \$70.8 million, the Ballston Public Parking Garage Fund amounted to a deficit of (\$32.5 million) and the CPHD Development Fund amounted to

\$15.2 million. The total change in net position for the Utilities Fund included a surplus of \$27.4 million, the Ballston Public Parking Garage Fund had a deficit of (\$2.9 million), and CPHD Development Fund had a deficit of (\$1.5 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.

Economic Factors

The June 2017 unemployment rate for the County was 2.6%, This compares favorably to the Northern Virginia's average unemployment rate of 3.3% and the national average rate of 4.4% for June 2017 per the Bureau of Labor Statistics.

LABOR FORCE

| Civilian Labor Force* | Reporting Period | Current | Last Period | Last Year | Annual Change |
|--------------------------|------------------|-----------|-------------|-----------|---------------|
| Arlington County | Jun-17 | 151,740 | 150,739 | 146,948 | 2.5% ▲ |
| Northern Virginia | Jun-17 | 1,643,765 | 1,628,906 | 1,594,379 | 2.3% ▲ |
| Unemployment Rate | | | | | |
| Arlington County | Jun-17 | 2.6% | 2.7% | 2.6% | 0.0 pp |
| Northern Virginia | Jun-17 | 3.3% | 3.2% | 3.4% | -0.1 pp ▼ |

pp = percentage points

* readjusted monthly

Source: Virginia Employment Commission, Local Area Unemployment Statistics (LAUS)

The vacancy rate of the County's office buildings decreased from 19.3% to 17.8% at the end of FY 2017. Economic development continues to grow in the County with the addition of new businesses, including the move of Nestle USA's headquarters to Arlington and closed sales of the housing market demonstrating the retention and expansion of employers and County citizenry population and growth.

HOUSING

| Housing | Reporting Period | Current | Year To Date | Last Year To Date | Annual Change |
|--------------|------------------|---------|--------------|-------------------|---------------|
| New Listings | Jun-17 | 434 | 2,400 | 2,303 | 4.2% ▲ |
| New Pendings | Jun-17 | 339 | 1,829 | 1,687 | 8.4% ▲ |
| Closed Sales | Jun-17 | 357 | 1,570 | 1,421 | 10.5% ▲ |

Source: Real Estate Business Intelligence

TOURISM

| Tourism | Reporting Period | Current | Year To Date | Last Year To Date | Annual Change |
|-------------------------|------------------|----------|--------------|-------------------|---------------|
| Hotel Occupancy | Jun-17 | 86.0% | 79.8% | 79.5% | 0.4% ▲ |
| Average Daily Room Rate | Jun-17 | \$180.65 | \$178.41 | \$169.69 | 5.1% ▲ |

Source: Smith Travel Research

Inflationary trends in the region compare favorably to national indices. The County factors in the above metrics in preparation of the following year's budget.

Requests for Information

This Comprehensive Annual Financial Report (CAFR) is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Additional information on the County's activities are available at www.arlingtonva.us.

Questions concerning any of the information provided in the CAFR or requests for additional financial information should be addressed to:

Comptroller, Department of Management and Finance
Arlington County Government
2100 Clarendon Boulevard, Suite 501,
Arlington, Virginia, 22201
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.

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ARLINGTON COUNTY, VIRGINIA
STATEMENT OF NET POSITION
JUNE 30, 2017

| | Primary Government | | | Component Units | | Total |
|--|--------------------|---------------|-----------------|-----------------|--------------|------------------|
| | Governmental | Business-Type | Total | Schools | Gates | Reporting Entity |
| | Activities | Activities | Restated | Restated | Partnership | Restated |
| | Restated | | | | | |
| ASSETS: | | | | | | |
| Equity in pooled cash and investments | \$786,815,562 | \$92,920,518 | \$879,736,080 | \$190,574,105 | \$2,099,289 | \$1,072,409,474 |
| Petty cash | 1,150 | - | 1,150 | 915 | - | 2,065 |
| Cash with fiscal agents | 270,456 | 25,221 | 295,677 | - | - | 295,677 |
| Receivables, net | 462,274,637 | 19,243,867 | 481,518,504 | 4,420,871 | 93,832 | 486,033,207 |
| Receivable from primary government | - | - | - | 92,356,331 | - | 92,356,331 |
| Receivable from other governments | 21,554,442 | - | 21,554,442 | - | - | 21,554,442 |
| Inventory | - | 1,761,374 | 1,761,374 | 213,956 | - | 1,975,330 |
| Other assets | 2,162,157 | 2,447,864 | 4,610,021 | - | 34,487 | 4,644,508 |
| Reserves and escrow deposits | - | - | - | - | 4,130,532 | 4,130,532 |
| Capital assets: | | | | | | |
| Land | 176,794,701 | 6,161,255 | 182,955,956 | 4,697,946 | 13,359,110 | 201,013,012 |
| Intangible assets, net | 3,406,383 | 187,877 | 3,594,260 | - | - | 3,594,260 |
| Depreciable assets, net | 751,862,112 | 987,010,339 | 1,738,872,451 | 611,408,597 | 59,454,586 | 2,409,735,634 |
| Construction in progress | 233,906,927 | 47,796,454 | 281,703,381 | - | - | 281,703,381 |
| Total capital assets, net | 1,165,970,123 | 1,041,155,925 | 2,207,126,048 | 616,106,543 | 72,813,696 | 2,896,046,287 |
| Total assets | 2,439,048,527 | 1,157,554,769 | 3,596,603,296 | 903,672,721 | 79,171,836 | 4,579,447,853 |
| Deferred outflows | 201,375,845 | - | 201,375,845 | 109,562,154 | - | 310,937,999 |
| Total assets and deferred outflows | 2,640,424,372 | 1,157,554,769 | 3,797,979,141 | 1,013,234,875 | 79,171,836 | 4,890,385,852 |
| LIABILITIES: | | | | | | |
| Accounts payable | 25,226,411 | 9,537,134 | 34,763,545 | 8,427,088 | 113,408 | 43,304,041 |
| Unearned revenue | 13,305,019 | - | 13,305,019 | 85,734 | - | 13,390,753 |
| Due to component unit | 92,356,331 | - | 92,356,331 | - | - | 92,356,331 |
| Accrued liabilities | 22,640,958 | 16,111,992 | 38,752,950 | 54,068,010 | 1,124,450 | 93,945,410 |
| Other liabilities | 15,549,983 | - | 15,549,983 | 10,690,508 | 510,962 | 26,751,453 |
| Non-current liabilities: | | | | | | |
| Net OPEB liability | 190,413,430 | - | 190,413,430 | 125,564,970 | - | 315,978,400 |
| Net pension liability | 90,000,000 | - | 90,000,000 | 500,915,926 | - | 590,915,926 |
| Due within one year | 97,206,895 | 64,016,462 | 161,223,357 | 5,939,227 | 840,475 | 168,003,059 |
| Due in more than one year | 1,051,393,427 | 264,128,426 | 1,315,521,853 | 36,866,447 | 50,817,184 | 1,403,205,484 |
| Total liabilities | 1,598,092,454 | 353,794,014 | 1,951,886,468 | 742,557,910 | 53,406,479 | 2,747,850,857 |
| Deferred inflows | 108,336,613 | 2,438,496 | 110,775,109 | 18,911,470 | - | 129,686,579 |
| Total liabilities and deferred inflows | 1,706,429,067 | 356,232,510 | 2,062,661,577 | 761,469,380 | 53,406,479 | 2,877,537,436 |
| NET POSITION: | | | | | | |
| Net investment in capital assets | 682,757,711 | 747,776,393 | 1,430,534,104 | 611,776,750 | 21,996,512 | 1,595,427,052 ** |
| Restricted for: | | | | | | |
| Capital projects | 157,256,606 | - | 157,256,606 | 132,830,419 | - | 290,087,025 |
| Seized assets | 1,599,616 | - | 1,599,616 | - | - | 1,599,616 |
| Grants | 744,947 | - | 744,947 | 3,955,671 | - | 4,700,618 |
| Debt service | 13,529,817 | - | 13,529,817 | - | - | 13,529,817 |
| Unrestricted | 78,106,608 | 53,545,866 | 131,652,474 | (496,797,345) | 3,768,845 | 107,504,288 ** |
| Total net position | \$933,995,305 | \$801,322,259 | \$1,735,317,564 | \$251,765,495 | \$25,765,357 | \$2,012,848,416 |

** 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 Governmental Activities does not include the Component Unit - School's debt issued by the Primary Government for a total of \$468,880,314 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 \$468,880,314 because the debt related to the 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 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, 2017

| Functions/Programs | Program Revenues | | | | Net (Expenses) Revenue and Changes in Net Position | | | Component Units | | Total Reporting Entity | |
|--|------------------|--|--|-----------------------------------|--|-----------------------------|-----------------|-----------------|----------------------|------------------------|--|
| | 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: | | | | | | | | | | | Primary Government: |
| Governmental Activities: | | | | | | | | | | | Governmental Activities: |
| General government | \$267,798,619 | \$20,352,884 | \$32,266,417 | \$- | (\$215,179,318) | \$- | (\$215,179,318) | \$- | \$- | (\$215,179,318) | General government |
| Public safety | 144,637,250 | 11,064,477 | 11,065,798 | - | (122,506,975) | - | (122,506,975) | - | - | (\$122,506,975) | Public safety |
| Environmental services | 112,310,807 | 29,865,144 | 11,512,205 | - | (70,933,458) | - | (70,933,458) | - | - | (\$70,933,458) | Environmental services |
| Health & welfare | 139,912,548 | 3,612,699 | 37,863,720 | - | (98,436,129) | - | (98,436,129) | - | - | (\$98,436,129) | Health & welfare |
| Libraries | 14,451,289 | 433,302 | 182,231 | - | (13,835,756) | - | (13,835,756) | - | - | (\$13,835,756) | Libraries |
| Parks, recreation & culture | 45,591,640 | 9,145,595 | 303,512 | - | (36,142,533) | - | (36,142,533) | - | - | (\$36,142,533) | Parks, recreation & culture |
| Planning & community development | 63,855,173 | 6,578,681 | 30,819,921 | - | (26,456,571) | - | (26,456,571) | - | - | (\$26,456,571) | Planning & community development |
| Education | 617,535,503 | - | - | - | (617,535,503) | - | (617,535,503) | - | - | (\$617,535,503) | Education |
| Interest and other charges | 16,537,709 | - | - | - | (16,537,709) | - | (16,537,709) | - | - | (\$16,537,709) | Interest and other charges |
| | | | | | | | | | | | |
| Total governmental activities | 1,422,630,538 | 81,052,782 | 124,013,804 | - | (1,217,563,952) | - | (1,217,563,952) | - | - | (\$1,217,563,952) | Total governmental activities |
| | | | | | | | | | | | |
| Business-type activities: | | | | | | | | | | | Business-type activities: |
| Utilities | 83,798,393 | 109,908,071 | - | 985,385 | - | 27,095,063 | 27,095,063 | - | - | \$27,095,063 | Utilities |
| Ballston Public Parking Garage | 6,218,247 | 3,272,841 | - | - | - | (2,945,406) | (2,945,406) | - | - | (\$2,945,406) | Ballston Public Parking Garage |
| 8th Level Ballston Public Parking Garage | 172,755 | 267,492 | - | - | - | 94,737 | 94,737 | - | - | \$94,737 | 8th Level Ballston Public Parking Garage |
| CPHD Development Fund | 17,484,785 | 15,928,767 | - | - | - | (1,556,018) | (1,556,018) | - | - | (1,556,018) | CPHD Development Fund |
| | | | | | | | | | | | |
| Total business-type activities | 107,674,180 | 129,377,171 | - | 985,385 | - | 22,688,376 | 22,688,376 | - | - | 22,688,376 | Total business-type activities |
| | | | | | | | | | | | |
| Total primary government | 1,530,304,718 | 210,429,953 | 124,013,804 | 985,385 | (1,217,563,952) | 22,688,376 | (1,194,875,576) | - | - | (\$1,194,875,576) | Total primary government |
| | | | | | | | | | | | |
| Component unit: | | | | | | | | | | | Component unit: |
| Schools | 576,931,200 | 33,408,214 | 58,222,744 | - | - | - | - | (485,300,242) | - | (485,300,242) | Schools |
| Gates Partnership | 8,625,732 | 7,643,170 | - | - | - | - | - | - | (982,562) | (982,562) | Gates Partnership |
| | | | | | | | | | | | |
| Total component units | 585,556,932 | 41,051,384 | 58,222,744 | - | - | - | - | (485,300,242) | (982,562) | (486,282,804) | Total component units |
| | | | | | | | | | | | |
| General Revenues: | | | | | | | | | | | General Revenues: |
| Property Taxes: | | | | | | | | | | | Property Taxes: |
| Real estate property taxes | | | | | 753,992,522 | - | 753,992,522 | - | - | 753,992,522 | Real estate property taxes |
| Personal property taxes | | | | | 114,836,050 | - | 114,836,050 | - | - | 114,836,050 | Personal property taxes |
| Other Local Taxes: | | | | | | | | | | | Other Local Taxes: |
| Business, professional occupancy license taxes | | | | | 63,837,926 | - | 63,837,926 | - | - | 63,837,926 | Business, professional occupancy license taxes |
| Sales tax | | | | | 41,197,357 | - | 41,197,357 | 24,458,713 | - | 65,656,070 | Sales tax |
| Meals tax | | | | | 39,047,018 | - | 39,047,018 | - | - | 39,047,018 | Meals tax |
| Transient tax | | | | | 25,267,916 | - | 25,267,916 | - | - | 25,267,916 | Transient tax |
| Utility tax | | | | | 11,426,615 | - | 11,426,615 | - | - | 11,426,615 | Utility tax |
| Recordation, car rental and other local taxes | | | | | 37,043,298 | - | 37,043,298 | - | - | 37,043,298 | Recordation, car rental and other local taxes |
| Revenue from general fund | | | | | - | - | - | 518,585,081 | - | 518,585,081 | Revenue from general fund |
| Investment and interest earnings | | | | | 7,998,391 | 420,674 | 8,419,065 | 372,376 | 3,487 | 8,794,928 | Investment and interest earnings |
| Miscellaneous | | | | | 133,419,247 | - | 133,419,247 | - | 69,706 | 133,488,953 | Miscellaneous |
| | | | | | | | | | | | |
| Total general revenues | | | | | 1,228,066,340 | 420,674 | 1,228,487,014 | 543,416,170 | 73,193 | 1,771,976,377 | Total general revenues |
| | | | | | | | | | | | |
| Change in net position | | | | | 10,502,388 | 23,109,050 | 33,611,438 | 58,115,928 | (909,369) | 90,817,997 | Change in net position |
| | | | | | | | | | | | |
| Restated net position (GASB 75), beginning | | | | | 923,492,917 | 778,213,209 | 1,701,706,126 | 193,649,567 | 26,674,726 | 1,922,030,419 | Restated net position (GASB 75), beginning |
| | | | | | | | | | | | |
| Net position, ending | | | | | \$933,995,305 | \$801,322,259 | \$1,735,317,564 | \$251,765,495 | \$25,765,357 | \$2,012,848,416 | 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, 2017

| | General Fund | General Capital Projects Fund | Transportation Capital Funds | All Other Governmental Funds | Total Governmental Funds |
|---|----------------------|----------------------------------|------------------------------------|------------------------------------|--------------------------------|
| ASSETS | | | | | |
| Equity in pooled cash and investments | \$279,068,488 | \$118,452,663 | \$162,975,757 | \$206,702,090 | \$767,198,998 |
| Petty cash | 1,150 | - | - | - | 1,150 |
| Cash with fiscal agents | 270,456 | - | - | - | 270,456 |
| Receivables, net | 437,263,583 | 189,148 | 2,405,935 | 21,287,581 | 461,146,247 |
| Due from other funds | 1,120,470 | - | - | - | 1,120,470 |
| Receivables from other governments | 11,320,992 | 1,423,359 | 7,230,181 | 1,579,910 | 21,554,442 |
| Prepaid items and other assets | 35,036 | - | - | 1,356,097 | 1,391,133 |
| Totals assets | \$729,080,175 | \$120,065,170 | \$172,611,873 | \$230,925,678 | \$1,252,682,896 |
| LIABILITIES | | | | | |
| Accounts payable | \$7,867,241 | \$3,399,420 | \$2,842,155 | \$9,435,944 | \$23,544,760 |
| Unearned revenue | 240,181 | 12,564,011 | 500,827 | - | 13,305,019 |
| Due to component unit | 92,356,331 | - | - | - | 92,356,331 |
| Accrued liabilities | 22,640,958 | - | - | - | 22,640,958 |
| Other liabilities | 2,714,479 | 1,484,970 | 703,361 | 10,647,173 | 15,549,983 |
| Total liabilities | 125,819,190 | 17,448,401 | 4,046,343 | 20,083,117 | 167,397,051 |
| DEFERRED INFLOWS | | | | | |
| Deferred revenue - Dev. Loan | 28,804,099 | - | - | 12,388,636 | 41,192,735 |
| Deferred revenue - Other | 388,026,698 | - | - | 6,745,125 | 394,771,823 |
| Total liabilities and deferred inflows | 542,649,987 | 17,448,401 | 4,046,343 | 39,216,878 | 603,361,609 |
| FUND BALANCES | | | | | |
| <u>Non spendable:</u> | | | | | |
| Prepaid items | 35,036 | - | - | 1,356,097 | 1,391,133 |
| <u>Restricted for:</u> | | | | | |
| Seized assets | 1,599,616 | - | - | - | 1,599,616 |
| Grants | 255,110 | - | - | 489,837 | 744,947 |
| Debt service | - | - | 13,529,817 | - | 13,529,817 |
| Capital project | - | 2,240,060 | - | 155,016,546 | 157,256,606 |
| <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 | 62,635,601 | - | - | - | 62,635,601 |
| Subsequent years' County budget | 4,643,563 | - | - | - | 4,643,563 |
| Capital projects | 6,636,589 | 100,376,709 | 155,035,713 | 36,289,014 | 298,338,025 |
| Incomplete projects | 664,991 | - | - | - | 664,991 |
| Affordable Housing Investment Fund - Allocated | 44,073,880 | - | - | - | 44,073,880 |
| Subsequent years' School budget | 24,217,093 | - | - | - | 24,217,093 |
| <u>Assigned to:</u> | | | | | |
| Contingency funds | 5,860,000 | - | - | - | 5,860,000 |
| Subsequent years' County capital projects | 10,279,343 | - | - | - | 10,279,343 |
| Fresh AIRE program | 156,301 | - | - | - | 156,301 |
| Planned Projects | 2,532,004 | - | - | - | 2,532,004 |
| Affordable Housing Investment Fund - Unallocated | 13,841,061 | - | - | - | 13,841,061 |
| <u>Unassigned:</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,442,694)</u> | <u>(1,442,694)</u> |
| Total fund balances | 186,430,188 | 102,616,769 | 168,565,530 | 191,708,800 | 649,321,287 |
| Total liabilities, deferred inflows and fund balance | \$729,080,175 | \$120,065,170 | \$172,611,873 | \$230,925,678 | \$1,252,682,896 |

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, 2017

| | | | |
|---|-------------|--|-----------------------------|
| Total governmental fund balances | | | \$649,321,287 |
| 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 | | | 1,136,011,052 |
| Other long-term assets are not available to pay for current period expenditures and are deferred in the funds | | | 384,737,205 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported in the funds | | | (1,144,352,018) |
| Deferred outflows of resources are not available to pay for current period expenditures and are not reported in the funds: | | | |
| Advance refunding | \$455,659 | | |
| Pension | 180,950,000 | | |
| OPEB | 19,970,186 | | |
| | | | 201,375,845 |
| Net pension liabilities are not available to pay for current period expenditures and are not reported in the funds. | | | (90,000,000) |
| Net OPEB liabilities are not available to pay for current period expenditures and are not reported in the funds | | | (190,413,430) |
| Deferred inflows of resources from pension are not due and payable in the current period and are not reported in the funds | | | (46,110,000) |
| Deferred inflows of resources from OPEB are not due and payable in the current period and are not reported in the funds | | | (10,999,260) |
| Internal service funds | | | 44,424,624 |
| Net position of governmental activities | | | <u><u>\$933,995,305</u></u> |

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, 2017

| | General Fund | General Capital Projects Fund | Transportation Capital Fund | All Other Governmental Funds | Total Governmental Funds |
|---|----------------------|----------------------------------|-----------------------------------|------------------------------------|--------------------------------|
| REVENUES: | | | | | |
| General property taxes: | | | | | |
| Real estate property taxes | \$698,901,529 | \$- | \$25,031,363 | \$15,274,032 | \$739,206,924 |
| Personal property taxes | 114,836,050 | - | - | - | 114,836,050 |
| Other local taxes: | | | | | |
| Business, professional and occupancy license (BPOL) tax | 63,837,926 | - | - | - | 63,837,926 |
| Sales tax | 41,197,357 | - | - | - | 41,197,357 |
| Meals tax | 39,047,018 | - | - | - | 39,047,018 |
| Transient tax | 25,267,916 | - | - | - | 25,267,916 |
| Utility tax | 11,426,615 | - | - | - | 11,426,615 |
| Recordation, car rental and other local taxes | 28,028,994 | - | - | 9,014,304 | 37,043,298 |
| Fines and forfeitures | 7,059,743 | - | - | - | 7,059,743 |
| Licenses, permits and fees | 11,459,159 | - | - | - | 11,459,159 |
| Intergovernmental | 93,373,113 | 1,867,215 | 5,045,009 | 23,728,467 | 124,013,804 |
| Charges for services | 57,520,846 | 690,849 | 3,084,202 | 1,237,983 | 62,533,880 |
| Interest and rent | 7,415,759 | - | - | 582,632 | 7,998,391 |
| Miscellaneous revenues | 12,990,761 | 7,168,481 | 15,108,169 | 1,167,669 | 36,435,080 |
| Total revenues | <u>1,212,362,786</u> | <u>9,726,545</u> | <u>48,268,743</u> | <u>51,005,087</u> | <u>1,321,363,161</u> |
| EXPENDITURES: | | | | | |
| Current operating: | | | | | |
| General government | 226,299,141 | 3,915,786 | 4,097,146 | 7,937,373 | 242,249,446 |
| Public safety | 135,291,491 | 618,911 | - | - | 135,910,402 |
| Environmental services | 92,794,551 | - | - | - | 92,794,551 |
| Health and welfare | 134,083,906 | - | - | - | 134,083,906 |
| Libraries | 13,604,095 | - | - | - | 13,604,095 |
| Parks, recreation and culture | 39,950,181 | 151,941 | - | - | 40,102,122 |
| Planning and community development | 19,438,935 | 239,849 | - | 32,386,095 | 52,064,879 |
| Principal | 43,967,972 | - | 342,626 | - | 44,310,598 |
| Interest and other charges | 16,284,182 | - | 253,527 | - | 16,537,709 |
| Intergovernmental: | | | | | |
| Community development | - | - | - | 8,300,000 | 8,300,000 |
| Education - Schools | 562,773,691 | - | - | - | 562,773,691 |
| Capital outlay | <u>2,179,712</u> | <u>34,999,366</u> | <u>22,034,613</u> | <u>43,525,265</u> | <u>102,738,956</u> |
| Total expenditures | <u>1,286,667,857</u> | <u>39,925,853</u> | <u>26,727,912</u> | <u>92,148,733</u> | <u>1,445,470,355</u> |
| Excess expenditures over revenues | <u>(74,305,071)</u> | <u>(30,199,308)</u> | <u>21,540,831</u> | <u>(41,143,646)</u> | <u>(124,107,194)</u> |
| OTHER FINANCING SOURCES(USES): | | | | | |
| Transfers in | 3,976,455 | 20,191,849 | - | 626,148 | 24,794,452 |
| Transfers out | (21,560,266) | (2,500,000) | (691,561) | (654,894) | (25,406,721) |
| Issuance of capital leases | - | 9,530,658 | - | - | 9,530,658 |
| Bond premium | 11,875,211 | 17,686,387 | - | - | 29,561,598 |
| Issuance of general obligation debt | <u>75,200,000</u> | <u>-</u> | <u>-</u> | <u>109,895,000</u> | <u>185,095,000</u> |
| Total other financing sources and (uses) | <u>69,491,400</u> | <u>44,908,894</u> | <u>(691,561)</u> | <u>109,866,254</u> | <u>223,574,987</u> |
| Net change in fund balances | (4,813,671) | 14,709,586 | 20,849,270 | 68,722,608 | 99,467,793 |
| Fund balances, beginning | <u>191,243,859</u> | <u>87,907,183</u> | <u>147,716,260</u> | <u>122,986,192</u> | <u>549,853,494</u> |
| Fund balances, ending | <u>\$186,430,188</u> | <u>\$102,616,769</u> | <u>\$168,565,530</u> | <u>\$191,708,800</u> | <u>\$649,321,287</u> |

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

ARLINGTON COUNTY, VIRGINIA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds \$99,467,793

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 | \$102,738,956 | |
| Less: Retirements | (68,192) | |
| Less: Depreciation expense | <u>(39,859,586)</u> | 62,811,178 |

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

14,785,598

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

| | | |
|--|---------------------|---------------|
| Add: Debt repayment- principal | 82,360,214 | |
| Less: Proceeds from bonds and capital leases | (194,625,658) | |
| Bond premium on debt | <u>(24,988,858)</u> | (137,254,302) |

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:

| | |
|---|-----------|
| Deferred outflows of resources from advance refunding | (115,275) |
|---|-----------|

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 and workers compensation

(925,435)

OPEB 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

(20,119,573)

Pension 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

| | | |
|---|---------------------|-------------|
| Add: FY 2017 pension contributions deferred | 51,800,000 | |
| Less: Pension expense | <u>(60,600,000)</u> | (8,800,000) |

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:

| | | |
|---|----------------|---------|
| Additional income for internal service | 509,197 | |
| Net operating income internal service funds | <u>143,207</u> | 652,404 |

| | |
|---|----------------------------|
| Change in net position of governmental activities | <u><u>\$10,502,388</u></u> |
|---|----------------------------|

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

ARLINGTON COUNTY, VIRGINIA
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2017

| | 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 | \$62,312,253 | \$12,571,166 | \$961,900 | \$17,075,199 | \$92,920,518 | \$19,616,564 |
| Cash with fiscal agents | 25,221 | - | - | - | 25,221 | - |
| Receivables, net | 19,243,867 | - | - | - | 19,243,867 | 7,920 |
| Inventory, at cost | 1,761,374 | - | - | - | 1,761,374 | 771,024 |
| Other current Assets | 2,447,864 | - | - | - | 2,447,864 | - |
| Total current assets | 85,790,579 | 12,571,166 | 961,900 | 17,075,199 | 116,398,844 | 20,395,508 |
| Non-current assets: | | | | | | |
| Capital assets: | | | | | | |
| Land | 6,161,255 | - | - | - | 6,161,255 | - |
| Depreciable, net | 974,043,279 | 9,081,652 | 3,238,386 | 647,022 | 987,010,339 | 29,959,071 |
| Intangible assets, net | 187,587 | - | - | 290 | 187,877 | - |
| Construction in progress | 46,248,938 | 1,008,084 | - | 539,432 | 47,796,454 | - |
| Total capital assets, net | 1,026,641,059 | 10,089,736 | 3,238,386 | 1,186,744 | 1,041,155,925 | 29,959,071 |
| Total non current assets | 1,026,641,059 | 10,089,736 | 3,238,386 | 1,186,744 | 1,041,155,925 | 29,959,071 |
| Total assets | 1,112,431,638 | 22,660,902 | 4,200,286 | 18,261,943 | 1,157,554,769 | 50,354,579 |
| LIABILITIES: | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | 7,592,856 | 1,085,556 | 1,606 | 857,116 | 9,537,134 | 1,681,651 |
| Accrued liabilities | 438,854 | 15,297,201 | - | 375,937 | 16,111,992 | - |
| Due within one year | 26,276,632 | 37,675,991 | - | 63,839 | 64,016,462 | 1,061,711 |
| Total current liabilities | 34,308,342 | 54,058,748 | 1,606 | 1,296,892 | 89,665,588 | 2,743,362 |
| Non-current liabilities: | | | | | | |
| Due in more than one year | 263,553,879 | - | - | 574,547 | 264,128,426 | 3,186,593 |
| Deferred Inflows: | | | | | | |
| Deferred cost of refunding | 2,438,496 | - | - | - | 2,438,496 | - |
| Total liabilities | 300,300,717 | 54,058,748 | 1,606 | 1,871,439 | 356,232,510 | 5,929,955 |
| NET POSITION: | | | | | | |
| Net investment in capital assets | 741,291,206 | 2,060,057 | 3,238,386 | 1,186,744 | 747,776,393 | 26,276,824 |
| Unrestricted | 70,839,715 | (33,457,903) | 960,294 | 15,203,760 | 53,545,866 | 18,147,800 |
| Total net position (deficit) | \$812,130,921 | (\$31,397,846) | \$4,198,680 | \$16,390,504 | \$801,322,259 | \$44,424,624 |

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, 2017

| | 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 | \$97,263,095 | \$- | \$- | \$- | \$97,263,095 |
| Water-service hook-up charges | 4,822,363 | - | - | - | 4,822,363 |
| Water-service connection charges | 1,176,940 | - | - | - | 1,176,940 |
| Sewage treatment service charges | 3,647,333 | - | - | - | 3,647,333 |
| Permits and fees | - | - | - | 15,928,767 | 15,928,767 |
| Other charges for services | 2,998,340 | - | - | - | 2,998,340 |
| Parking charges | - | 3,272,841 | 267,492 | - | 3,540,333 |
| Total operating revenues | 109,908,071 | 3,272,841 | 267,492 | 15,928,767 | 129,377,171 |
| OPERATING EXPENSES: | | | | | |
| Personnel services | 15,618,571 | - | - | 7,437,682 | 23,056,253 |
| Fringe benefits | 5,657,156 | - | - | 2,813,966 | 8,471,122 |
| Cost of store issuances | - | - | - | - | - |
| Contractual services | 11,060,370 | 1,544,048 | 35,418 | 4,648,019 | 17,287,855 |
| Purchases of water | 6,919,628 | - | - | - | 6,919,628 |
| Materials and supplies | 9,219,673 | 388,068 | 19,470 | 85,199 | 9,712,410 |
| Utilities | - | - | - | - | - |
| Operating equipment | - | - | - | - | - |
| Outside services | - | - | - | - | - |
| Depreciation and amortization | 15,636,478 | 660,671 | 95,177 | 339,413 | 16,731,739 |
| Deferred rent | - | 1,279,992 | - | - | 1,279,992 |
| Equipment (Construction Contracts) | 4,513,032 | - | - | (189,925) | 4,323,107 |
| Internal services | - | - | - | 2,350,431 | 2,350,431 |
| Miscellaneous | 6,275,010 | 349,759 | 22,690 | - | 6,647,459 |
| Total operating expenses | 74,899,918 | 4,222,538 | 172,755 | 17,484,785 | 96,779,996 |
| Operating income (loss) | 35,008,153 | (949,697) | 94,737 | (1,556,018) | 32,597,175 |
| NON-OPERATING REVENUES(EXPENSES): | | | | | |
| Interest income and other income | 310,554 | 25,231 | - | 84,889 | 420,674 |
| Interest expense and fiscal charges | (9,296,338) | (1,995,709) | - | - | (11,292,047) |
| Interest payment on capital lease | (2,136) | - | - | - | (2,136) |
| Gain on disposal of assets | - | - | - | - | - |
| Total non-operating revenues (expenses) | (8,987,921) | (1,970,478) | - | 84,889 | (10,873,510) |
| Net Income(loss) before contributions and transfers | 26,020,232 | (2,920,175) | 94,737 | (1,471,129) | 21,723,665 |
| CONTRIBUTIONS AND NET TRANSFERS: | | | | | |
| Contributions from developers and other sources | 985,385 | - | - | - | 985,385 |
| Transfers in | 400,000 | - | - | - | 400,000 |
| Transfers out | - | - | - | - | - |
| Total contributions and net transfers | 985,385 | - | - | - | 1,385,385 |
| Change in net position | 27,405,617 | (2,920,175) | 94,737 | (1,471,129) | 23,109,050 |
| Net position - beginning of year | 784,725,304 | (28,477,671) | 4,103,943 | 17,861,633 | 778,213,209 |
| Net position - end of year | \$812,130,921 | (\$31,397,846) | \$4,198,680 | \$16,390,504 | \$801,322,259 |

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, 2017

| | 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 | \$106,929,238 | \$3,272,841 | \$267,492 | \$15,928,767 | \$126,398,338 |
| Cash received for refund of working capital advance | - | 187,880 | - | - | 187,880 |
| Cash paid to suppliers | (37,364,408) | (1,301,090) | (129,929) | (6,493,721) | (45,289,148) |
| Cash paid to employees | (21,160,708) | (39,955) | - | (10,229,490) | (31,430,153) |
| Net cash flows from (used by) operating activities | 48,404,122 | 2,119,676 | 137,563 | (794,444) | 49,866,917 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Interest received | 310,554 | 25,231 | - | 84,889 | 420,674 |
| Net cash flows from investing activities | 310,554 | 25,231 | - | 84,889 | 420,674 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | | | | |
| Transfer out to other funds | 400,000 | - | - | - | 400,000 |
| Contributions from developers and other sources | - | - | - | - | - |
| Net cash flows from (used by) non-capital financing activities | 400,000 | - | - | - | 400,000 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | |
| Principal payments - bonds | (8,101,003) | (1,200,000) | - | - | (9,301,003) |
| Payment of principal on capital lease | (32,276) | - | - | - | (32,276) |
| Payment of interest on capital lease | (2,135) | - | - | - | (2,135) |
| Payment of VRA loan | (14,501,642) | - | - | - | (14,501,642) |
| Interest and other loan expenses paid | (9,409,421) | (116,860) | - | - | (9,526,281) |
| Purchases of property | (19,186,999) | (991,084) | - | (539,432) | (20,717,515) |
| Proceeds from sale of equipment | - | - | - | - | - |
| Net cash flows from (used by) capital and related financing activities | (51,233,476) | (2,307,944) | - | (539,432) | (54,080,852) |
| Net increase (decrease) in cash and cash equivalents | (2,118,800) | (163,037) | 137,563 | (1,248,987) | (3,393,261) |
| Cash and cash equivalents at beginning of year | 64,431,053 | 12,734,203 | 824,337 | 18,324,186 | 96,313,779 |
| Cash and cash equivalents at end of year | \$62,312,253 | \$12,571,166 | \$961,900 | \$17,075,199 | \$92,920,518 |
| Reconciliation of operating income to net cash flow from operations: | | | | | |
| Operating Income (Loss) | \$35,008,153 | (\$949,697) | \$94,737 | (\$1,556,018) | \$32,597,175 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | | |
| Depreciation and amortization | 15,636,478 | 660,671 | 95,177 | 339,413 | 16,731,739 |
| Effect of changes in operating assets and liabilities: | | | | | |
| Accounts receivable | (3,038,933) | - | - | - | (3,038,933) |
| Inventories | (161,740) | - | - | - | (161,740) |
| Vouchers payable | 642,319 | 940,830 | (52,351) | 400,003 | 1,930,801 |
| Compensated absences | 115,019 | - | - | 22,158 | 137,177 |
| Contract retainage | 142,726 | - | - | - | 142,726 |
| Accrued rent liability | - | 1,279,992 | - | - | 1,279,992 |
| Unearned revenue | 60,100 | - | - | - | 60,100 |
| Working capital advance | - | 187,880 | - | - | 187,880 |
| Net cash flows from operations | \$48,404,122 | \$2,119,676 | \$137,563 | (\$794,444) | \$49,866,917 |
| Noncash investing, capital, and financing activities: | | | | | |
| Contributions from developers and other sources | \$985,385 | \$- | \$- | \$- | \$985,385 |

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, 2017

| | Pension Trust Fund | OPEB | All Other Private Purpose Trust Funds | Agency Funds |
|---|------------------------|----------------------|---|---------------------|
| ASSETS: | | | | |
| Equity in pooled cash and investments | \$7,091,977 | \$33,734 | \$2,215,697 | \$16,562,618 |
| Contributions receivable: | | | | |
| Employer | 3,035,329 | - | - | - |
| Employee | 722,625 | - | - | - |
| Accrued interest and other receivables | 2,517,354 | - | 4,820,030 | - |
| Capital assets, net | - | - | 22,125,033 | - |
| Receivable from other government | - | - | - | 4,549 |
| Investments, at fair value: | | | | |
| Foreign, Municipal and U.S. Government Obligations, including Fixed Instruments in Pooled Funds | 65,318,345 | 40,271,256 | - | - |
| Corporate Fixed Income Obligations | 86,351,251 | - | - | - |
| Domestic and Foreign Equities, including Equities in Pooled Funds | 577,249,359 | 74,789,476 | - | - |
| Other investments | 62,639,056 | - | - | - |
| Real estate funds | 7,718,263 | - | - | - |
| Pooled Equity | 785,925,912 | - | - | - |
| Pooled Fixed Income | 570,727,082 | - | - | - |
| Convertible | 6,600,095 | - | - | - |
| Total assets | <u>2,175,896,648</u> | <u>115,094,466</u> | <u>29,160,760</u> | <u>16,567,167</u> |
| Deferred Outflows: | | | | |
| Loss on refunding bonds, net | - | - | 202,872 | - |
| Total assets and deferred outflows | <u>2,175,896,648</u> | <u>115,094,466</u> | <u>29,363,632</u> | <u>16,567,167</u> |
| LIABILITIES: | | | | |
| Accounts payable and accrued liabilities | 2,077,480 | 33,734 | 4,832,378 | 16,567,167 |
| Bonds payable | - | - | 24,195,000 | - |
| Total liabilities | <u>2,077,480</u> | <u>33,734</u> | <u>29,027,378</u> | <u>\$16,567,167</u> |
| NET POSITION | <u>\$2,173,819,168</u> | <u>\$115,060,732</u> | <u>\$336,254</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, 2017

| | Pension Trust Fund | OEB Trust Fund | All Other Private Purpose Trust Funds |
|--|-------------------------------|-----------------------------|---|
| ADDITIONS: | | | |
| Contributions and Revenues: | | | |
| Employer contributions | \$51,782,007 | \$6,850,000 | \$- |
| Employee contributions | 12,498,591 | - | - |
| Other contributions | 176,460 | 33,734 | - |
| Shared revenues | - | - | 2,490,420 |
| Private donations | - | - | 82,297 |
| Total contributions | <u>64,457,058</u> | <u>6,883,734</u> | <u>2,572,717</u> |
| Investment earnings: | | | |
| Interest and other | 35,527,917 | 4,606,102 | 51,909 |
| Gross income from securities lending | 354,176 | - | - |
| Bank fees and expenses from securities lending | (88,539) | - | - |
| Commissions recapture, gross | 103 | - | - |
| Net change in fair value of investments | <u>217,354,326</u> | <u>7,219,887</u> | <u>-</u> |
| Total investment earnings | 253,147,983 | 11,825,989 | 51,909 |
| Less investment expenses | <u>5,853,260</u> | <u>-</u> | <u>1,356,575</u> |
| Net investment earnings (loss) | <u>247,294,723</u> | <u>11,825,989</u> | <u>(1,304,666)</u> |
| Total additions | <u>311,751,781</u> | <u>18,709,723</u> | <u>1,268,051</u> |
| DEDUCTIONS: | | | |
| Administrative expenses | 1,755,198 | 33,734 | 843,743 |
| Retirees pension expense | <u>99,676,247</u> | <u>-</u> | <u>-</u> |
| Total deductions | <u>101,431,445</u> | <u>33,734</u> | <u>843,743</u> |
| Change in net position | 210,320,336 | 18,675,989 | 424,308 |
| Net position - Beginning of the year | <u>1,963,498,832</u> | <u>96,384,743</u> | <u>(88,054)</u> |
| Net position - End of the year | <u><u>\$2,173,819,168</u></u> | <u><u>\$115,060,732</u></u> | <u><u>\$336,254</u></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.

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ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1. Summary of Significant Accounting Policies

Arlington County, Virginia prepares its financial statements in conformity with generally accepted accounting principles ("GAAP") as applied to government 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) constitutes 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 is organized to provide explanations, including required disclosures, of the County's financial activities for the fiscal year ended June 30, 2017.

I. Accounting Policies

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 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. 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. The Auditor of Public Accounts of the Commonwealth of Virginia ("APA") is responsible for all financial reporting by jurisdictions within the Commonwealth. APA has determined that the Schools must be displayed as a discretely presented component unit in all the comprehensive annual financial reports of primary governments in the Commonwealth, which have responsibility for school systems. The Schools does not issue separate component unit financial statements and has a June 30 year-end.

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.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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.

C. Basis of Presentation

The basic financial statements include both government-wide financial statements 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 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 outflow of resources as well as long-term debt and obligations and deferred inflow of resources, with the resulting difference reported as net position. Inter-fund balances between governmental funds and inter-fund balances between enterprise funds are included in the government-wide statement of net position. 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. Program revenues include direct expenses that are clearly identifiable with a specific function or segment, 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.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 inflow of resources, reserves, fund equity, revenues and expenditures/expenses.

GASB Statement 34 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 fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Quarter CDA, County 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. 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 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, of the Ballston Public Parking Garage fund, the 8th Level Ballston Public Parking Garage fund and 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.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 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 Post-Employment Benefits (OPEB) Trust Fund** accounts for the assets held in trust by the County and beneficiaries of its OPEB plan.

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.

D. 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 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 after the section following the notes.

E. 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.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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).

The pension trust fund is also authorized to make investments as deemed appropriate by its Board of Trustees and in compliance with the U.S. Department of Labor regulations. 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 Board, acting on the recommendation of staff or the investment consultant to defer rebalancing, determines that it would not be consistent with the 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.

Investments in the pension trust fund consist of investment instruments, domestic and international stocks and bonds, U.S. Treasury notes and bonds, and real estate and real estate notes, which are held in the County's name by the Fund's Trustee who serves as the Pension System's agent. Temporary investment funds on deposit with financial institutions were fully insured by the Federal Deposit Insurance Corporation up to \$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 engages in a securities lending program through its custodian. In accordance with its adopted investment policy, the Retirement System is authorized to invest in foreign currency forward contracts, which are valued at fair market value, as a risk management tool. All interest earned on cash and investments pooled by the County is recorded in the County's general fund as legally allowed, except for separate cash and investments accounts or funds legally entitled to interest earned.

F. 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 are reported in the government-wide financial statements as "internal balances."

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

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

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

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

G. Inventories and Prepaid Items

Inventories are valued at cost, which approximates market, using the first-in first-out method for inventories in the utilities and Schools funds. Inventories acquired by the automotive equipment fund 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. Inventories in the School cafeteria fund are accounted for using the purchase method. Under this method, the cost is recorded as an expenditure at the time individual items are purchased. 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.

H. 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 component unit 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 fair market 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, as well as of the component unit Schools are depreciated using the straight-line method over the following estimated useful lives:

| Assets | Years |
|------------------------------------|--------------|
| Water/sewer system | 75 |
| Parking garage | 45 |
| Infrastructure | 40 |
| Building/improvements | 40 |
| Furniture and fixtures | 10 |
| 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.

I. Compensated Absences

County employees are granted vacation leave based upon length of employment; a total of 35 days of vacation may be carried over from one year to the next. Teachers do not earn vacation leave. Compensatory leave is granted to some County employees for overtime work on an hour-to-hour basis; no more than 80 hours of compensatory leave may be carried over

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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.

J. 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, 2017, the County had no arbitrage rebate liability.

K. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the 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 other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Fund Balance

In accordance with Government Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, 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 reserve, operating reserves, economic stabilization reserve, subsequent year's budgets for County and Schools, such as items appropriated and committed during the prior year closeout as well as other incomplete projects. 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 2017, this reserve is currently set at \$5 million. In accordance with the

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County's Financial and Debt Management policies, the operating reserve is currently set at 5% of the FY 18 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 are assigned by the County Manager. The County Board will review the recommendations of the County Manager during close out during the November Board meeting. If approved by a resolution of the County board, the assigned funds become committed. Amendments must follow 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 GASB 54, a deficit in unassigned fund balance resulting from overspending for specific purposes is 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.

M. Comparative data/reclassifications and restatement

Comparative total data for the prior year has been presented in the accompanying combining other supplemental information of the financial statements in order to provide an understanding of changes in the government'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 2016 amounts have been reclassified to conform to the FY 2017 presentation for better transparency and reporting. These reclassifications did not affect the FY 2016 net position, fund balances or changes therein.

The balances for FY 2016 were restated as a result of implementing GASB 74 and 75. Additional information is included in Note 17 and the RSI section following the notes.

N. 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.

O. Use of Estimates

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

P. Deferred Outflows

A deferred outflow of resources represents 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.

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Q. Deferred Inflows

A deferred inflow of resources represents 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.

R. 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 Virginia Retirement System (VRS) Teacher Employee 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.

S. Implementation of New GASB Pronouncements

The County implemented the following Governmental Accounting Standards Board (GASB) pronouncements:

In June 2015, the GASB issued GASB Statement No. 73 ("GASB 73") *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of the new Statement became effective for fiscal periods beginning after June 15, 2016. The County adopted GASB 73 during the year ended June 30, 2017. The implementation of this standard had no impact on the County's fiscal year 2017 financial statements.

In June 2015, GASB issued Statement No. 74 ("GASB 74"), *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57 *OPEB Measurements by Agent Employers and Agent Multi-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50 *Pension Disclosures*. The requirements of the new Statement became effective for fiscal periods beginning after June 15, 2016. The County adopted GASB 74 during the year ended June 30, 2017.

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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. The County early adopted GASB 75. The financial reporting impact resulting from the implementation of GASB 75 included a restatement of the FY 2016 net position from \$1,865,203,303 to \$1,701,706,126 for the County and from \$269,316,799 to \$193,649,567 for Schools. In FY 17, the County recognized an OPEB expense of \$20,119,573, net OPEB liability of \$190,413,430, deferred inflows of \$10,999,260, and deferred outflows of \$19,970,186. In FY 2017 Schools recognized OPEB expense of \$11,965,400, net OPEB liability of \$125,564,970, deferred inflows of \$1,662,803 and deferred outflows of \$23,932,151. Additional disclosures are included in Note 17 and the RSI following the notes to the financial statements.

In August 2015, GASB issued Statement No. 77 (“GASB 77”), *Tax Abatement Disclosures*. Tax abatements are widely used by state and local governments, particularly to encourage economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government. This Statement requires disclosure of tax abatement information about (1) a reporting government’s own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenues. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. The County adopted GASB 77 during the year ended June 30, 2017. The County evaluated its existing agreements and does not have any that meet the tax abatement criteria for reporting in FY 2017.

In December 2015, GASB issued Statement No. 78 (“GASB 78”), *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local government employers whose employers are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The County adopted GASB 78 during the year ended June 30, 2017. The County has a Single Employer Public Employee Defined Benefit Plan. This Statement does not apply to the County. Schools participate in a VRS cost-sharing multiple employer plan, however the scope of GASB 78 does not apply.

In January 2016, GASB issued Statement No. 80 (“GASB 80”), *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and

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local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The County adopted GASB 80 during the year ended June 30, 2017. The County has evaluated its position in accordance with this standard. The implementation of this standard had no impact on the County's fiscal year 2017 financial statements.

In March 2016, GASB issued Statement No. 82 *Pension Issues an amendment of GASB Statements No 67, No. 68, and No 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The County adopted GASB 82 during the year ended June 30, 2017. The County early adopted GASB 82. GASB 82 clarifies that the selection of assumptions for calculating the amounts should not deviate from the guidance in the Actuarial Standards of Practice. The County's assumptions are in line with the principles outlined in the standard. The implementation of this standard had no impact on the County's fiscal year 2017 financial statements.

T. Subsequent Events

The County evaluated subsequent events through October 31, 2017, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2017, but prior to October 31, 2017 that provided additional evidence about conditions that existed at June 30, 2017, have been recognized in the financial statements for the year ended June 30, 2017. Events or transactions that provided evidence about conditions that did not exist at June 30, 2017, but arose before the financial statements were available to be issued are noted below.

The revenue bond that was issued in 1984 for Ballston Parking Garage has retired and the last debt payment was made on August 1, 2017. All rights and obligations under the indenture of trust ceased upon payment of the final maturity. As part of the County's FY18 Adopted Budget, financial policies were added for the Ballston garage to the garage's operating expenditures, a replacement from the previous \$2 million operating and maintenance reserve to an economic stability reserve equivalent to 3 months of annual parking revenues. A full description of the new policies is available on the County's website at <https://budget.arlingtonva.us/fy-2018-adopted-budget/>. The trustee held debt service reserve account, operating and maintenance reserve account and operating account at U.S Bank will be liquidated in fiscal year 2018. The total balance remaining in these accounts will be transferred to the main Ballston Garage operating account - Sun Trust bank.

The County issued \$58 million of Series 2017 IDA Revenue Bonds in October, 2017, including \$32 million for new projects and \$26 million for refunding, in a negotiated sale led by senior underwriter J.P. Morgan Securities LLC, and co-manager Wells Fargo Securities. The bonds were sold to investors at a 3.24 percent average interest rate. \$8.4 million for the 2009 IDA principal payment, that was expected to come from the transportation investment fund, was also paid off in October, 2017.

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II. Reconciliation of Government-wide and Fund Financial Statements

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

The Reconciliation of the Balance Sheet of Governmental Fund Balance to the Statement of Net Position shows the difference between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The breakdown showing the difference of (\$1,144,352,018) is as follows:

| | |
|---|---------------------------------|
| General obligation bonds - general government | (\$247,142,163) |
| Refunding bonds - general government | (221,200,377) |
| General obligation bonds - Schools | (218,622,839) |
| Refunding bonds - Schools | (206,310,887) |
| Compensated absences - general government | (33,500,387) |
| Worker's compensation - general government | (4,728,888) |
| Capital leases - general government | (21,124,811) |
| Bond premium to be amortized – County | (50,582,512) |
| Bond premium to be amortized – Schools | (44,159,154) |
| IDA – Metro and Buckingham Village 1 | (32,765,000) |
| IDA Revenue Bonds - 2011 | (8,690,000) |
| IDA Revenue Bonds - 2013 | (55,525,000) |
| <hr/> | |
| Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position of governmental activities</i> | <u><u>(\$1,144,352,018)</u></u> |

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

The Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities shows the difference between *net changes in fund balances – total governmental funds* and changes in *net position of governmental activities* as reported in the government-wide statement of activities.

One element of the reconciliation states that “Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.” The breakdown showing the difference of \$14,785,598 is as follows:

| | |
|---|----------------------------|
| Unearned property tax revenue 6/30/16 | (\$369,951,607) |
| Unearned property tax revenue 6/30/17 | (384,737,205) |
| <hr/> | |
| Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> arrive at <i>changes in net position of governmental activities</i> | <u><u>\$14,785,598</u></u> |

Another element of that reconciliation states that “Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, government funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of net activities.” The details of this (\$137,254,302) difference are as follows:

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Debt issued or incurred:

| | |
|--|----------------------|
| Issuance of general obligation bonds – County | (\$109,895,000) |
| Issuance of general obligation bonds - Schools | (75,200,000) |
| Capital leases | <u>(9,530,658)</u> |
| Capital financing – General Government | <u>(194,625,658)</u> |

Principal repayments:

| | |
|---|-------------------|
| General obligation debt – County | 22,323,500 |
| General obligation debt – Schools | 18,730,500 |
| Payment to refunded bonds - County | 17,787,098 |
| Payment to refunded bonds - Schools | 13,582,899 |
| Payment to IDA – Metro and Buckingham Village 1 | 1,295,000 |
| Payment to IDA Revenue Bonds - 2011 | 625,000 |
| Payment to IDA Revenue Bonds - 2013 | 3,025,000 |
| Capital leases | <u>4,991,217</u> |
| Total principal repayments | <u>82,360,214</u> |

| | |
|----------------------|---------------------|
| Bond premium on debt | <u>(24,988,858)</u> |
|----------------------|---------------------|

| | |
|--|------------------------|
| Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i> | <u>(\$137,254,302)</u> |
|--|------------------------|

Another element of that reconciliation states that “some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds such as compensated absences and worker’s compensation.” The detail of this (\$925,434) difference is as follows:

| | |
|--|--------------------|
| Compensated absences | (\$119,826) |
| Worker’s compensation | <u>(805,608)</u> |
| Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of government activities</i> | <u>(\$925,434)</u> |

NOTE 2. Legal Compliance

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

Supplemental appropriations may be approved by the County Board subsequent to the adoption of the original budget. In FY 2017, such appropriation amendments totaled \$108,393,486 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 2017 for the Fire Department due to a higher than normal number of retirements and other separations of employment resulting in leave payments and overtime costs, the Sheriff's Office due to overtime costs, the County Attorney primarily due to consultant costs and higher than budgeted personnel costs, including leave payments from employment separations, and the Department of Technology Services due to required software upgrades and contractor increases.

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The Circuit Court Judiciary (CCTJ), the Clerk of the Circuit Court (CCT), the County Manager's Office (CMO) and the Department of Management and Finance (DMF) experienced overages as well. CCTJ came in higher than projected on salaries due to unexpected temporary pay and higher operating supplies, the Clerk of the Circuit Court came in slightly over budget due to unexpected temporary pay and salaries higher than budgeted, while CMO and DMF came in higher than projected due to low vacancy rates combined with salaries higher than budgeted and leave payments.

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 \$31,397,846 at June 30, 2017. 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 an increase in net position of \$70,835 in FY 2017, resulting in an ending net deficit of (\$192,391). Management will evaluate measures to continue reducing the deficit in FY 2018.

NOTE 3. Cash and Investments

I. County Cash and Investments

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

A. Custodial Credit Risk Deposits

At year end, the carrying amount of the County and School deposits was \$120,358,860 and the bank balance was \$131,739,091. Of the bank balance, \$10,731,553 was either covered by Federal depository insurance or protected under the provisions of the Virginia Security for Public Deposits Act ("the Act").

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 that are in the possession of an outside party. The treasurer's investment policy requires that all securities be clearly held in the name of Arlington 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 State and 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), a 2a-7 like pool. 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.

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E. Concentrations of Credit Risk

The County's policy defines limits on the amounts that may be invested in various investments. The portfolio is in compliance with each of the stated limits as of June 30, 2017.

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, 2017, the County had the following investments and maturities:

| | Investment Maturity (in years) | | | | |
|-------------------------|--------------------------------|---------------------|---------------|---------------|-------------------------|
| | Fair Value | Less than 1 year | 1-3 years | 3-5 years | Greater than 5 years |
| Corporate Notes | \$138,220,673 | \$12,553,138 | \$41,276,323 | \$84,391,211 | \$- |
| Government Agency Bonds | 77,797,339 | 862,804 | 12,942,893 | 63,991,642 | - |
| Virginia VIP | 40,974,806 | - | 40,974,806 | - | - |
| Municipal Obligations | 31,559,240 | 629,873 | 7,088,539 | 23,840,828 | - |
| Total | \$288,552,058 | \$14,045,815 | \$102,282,561 | \$172,223,681 | \$- |

Investment not subject to Interest Rate Risk:

| | |
|--------------------------------------|--------------------------|
| Virginia LGIP | \$221,737 |
| VIP Daily Liquidity Pool | 322,426,637 |
| Virginia State Non-Arbitrage Program | <u>338,179,591</u> |
| Total | <u>660,827,965</u> |
| Total Investments | <u>\$949,380,023</u> |

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

The County has recurring fair value measurements as of June 30, 2017, for \$138,220,673 in corporate notes and \$77,797,339 in U.S. Treasury and agency securities valued using quoted market prices (Level 1 inputs). In addition, the County has recurring fair value measurements as of June 30, 2017 for \$31,559,240 in municipal obligations and \$40,974,806 invested in VIP 1-3 Year Pool valued using significant other observable inputs (Level 2 inputs).

US Bank, as trustee for holders of bonds for the Ballston Parking Garage, is authorized to invest in all investment instruments for the County. As of June 30, 2017, the Trustee Bank had \$16,198,088 in a U.S. government money market fund consisting of securities approved for direct investment. First Virginia Community Bank is the trustee for Alexandria/Arlington Waste to Energy- Monitoring Group Trust Fund. Investments in the amount of \$118,743 at fair value were held by First Virginia Community Bank at June 30, 2017. Bank of New York Mellon Bank (BNYM), as the trustee for the Industrial Development Authority (IDA) of Arlington County, Virginia, is authorized to invest in all investments for the IDA Taxable Economic Development Revenue Bonds (Skating Facility Project). As of June 30, 2017, the Trustee Banks had \$2,178,007. Bank of New York Mellon Bank, as the trustee for the Industrial Development

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Authority (IDA) Lease Revenue Bonds, is granted and assigned a security interest in the investment instruments by the IDA Authority of Arlington County. As of June 30, 2017, BNYM had \$454,866. SunTrust Bank is the trustee for the Ballston Parking Garage. Daily and monthly parking fees collected at the Garage are deposited in SunTrust Bank and every month SunTrust transfers money to US Bank for investment. As of June 30, 2017, the Trust Bank had \$96,727. SunTrust is also the bank for Arlington Mill Community Center Parking Garage as of June 30, 2017, there was \$68,540 in the trust account. John Marshall Bank is the trustee for the World Cities Alliance a trust and agency account of Arlington County. As of June 30, 2017, there was \$49,260 deposited in the trust account.

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 State Non-Arbitrage Program ("SNAP"). SNAP is designed to assist local governments in complying with the arbitrage rebate requirements of the Tax Reform Act of 1986. These programs provide comprehensive investment management, accounting and arbitrage rebate calculation services for proceeds of general obligation and revenue tax-exempt financing of Virginia counties, cities and towns. As of June 30, 2017, the County had \$338,179,591 in the SNAP short term investment. SNAP is administered by the Virginia Treasury Board. The Board is committed to managing certain risk limiting provisions to maintain a stable net asset value (NAV) at \$1.00 per share, which is 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.
- SNAP is managed in accordance with GASB Statement No. 79.
- The portfolio securities are valued by the amortized cost method, and on a daily 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 Local Government Investment Pool (LGIP), which is administered by the Virginia Treasury Board. As of June 30, 2017, the County had \$221,737 in the LGIP short term investment. The Board is committed to managing certain risk limiting provisions to maintain a stable net asset value (NAV) at \$1.00 per share, which is 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 GASB Statement No. 79.
- 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 Virginia Investment Pool (VIP) Stable NAV Liquidity Pool (Daily Liquidity Pool), administrated by VACo/VML Virginia Investment Pool. As of June 30, 2017, the County had \$322,426,637 in the Stable NAV Liquidity Pool short term investment.

The VACo/VML Virginia Investment Pool is committed to managing certain risk limiting provisions to maintain a stable net asset value (NAV) at \$1.00 per share, which is 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 GASB Statement No. 79.

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-
- 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 ("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
- 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. The System invests in 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 | 46.7% |
| International Equity | 17.2% |
| Fixed Income | 29.9% |
| Cash/Short Term | 1.8% |
| Non-Traditional | 4.4% |
| | <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.

ARLINGTON COUNTY, VIRGINIA

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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, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table:

| <u>Asset Class</u> | <u>Long Term Expected Real Rate of Return</u> |
|----------------------|---|
| Domestic Equity | 6.6% |
| International Equity | 7.1% |
| Fixed Income | 2.9% |
| Cash/Short Term | 1.7% |
| Non-Traditional | 9.6% |

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 Board, acting on the recommendation of staff or the investment consultant to defer rebalancing, determines that it would not be consistent with the 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 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

ARLINGTON COUNTY, VIRGINIA

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-
- 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 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 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 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, 2017, the System had \$93,575 in open net forward currency contracts.

D. Cash and Cash Equivalents

At June 30, 2017, the System had cash and cash equivalents of \$7,091,977. Cash deposits in bank accounts totaled \$415,428. This amount was insured by the Federal Deposit Insurance Corporation up to \$250,000 for each System participant. Cash totaling \$6,676,549 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.

The following table presents the fair value of investments by type at June 30, 2017:

ARLINGTON COUNTY, VIRGINIA

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| <u>System Investment</u> | |
|---|---------------------------------|
| Investment Type | Investment Value (in \$000s) |
| Foreign, Municipal and U.S Governments | |
| Government and Government Agency Debt | \$62,490 |
| Government State and Local Debt | 2,829 |
| Total Foreign, Municipal, and U.S Governments | 65,319 |
| Corporate Fixed Income Obligations | |
| Corporate Bonds | 86,326 |
| Asset Backed Securities | 25 |
| Bank Loans | 1 |
| Total Corporate Fixed Income Obligations | 86,352 |
| Domestic and Foreign Equities | |
| Common Stock | 473,059 |
| REITs | 5,436 |
| Preferred Stock | 11 |
| Total Domestic and Foreign Equities | 478,506 |
| Private Equity | |
| Private Equity | 62,639 |
| Real Estate Funds | |
| Real Estate | 7,718 |
| Pooled Equity | |
| Pooled Equity Funds | 884,669 |
| Pooled Fixed Income | |
| Pooled Bond Funds | 570,727 |
| Convertibles | |
| Convertible Equity | 1,477 |
| Corporate Convertible Bonds | 5,123 |
| | 6,600 |
| Total ⁽¹⁾ | \$2,162,530 |

(1) Investment related accruals are reflected in the respective asset category; further, data on the Statement of Fiduciary Net Position (Exhibit 9) 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 \$156.8 million of directly owned fixed income securities and on \$570.7 million invested in three pooled US fixed income funds.

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NOTES TO FINANCIAL STATEMENTS

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The System's directly owned fixed income investments and maturities at June 30, 2017 are:

| 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> |
| Asset backed Securities | \$25 | \$25 | \$- | \$- | \$- |
| Bank Loans | 1 | - | 1 | - | - |
| Corporate Bonds | 86,326 | 1,035 | 23,058 | 22,065 | 40,168 |
| Corporate Convertible Bonds | 5,123 | 848 | 1,840 | 678 | 1,757 |
| Government & Government Agencies | 58,210 | 19,015 | 32,471 | 4,529 | 2,195 |
| Government State & Local Debt | 7,109 | 4,280 | - | - | 2,829 |
| Total | <u>\$156,794</u> | <u>\$25,203</u> | <u>\$57,370</u> | <u>\$27,272</u> | <u>\$46,949</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, 2017 is shown below:

| <u>Investment Durations</u> | | |
|---|-------------------|---------------------------------|
| <u>Investment Type</u> <i>(in \$ 000s)</i> | <u>Fair Value</u> | <u>Effective Duration (Yrs)</u> |
| Asset backed Securities | \$25 | 0.90 |
| Bank Loans | 1 | - |
| Corporate Loans | 86,326 | 7.12 |
| Corporate Convertible Bonds | 5,123 | 5.27 |
| Government & Government Agencies | 58,210 | 2.50 |
| Government State & Local Debt | 7,109 | 2.99 |
| Total | <u>\$156,794</u> | <u>5.11</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 \$156.8 million at June 30, 2017 is shown in the following table:

| <u>Investment Type</u> <i>(in \$ 000s)</i> | <u>Fixed Income Credit Quality Distribution</u> | | | | | | | |
|---|--|----------------|-----------------|-----------------|-----------------|-----------------|----------------|----------------|
| | <u>Credit Quality</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> |
| Asset backed Securities | \$25 | \$- | \$- | \$- | \$- | \$- | \$- | \$- |
| Bank Loans | - | - | - | - | - | - | - | 1 |
| Corporate Bonds | - | 8,420 | 8,275 | 24,116 | 27,500 | 14,285 | 3,264 | 465 |
| Corporate Convertible Bonds | - | - | 1,049 | 1,403 | 711 | 320 | 678 | 962 |
| Government & Government Agencies | 51,485 | - | 4,557 | - | 2,168 | - | - | - |
| Government State & Local Debt | 4,281 | - | - | - | - | 2,829 | - | - |
| Total | <u>\$55,791</u> | <u>\$8,420</u> | <u>\$13,881</u> | <u>\$25,519</u> | <u>\$30,379</u> | <u>\$17,434</u> | <u>\$3,942</u> | <u>\$1,428</u> |

Note: Ratings based on S&P Quality Ratings.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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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, 2017 was as follows:

| <u>Foreign Currency Exposure In Dollars</u> | | | | |
|--|-----------------|-----------------|--------------|------------------|
| | | Fixed Income | | |
| <i>Currency (in \$ 000s)</i> | Equity | & Convertible | Cash | Total |
| Australian Dollar | \$570 | \$4,631 | \$- | \$5,201 |
| Brazilian Real | 1,862 | - | - | 1,862 |
| British Pound Sterling | 7,917 | 414 | 30 | 8,361 |
| Canadian Dollar | 3,084 | 9,673 | - | 12,757 |
| Danish Krone | 1,497 | - | - | 1,497 |
| Euro | 22,211 | - | 22 | 22,233 |
| Hong Kong Dollar | 14,966 | - | 35 | 15,001 |
| Indonesian Rupiah | 7,374 | - | - | 7,374 |
| Japanese Yen | 7,405 | - | 29 | 7,434 |
| Mexican Peso | 1,474 | 3,616 | - | 5,090 |
| New Zealand Dollar | - | 6,170 | - | 6,170 |
| Nigerian Naira | 342 | - | 71 | 413 |
| Philippines Peso | 5,489 | - | 2 | 5,491 |
| Singapore Dollar | 776 | - | - | 776 |
| South Korean Won | 308 | - | - | 308 |
| Swedish Krona | 5,157 | - | 1 | 5,158 |
| Swiss Franc | 5,137 | - | 1 | 5,138 |
| Thailand Baht | 1,290 | - | - | 1,290 |
| Turkish Lira | 1,559 | - | 10 | 1,569 |
| Total | <u>\$88,418</u> | <u>\$24,504</u> | <u>\$201</u> | <u>\$113,123</u> |

F. Securities Lending

Under authorization of the 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 US 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.

The fair value of securities on loan increased from \$19.3 million at the beginning of the year to \$50.8 million at June 30, 2017.

The following table details the net income from securities lending for the fiscal year ended June 30, 2017:

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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| | |
|--------------------------------------|-------------------------|
| Gross Income from Securities Lending | \$354,176 |
| Less: Bank Management Fees | <u>(88,539)</u> |
| Net Income from Securities Lending | <u><u>\$265,637</u></u> |

At June 30, 2017, the fair value of underlying securities lent was \$50,752,810 and the fair value of the non-cash collateral pledged was \$51,845,466. None of the System's pooled fund investments have material realized or unrealized securities lending related losses.

G. Commission Recapture Program

The System participates in a commission recapture program with the Frank Russell Company. This program allows the System to recapture a portion of the commissions paid to broker/dealers by investment managers who participate in the program. All trades are placed subject to the requirement for best execution. Earnings credited to commission recapture income for the fiscal year ended June 30, 2017 were \$103.

H. Fair Value Hierarchy

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 Net Asset Value (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

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Investments and Derivative Instruments Measured at Fair Value

| | | Fair Value Measurements | | |
|--|------------------------|---|---|---|
| | | Quoted Prices in Active markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| | 6/30/2017 | | | |
| Investments by fair value level | | | | |
| Debt securities | | | | |
| Foreign, Municipal and U.S. Governments | | | | |
| Government and Government Agency Debt | \$58,209,908 | \$- | \$58,209,908 | \$- |
| Government State and Local Debt | 7,108,437 | - | 7,108,437 | - |
| Corporate Fixed Income Obligations | | | | |
| Corporate Bonds | 86,325,688 | - | 86,325,688 | - |
| Asset Backed Securities | 24,702 | - | 24,702 | - |
| Bank Loans | 862 | - | 862 | - |
| Pooled Fixed Income | | | | |
| Pooled Bond Funds | 144,263,832 | 144,263,832 | - | - |
| Convertibles | | | | |
| Corporate Convertible Bonds | 5,123,316 | - | 5,123,316 | - |
| Total debt securities measured at fair value | 301,056,745 | 144,263,832 | 156,792,913 | - |
| Equity Securities | | | | |
| Domestic and Foreign Equities | | | | |
| Common stock | 478,495,417 | 478,495,417 | - | 10,946 |
| Preferred stock | 10,946 | - | - | - |
| Pooled Equity | | | | |
| Pooled Equity Funds | 544,645,649 | 544,645,649 | - | - |
| Convertibles | | | | |
| Convertibles Equity | 1,476,779 | 1,053,552 | 423,228 | - |
| Total equity securities measured at fair value | 1,024,628,791 | 1,024,194,618 | 423,228 | 10,946 |
| Total investments by fair value level | <u>\$1,325,685,536</u> | <u>\$1,168,458,450</u> | <u>\$157,216,141</u> | <u>\$10,946</u> |
| Investments measured at the net asset value (NAV) | | | | |
| Debt Securities | | | | |
| Pooled Fixed Income | | | | |
| Pooled Bond Funds | \$426,463,250 | | | |
| Total Debt Securities measured at the NAV | 426,463,250 | | | |
| Equity Securities | | | | |
| Domestic and Foreign Equities | | | | |
| Pooled Equity Funds | 98,742,995 | | | |
| Pooled Equity | | | | |
| Pooled Equity Funds | 241,280,263 | | | |
| Total equity securities measured at the NAV | 340,023,258 | | | |
| Alternative investments | | | | |
| Private Equity | | | | |
| Private Equity | 62,639,056 | | | |
| Real Estate Funds | | | | |
| Real Estate | 7,718,263 | | | |
| Total alternative investments measured at the NAV | 70,357,319 | | | |
| Total investments measured at fair value | <u>\$836,843,827</u> | | | |
| Total investments | <u>\$2,162,529,363</u> | | | |

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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| | Total Assets at Net Asset Value | | Redemption Frequency | Redemption Notice Period |
|---------------------------------------|---------------------------------|-------------------------|-------------------------|-----------------------------|
| | Fair Value | Unfunded Commitments | | |
| Debt Securities | | | | |
| Pooled Fixed Income | \$426,463,250 | \$- | Daily | N/A |
| Total Debt Securities | 426,463,250 | - | | |
| Equity Securities | | | | |
| Domestic and Foreign Equities | 98,742,995 | - | Monthly | 15-45 days |
| Global Pooled Equity | 86,312,147 | - | Monthly | 15-45 days |
| Large Cap Domestic Equity | 154,968,116 | - | Daily | None |
| Total equity investments | 340,023,258 | - | | |
| Alternative Investments | | | | |
| Private Equity | 62,639,056 | 93,000,000 | N/A | N/A |
| Real Estate | 7,718,263 | 1,400,000 | N/A | N/A |
| Total alternative investments | 70,357,319 | 94,400,000 | | |
| Total investments measured at the NAV | \$836,843,827 | \$94,400,000 | | |

- **Unfunded Commitments.** At June 30th, the System had committed to fund certain alternative investment partnerships in the amount of \$253.0 million. Funding of \$158.6 million has been provided leaving an unfunded commitment of \$94.4 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.

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NOTES TO FINANCIAL STATEMENTS

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NOTE 4. Receivables and Unearned Revenues

Receivables at June 30, 2017 are summarized below:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> |
|--|------------------------------------|-------------------------------------|
| Real estate taxes | \$387,689,270 | \$- |
| Personal property taxes | 3,470,240 | - |
| Business license taxes | 2,117,100 | - |
| Meal tax | 1,080,897 | - |
| Accounts receivable | 67,952,867 | 19,829,262 |
| Interest | 1,230,417 | - |
| Total | <u>463,540,791</u> | <u>19,829,262</u> |
| Less: Allowance for uncollectible accounts | <u>(1,266,154)</u> | <u>(585,395)</u> |
| Net receivables | <u><u>\$462,274,637</u></u> | <u><u>\$19,243,867</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 \$384,737,205, has also been recorded as deferred inflow 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 \$214 million and accrued interest of approximately \$27 million at June 30, 2017 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.

Other affordable housing receivables include HOME loans provided by the County. Outstanding principal balances for the HOME loans of \$22M and accrued interest of approximately \$5M have been accounted for as receivables and are included in the accompanying Statement of Net Position.

Governmental funds report deferred inflows in connection with receivables for revenues not considered available to liquidate liabilities of the current period. Special revenue funds and Capital project fund also report deferred inflows recognition in connection with resources that have been received, but not yet earned. At June 30, 2017, the revenues components of unearned revenues reported were as follows:

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

| <u>Governmental Funds</u> | <u>Unearned Revenue</u> |
|------------------------------------|----------------------------|
| <u>General Fund</u> | |
| Household Credits | \$225,001 |
| Rental Income | 15,180 |
| | <u>240,181</u> |
| <u>Capital Project Fund</u> | |
| Master lease | 8,896,721 |
| Developer's contributions | 3,667,290 |
| | <u>12,564,011</u> |
| <u>Transportation Capital Fund</u> | |
| FTA deferred grant revenue | 500,827 |
| | <u><u>\$13,305,019</u></u> |

| <u>Deferred Inflows</u> | <u>General Fund</u> | <u>Special Revenue Funds</u> | <u>Total Government</u> | <u>Business Type Activities</u> | <u>Total Primary Government</u> |
|---------------------------|---------------------|------------------------------|-------------------------|---------------------------------|---------------------------------|
| Taxes | \$1,933,857 | \$3,919,494 | \$5,853,351 | \$- | \$5,853,351 |
| Grants | 1,355,635 | 2,825,632 | 4,181,267 | - | 4,181,267 |
| Pension | 46,110,000 | - | 46,110,000 | - | 46,110,000 |
| OPEB | 10,999,260 | - | 10,999,260 | - | 10,999,260 |
| Housing development loans | 28,804,099 | 12,388,636 | 41,192,735 | - | 41,192,735 |
| Refunding of debt | - | - | - | 2,438,496 | 2,438,496 |
| | <u>\$89,202,851</u> | <u>\$19,133,762</u> | <u>\$108,336,613</u> | <u>\$2,438,496</u> | <u>\$110,775,109</u> |

| <u>Deferred Outflows</u> | <u>Governmental Activities</u> |
|--------------------------|--------------------------------|
| Refunding of debt | \$455,659 |
| Pension | 180,950,000 |
| OPEB | 19,970,186 |
| Total Governmental Funds | <u><u>\$201,375,845</u></u> |

*Deferred outflows/inflows in government funds include \$384,737,205 October installment of real estate taxes.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 5. Capital Assets and Intangible Assets

Capital asset activity for the year ended June 30, 2017

| | Governmental and Internal Service activities | | | |
|---|---|----------------------|---------------------|---------------------------|
| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
| Capital assets, not being depreciated: | | | | |
| Land | \$171,889,437 | \$4,905,264 | \$- | \$176,794,701 |
| Construction in progress | 206,903,057 | 87,655,738 | 60,651,868 | 233,906,927 |
| Total capital assets, not being depreciated | <u>378,792,494</u> | <u>92,561,002</u> | <u>60,651,868</u> | <u>410,701,628</u> |
| Capital assets, being depreciated: | | | | |
| Infrastructure | 680,779,247 | 45,518,628 | 43,226 | 726,254,649 |
| Buildings | 350,034,267 | 8,550,217 | - | 358,584,484 |
| Furniture, fixtures and equipment | 290,644,269 | 17,898,977 | 1,575,189 | 306,968,057 |
| Intangible | 5,504,582 | 1,926,928 | - | 7,431,510 |
| Total capital assets being depreciated | <u>1,326,962,365</u> | <u>73,894,750</u> | <u>1,618,415</u> | <u>1,399,238,700</u> |
| Less accumulated depreciation for: | | | | |
| Infrastructure | 326,441,952 | 14,627,549 | - | 341,069,501 |
| Buildings | 123,124,434 | 8,837,330 | - | 131,961,764 |
| Furniture, fixtures and equipment | 146,543,173 | 21,805,432 | 1,434,792 | 166,913,813 |
| Intangible | 3,277,851 | 747,276 | - | 4,025,127 |
| Total accumulated depreciation | <u>599,387,410</u> | <u>46,017,587</u> | <u>1,434,792</u> | <u>643,970,205</u> |
| Total capital assets, being depreciated, net | <u>727,574,955</u> | <u>27,877,163</u> | <u>183,623</u> | <u>755,268,495</u> |
| Governmental and Internal Service activities, net | <u>\$1,106,367,449</u> | <u>\$120,438,165</u> | <u>\$60,835,491</u> | <u>\$1,165,970,123</u> |

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

| | Business-type Activities | | | |
|--|---------------------------------|---------------------|--------------------|---------------------------|
| | Beginning Balance | Increases | Decreases | Ending Balance |
| Capital assets, not being depreciated | | | | |
| Land | \$6,161,255 | \$- | \$- | \$6,161,255 |
| Construction in progress | 33,962,093 | 20,717,515 | 6,883,154 | 47,796,454 |
| Total capital assets, not being depreciated | <u>40,123,348</u> | <u>20,717,515</u> | <u>6,883,154</u> | <u>53,957,709</u> |
| Capital assets, being depreciated: | | | | |
| Sewer system | 384,601,637 | 2,830,726 | - | 387,432,363 |
| Water system | 790,286,817 | 5,037,813 | - | 795,324,630 |
| Building | 25,856,238 | - | - | 25,856,238 |
| Furniture, Equipments | 7,274,860 | - | - | 7,274,860 |
| Intangible | 1,368,617 | - | - | 1,368,617 |
| Total capital assets being depreciated | <u>1,209,388,169</u> | <u>7,868,539</u> | <u>-</u> | <u>1,217,256,708</u> |
| Less accumulated depreciation for: | | | | |
| Sewer system | 105,080,435 | 2,000,917 | - | 107,081,352 |
| Water system | 88,251,517 | 13,971,288 | - | 102,222,805 |
| Building | 14,372,275 | 584,418 | - | 14,956,693 |
| Furniture, fixtures and equipment | 4,049,499 | 567,403 | - | 4,616,902 |
| Intangible | 1,091,878 | 88,862 | - | 1,180,740 |
| Total accumulated depreciation | <u>212,845,604</u> | <u>17,212,888</u> | <u>-</u> | <u>230,058,492</u> |
| Total capital assets, being depreciated, net | <u>996,542,565</u> | <u>(9,344,349)</u> | <u>-</u> | <u>987,198,216</u> |
| Business-type activities, net | <u>\$1,036,665,913</u> | <u>\$11,373,166</u> | <u>\$6,883,154</u> | <u>\$1,041,155,925</u> |

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Discretely presented component unit - Schools

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------|------------------|-----------------------|
| Capital assets, not being depreciated | | | | |
| Land | <u>\$4,697,946</u> | <u>\$-</u> | <u>\$-</u> | <u>\$4,697,946</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | <u>759,491,564</u> | <u>43,093,241</u> | <u>-</u> | <u>802,584,805</u> |
| Furniture, fixtures, and equipment | <u>99,874,133</u> | <u>8,860,241</u> | <u>-</u> | <u>108,734,374</u> |
| Total capital assets being depreciated | <u>859,365,697</u> | <u>51,953,482</u> | <u>-</u> | <u>911,319,179</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | <u>212,334,774</u> | <u>18,987,289</u> | <u>-</u> | <u>231,322,063</u> |
| Furniture, Equipments | <u>63,149,214</u> | <u>5,439,305</u> | <u>-</u> | <u>68,588,519</u> |
| Total accumulated depreciation | <u>275,483,988</u> | <u>24,426,594</u> | <u>-</u> | <u>299,910,582</u> |
| Total capital assets, being depreciated, net | <u>583,881,709</u> | <u>27,526,888</u> | <u>-</u> | <u>611,408,597</u> |
| Schools activities capital assets, net | <u>\$588,579,655</u> | <u>\$27,526,888</u> | <u>\$-</u> | <u>\$616,106,543</u> |

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

| <u>Function and Activity</u> | <u>Depreciation Expense</u> |
|---|---------------------------------|
| Primary government: | |
| Government activities: | |
| General Government | \$15,319,087 |
| Public Safety | 3,025,670 |
| Public works, including depreciation of infrastructure assets | 15,920,632 |
| Health and welfare | 204,082 |
| Libraries | 276,529 |
| Parks, recreation and culture | 3,807,312 |
| Planning and community development | 1,306,274 |
| Total Depreciation Expense - Government Activities | <u>39,859,586</u> |
| Internal Services | <u>6,158,001</u> |
| Total Depreciation Expense - Governmental & Internal Services | <u>\$46,017,587</u> |
| Business-type activities: | |
| Utilities | \$16,117,627 |
| Ballston Public Parking Garage | 660,671 |
| 8th level Ballston Public Parking Garage | 95,177 |
| CPHD Development Fund | <u>339,413</u> |
| Total Depreciation Expense - Business-type Activities | <u>\$17,212,888</u> |
| Total Depreciation Expense - Component unit - Schools | <u>\$24,426,594</u> |

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017 the current portion of these liabilities was \$7.71 million which represents an estimate of health insurance claims that have been incurred but not reported of \$7.24 million, and are included in the accrued payroll liabilities and the current portion of workers' compensation of \$.47 million. The non-current portion was \$4.25 million which represents an estimate of workers' compensation claims which are included in the long-term liabilities based on a history of such claims. These liabilities are the County's best estimate based on available information.

Changes in the reported liabilities since July 1, 2015 resulted from the following:

| | <u>Beginning of Fiscal</u> <u>Year Liability</u> | <u>Current Year Claims</u> <u>and Changes in</u> <u>Estimates</u> | <u>Claim Payments</u> | <u>Balance at Fiscal</u> <u>Year-End</u> |
|-------------|---|---|-----------------------|---|
| 2015 – 2016 | | | | |
| Current | \$6,696,154 | \$58,671,618 | \$57,894,037 | \$7,473,735 |
| Long Term | \$3,202,242 | \$3,416,214 | \$3,087,504 | \$3,530,952 |
| 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 |

The County's policy for self-insurance reserve is \$5M. The County has committed in the general fund a self-insurance reserve of \$5,000,000 as of June 30, 2017.

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 \$62,635,601 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.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 7. Operating Leases

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

| <u>Fiscal Year</u> | <u>Amount</u> |
|--------------------|----------------------|
| 2018 | \$20,722,246 |
| 2019 | 20,104,809 |
| 2020 | 19,894,130 |
| 2021 | 20,469,867 |
| 2022-2034 | 232,353,638 |
| | <u>\$313,544,688</u> |

In FY 2003, the County renewed and amended the operating lease agreement of the Court House Plaza to include the ninth-floor premises. Total square feet of office space under the new fifteen-year agreement is 208,433. As part of the Court House Plaza lease agreement, the County receives 50% of the net cash flow generated by office and residential buildings located in the Court House area, subject to a minimum of \$150,000 annually. During the fiscal year ended June 30, 2017, the County received \$2,547,062 under these lease agreements. The lease agreement of the Court House Plaza was extended for 15 more years in FY 2017. The County 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 a real property owned by Arlington County. The County (Landlord) 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 2017 were \$229,319. 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, 2017, the lease liability \$15,235,615, has been accrued in the Ballston Public Parking Garage Fund.

NOTE 8. Capital Leases

The County has financed the acquisitions of capital assets, including Arlington Transit (ART) buses, equipment for Fairlington Community Center, 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 has financed the acquisition of computers. Assets acquired and capital leases at June 30, 2017 are summarized below:

| | <u>Primary Government</u> | <u>Schools</u> |
|--------------------------|-------------------------------|--------------------|
| Building | \$1,395,842 | \$- |
| Equipment | 51,732,911 | 17,681,547 |
| Equipment CIP | 4,821,529 | - |
| Auto | 2,802,688 | - |
| Total Assets, at cost | \$60,752,970 | 17,681,547 |
| Accumulated depreciation | <u>(23,413,244)</u> | <u>(7,868,605)</u> |
| Total Assets, net | <u>\$37,339,726</u> | <u>\$9,812,942</u> |

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

The annual future minimum lease payments as of June 30, 2017 are as follows:

General Government:

| Year Ending June 30, | Technology Services | Environmental Services | Public Safety | Total General Government |
|-----------------------------------|------------------------|---------------------------|---------------------|-----------------------------|
| 2018 | \$3,705,592 | \$727,122 | \$3,685,063 | \$8,117,776 |
| 2019 | 2,669,021 | 484,045 | 3,090,412 | 6,243,478 |
| 2020 | 1,698,690 | 466,840 | 2,998,268 | 5,163,798 |
| 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 | 466,839 | 1,847,592 | 2,436,803 |
| 2024 | 122,372 | 466,839 | 1,847,592 | 2,436,803 |
| 2025 | - | - | 362,081 | 362,081 |
| Total Minimum Lease payments | <u>\$10,134,798</u> | <u>\$3,545,365</u> | <u>\$18,180,933</u> | <u>\$31,861,095</u> |
| Less Imputed Interest | (343,828) | (437,852) | (1,102,884) | (1,884,564) |
| Amount deferred | <u>(2,928,461)</u> | <u>-</u> | <u>(5,923,260)</u> | <u>(8,851,721)</u> |
| Present Value of Minimum Payments | <u>\$6,862,509</u> | <u>\$3,107,513</u> | <u>\$11,154,789</u> | <u>\$21,124,811</u> |

Internal Service Fund:

| Year Ending June 30, | Auto Equipment |
|-----------------------------------|--------------------|
| 2018 | \$1,076,972 |
| 2019 | 1,076,967 |
| 2020 | 616,604 |
| 2021 | 616,604 |
| 2022 | 231,321 |
| 2023 | 231,321 |
| Total Minimum Lease Payments | <u>3,849,789</u> |
| Less Imputed Interest | <u>(167,542)</u> |
| Present Value of Minimum Payments | <u>\$3,682,247</u> |

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Enterprise Fund:

| <u>Year Ending June 30,</u> | <u>Utilities</u> |
|-----------------------------------|------------------|
| 2018 | \$34,411 |
| 2019 | 17,206 |
| Total Minimum Lease Payments | 51,617 |
| Less Imputed Interest | (1,447) |
| Present Value of Minimum Payments | <u>\$50,170</u> |

Component Unit – Schools:

| <u>Year Ending June 30,</u> | <u>Schools</u> |
|-----------------------------------|--------------------|
| 2018 | \$2,149,820 |
| 2019 | 1,591,880 |
| 2020 | 684,269 |
| Total Minimum Lease Payments | 4,425,969 |
| Less Imputed Interest | (96,176) |
| Present Value of Minimum Payments | <u>\$4,329,793</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, 2017

**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 |
| 2018 | \$39,124,298 | \$17,039,674 | \$34,747,054 | \$15,863,574 | \$7,703,648 | \$4,072,190 | \$81,575,000 | \$36,975,437 |
| 2019 | 36,569,171 | 17,240,573 | 33,984,215 | 15,756,326 | 7,671,614 | 3,491,148 | 78,225,000 | 36,488,047 |
| 2020 | 35,503,185 | 15,803,899 | 31,076,715 | 14,556,951 | 7,490,101 | 3,154,691 | 74,070,001 | 33,515,542 |
| 2021 | 32,616,034 | 14,437,242 | 30,583,751 | 13,291,869 | 7,750,216 | 2,863,365 | 70,950,001 | 30,592,476 |
| 2022 | 32,105,352 | 13,095,284 | 28,521,492 | 12,066,071 | 7,343,155 | 2,460,590 | 67,969,999 | 27,621,945 |
| 2023 | 31,939,500 | 11,684,139 | 27,460,499 | 10,819,467 | 7,620,000 | 2,124,466 | 67,019,999 | 24,628,071 |
| 2024 | 30,345,000 | 10,333,212 | 27,185,000 | 9,660,586 | 7,735,000 | 1,751,176 | 65,265,000 | 21,744,973 |
| 2025 | 28,640,000 | 8,947,554 | 27,160,000 | 8,404,826 | 8,100,000 | 1,372,591 | 63,900,000 | 18,724,972 |
| 2026 | 25,915,000 | 7,677,259 | 24,960,000 | 7,208,661 | 8,130,000 | 999,957 | 59,005,000 | 15,885,877 |
| 2027 | 25,685,000 | 6,507,415 | 27,575,000 | 6,024,690 | 6,295,000 | 683,455 | 59,555,000 | 13,215,561 |
| 2028 | 23,010,000 | 5,373,014 | 22,580,000 | 4,661,909 | 4,465,000 | 447,286 | 50,055,000 | 10,482,209 |
| 2029 | 20,840,000 | 4,469,682 | 18,925,000 | 3,811,976 | 2,380,000 | 302,986 | 42,145,000 | 8,584,644 |
| 2030 | 20,700,000 | 3,706,649 | 18,795,000 | 3,135,006 | 2,365,000 | 214,624 | 41,860,000 | 7,056,279 |
| 2031 | 19,795,000 | 2,952,129 | 17,465,000 | 2,466,385 | 2,345,000 | 126,437 | 39,605,000 | 5,544,951 |
| 2032 | 18,415,000 | 2,247,213 | 15,805,000 | 1,854,563 | 1,355,000 | 61,725 | 35,575,000 | 4,163,500 |
| 2033 | 14,730,000 | 1,628,369 | 13,375,000 | 1,314,481 | 740,000 | 28,506 | 28,845,000 | 2,971,356 |
| 2034 | 10,595,000 | 1,129,663 | 8,705,000 | 882,150 | 235,000 | 11,625 | 19,535,000 | 2,023,438 |
| 2035 | 9,205,000 | 703,313 | 6,885,000 | 526,000 | 150,000 | 2,813 | 16,240,000 | 1,232,125 |
| 2036 | 6,895,000 | 372,400 | 5,385,000 | 266,225 | - | - | 12,280,000 | 638,625 |
| 2037 | 5,715,000 | 114,300 | 3,760,000 | 75,200 | - | - | 9,475,000 | 189,500 |
| | <u>\$468,342,540</u> | <u>\$145,462,981</u> | <u>\$424,933,726</u> | <u>\$132,646,915</u> | <u>\$89,873,734</u> | <u>\$24,169,632</u> | <u>\$983,150,000</u> | <u>\$302,279,528</u> |

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

| Fiscal Year | ARLINGTON COUNTY, VIRGINIA | | |
|----------------|----------------------------|---------------------|----------------------|
| | IDA BONDS | | |
| | Principal | Interest | Total |
| 2018 | \$4,960,000 | \$4,169,275 | \$9,129,275 |
| 2019 | 5,005,000 | 4,018,259 | 9,023,259 |
| 2020 | 5,055,000 | 3,838,130 | 8,893,130 |
| 2021 | 5,110,000 | 3,648,546 | 8,758,546 |
| 2022 | 5,170,000 | 3,448,715 | 8,618,715 |
| 2023 | 5,235,000 | 3,239,199 | 8,474,199 |
| 2024 | 5,295,000 | 3,022,555 | 8,317,555 |
| 2025 | 5,370,000 | 2,797,157 | 8,167,157 |
| 2026 | 4,310,000 | 2,585,787 | 6,895,787 |
| 2027 | 4,410,000 | 2,387,120 | 6,797,120 |
| 2028 | 4,510,000 | 2,178,525 | 6,688,525 |
| 2029 | 4,620,000 | 1,963,675 | 6,583,675 |
| 2030 | 4,730,000 | 1,735,950 | 6,465,950 |
| 2031 | 4,860,000 | 1,494,195 | 6,354,195 |
| 2032 | 4,370,000 | 1,243,338 | 5,613,338 |
| 2033 | 4,505,000 | 1,016,251 | 5,521,251 |
| 2034 | 3,585,000 | 802,896 | 4,387,896 |
| 2035 | 3,730,000 | 602,391 | 4,332,391 |
| 2036 | 1,310,000 | 472,904 | 1,782,904 |
| 2037 | 1,365,000 | 417,880 | 1,782,880 |
| 2038 | 1,420,000 | 360,592 | 1,780,592 |
| 2039 | 1,480,000 | 300,939 | 1,780,939 |
| 2040 | 1,545,000 | 238,715 | 1,783,715 |
| 2041 | 1,610,000 | 173,817 | 1,783,817 |
| 2042 | 1,675,000 | 106,244 | 1,781,244 |
| 2043 | 1,745,000 | 35,895 | 1,780,895 |
| | <u>\$96,980,000</u> | <u>\$46,298,948</u> | <u>\$143,278,948</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. As "credit support" for the project, the County has agreed to consider appropriating funds should a shortfall in revenues affect the payments to the bondholders. Debt service payments on the bonds are further secured by a deed of trust on the garage facilities and related assets. As of June 30, 2017, \$4,600,000 is outstanding under these revenue bonds.

The interest rate on the bonds is determined weekly, using a Variable Interest Index, calculated under the terms of the bond issuance agreements. The rate may be converted to a fixed interest rate at the discretion of the County during the term of the bonds. The initial interest rate was 6.9%, and at no time can exceed 15%. The weekly interest averaged approximately 0.7419% in FY 2017. Interest is payable quarterly prior to conversion to a fixed interest rate, and on June 1 and December 1 of each year thereafter until maturity, purchase or earlier redemption. The direct pay letter of credit is substantially collateralized by the

ARLINGTON COUNTY, VIRGINIA

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assignment of the land lease and other agreements. On September 22, 2011, a three-year Letter of Credit (LOC) was issued by PNC Bank, N.A. The expiration date was on September 6, 2014. On August 5, 2014, subsequent to the end of FY 2013, the LOC was signed to extend the expiration date to August 6, 2017.

Using a usual and customary direct-pay letter of credit mechanism, during FY 2017, the County drew from the letter of credit \$41,288 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 \$59,398 in FY 2017. During FY 2017, \$1,200,000 of bond principal was repaid from garage revenues in accordance with the terms of the letter of credit agreement.

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 \$29,646,312. As of June 30, 2017, all payments have been deferred.

D. Virginia Resources Authority Note 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, 2017 was \$52,631,982. These bonds mature in fiscal year 2026.

In June 2007, the County entered into a Financing Agreement with the Virginia Resources Authority (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. Interest is charged at a rate of 3.00 percent and 2.52 percent respectively. The proceeds from those bonds were received by the County prior to fiscal year 2012. The principal outstanding on these bonds at June 30, 2017 was \$2,536,501 on Series A bonds and \$47,893,664 on Series B bonds. These bonds mature in fiscal year 2028.

In October 2008, the County entered into a Financing Agreement with VRA. VRA 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, 2017 was \$35,524,981. 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, 2017, principal outstanding on these bonds was \$26,411,155. 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 2.05 percent, respectively. At June 30, 2017, the principal outstanding on these bonds was \$1,401,684 on Series 2008 bonds, \$12,674,222 on Series 2009 bonds and \$12,240,450 on Series 2010 bonds. These bonds mature in fiscal year 2031.

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

E. IDA Revenue Bonds (Various County Projects)

On August 13, 2009, the Industrial Development Authority of Arlington County, Virginia (the "Authority") issued \$41,280,000 in Revenue Bonds for the benefit of Arlington County (the "2009 IDA Bonds"). The 2009 IDA Bonds are due in annual installments of \$1,145,000 to 2,475,000 through 2034, interest from 2% to 6.2% and were for the funding of the County's Metro Matters obligation and for the acquisition of property for a park and streets in Buckingham Village 1. \$31,435,000 of the issuance was in the form of taxable Build America Bonds (BABs). Interest on these bonds is subject to a 35% rebate from the IRS. The County has agreed under a Cooperation Agreement between the County and the Authority that subject to appropriation by the County Board, the County will deliver to the Authority sufficient funds to make payments with respect to the 2009 IDA Bonds. Debt service on \$10,800,000 is expected to come from the Transportation Investment Fund revenues which come from a 12.5 cent tax per \$100 of assessed value on commercial real estate. The principal outstanding on these notes at June 30, 2017 was \$32,765,000.

On January 27, 2011, the Industrial Development Authority of Arlington County, Virginia (the "Authority") 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 Authority that subject to appropriation by the County Board, the County will deliver to the Authority sufficient funds to make payments with respect to the 2011 IDA Bonds. As of June 30, 2017, \$8,690,000 remains outstanding.

On May 9, 2013, the Industrial Development Authority of Arlington County, Virginia (the "Authority") 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 Authority that subject to appropriation by the County Board, the County will deliver to the Authority sufficient funds to make payments with respect to the 2013 IDA Bonds. As of June 30, 2017, \$55,525,000 remains outstanding.

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F. Changes in Long-Term Liabilities

During the year ended June 30, 2017, 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 |
|--|-------------------|---------------|-----------------|--------------------|--------------------|
| General Government: | | | | | |
| Compensated absences* | \$33,380,561 | \$34,300,492 | (\$34,180,666) | \$33,500,387 | \$3,350,039 |
| Workers compensation | 3,923,280 | 5,037,591 | (4,231,983) | 4,728,888 | 472,889 |
| GO Bonds - County** | 159,570,663 | 109,895,000 | (22,323,500) | 247,142,163 | 20,328,675 |
| Refunding Bonds - County** | 238,987,475 | - | (17,787,098) | 221,200,377 | 18,795,623 |
| GO Bonds - Schools** | 162,153,339 | 75,200,000 | (18,730,500) | 218,622,839 | 19,071,325 |
| Refunding Bonds - Schools** | 219,893,786 | - | (13,582,899) | 206,310,887 | 15,675,729 |
| IDA - Metro and Buckingham Village 1 | 34,060,000 | - | (1,295,000) | 32,765,000 | 1,330,000 |
| IDA Revenue Bonds - 2011 | 9,315,000 | - | (625,000) | 8,690,000 | 625,000 |
| IDA Revenue Bonds - 2013 | 58,550,000 | - | (3,025,000) | 55,525,000 | 3,005,000 |
| Capital leases | 16,585,370 | 9,530,658 | (4,991,217) | 21,124,811 | 7,440,084 |
| Bond premiums - County | 35,298,440 | 17,686,387 | (2,402,315) | 50,582,512 | 3,286,634 |
| Bond premiums - Schools | 34,454,368 | 11,875,211 | (2,170,425) | 44,159,154 | 2,764,186 |
| Totals General Government | \$1,006,172,282 | \$263,525,339 | (\$125,345,603) | \$1,144,352,018 | \$96,145,184 |
| Internal service: | | | | | |
| Compensated Absence | 555,278 | 605,230 | (594,451) | 566,057 | 56,606 |
| Capital lease | 4,882,626 | - | (1,200,379) | 3,682,247 | 1,005,105 |
| Total Governmental Activities | \$1,011,610,186 | \$264,130,569 | (\$127,140,433) | \$1,148,600,322 | \$97,206,895 |
| Component Unit - Schools: | | | | | |
| Compensated absences | \$35,579,701 | \$19,603,570 | (\$16,707,390) | \$38,475,881 | \$3,847,589 |
| Capital lease | 4,589,171 | 1,991,412 | (2,250,790) | 4,329,793 | 2,091,638 |
| | \$40,168,872 | \$21,594,982 | (\$18,958,180) | \$42,805,674 | \$5,939,227 |
| Business-Type Activities | | | | | |
| Compensated absences-Utilities | \$1,205,516 | \$1,901,222 | (\$1,786,203) | \$1,320,535 | \$132,054 |
| Compensated absences-CPHD | 616,228 | 858,103 | (835,945) | 638,386 | 63,839 |
| GO Bonds - Utilities ** | 25,615,999 | - | (3,621,000) | 21,994,999 | 2,370,000 |
| Refunding Bonds - Utilities ** | 72,358,738 | - | (4,480,003) | 67,878,735 | 5,333,648 |
| Revenue Bonds - Ballston | 5,800,000 | - | (1,200,000) | 4,600,000 | 4,600,000 |
| Mortgage Payable - Ballston | 3,429,679 | - | - | 3,429,679 | 3,429,679 |
| Mortgage and Interest Payable - Ballston | 27,767,463 | 1,878,849 | - | 29,646,312 | 29,646,312 |
| VRA Loan Payable | 205,816,282 | - | (14,501,642) | 191,314,640 | 14,929,684 |
| Bond and mortgage interest payable - Utilities | 3,273,204 | 3,160,123 | (3,273,204) | 3,160,123 | 3,160,123 |
| Capital Leases | 82,446 | - | (32,276) | 50,170 | 33,208 |
| Bond Premium - Utilities | 4,429,224 | - | (317,915) | 4,111,309 | 317,915 |
| Total business-type activities | \$350,394,779 | \$7,798,297 | (\$30,048,188) | \$328,144,888 | \$64,016,462 |

* The General, School & Utility Funds have been used in prior years to liquidate compensated absences.

ARLINGTON COUNTY, VIRGINIA

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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 \$468,880,314 net of deferred cost of refunding for Schools, whereas Schools reports the capital assets and unspent bond proceeds. 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 Governmental Activities does not include the Component Unit - School's debt issued by the Primary Government for a total of \$468,880,314 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 \$468,880,314 because the debt related to the 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 | \$682,757,711 | \$747,776,393 | \$1,430,534,104 | \$611,776,750 | \$21,996,512 | (\$468,880,314) | \$1,595,427,052 |
| Restricted | | | | | | | |
| Capital projects | 157,256,606 | - | 157,256,606 | 132,830,419 | - | - | 290,087,025 |
| Seized assets | 1,599,616 | - | 1,599,616 | - | - | - | 1,599,616 |
| Debt Services | 13,529,817 | - | 13,529,817 | - | - | - | 13,529,817 |
| Grants | 744,947 | - | 744,947 | 3,955,671 | - | - | 4,700,618 |
| Unrestricted | 78,106,608 | 53,545,866 | 131,652,474 | (496,797,345) | 3,768,845 | 468,880,314 | 107,504,288 |
| Total net position | \$933,995,305 | \$801,322,259 | \$1,735,317,564 | \$251,765,495 | \$25,765,357 | - | \$2,012,848,416 |

NOTE 11. Receivables and Payables

The County has numerous transactions among funds and component units to finance operations, provide services, and construct assets. Activity between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans). The amounts of such transactions not received or paid at June 30, 2017 are reflected in current due to/from accounts of each fund/component unit, as summarized below:

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Due to/ from other funds

| | <u>Receivables</u> | <u>Payables</u> |
|-------------------|--------------------|--------------------|
| General Fund | \$1,120,470 | \$- |
| IDA Bond Fund | - | 75,155 |
| Section 8 Housing | - | 1,045,315 |
| | <u>\$1,120,470</u> | <u>\$1,120,470</u> |

Due to/from primary government and component unit

| | <u>Receivables Entity</u> | <u>Payables Entity</u> |
|----------------------|-------------------------------|----------------------------|
| General Fund | (\$418,342) | \$92,774,673 |
| School Funds: | | |
| Operating | | |
| Primary Government | 70,055,503 | - |
| Community Activities | | |
| Primary Government | 1,268,158 | - |
| Pay-As-You-Go | | |
| Primary Government | 21,451,012 | - |
| CSA | | |
| Primary Government | - | (418,342) |
| | <u>\$92,356,331</u> | <u>\$92,356,331</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, 2017 are as follows:

| Transfer | General Fund | Special Revenue Fund | Capital Projects Fund | Enterprise Fund | Internal Service Fund | Total Transfers Out |
|---------------------------------|--------------------|----------------------------|--------------------------|--------------------|--------------------------|------------------------|
| General Fund | \$- | \$626,148 | \$20,191,849 | \$400,000 | \$342,269 | \$21,560,266 |
| Special Revenue Fund | 76,395 | - | - | - | - | 76,395 |
| Capital Projects Fund | 2,500,000 | - | - | - | - | 2,500,000 |
| Transportation Project Fund | 691,561 | - | - | - | - | 691,561 |
| Non-major Capital Projects Fund | 578,499 | - | - | - | - | 578,499 |
| Internal Service Fund | 130,000 | - | - | - | - | 130,000 |
| Total Transfers In | <u>\$3,976,455</u> | <u>\$626,148</u> | <u>\$20,191,849</u> | <u>\$400,000</u> | <u>\$342,269</u> | <u>\$25,536,721</u> |

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NOTES TO FINANCIAL STATEMENTS

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NOTE 12. Fund Balance

The County uses 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 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. Authority | Real Estate Taxes |

Certain portions of fund balances are non-spendable, restricted or committed by the County Board for specific purposes and are therefore not available for general appropriation as summarized below. Future disbursements of the fund balances are accounted for as expenditures in the year in which they are incurred.

The non-spendable and restricted fund balance is comprised of the following amounts reported in non-spendable form such as prepaid:

| | |
|--------------------|-------------------------------------|
| \$1,351,822 | Section 8 Housing |
| 4,275 | Neighborhood Conservation Bond Fund |
| 35,036 | General Fund |
| <u>\$1,391,133</u> | |

The County committed the following general fund balance types by a resolution of the County Board:

| | |
|----------------------|--|
| \$5,000,000 | Self-insurance reserve |
| 4,000,000 | Economic & revenue stabilization contingent |
| 62,635,601 | Operating reserve |
| 4,643,563 | Subsequent years' County budget |
| 6,636,589 | Capital projects |
| 664,991 | Incomplete Projects |
| 44,073,880 | Affordable Housing Investment Fund - Allocated |
| 24,217,093 | Subsequent years' budget – Schools |
| <u>\$151,871,717</u> | |

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, 2017. 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.

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NOTES TO FINANCIAL STATEMENTS

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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's). The current FY 2016 – 2021 Capital Improvement Program (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.

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 2016, the County paid \$30.3 million from its general fund to subsidize WMATA's Metrobus, Metrorail and MetroAccess operating costs.

B. Construction Commitments

As of June 30, 2017 contractual commitments were outstanding in the following funds for the amounts indicated:

| | |
|-----------------------|---------------------|
| Capital Project Funds | \$60,427,340 |
| Utilities Funds | 8,621,042 |
| | <u>\$69,048,382</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,

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Virginia. Revenue bonds were issued by the Alexandria Industrial Development Authority and proceeds were lent to the Authorities to construct the facility.

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

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

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

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 \$118,743 and \$97,007 and the bank balance totaled \$118,743 and \$109,709 at June 30, 2017 and June 30, 2016 respectively. During FY 2017 the WTE-FMG had \$118,649 as revenues and project-related expenditures of \$91,602.

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

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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.

The IDA agreed to acquire the rights necessary to undertake development and construction of the Skating Facility pursuant to the Deed of Lease and Grant of Air Rights, and, as third party beneficiary, under the Skating Facility Agreement. The County 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, 2017, \$24,195,000 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 2017, \$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.

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F. Industrial Development Authority 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 Industrial 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.

G. Closure Care Costs – Department of Human Services (DHS) Laboratory

State and federal laws and regulations require the County to pay for the closure and processing/removal of any medical waste on site at the DHS laboratory when it stops accepting waste to be processed by the steam sterilizer at the laboratory. Although closure costs will be paid only near or after the date that the laboratory is closed, the County reports a portion of the closure costs as an operating expense in each period based on a formula provided by the Virginia Department of Environmental Quality. The County has chosen the use of the annual operating budget as the method for funding the closure cost. Because the County satisfies the requirements of section 9VAC20-70-210 of the Virginia General Assembly Legislative Information System administrative code, the reported liability for the closure at June 30, 2017 is \$4,088.

H. Litigation

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

NOTE 14. Joint Ventures

A. Northern Virginia Criminal Justice Academy

The County participates in a joint venture with Loudoun County and the Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park to provide training for sworn law enforcement and correctional officers to satisfy requirements mandated by the Commonwealth of Virginia. The Industrial Development Authority of Loudoun County, Virginia issued \$6,585,000 Northern Virginia Criminal Justice Academy Lease Revenue Bonds, Series 1993, to finance the acquisition, renovation, and equipment of the Academy Training Center. The County, the City of Alexandria, and Loudoun County have entered into a capital lease 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

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reserve requirements and apply other costs, if any associated with the EVOC. 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 (EVOC). In FY 2017, the County paid \$673,740 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 is used primarily to hold prisoners from each member jurisdiction. The Authority is composed of two representatives, the Chief Administrative Officer and the Sheriff, from each participating jurisdiction. The City of Richmond, which was not party to the original agreement, is now a part of the project.

The regional jail is currently designed with the capacity for 336 prisoners. The County is 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 has no equity in the jail and is not responsible for repayment of the bonds or notes. The County's portion of the project costs includes approximately \$3.8 million over the 20-year period of debt (1997-2017). In FY 2017, the County paid \$774,366 in combined capital and operating costs. In FY 2018, the Regional Jail facility is scheduled to permanently close and will be ending its relationship with Arlington County. 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.

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 46, 35, and 21 of the Arlington County Code.

The Schools participate in two Virginia Retirement System ("VRS") plans. The two VRS plans are cost-sharing employer plans – VRS Teacher Retirement Plan and an agent Political Subdivision Arlington Public Schools plan.

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Complete financial statements of the system may be obtained from the Arlington County Employee Retirement System, 2100 Clarendon Boulevard, Suite 511, Arlington, Virginia, 22201. Complete financial statements of the VRS plans may be obtained from the Virginia Retirement System, Attn: William Sullivan, P. O. Box 2500, Richmond, Virginia, 23218.

A. Arlington County Employees' Retirement System (ACERS)

Plan Description

The Arlington County Employees' Retirement System (ACERS), also referenced as "System", is a pension trust fund of the Arlington County, Virginia (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 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 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.

In December 2007, the Arlington 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.

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Plan Membership

At June 30, 2017, System membership consisted of the following:

| | <u>General</u> | <u>Uniformed</u> | <u>School</u> | <u>Total</u> |
|----------------------------|----------------|------------------|---------------|--------------|
| Active Employees: | | | | |
| Vested | 1,686 | 603 | 17 | 2,306 |
| Non-vested | <u>1,037</u> | <u>233</u> | <u>-</u> | <u>1,270</u> |
| Total Active Employees | 2,723 | 836 | 17 | 3,576 |
| | | | | |
| Vested Deferred | 462 | 83 | 39 | 584 |
| Retirees and Beneficiaries | 2,227 | 821 | 956 | 4,004 |

Benefits Provided

The System provides retirement benefits as well as survivor and disability benefits. The table on the following page 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 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 the various Chapters of the Arlington County Code for the period ending June 30, 2017 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 DROP (Deferred Retirement Option Plan) for employees eligible for retirement. Retirement benefits are paid into a stable value investment fund for DROP participants.

Member Contributions and Retirement Benefits

Participants Covered Under Arlington County Code Chapter

| | <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% | N/A | 4% |
| School Board Employees (Covered by VRS) | 0% | 0% | 0% |
| Uniformed Employees: | | | |
| - Management | 5.62% | N/A | 5% through 1/3/09, |
| - Non-Management | 6.62% | N/A | 5% through 1/3/09, 7.5% thereafter |

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Normal Retirement Age:

| | | | |
|--------------------------|-----|-----|-----|
| General County Employees | 60 | N/A | 62 |
| School Board Employees | 60 | 62 | 62 |
| 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. | 2.5% for each of the first 20 years plus 2% for each of the next 10 years | 2.125% reduced by the VRS benefits under Formula A | Retiring on/prior to 1/3/09 General: 1.5% Uniform: 2.0% until Social Security Eligible then 1.5%, 1.7% & 2.0% for each 10 year increment Retiring on/after 1/4/09 General: 1.7% New AFS OR 1.5% Prior AFS through 1/3/09 plus 1.7% New AFS thereafter Uniform: 2.5% through 1/3/09 plus 2.7% thereafter on New AFS OR 2.0% Prior AFS through 1/3/09 plus 2.7% New AFS thereafter until Social Security Eligible then 1.5%, 1.7% & 2.0% 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 Arlington County Code establish the Plan and provide the basis for determining the contribution rates. The County Board may amend the Plan at any time.

Based on an annual actuarial valuation prepared by an actuary selected by the Retirement Board of Trustees, a contribution rate is recommended to the County Board for adoption. The actuarially determined rate results in contributions to the Plan 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.

For the year ended June 30, 2017, the active member contribution rate was 4% of pay for general employees and 7.5% of pay for uniformed employees. The County's blended contribution rate was 20.3% of annual covered payroll.

Rate of Return

For the year ending June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.7%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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Net Pension Liability/ (Asset)

The County's net pension liability (asset) was measured as of June 30, 2016, 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, 2017 was determined by an actuarial valuation and measurement date as of June 30, 2016, 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 Employee Mortality projected with scale AA.

The actuarial assumptions used in the June 30, 2016 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, 2017 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 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. The discount rate was decreased from 7.25% to 6.75% as of June 30, 2016.

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Changes in the Net Pension Liability (Asset)

| | Increase (Decrease) (\$ in millions) | | |
|---|--------------------------------------|--|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a) - (b) |
| Beginning balance - Valuation at 6/30/2015 | \$1,971.5 | \$1,995.0 | (\$23.5) |
| Changes for the year: | | | |
| Service cost | 53.8 | - | 53.8 |
| Interest | 143.6 | - | 143.6 |
| Changes in assumptions | 27.2 | - | 27.2 |
| Differences between expected and actual experience | (47.3) | - | (47.3) |
| Contributions - employer | - | 54.5 | (54.5) |
| Contributions - employee | - | 12.3 | (12.3) |
| Net investment income | - | (1.3) | 1.3 |
| Benefit payments, including refunds of employee contributions | (95.3) | (95.3) | 0.0 |
| Administrative expense | - | (1.7) | 1.7 |
| Net changes | 82.0 | (31.5) | 113.5 |
| Ending Balance - Valuation at 6/30/2016 | <u>\$2,053.5</u> | <u>\$1,963.5</u> | <u>\$90.0</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:

| | 1% Decrease (5.75%) | Current Discount Rate (6.75%) | 1% Increase (7.75%) |
|---|------------------------|-------------------------------------|------------------------|
| County's net pension liability/ (asset) | \$371.3 | \$90.0 | (\$245.1) |

The System's Fiduciary Net Position as of June 30, 2017 and June 30, 2016 Measurement Date

Detailed information about the System's fiduciary net position is available in a separately issued Arlington County Employees' Retirement System financial report.

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

For the year ended June 30, 2017, the County recognized pension expense of \$60.6 million. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$- | \$46,100,000 |
| Changes of assumptions | 27,700,000 | - |
| Net difference between projected and actual earning on the System's investments | 101,400,000 | - |
| Employer contributions subsequent to measurement date | <u>51,800,000</u> | <u>-</u> |
| Total | <u>\$180,900,000</u> | <u>\$46,100,000</u> |

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

| | |
|-------------------------------------|-------|
| Year ended June 30 (\$ in millions) | |
| 2018 | \$8.6 |
| 2019 | 4.0 |
| 2020 | 43.3 |
| 2021 | 27.1 |
| Thereafter | - |

Additional disclosures on changes in net pension liability, related ratios, and employer contributions can be found in the Required Supplementary Information 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 a different eligibility criteria.

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% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each school division's contractually required contribution rate for the year ended June 30, 2017 was 14.66% 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

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in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2017. Contribution to the pension plan from the school division were \$41,192,000 and \$41,585,000 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, the school division reported a liability of \$497,158,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was 3.55% as compared to 3.51% at June 30, 2015.

For the year ended June 30, 2017, the school division recognized pension expense of \$46,396,000. 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, 2017, the school division 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 |
|---|-----------------------------------|----------------------------------|
| Net difference between projected and actual earnings on pension plan investments | \$12,289,000 | \$- |
| Changes in proportion and differences between Employer contributions and proportionate share of contributions | 13,829,000 | - |
| Employer contributions subsequent to the measurement date | 41,192,000 | - |
| Total | \$67,310,000 | \$- |

The \$41,192,000 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|--|--------|
| Year ended June 30, (\$ in thousands): | |
| 2018 | \$319 |
| 2019 | 319 |
| 2020 | 16,029 |
| 2021 | 10,129 |
| 2022 | (678) |

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

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| | |
|--|---|
| Inflation: | 2.5 percent |
| Salary increases, including Inflation: | 3.5 percent – 5.95 percent |
| Investment rate of return: | 7.0 Percent, 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 GASB 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-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females were set back 5 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females were set back 3 years.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement NO. 67, less that system's fiduciary net position. As of June 30, 2016, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

| | |
|---|---|
| | Teacher Employee <u>Retirement Plan</u> |
| Total Pension Liability | \$44,182,326 |
| Plan Fiduciary Net Position | <u>30,168,211</u> |
| Employers' Net Pension Liability (Asset) | <u>\$14,014,115</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 68.28% |

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 net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 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

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| Asset Class (Strategy) | Target Allocation | Arithmetic Long- | Weighted Average Long- |
|---------------------------|-------------------|--------------------------------------|------------------------------|
| | | Term Expected Rate of Return | Term Expected Rate of Return |
| U.S. Equity | 19.50% | 6.46% | 1.26% |
| Developed Non U.S Equity | 16.50% | 6.28% | 1.04% |
| Emerging Market Equity | 6.00% | 10.00% | 0.60% |
| Fixed Income | 15.00% | 0.09% | 0.01% |
| Emerging Debt | 3.00% | 3.51% | 0.11% |
| Rate Sensitive Credit | 4.50% | 3.51% | 0.16% |
| Non Rate Sensitive Credit | 4.50% | 5.00% | 0.23% |
| Convertibles | 3.00% | 4.81% | 0.14% |
| Public Real Estate | 2.25% | 6.12% | 0.14% |
| Private Real Estate | 12.75% | 7.10% | 0.91% |
| Private Equity | 12.00% | 10.41% | 1.25% |
| Cash | 1.00% | -1.50% | -0.02% |
| Total | 100.00% | | 5.83% |
| | | Inflation | 2.50% |
| | | * Expected arithmetic nominal return | 8.33% |

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, 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, 2018, 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, 2018 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:

ARLINGTON COUNTY, VIRGINIA

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| | <u>1.00% Decrease</u> <u>(6.00%)</u> | <u>Current Discount</u> <u>Rate(7.00%)</u> | <u>1.00% Increase</u> <u>(8.00%)</u> |
|---|---|---|---|
| School division's proportionate share of their VRS Teacher Employee Retirement Plan Net Pension Liability | \$708,700,000 | \$497,158,000 | \$322,898,000 |

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-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 of the Political Subdivision 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 a 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, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

| | <u>Number</u> |
|--|-------------------|
| Inactive members or their beneficiaries curenly receiving benefits | 72 |
| Inactive Members: | |
| Vested inactive members | 43 |
| Non-vested inactive members | 171 |
| Inactive members active elsewhere in VRS | 94 |
| VRS Total inactive members | <u>380</u> |
| Active Members | <u>510</u> |
| Total Covered employees | <u><u>890</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. Prior to July 1, 2012, all or part of the

ARLINGTON COUNTY, VIRGINIA

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5% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The political subdivision's contractually required contribution rate for the year ended June 30, 2017 was 5.81% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the political subdivision were \$1,082,587 and \$1,225,860 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

The political subdivisions net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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, 2015, 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, 2016.

| | |
|--|---|
| Inflation: | 2.5 percent |
| Salary increases, including Inflation: | 3.5 percent – 5.35% |
| Investment rate of return: | 7.0 Percent, 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 GASB 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: 14 % of deaths are assumed to be service related

Largest 10 – Non-LEOS

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

ARLINGTON COUNTY, VIRGINIA

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All Others (Non 10 Largest) – Non-LEOS

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

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:

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| Asset Class (Strategy) | Target Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return |
|---------------------------|-------------------|--|--|
| U.S. Equity | 19.50% | 6.46% | 1.26% |
| Developed Non U.S Equity | 16.50% | 6.28% | 1.04% |
| Emerging Market Equity | 6.00% | 10.00% | 0.60% |
| Fixed Income | 15.00% | 0.09% | 0.01% |
| Emerging Debt | 3.00% | 3.51% | 0.11% |
| Rate Sensitive Credit | 4.50% | 3.51% | 0.16% |
| Non Rate Sensitive Credit | 4.50% | 5.00% | 0.23% |
| Convertibles | 3.00% | 4.81% | 0.14% |
| Public Real Estate | 2.25% | 6.12% | 0.14% |
| Private Real Estate | 12.75% | 7.10% | 0.91% |
| Private Equity | 12.00% | 10.41% | 1.25% |
| Cash | 1.00% | -1.50% | -0.02% |
| Total | 100.00% | | 5.83% |
| | | Inflation | 2.50% |
| | | * Expected arithmetic nominal return | 8.33% |

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, 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, 2018, 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, 2018 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.

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Changes in Net Pension Liability

| | Increase (Decrease) | | |
|---|-----------------------------------|---------------------------------------|---------------------------------------|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2015 | \$39,105,889 | \$35,675,939 | \$3,429,950 |
| Changes for the year: | | | |
| Service cost | 1,828,396 | - | 1,828,396 |
| Interest | 2,699,983 | - | 2,699,983 |
| Differences between expected and actual experience | (1,444,760) | - | (1,444,760) |
| Contributions - employer | - | 1,225,860 | (1,225,860) |
| Contributions - employee | - | 884,066 | (884,066) |
| Net investment income | - | 667,328 | (667,328) |
| Benefit payments, including refunds | (1,069,403) | (1,069,403) | - |
| Administrative expenses | - | (21,338) | 21,338 |
| Other changes | - | (273) | 273 |
| Net changes | 2,014,216 | 1,686,240 | 327,976 |
| Balances at June 30, 2016 | \$41,120,105 | \$37,362,179 | \$3,757,926 |

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) | \$9,873,285 | \$3,757,926 | (\$1,280,589) |

For the year ended June 30, 2017, the political subdivision recognized pension expense of \$914,373. At June 30, 2017, the political subdivision reported deferred inflows of resources related to pensions from the following sources:

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| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Employer contributions subsequent to the measurement date | \$1,082,587 | \$- |
| Difference between expected and actual experience | 142,627 | - |
| Net difference between projected and actual earnings on plan investments | 984,789 | - |
| Net difference between projected and actual earnings on plan investments | - | 1,138,667 |
| Total | <u>\$2,210,003</u> | <u>\$1,138,667</u> |

The amount \$1,082,587 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|---------------------|-------------|
| Year ended June 30, | |
| 2018 | (\$218,573) |
| 2019 | (218,571) |
| 2020 | 272,205 |
| 2021 | 153,688 |

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan's is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdg/publications/2016-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 required supplementary information following the notes to the financial statements.

NOTE 17. Other Post-Employment 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 post-employment health care benefits to all eligible 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:

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- 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, 2016 (measurement date), the following employees were covered by the benefit terms:

| | |
|---|--------------|
| Total Active employees with coverage | 2,992 |
| Total Active employees without coverage | 634 |
| Total Retirees with coverage | 1,681 |
| Total Retirees without coverage | <u>245</u> |
| | <u>5,552</u> |

Benefits Provided

Post-employment 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 2017, the County contributed \$12,672,328 and \$561,604 towards health and life plans respectively. Plan members receiving benefits contributed \$4,090,476 and \$339,322 towards health and supplemental life plans respectively. The County contributed an additional \$6,850,000 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:

| <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.

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Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on the County's OPEB investments, net of investment expense was 12.25%. The money weighted rate of return expresses investment performance, adjusted for the changing amounts actually invested.

Schedule of Investment Returns

Last 10 Fiscal Years

06/30/2017

Annual Money-Weighted Rate of Return

Net of Investment Expense

12.25%

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

Net OPEB Liability

The County's net OPEB liability was measured as of July 1, 2016. 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 July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---------------------------|---|
| Inflation | 3.50% per year as of July 1, 2016 3.00% per year as of June 30, 2017 |
| Salary Increases | 3.50% and 3.00% per year for general salary inflations as of July 1, 2016 and June 30, 2017 respectively. |
| Discount Rate | 7.25% for accounting and funding disclosures as of July 1, 2016 6.75% for accounting and funding disclosures as of June 30, 2017 |
| Investment Rate of Return | 7.25% as of July 1, 2016 6.75% as of June 30, 2017 |

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 date of the most recent actuarial experience study for which significant assumptions were based is not available.

The Long-Term Expected Rate of Return on OPEB Plan investments is 7.25% as of July 1, 2016 and 6.75% as of June 30, 2017.

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.

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| 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, 2016 | \$277,230,002 | \$96,384,743 | \$180,845,259 |
| Changes for the year: | | | |
| Service Cost | 6,789,601 | - | 6,789,601 |
| Interest | 19,577,252 | - | 19,577,252 |
| Difference between expected and actual experience | (7,417,570) | - | (7,417,570) |
| Changes in Assumptions | 21,967,205 | - | 21,967,205 |
| Contributions-Employer | - | 19,522,328 | (19,522,328) |
| Net Investment Income | - | 11,825,989 | (11,825,989) |
| Benefit Payments | (12,672,328) | (12,672,328) | - |
| Net Changes: | 28,244,160 | 18,675,989 | 9,568,171 |
| Balances at June 30, 2017 | \$305,474,162 | \$115,060,732 | \$190,413,430 |

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% |
| \$228,849,494 | \$190,413,430 | \$158,688,610 |

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:

| 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% |
| \$170,678,559 | \$190,413,430 | \$212,976,370 |

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

For the year ended June 30, 2017, the County will recognize OPEB expense in the amount of \$20,119,573. At June 30, 2017, 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 | \$- | \$6,743,245 |
| Changes of Assumptions | 19,970,186 | - |
| Net difference between Projected and Actual Earnings on on OPEB Plan investments | - | 4,256,015 |
| Total: | <u>\$19,970,186</u> | <u>\$10,999,260</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:

| Fiscal Year Ending June 30th | Balance |
|------------------------------|-----------|
| 2018 | \$258,690 |
| 2019 | 258,690 |
| 2020 | 258,690 |
| 2021 | 258,691 |
| 2022 | 1,322,694 |
| Thereafter | 6,613,471 |

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

B. 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 post-employment 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.

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Plan Membership

At July 1, 2017, the following employees were covered by the benefit terms:

| | |
|---|--------------|
| Total Active employees with coverage | 3,317 |
| Total Active employees without coverage | 1,325 |
| <u>Total Retirees with coverage</u> | <u>1,353</u> |
| | 5,995 |

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 2017 the Schools' contributed \$6,227,027 and an additional \$2,600,000 in pre-funding contributions towards health plans for retirees. Plan members receiving benefits contributed \$1,409,565 towards health plans.

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, 2017, the annual money-weighted rate of return on investments, net of investment expense for the Schools Trust was 12.30%. 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, 2017

Schedule of Investment Returns

Last 10 Fiscal Years

06/30/2017

Annual Money-Weighted Rate of Return

Net of Investment Expense

12.30%

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

Net OPEB Liability

The Schools' net OPEB liability was measured as of June 30, 2017. 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 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---------------------------|---|
| Inflation | 3.50% per year as of July 1, 2016 3.00% per year as of June 30, 2017 |
| Salary Increases | 3.50% and 3.00% per year for general salary inflation as of July 1, 2016 and June 30, 2017 respectively. |
| Discount Rate | 7.25% for accounting and funding disclosures as of July 1, 2016 6.75% for accounting and funding disclosures as of June 30, 2017 |
| Investment Rate of Return | 7.25% as of July 1, 2016 6.75% as of June 30, 2017 |

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 7.25% as of July 1, 2016 and 6.75% as of June 30, 2017.

Discount rate

The discount rate used when the OPEB plan investments are insufficient to pay for future benefits is selected from a range of 20-year Municipal Bond Indices and include the Bond Buyer GO 20-Bond Municipal Bond 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 Schools will contribute the pay-go cost from the general operating asset and deposit \$2.6 million into the OPEB Trust until such time when the sum of pay-go cost and \$2.6 million exceed the Actuarially Determined Contribution. At that time the School will deposit the ADC into the OPEB Trust and pay pay-go costs from the Trust.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Changes in Net OPEB Liability-Arlington Public Schools

| | Increase (Decrease) | | |
|---|--------------------------|---------------------------------|------------------------------|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
| Balances at June 30, 2016 | \$143,144,436 | \$42,987,187 | \$100,157,249 |
| Changes for the year: | | | |
| Service Cost | 3,724,642 | - | 3,724,642 |
| Interest | 10,156,192 | - | 10,156,192 |
| Difference between expected and actual experience | 7,411,499 | - | 7,411,499 |
| Changes in Assumptions | 18,230,091 | - | 18,230,091 |
| Contributions-Employer | - | 8,827,027 | (8,827,027) |
| Net Investment Income | - | 5,287,676 | (5,287,676) |
| Benefit Payments | (6,227,027) | (6,227,027) | - |
| Net Changes: | 33,295,397 | 7,887,676 | 25,407,721 |
| Balances at June 30, 2017 | \$176,439,833 | \$50,874,863 | \$125,564,970 |

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 5.75% | Current Discount Rate 6.75% | 1% Increase 7.75% |
|----------------------|--------------------------------|----------------------|
| \$151,460,207 | \$125,564,970 | \$104,375,677 |

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 (7.50% decreasing by 0.25% annually to an ultimate rate of 4%) or 1- percentage-point higher (9.50% decreasing by 0.25% annually to an ultimate rate of 6.00%) than the current healthcare cost trend rates:

| 1% Decrease 7.50% decreasing to 4.00% | Healthcare Cost Trend Rates 8.50% decreasing to 5.00% | 1% Increase 9.50% decreasing to 6.00% |
|--|--|--|
| \$108,343,197 | \$125,564,970 | \$142,963,474 |

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

For the year ended June 30, 2017, the Schools will recognize OPEB expense in the amount of \$11,965,400. At June 30, 2017, the Schools 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 | \$6,917,399 | \$- |
| Changes of Assumptions | 17,014,752 | - |
| Net difference between Projected and Actual Earnings on OPEB Plan Investments | - | 1,662,803 |
| Total: | <u>\$23,932,151</u> | <u>\$1,662,803</u> |

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

| Fiscal Year Ending June 30th | Balance |
|------------------------------|--------------|
| 2018 | \$ 1,293,738 |
| 2019 | 1,293,738 |
| 2020 | 1,293,738 |
| 2021 | 1,293,738 |
| 2022 | 1,709,439 |
| Thereafter | 15,384,956 |

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.



Required Supplementary Information

In accordance with GASB 34, 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.

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ARLINGTON COUNTY, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION

Exhibit 11-A

Page 1 of 2

Budgetary Comparison Schedule-General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2017

| | Budgeted Amounts | | | Variance |
|---|------------------|---------------|---------------|---------------------|
| | Original | Final | Actual | Positive (Negative) |
| REVENUES: | | | | |
| General Property taxes: | | | | |
| Real estate | \$687,171,555 | \$687,171,555 | \$698,901,529 | \$11,729,974 |
| Personal | 112,052,147 | 112,052,147 | 114,836,050 | 2,783,903 |
| Other local taxes | 197,795,000 | 197,795,000 | 208,805,826 | 11,010,826 |
| Licenses, permits and fees | 10,217,950 | 10,217,950 | 11,459,159 | 1,241,209 |
| Charges for services | 56,404,254 | 56,777,504 | 57,520,846 | 743,342 |
| Fines and forfeitures | 8,317,748 | 8,317,748 | 7,059,743 | (1,258,005) |
| Grants: | | | | |
| State grants | 72,877,877 | 78,981,487 | 75,076,003 | (3,905,484) |
| Federal grants | 14,455,320 | 16,468,845 | 18,297,110 | 1,828,265 |
| Use of money and property | 6,993,139 | 6,993,139 | 7,415,759 | 422,620 |
| Miscellaneous revenue | 31,420,247 | 12,809,607 | 13,465,455 | 655,848 |
| Total revenues | 1,197,705,237 | 1,187,584,982 | 1,212,837,480 | 25,252,498 |
| EXPENDITURES: | | | | |
| General Government Administration: | | | | |
| County Board | 1,509,416 | 1,559,416 | 1,405,569 | 153,847 |
| County Manager | 5,257,227 | 5,257,227 | 5,425,724 | (168,497) |
| Financial Management | 7,347,047 | 7,357,600 | 7,428,284 | (70,684) |
| Human Resources | 9,308,291 | 9,338,291 | 8,919,460 | 418,831 |
| Technology Services | 19,985,285 | 20,115,285 | 20,459,334 | (344,049) |
| County Attorney | 2,772,065 | 2,772,065 | 3,141,596 | (369,531) |
| Commissioner of Revenue | 5,572,714 | 5,572,714 | 5,457,960 | 114,754 |
| Treasurer | 6,900,367 | 6,900,367 | 6,879,063 | 21,304 |
| Electoral Board | 1,788,646 | 1,788,646 | 1,479,070 | 309,576 |
| Total General Government | 60,441,058 | 60,661,611 | 60,596,060 | 65,551 |
| Judicial Administration: | | | | |
| Circuit Court & Circuit Court Judiciary | 4,194,817 | 4,219,272 | 4,247,348 | (28,076) |
| General District Court | 388,115 | 388,115 | 332,851 | 55,264 |
| Juvenile & Domestic Relations Court | 6,400,759 | 6,483,759 | 6,003,989 | 479,770 |
| Commonwealth Attorney | 4,066,913 | 4,155,984 | 4,049,552 | 106,432 |
| Sheriff & Jail | 41,585,320 | 42,007,067 | 44,118,172 | (2,111,105) |
| Office of the Public Defender | 166,111 | 166,111 | 157,137 | 8,974 |
| Magistrate's Office | 42,616 | 42,616 | 39,044 | 3,572 |
| Total Judicial Administration | 56,844,651 | 57,462,924 | 58,948,093 | (1,485,169) |
| Public Safety: | | | | |
| Police | 65,823,027 | 67,712,326 | 66,040,676 | 1,671,650 |
| Office of Emergency Management | 11,756,311 | 12,272,411 | 11,662,065 | 610,346 |
| Fire | 56,453,836 | 57,325,229 | 58,034,572 | (709,343) |
| Total Public Safety | 134,033,174 | 137,309,966 | 135,737,313 | 1,572,653 |
| Environmental Services | 91,211,853 | 96,611,306 | 93,100,334 | 3,510,972 |
| Health & Welfare | 135,395,857 | 140,699,257 | 134,525,749 | 6,173,508 |
| Libraries | 13,858,945 | 13,858,945 | 13,648,924 | 210,021 |

ARLINGTON COUNTY, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION

Exhibit 11-A

Page 2 of 2

Budgetary Comparison Schedule-General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2017

| | Budgeted Amounts | | Actual | Variance Positive (Negative) |
|---|------------------|---------------|---------------|---------------------------------|
| | Original | Final | | |
| Planning & Community Development: | | | | |
| Economic Development | 9,105,462 | 8,558,568 | 8,524,531 | 34,037 |
| Community Planning, Housing & development | 11,337,792 | 11,511,872 | 10,978,461 | 533,411 |
| Total Planning & Community Development | 20,443,254 | 20,070,440 | 19,502,992 | 567,448 |
| Parks and Recreation | 39,977,087 | 40,753,221 | 40,081,828 | 671,393 |
| Education | 466,964,233 | 489,675,094 | 475,698,480 | 13,976,614 |
| Non-Departmental: | | | | |
| Non-Departmental | 66,108,535 | 126,229,618 | 69,607,342 | 56,622,276 |
| Debt Service | | | | |
| Principal payment | 41,514,549 | 40,471,357 | 43,967,972 | (3,496,615) |
| Interest payment | 19,628,270 | 20,671,462 | 16,280,240 | 4,391,222 |
| Other costs | 125,000 | 125,000 | 3,942 | 121,058 |
| Regionals/Contributions | 8,090,741 | 8,228,441 | 7,550,062 | 678,379 |
| METRO | 30,343,315 | 30,343,315 | 30,343,315 | - |
| Total Non-Departmental | 165,810,410 | 226,069,193 | 167,752,873 | 58,316,320 |
| Total expenditures | 1,184,980,522 | 1,283,171,957 | 1,199,592,646 | 83,579,311 |
| Excess (deficiency) of revenues over expenditures | 12,724,715 | (95,586,975) | 13,244,834 | 108,831,809 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | 3,457,246 | 3,976,455 | 519,209 |
| Transfers out | (12,724,715) | (22,926,766) | (22,034,960) | 891,806 |
| Total other financing sources/(uses) | (12,724,715) | (19,469,520) | (18,058,505) | 1,411,015 |
| Net change in fund balance | - | (115,056,495) | (4,813,671) | 110,242,824 |
| Fund Balance - beginning of year | 191,243,859 | 191,243,859 | 191,243,859 | - |
| Fund Balance - end of year | \$191,243,859 | \$76,187,364 | \$186,430,188 | \$110,242,824 |

ARLINGTON COUNTY, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION

Exhibit 11-B

Schedule of Changes in the County's Net Pension Liability (Asset) and Related Ratios
(\$ in millions)

| | 2016 | 2015 | 2014 |
|---|------------------|------------------|------------------|
| Total pension liability | | | |
| Service cost | \$53.8 | \$54.8 | \$52.1 |
| Interest | 143.6 | 135.6 | 131.6 |
| Differences between expected and actual experience | (47.3) | (16.2) | (11.0) |
| Changes of assumptions | 27.2 | - | 29.4 |
| Benefit payments, including refunds of employee contributions | (95.3) | (90.8) | (86.3) |
| Net change in total pension liability | 82.0 | 83.4 | 115.8 |
| Total pension liability -- beginning | 1,971.5 | 1,888.1 | 1,772.3 |
| Total pension liability -- ending | <u>\$2,053.5</u> | <u>\$1,971.5</u> | <u>\$1,888.1</u> |
| Plan fiduciary net position | | | |
| Contributions - employer | \$54.5 | \$58.2 | \$53.7 |
| Contributions - employee | 12.3 | 12.2 | 11.9 |
| Net investment income | (1.3) | 37.3 | 304.2 |
| Benefit payments, including refunds of employee contributions | (95.3) | (90.8) | (86.3) |
| Administrative expense | (1.7) | (1.5) | (0.7) |
| Net change in plan fiduciary net position | (31.5) | 15.4 | 282.8 |
| Plan fiduciary net position - beginning | 1,995.0 | 1,979.6 | 1,696.8 |
| Plan fiduciary net position - ending | <u>\$1,963.5</u> | <u>\$1,995.0</u> | <u>\$1,979.6</u> |
| County's net pension liability (asset) - ending | <u>\$90.0</u> | <u>(\$23.5)</u> | <u>(\$91.5)</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 95.6% | 101.2% | 104.85% |
| Covered- employee payroll | \$248.9 | \$243.5 | \$252.4 |
| County's net position liability as a percentage of covered-employee payroll | 36.2% | 9.7% | (0.4) |

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Exhibit 11-C

(\$ in millions)

Exhibit 11-D

Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the System year.

Entry age normal cost method
Five year, smoothed
Level percent open
6.75%
3.00%
3.00%
4% plus merit/seniority component which vary by year of service and are compounded annually

General and Uniformed

RP-2000 Employee Mortality projected to 2010 by Scale AA for active employees; RP-2000 Healthy annuitant Mortality projected to 2010 by Scale AA healthy retirees and beneficiaries; RP-2000 Disabled Mortality projected to 2010 by Scale AA for disabled lives.

School

RP-2000 Employee Mortality with White Collar adjustment projected to 2010 by Scale AA for active employees; RP-2000 Healthy Annuitant Mortality with White Collar adjustment projected to 2015 by Scale AA healthy retirees and beneficiaries; RP-2000 Disabled Mortality projected to 2010 by Scale AA for disabled lives.

ARLINGTON COUNTY, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION

Exhibit 11-E

Schedule of Employer's Share of Net Pension Liability
VRS Teacher Retirement Plan
For the Year Ended June 30, 2017, 2016 and 2015 *

| | 2017 | 2016 | 2015 |
|---|---------------|---------------|---------------|
| Employer's Proportion of the Net Pension Liability (Asset) | 3.54755% | 3.50960% | 3.41217% |
| Employer's Proportionate Share of the Net Pension Liability (Asset) | \$497,158,000 | \$441,730,000 | \$412,350,000 |
| Employer's Covered-Employee Payroll | \$295,036,838 | \$278,505,978 | \$264,893,277 |
| Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll | 168.51% | 158.61% | 155.67% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 68.28% | 70.68% | 70.88% |

Schedule is intended to show information for 10 years. Since 2017 is the third year for this presentation, only one additional year of data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

Exhibit 11-F

Schedule of Employer Contributions-VRS Teachers Retirement Plan
For the Year Ended June 30, 2017, 2016 and 2015

| | Contractually Required Contribution | Contributions in Relation to Contractually Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Employee Payroll | Contributions as a % of Covered Employee Payroll |
|-------------|--|---|---|--|---|
| Date | (1) | (2) | (3) | (4) | (5) |
| 2017 | \$43,252,400 | \$41,192,000 | 2,060,400 | \$295,036,838 | 14.66% |
| 2016 | 39,157,940 | 41,585,081 | (2,427,141) | 278,505,978 | 14.06% |
| 2015 | 38,409,525 | 37,194,010 | 1,215,515 | 264,893,277 | 14.04% |

Schedule is intended to show information for 10 years. Since 2017 is the third year for this presentation, only one additional year of data is available. However, additional years will be included as they become available.

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, 2016 is not material.

ARLINGTON COUNTY, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four- year period ending June 30, 2012:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

Exhibit 11-G

**Schedule of Changes in the Political Subdivision's Net Pension Liability
and Related Ratios**

| | 2016 | 2015 |
|---|---------------------|---------------------|
| Total pension liability | | |
| Service cost | \$1,828,396 | \$2,027,449 |
| Interest | 2,699,983 | 2,439,032 |
| Differences between expected and actual experience | (1,444,760) | 237,081 |
| Benefit payments, including refunds of employee contributions | (1,069,403) | (881,977) |
| Net change in total pension liability | 2,014,216 | 3,821,585 |
| Total pension liability - beginning | 39,105,889 | 35,284,304 |
| Total pension liability - ending (a) | <u>\$41,120,105</u> | <u>\$39,105,889</u> |
| Plan fiduciary net position | | |
| Contributions - employer | \$1,225,860 | \$954,339 |
| Contributions - employee | 884,066 | 722,556 |
| Net investment income | 667,328 | 1,570,563 |
| Benefit payments, including refunds of employee contributions | (1,069,403) | (881,977) |
| Administrative expense | (21,338) | (20,294) |
| Other | (273) | (332) |
| Net change in plan fiduciary net position | 1,686,240 | 2,344,855 |
| Plan fiduciary net position - beginning | 35,675,939 | 33,331,084 |
| Plan fiduciary net position - ending (b) | <u>\$37,362,179</u> | <u>\$35,675,939</u> |
| Political subdivision's net pension liability - ending (a) - (b) | <u>\$3,757,926</u> | <u>\$3,429,950</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 90.86% | 91.23% |
| Covered payroll | \$17,912,069 | \$18,922,234 |
| Political subdivision's net pension liability as a percentage of covered payroll | 20.98% | 18.13% |

This table is intended to show 10 years-worth of data. Additional years will be included as they become available.

ARLINGTON COUNTY, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION

Exhibit 11-H

**Schedule of Political Subdivision Employer Contributions
For the Year Ended June 30, 2016 and 2015**

| | Contractually Required Contribution | Contributions in Relation to Contractually Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Employee Payroll | Contributions as a % of Covered Employee Payroll |
|-------------|---|--|--|---|--|
| Date | (1) | (2) | (3) | (4) | (5) |
| 2016 | \$1,234,142 | \$1,199,863 | \$34,279 | \$17,912,069 | 6.70% |
| 2015 | \$1,302,210 | \$1,709,102 | (\$423,396) | \$18,922,234 | 9.12% |

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, only one additional year of data is available. However, additional years will be included as they become available.

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, 2016 is not material.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four- year period ending June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

ARLINGTON COUNTY, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION

Exhibit 11-I

Schedule of Changes County's in Net OPEB Liability and Related Ratios

| | |
|--|--------------------------|
| Total OPEB Liability | 2017 |
| Service cost | \$6,789,601 |
| Interest | 19,577,252 |
| Changes in assumptions | 21,967,205 |
| Difference between expected and actual experience | (7,417,570) |
| Benefit Payments | (12,672,328) |
| Net change in total OPEB liability | 28,244,160 |
| Total OPEB liability-beginning | 277,230,002 |
| Total OPEB liability-ending (a) | \$305,474,162 |
| Plan fiduciary net position | |
| Contributions-employer | 19,522,328 |
| Net investment income | 11,825,989 |
| Benefit payments | (12,672,328) |
| Net change in plan fiduciary net position | 18,675,989 |
| Plan fiduciary net position-beginning | 96,384,743 |
| Plan fiduciary net position-ending (b) | 115,060,732 |
| Net OPEB Liability-ending | \$190,413,430 |
| Plan Fiduciary net position as % of total OPEB liability | 37.7% |
| Covered employee payroll | N/A |
| Net OPEB liability as % of covered payroll | N/A |

This schedule is intended to show 10 years worth of data. Additional years will be included as they become available.

ARLINGTON COUNTY, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION

Exhibit 11-J

| Schedule of Employer Contributions - County OPEB Plan | | | | | |
|---|---------------------------|------------------------------|----------------------------|---------------------|------------------------------------|
| | Actuarially Determined | Contributions in relation | Contribution Deficiency | Covered Employee | Contribution as a Percentage of |
| Date | Contribution (ADC) | to ADC | (Excess) | Payroll | Covered Payroll |
| 06/30/2017 | \$17,836,375 | \$19,522,328 | (\$1,685,953) | N/A | N/A |
| 06/30/2016 | 18,448,969 | 19,706,851 | (1,257,882) | N/A | N/A |
| 06/30/2015 | 18,935,237 | 19,480,852 | (545,615) | N/A | N/A |
| 06/30/2014 | 19,871,609 | 20,942,046 | (1,070,437) | N/A | N/A |
| 06/30/2013 | 20,013,479 | 19,879,203 | 134,276 | 257,540,000 | 7.72% |
| 06/30/2012 | 18,314,275 | 19,018,775 | (704,500) | 247,630,000 | 7.68% |
| 06/30/2011 | 17,311,380 | 16,334,196 | 977,184 | 231,930,000 | 7.04% |
| 06/30/2010 | 16,698,955 | 16,758,937 | (59,982) | 221,950,000 | 7.55% |
| 06/30/2009 | 15,500,000 | 23,632,512 | (8,132,512) | 243,400,000 | 9.71% |
| 06/30/2008 | 15,300,000 | 8,664,381 | 6,635,619 | 152,300,000 | 5.69% |

Exhibit 11-K

Notes to Schedules-County OPEB

Valuation Date: 07/01/2016

Actuarially determined contribution rates are calculated as of July 1, 2016, prior to the fiscal year in when they are reported, and have been projected to June 30, 2017 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 market value of assets |
| Inflation: | 3.50% per year as of July 1, 2016 3.00% per year as of June 30, 2017 |
| Medical trend rate: | The medical trend rate assumption starts at 8.0% in 2017 and gradually declines to 5.0% by the year 2029. |
| Salary increases | 3.50% salary scale as of July 1, 2016 3.00% salary scale as of July 1, 2017 |
| Investment rate of return | 7.25% per year as of July 1, 2016 6.75% per year as of July 1, 2017 |
| 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 11-L

Schedule of Changes in the School's Net OPEB Liability and Related Ratios

| | |
|--|--------------------------|
| Total OPEB Liability | 2017 |
| Service cost | \$3,724,642 |
| Interest | 10,156,192 |
| Changes in assumptions | 18,230,091 |
| Difference between expected and actual experience | 7,411,499 |
| Benefit payments | (6,227,027) |
| Net change in total OPEB liability | 33,295,397 |
| Total OPEB liability - beginning | 143,144,436 |
| Total OPEB liability - ending (a) | \$176,439,833 |
| Plan fiduciary net position | |
| Contributions-employer | \$8,827,027 |
| Contributions-retired members | - |
| Net investment income | 5,287,676 |
| Benefit payments | (6,227,027) |
| Net change in plan fiduciary net position | 7,887,676 |
| Plan fiduciary net position - beginning | 42,987,187 |
| Plan fiduciary net position - ending (b) | \$50,874,863 |
| Net OPEB Liability-ending (a) - (b) | \$125,564,970 |
| Plan Fiduciary net position as % of total OPEB liability | 28.8% |
| Covered employee payroll | \$294,660,463 |
| Net OPEB liability as % of covered payroll | 42.6% |

This schedule is intended to show 10 years worth of data. Additional years will be included as they become available.

ARLINGTON COUNTY, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION

Exhibit 11-M

| Schedule of Employer Contributions - Arlington County Public Schools | | | | | |
|--|---|--|--|--------------------------------|---|
| Date | Actuarially Determined Contribution (ADC) | Contributions in relation to ADC | Contribution Deficiency (Excess) | Covered Employee Payroll | Contribution as a Percentage of Covered Payroll |
| 06/30/2017 | \$9,448,250 | \$8,827,027 | \$621,223 | \$294,660,463 | 3.0% |
| 06/30/2016 | 9,072,082 | 8,033,056 | 1,039,026 | 275,631,084 | 2.9% |
| 06/30/2015 | 7,516,603 | 8,000,708 | (484,105) | 211,917,981 | 3.8% |
| 06/30/2014 | 7,631,362 | 7,910,729 | (279,367) | 204,258,295 | 3.9% |
| 06/30/2013 | 8,062,374 | 9,352,970 | (1,290,596) | 267,192,229 | 3.5% |
| 06/30/2012 | 9,248,589 | 10,293,067 | (1,044,478) | 255,686,344 | 4.0% |
| 06/30/2011 | 9,373,969 | 12,217,684 | (2,843,715) | 244,675,927 | 5.0% |
| 06/30/2010 | 8,986,982 | 9,830,945 | (843,963) | 234,139,643 | 4.2% |
| 06/30/2009 | 15,000,000 | 7,473,320 | 7,526,680 | 221,800,000 | 3.4% |
| 06/30/2008 | 20,900,000 | 9,639,994 | 11,260,006 | 221,800,000 | 4.3% |

Exhibit 11-N

Notes to Schedules-Arlington Public Schools

Valuation Date: 06/30/2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry age normal level % of salary

Amortization method: Level % of salary

Amortization period: 30 years

Asset valuation method: Fair market value of assets

Inflation: 3.50% per year as of July 1, 2016
3.00% per year as of June 30, 2017

Medical trend rate: The medical trend rate assumption starts at 8.5% in 2017 and gradually declines to 5.0% by the year 2031.

Salary increases: 3.50% salary scale as of July 1, 2016
3.00% salary scale as of July 1, 2017

Investment rate of return: 7.50% per year as of July 1, 2016
6.75% per year as of July 1, 2017

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.

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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.

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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, 2017

| | 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 | \$111,785 | \$454,871 | \$867,332 | \$1,973,179 | \$1,390,569 | \$2,626,241 | \$- | \$14,428,031 | \$14,651,251 | \$45,729,854 | \$19,487,433 | \$39,473,450 | \$4,625 | \$44 | \$48,082,585 | \$16,724,929 | \$695,911 | \$- | \$206,702,090 | Equity in pooled cash and investments |
| Receivables, net | - | - | - | - | - | 21,227,548 | - | - | - | - | 60,033 | - | - | - | - | - | - | - | 21,287,581 | Receivables, net |
| Receivables from other governments | - | - | - | - | - | 159,778 | 19,288 | - | - | - | 178,021 | - | - | - | - | 1,222,823 | - | - | 1,579,910 | Receivables from other governments |
| Prepaid | - | - | - | - | - | - | 1,351,822 | - | 4,275 | - | - | - | - | - | - | - | - | - | 1,356,097 | Prepaid |
| Total assets | \$111,785 | \$454,871 | \$867,332 | \$1,973,179 | \$1,390,569 | \$24,013,567 | \$1,371,110 | \$14,428,031 | \$14,655,526 | \$45,729,854 | \$19,725,487 | \$39,473,450 | \$4,625 | \$44 | \$48,082,585 | \$17,947,752 | \$695,911 | \$- | \$230,925,678 | Total assets |
| LIABILITIES AND DEFERRED INFLOWS | | | | | | | | | | | | | | | | | | | | LIABILITIES AND DEFERRED INFLOWS |
| LIABILITIES | | | | | | | | | | | | | | | | | | | | LIABILITIES |
| Accounts payable | \$111,785 | \$276,621 | \$- | \$- | \$- | \$170,432 | \$1,161,065 | \$3,717,795 | \$1,036,225 | \$2,069,489 | \$1,406,659 | \$228,753 | \$- | \$- | \$- | \$77,313 | \$209,405 | \$15,717 | \$10,481,259 | Accounts Payable |
| Other liabilities | - | - | - | - | - | 8,838,912 | - | - | 3,200 | 233,203 | 335,887 | 59,960 | - | - | - | 55,541 | - | 75,155 | 9,601,858 | Other liabilities |
| Total liabilities | 111,785 | 276,621 | - | - | - | 9,009,344 | 1,161,065 | 3,717,795 | 1,039,425 | 2,302,692 | 1,742,546 | 288,713 | - | - | - | 132,854 | 209,405 | 90,872 | 20,083,117 | Total liabilities |
| Deferred revenue-Dev. Loan | - | - | - | - | - | 12,388,636 | - | - | - | - | - | - | - | - | - | - | - | - | 12,388,636 | Deferred Loan |
| Deferred inflows | - | - | 790,422 | 1,791,936 | 1,337,135 | 2,615,587 | 210,045 | - | - | - | - | - | - | - | - | - | - | - | 6,745,125 | Deferred Inflows |
| Total liabilities and deferred inflows | \$111,785 | 276,621 | 790,422 | 1,791,936 | 1,337,135 | 24,013,567 | 1,371,110 | 3,717,795 | 1,039,425 | 2,302,692 | 1,742,546 | 288,713 | - | - | - | 132,854 | 209,405 | 90,872 | 39,216,878 | Total Liabilities and Deferred Inflows |
| FUND BALANCES | | | | | | | | | | | | | | | | | | | | FUND BALANCES |
| Nonspendable | - | - | - | - | - | - | 1,351,822 | - | 4,275 | - | - | - | - | - | - | - | - | - | 1,356,097 | Nonspendable |
| Restricted | - | 178,250 | 76,910 | 181,243 | 53,434 | - | - | 10,710,236 | 13,611,826 | 43,427,162 | - | 39,184,737 | - | - | 48,082,585 | - | - | - | 155,506,383 | Restricted |
| Committed | - | - | - | - | - | - | - | - | - | - | 17,982,941 | - | 4,625 | 44 | - | 17,814,898 | 486,506 | - | 36,289,014 | Committed |
| Unrestricted | - | - | - | - | - | - | (1,351,822) | - | - | - | - | - | - | - | - | - | - | (90,872) | (1,442,694) | Unrestricted |
| Total fund balances | - | 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 | Total fund balances |
| Total liabilities and fund balances | \$111,785 | \$454,871 | \$867,332 | \$1,973,179 | \$1,390,569 | \$24,013,567 | \$1,371,110 | \$14,428,031 | \$14,655,526 | \$45,729,854 | \$19,725,487 | \$39,473,450 | \$4,625 | \$44 | \$48,082,585 | \$17,947,752 | \$695,911 | \$- | \$230,925,678 | Total liabilities and fund balances |

ARLINGTON COUNTY, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| REVENUES: | SPECIAL REVENUE FUNDS | | | | | | | CAPITAL PROJECTS 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 Fund | Crystal City TIF | Columbia Pike TIF | IDA Bond Fund | | Total Non-Major Governmental Funds |
| Other local taxes | \$111,785 | \$1,262,988 | \$1,586,520 | \$3,515,040 | \$2,537,971 | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$9,014,304 | Other local taxes |
| Real estate taxes | - | - | - | - | - | - | - | - | - | - | 9,276,016 | - | - | - | - | 5,396,172 | 601,844 | - | 15,274,032 | Real estate taxes |
| Intergovernmental | - | - | - | - | - | 3,621,791 | 18,791,247 | - | - | - | 1,143,567 | - | - | - | - | 171,862 | - | - | 23,728,467 | Intergovernmental |
| Interest income | - | - | 1,076 | 2,058 | 999 | - | - | 20,434 | 62,019 | 205,711 | - | 224,079 | - | - | 63,183 | - | - | 3,073 | 582,632 | Interest income |
| Miscellaneous revenue | - | - | - | - | - | - | - | - | - | - | 457,983 | - | - | - | - | 1,947,669 | - | - | 2,405,652 | Miscellaneous revenue |
| Total revenues | 111,785 | 1,262,988 | 1,587,596 | 3,517,098 | 2,538,970 | 3,621,791 | 18,791,247 | 20,434 | 62,019 | 205,711 | 10,877,566 | 224,079 | - | - | 63,183 | 7,515,703 | 601,844 | 3,073 | 51,005,087 | Total revenues |
| EXPENDITURES: | EXPENDITURES: | | | | | | | | | | | | | | | | | | | |
| Planning and community development | 111,785 | 1,710,886 | 1,566,072 | 3,453,883 | 2,497,556 | 3,621,791 | 18,791,247 | - | - | - | 7,750,318 | - | - | - | - | 187,055 | 632,875 | - | 40,323,468 | Planning and community development |
| Intergovernmental: | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | Intergovernmental: |
| Community development | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 8,300,000 | - | - | - | 8,300,000 | Community development |
| Capital outlay | - | - | - | - | - | - | - | 11,609,119 | 5,052,975 | 13,655,645 | 7,249,037 | 4,225,708 | - | - | - | 1,732,781 | - | - | 43,525,265 | Capital outlay |
| Total expenditures | 111,785 | 1,710,886 | 1,566,072 | 3,453,883 | 2,497,556 | 3,621,791 | 18,791,247 | 11,609,119 | 5,052,975 | 13,655,645 | 14,999,355 | 4,225,708 | - | - | 8,300,000 | 1,919,836 | 632,875 | - | 92,148,733 | Total expenditures |
| Revenues over (under) expenditures | - | (447,898) | 21,524 | 63,215 | 41,414 | - | - | (11,588,685) | (4,990,956) | (13,449,934) | (4,121,789) | (4,001,629) | - | - | (8,236,817) | 5,595,867 | (31,031) | 3,073 | (41,143,646) | Revenues over (under) expenditures |
| OTHER FINANCING SOURCES(USES): | OTHER FINANCING SOURCES(USES): | | | | | | | | | | | | | | | | | | | |
| Proceeds from sale of bonds | - | - | - | - | - | - | - | 15,670,000 | 9,600,000 | 26,125,000 | - | 11,900,000 | - | - | 46,600,000 | - | - | - | 109,895,000 | Proceeds from sale of bonds |
| Transfers in (out) | - | 626,148 | (15,865) | (35,150) | (25,380) | - | - | (20,434) | (62,019) | (205,711) | - | (224,079) | - | - | (63,183) | - | - | (3,073) | (28,746) | Transfers in (out) |
| Total other financing sources (uses) | - | 626,148 | (15,865) | (35,150) | (25,380) | - | - | 15,649,566 | 9,537,981 | 25,919,289 | - | 11,675,921 | - | - | 46,536,817 | - | - | (3,073) | 109,866,254 | Total Other financing sources (uses) |
| Net change in fund balances | - | 178,250 | 5,659 | 28,065 | 16,034 | - | - | 4,060,881 | 4,547,025 | 12,469,355 | (4,121,789) | 7,674,292 | - | - | 38,300,000 | 5,595,867 | (31,031) | - | 68,722,608 | Net change in fund balances |
| FUND BALANCE, beginning of year | - | - | 71,251 | 153,178 | 37,400 | - | - | 6,649,355 | 9,069,076 | 30,957,807 | 22,104,730 | 31,510,445 | 4,625 | 44 | 9,782,585 | 12,219,031 | 517,537 | (90,872) | 122,986,192 | FUND BALANCE, beginning of year |
| FUND BALANCE, end 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, end of year |
| | 0 | 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 | |

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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.

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ARLINGTON COUNTY, VIRGINIA
GENERAL FUND
BALANCE SHEET
JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

| | 2017 | 2016 |
|---|----------------------|----------------------|
| ASSETS | | |
| Equity in pooled cash and investments | \$279,068,488 | \$274,397,190 |
| Petty cash | 1,150 | 1,650 |
| Cash with fiscal agents | 270,456 | 272,426 |
| Receivables(net, where applicable, of allowance for uncollectibles): | | |
| Taxes | 393,091,354 | 380,137,394 |
| Accounts Receivable - Other | 14,137,713 | 16,955,741 |
| Accounts Receivable - Development Loan | 28,804,099 | - |
| Accrued interest | 1,230,417 | 789,016 |
| Due from other governments | 11,320,992 | 4,911,704 |
| Temporary loan to fund | 1,120,470 | 1,099,428 |
| Due from component unit | 418,342 | 274,678 |
| Prepaid items and other assets | 35,036 | 833,638 |
| Total assets | <u>\$729,498,517</u> | <u>\$679,672,865</u> |
| LIABILITIES AND DEFERRED INFLOWS | | |
| LIABILITIES: | | |
| Accrued payroll liabilities | \$22,640,958 | \$28,066,670 |
| Vouchers payable | 7,867,241 | 7,124,724 |
| Current maturities of interest payable | 267,304 | 267,304 |
| Other current liabilities | 2,447,175 | 2,485,476 |
| Unearned revenue | 240,181 | 238,831 |
| Due to component unit | 92,774,673 | 74,716,491 |
| Total liabilities | <u>126,237,532</u> | <u>112,899,496</u> |
| DEFERRED INFLOWS: | | |
| Deferred Revenue - Development Loan | 28,804,099 | - |
| Deferred Revenue - Other | 388,026,698 | 375,529,510 |
| Total liabilities and deferred inflows | <u>543,068,329</u> | <u>488,429,006</u> |
| FUND BALANCE: | | |
| <u>Non spendable:</u> | | |
| Prepaid items | 35,036 | - |
| <u>Restricted for:</u> | | |
| Grants | 255,110 | - |
| Seized assets | 1,599,616 | 1,515,487 |
| <u>Committed to:</u> | | |
| Self insurance reserve | 5,000,000 | 5,000,000 |
| Economic & revenue stabilization contingent | 4,000,000 | 3,000,000 |
| Operating reserve | 62,635,601 | 59,885,262 |
| Subsequent years' County budget | 4,643,563 | 7,165,939 |
| Capital projects | 6,636,589 | 2,057,099 |
| Incomplete projects | 664,991 | 562,321 |
| Affordable Housing Investment Fund - Allocated | 44,073,880 | 36,834,387 |
| Subsequent years' School's budget | 24,217,093 | 25,164,263 |
| <u>Assigned to:</u> | | |
| Contingency funds | 5,860,000 | 5,950,000 |
| Subsequent years' County capital projects | 10,279,343 | 17,248,521 |
| Fresh AIRE program | 156,301 | 652,621 |
| Planned projects | 2,532,004 | 2,531,501 |
| Affordable Housing Investment Fund - Unallocated | 13,841,061 | 23,676,458 |
| Total fund balance | <u>186,430,188</u> | <u>191,243,859</u> |
| Total liabilities, deferred inflows and fund balance | <u>\$729,498,517</u> | <u>\$679,672,865</u> |

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, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

| | 2017 | | | |
|---|----------------------|----------------------|------------------------------------|----------------------|
| | BUDGET | ACTUAL | VARIANCE POSITIVE (NEGATIVE) | 2016 ACTUALS |
| REVENUES: | | | | |
| Taxes | \$997,018,702 | \$1,022,543,405 | \$25,524,703 | \$986,485,760 |
| Licenses and permits | 10,217,950 | 11,459,159 | 1,241,209 | 9,846,558 |
| From the Commonwealth of Virginia | 78,981,487 | 75,076,003 | (3,905,484) | 71,790,714 |
| From the federal government | 16,468,845 | 18,297,110 | 1,828,265 | 17,035,639 |
| Charges for services | 56,777,504 | 57,520,846 | 743,342 | 54,490,980 |
| Fines and forfeitures | 8,317,748 | 7,059,743 | (1,258,005) | 7,059,138 |
| Use of money and property | 6,993,139 | 7,415,759 | 422,620 | 9,451,264 |
| Miscellaneous revenues | 10,290,647 | 13,380,229 | 3,089,582 | 12,255,370 |
| Total revenues | 1,185,066,022 | 1,212,752,254 | 27,686,232 | 1,168,415,423 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 60,661,611 | 60,596,060 | 65,551 | 58,102,190 |
| Judicial administration | 57,462,924 | 58,948,093 | (1,485,169) | 58,677,922 |
| Public safety | 137,309,966 | 135,737,313 | 1,572,653 | 133,129,820 |
| Environmental services | 96,611,306 | 93,100,334 | 3,510,972 | 90,929,047 |
| Health and welfare | 140,699,257 | 134,525,749 | 6,173,508 | 127,949,353 |
| Parks and recreation | 40,753,221 | 40,081,828 | 671,393 | 37,974,121 |
| Libraries | 13,858,945 | 13,648,924 | 210,021 | 12,999,158 |
| Planning and community development | 20,070,440 | 19,502,992 | 567,448 | 21,574,057 |
| Non-departmental | 126,229,618 | 69,607,342 | 56,622,276 | 63,067,532 |
| Contributions to regional agencies | 38,571,756 | 37,893,377 | 678,379 | 36,511,912 |
| Debt service: | | | | |
| Principal | 40,471,357 | 43,967,972 | (3,496,615) | 39,843,463 |
| Interest on serial bonds | 20,671,462 | 16,280,240 | 4,391,222 | 18,360,273 |
| Other costs | 125,000 | 3,942 | 121,058 | 5,732 |
| Total expenditures | 793,496,863 | 723,894,166 | 69,602,697 | 699,124,580 |
| Revenues over expenditures | 391,569,159 | 488,858,088 | 97,288,929 | 469,290,843 |
| OTHER FINANCING SOURCES(USES): | | | | |
| Transfers in | 3,476,206 | 4,095,415 | 619,209 | 1,839,700 |
| Transfers from component unit | 2,500,000 | 372,376 | (2,127,624) | 255,240 |
| Transfers out | (22,926,766) | (22,068,694) | 858,072 | (20,278,358) |
| Transfers to component unit | (489,675,094) | (476,070,856) | 13,604,238 | (464,986,648) |
| Premium on sales of bonds | - | - | - | 4,863,006 |
| Total other financing sources(uses) | (506,625,654) | (493,671,759) | 12,953,895 | (478,307,060) |
| Revenues over (under) expenditures and other sources(uses) | (115,056,495) | (4,813,671) | 110,242,824 | (9,016,217) |
| FUND BALANCE, beginning of year | 191,243,859 | 191,243,859 | - | 200,260,076 |
| FUND BALANCE, end of year | \$76,187,364 | \$186,430,188 | \$110,242,824 | \$191,243,859 |



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.

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ARLINGTON COUNTY, VIRGINIA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

| | 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, 2017 | June 30, 2016 |
| ASSETS | | | | | | | | | |
| Equity in pooled cash and investments | \$111,785 | \$454,871 | \$867,332 | \$1,973,179 | \$1,390,569 | \$2,626,241 | \$- | \$7,423,977 | \$7,623,719 |
| Receivable from other government | - | - | - | - | - | 159,778 | 19,288 | 179,066 | 321,494 |
| Long-term receivables | - | - | - | - | - | 21,227,548 | - | 21,227,548 | 19,994,874 |
| Prepaid expenses | - | - | - | - | - | - | 1,351,822 | 1,351,822 | 1,382,728 |
| Total assets | <u>\$111,785</u> | <u>\$454,871</u> | <u>\$867,332</u> | <u>\$1,973,179</u> | <u>\$1,390,569</u> | <u>\$24,013,567</u> | <u>\$1,371,110</u> | <u>\$30,182,413</u> | <u>\$29,322,815</u> |
| LIABILITIES AND DEFERRED INFLOWS | | | | | | | | | |
| LIABILITIES | | | | | | | | | |
| Vouchers payable | \$111,785 | \$276,621 | \$- | \$- | \$- | \$170,432 | \$115,750 | \$674,588 | \$464,638 |
| Temporary loan - General Fund | - | - | - | - | - | - | 1,045,315 | 1,045,315 | 920,865 |
| Long-term liabilities | - | - | - | - | - | 8,838,912 | - | 8,838,912 | 10,115,798 |
| Total liabilities | <u>111,785</u> | <u>276,621</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>9,009,344</u> | <u>1,161,065</u> | <u>10,558,815</u> | <u>11,501,301</u> |
| Deferred revenue-Dev. Loan | - | - | - | - | - | 12,388,636 | - | 12,388,636 | 9,879,076 |
| Deferred inflows | - | - | 790,422 | 1,791,936 | 1,337,135 | 2,615,587 | 210,045 | 6,745,125 | 7,680,609 |
| Total liabilities and deferred inflows | <u>111,785</u> | <u>276,621</u> | <u>790,422</u> | <u>1,791,936</u> | <u>1,337,135</u> | <u>24,013,567</u> | <u>1,371,110</u> | <u>29,692,576</u> | <u>29,060,986</u> |
| FUND BALANCES | | | | | | | | | |
| Nonspendable-prepays | - | - | - | - | - | - | 1,351,822 | 1,351,822 | 1,382,728 |
| Restricted | - | 178,250 | 76,910 | 181,243 | 53,434 | - | - | 489,837 | 261,829 |
| Unrestricted | - | - | - | - | - | - | (1,351,822) | (1,351,822) | (1,382,728) |
| Total fund balances | <u>-</u> | <u>178,250</u> | <u>76,910</u> | <u>181,243</u> | <u>53,434</u> | <u>-</u> | <u>-</u> | <u>489,837</u> | <u>261,829</u> |
| Total liabilities and fund balances | <u>\$111,785</u> | <u>\$454,871</u> | <u>\$867,332</u> | <u>\$1,973,179</u> | <u>\$1,390,569</u> | <u>\$24,013,567</u> | <u>\$1,371,110</u> | <u>\$30,182,413</u> | <u>\$29,322,815</u> |

ARLINGTON COUNTY, VIRGINIA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

| | 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, 2017 | June 30, 2016 |
| REVENUES: | | | | | | | | | |
| Other local taxes | \$111,785 | \$1,262,988 | \$1,586,520 | \$3,515,040 | \$2,537,971 | \$- | \$- | \$9,014,304 | \$7,558,913 |
| From the federal government | - | - | - | - | - | 3,621,791 | 18,791,247 | 22,413,038 | 18,958,779 |
| Total revenues | 111,785 | 1,262,988 | 1,586,520 | 3,515,040 | 2,537,971 | 3,621,791 | 18,791,247 | 31,427,342 | 26,517,692 |
| EXPENDITURES: | | | | | | | | | |
| Current - | | | | | | | | | |
| Community development | 111,785 | - | 1,566,072 | 3,453,883 | 2,497,556 | 3,621,791 | - | 11,251,087 | 8,870,507 |
| Travel & tourism promotion | - | 1,710,886 | - | - | - | - | - | 1,710,886 | - |
| Housing program | - | - | - | - | - | - | 18,791,247 | 18,791,247 | 17,490,977 |
| Total expenditures | 111,785 | 1,710,886 | 1,566,072 | 3,453,883 | 2,497,556 | 3,621,791 | 18,791,247 | 31,753,220 | 26,361,484 |
| Revenues over (under) expenditures | - | (447,898) | 20,448 | 61,157 | 40,415 | - | - | (325,878) | 156,208 |
| OTHER FINANCING SOURCES (USES): | | | | | | | | | |
| Interest | - | - | 1,076 | 2,058 | 999 | - | - | 4,133 | 2,739 |
| Transfers out | - | - | (15,865) | (35,150) | (25,380) | - | - | (76,395) | (75,589) |
| Transfers in | - | 626,148 | - | - | - | - | - | 626,148 | - |
| Total other financing sources(uses) | - | 626,148 | (14,789) | (33,092) | (24,381) | - | - | 553,886 | (72,850) |
| Revenues and other financing sources (uses) over expenditures | - | 178,250 | 5,659 | 28,065 | 16,034 | - | - | 228,008 | 83,358 |
| FUND BALANCES, beginning of year | - | - | 71,251 | 153,178 | 37,400 | - | - | 261,829 | 178,471 |
| FUND BALANCES, end of year | \$- | \$178,250 | \$76,910 | \$181,243 | \$53,434 | \$- | \$- | \$489,837 | \$261,829 |

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, 2017

| | <u>Budget</u> | <u>Actual</u> | <u>Variance - Positive (Negative)</u> |
|-----------------------------------|-------------------|-------------------|---|
| REVENUES: | | | |
| Other local taxes | <u>\$-</u> | <u>\$111,785</u> | <u>\$111,785</u> |
| Total revenue | <u>-</u> | <u>111,785</u> | <u>111,785</u> |
| EXPENDITURES: | | | |
| Community development | <u>-</u> | <u>111,785</u> | <u>(111,785)</u> |
| Revenues over(under) expenditures | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCE, beginning of year | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCE, end of year | <u><u>\$-</u></u> | <u><u>\$-</u></u> | <u><u>\$-</u></u> |

ARLINGTON COUNTY, VIRGINIA
 SPECIAL REVENUE FUNDS
 TRAVEL AND TOURISM PROMOTION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET (GAAP BASIS) AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2017

| | <u>Budget</u> | <u>Actual</u> | <u>Variance - Positive (Negative)</u> |
|--|--------------------|-------------------------|---|
| REVENUES: | | | |
| Other local taxes | <u>\$1,250,000</u> | <u>\$1,262,988</u> | <u>\$12,988</u> |
| Total revenue | <u>1,250,000</u> | <u>1,262,988</u> | <u>12,988</u> |
| EXPENDITURES: | | | |
| Travel & tourism promotion | <u>1,876,148</u> | <u>1,710,886</u> | <u>165,262</u> |
| Revenues over (under) expenditures | <u>(626,148)</u> | <u>(447,898)</u> | <u>178,250</u> |
| OTHER FINANCING SOURCES(USES): | | | |
| Transfers in | <u>626,148</u> | <u>626,148</u> | <u>-</u> |
| Total other financing sources (uses) | <u>626,148</u> | <u>626,148</u> | <u>-</u> |
| Revenues and other financing sources (uses) over (under) expenditures | <u>-</u> | <u>178,250</u> | <u>178,250</u> |
| FUND BALANCE, beginning of year | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCE, end of year | <u><u>\$-</u></u> | <u><u>\$178,250</u></u> | <u><u>\$178,250</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, 2017

| | <u>Budget</u> | <u>Actual</u> | <u>Variance - Positive (Negative)</u> |
|---|--------------------|--------------------|---|
| REVENUES: | | | |
| Other local taxes | <u>\$1,610,085</u> | <u>\$1,586,520</u> | <u>(\$23,565)</u> |
| Total revenue | <u>1,610,085</u> | <u>1,586,520</u> | <u>(23,565)</u> |
| EXPENDITURES: | | | |
| Community development | <u>1,593,984</u> | <u>1,566,072</u> | <u>27,912</u> |
| Revenues over(under) expenditures | <u>16,101</u> | <u>20,448</u> | <u>4,347</u> |
| OTHER FINANCING SOURCES(USES): | | | |
| Interest | <u>-</u> | <u>1,076</u> | <u>1,076</u> |
| Transfers out | <u>(16,101)</u> | <u>(15,865)</u> | <u>236</u> |
| Total other financing sources(uses) | <u>(16,101)</u> | <u>(14,789)</u> | <u>1,312</u> |
| Revenues and other financing sources(uses) over (under) expenditures | <u>-</u> | <u>5,659</u> | <u>5,659</u> |
| FUND BALANCE, beginning of year | <u>71,251</u> | <u>71,251</u> | <u>-</u> |
| FUND BALANCE, end of year | <u>\$71,251</u> | <u>\$76,910</u> | <u>\$5,659</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, 2017

| | <u>Budget</u> | <u>Actual</u> | <u>Variance - Positive (Negative)</u> |
|--|-------------------------|-------------------------|---|
| REVENUES: | | | |
| Other local taxes | <u>\$3,614,586</u> | <u>\$3,515,040</u> | <u>(\$99,546)</u> |
| Total revenue | <u>3,614,586</u> | <u>3,515,040</u> | <u>(99,546)</u> |
| EXPENDITURES: | | | |
| Community development | <u>3,579,909</u> | <u>3,453,883</u> | <u>126,026</u> |
| Revenues over (under) expenditures | <u>34,677</u> | <u>61,157</u> | <u>26,480</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Interest | - | 2,058 | 2,058 |
| Transfers out | <u>(36,146)</u> | <u>(35,150)</u> | <u>996</u> |
| Total other financing sources (uses) | <u>(36,146)</u> | <u>(33,092)</u> | <u>3,054</u> |
| Revenues and other financing sources (uses) over (under) expenditures * | <u>(1,469)</u> | <u>28,065</u> | <u>29,534</u> |
| FUND BALANCE, beginning of year | <u>153,178</u> | <u>153,178</u> | <u>-</u> |
| FUND BALANCE, end of year | <u><u>\$151,709</u></u> | <u><u>\$181,243</u></u> | <u><u>\$29,534</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, 2017

| | <u>Budget</u> | <u>Actual</u> | <u>Variance - Positive (Negative)</u> |
|---|------------------------|------------------------|---|
| REVENUES: | | | |
| Other local taxes | <u>\$2,588,141</u> | <u>\$2,537,971</u> | <u>(\$50,170)</u> |
| Total revenue | <u>2,588,141</u> | <u>2,537,971</u> | <u>(50,170)</u> |
| EXPENDITURES: | | | |
| Community development | <u>2,562,260</u> | <u>2,497,556</u> | <u>64,704</u> |
| Revenues over(under) expenditures | <u>25,881</u> | <u>40,415</u> | <u>14,534</u> |
| OTHER FINANCING SOURCES(USES): | | | |
| Interest | - | 999 | 999 |
| Transfers out | <u>(25,881)</u> | <u>(25,380)</u> | <u>501</u> |
| Total other financing sources(uses) | <u>(25,881)</u> | <u>(24,381)</u> | <u>1,500</u> |
| Revenues and other financing sources(uses) over (under) expenditures | <u>-</u> | <u>16,034</u> | <u>16,034</u> |
| FUND BALANCE, beginning of year | <u>37,400</u> | <u>37,400</u> | <u>-</u> |
| FUND BALANCE, end of year | <u><u>\$37,400</u></u> | <u><u>\$53,434</u></u> | <u><u>\$16,034</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, 2017

| | <u>Budget</u> | <u>Actual</u> | <u>Variance - Positive (Negative)</u> |
|------------------------------------|--------------------|--------------------|---|
| REVENUES: | | | |
| From the federal government | <u>\$6,779,314</u> | <u>\$3,621,791</u> | <u>(\$3,157,523)</u> |
| Total revenues | <u>6,779,314</u> | <u>3,621,791</u> | <u>(3,157,523)</u> |
| EXPENDITURES: | | | |
| Community development | <u>6,779,314</u> | <u>3,621,791</u> | <u>3,157,523</u> |
| Revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCE, beginning of year | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCE, end of year | <u><u>\$-</u></u> | <u><u>\$-</u></u> | <u><u>\$-</u></u> |

ARLINGTON COUNTY, VIRGINIA
 SPECIAL REVENUE FUNDS
 SECTION 8 HOUSING PROGRAM
 SCHEDULE OF REVENUES, EXPENDITURE AND CHANGES IN FUND BALANCES
 BUDGET(GAAP BASIS) AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2017

| | <u>Budget</u> | <u>Actual</u> | <u>Variance - Positive (Negative)</u> |
|--------------------------------------|---------------------|---------------------|---|
| REVENUES: | | | |
| From the federal government | <u>\$18,770,976</u> | <u>\$18,791,247</u> | <u>\$20,271</u> |
| EXPENDITURES: | | | |
| Housing program | <u>18,953,470</u> | <u>18,791,247</u> | <u>162,223</u> |
| Revenues over (under) expenditures * | <u>(182,494)</u> | <u>-</u> | <u>182,494</u> |
| FUND BALANCE, beginning of year | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCE, end of year | <u>(\$182,494)</u> | <u>\$-</u> | <u>\$182,494</u> |

* The net change in fund balance was included in the budget as an appropriation (i.e., spenddown) of fund balance.

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Capital Projects Funds

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

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

ARLINGTON COUNTY, VIRGINIA
CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

| | 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 Func | Transportation Capital Fund | Transit Facility Bond Fund | Crystal City TIF | Columbia Pike TIF | IDA Bond Fund | Totals | | |
|---------------------------------------|--|------------------------------------|---|--------------------------------|--------------------|-----------------------------------|------------------------------|----------------------|-----------------------------------|----------------------------------|---------------------|----------------------|---------------------|------------------|------------------|---------------------------------------|
| | | | | | | | | | | | | | | June 30, 2017 | June 30, 2016 | |
| ASSETS: | | | | | | | | | | | | | | | | ASSETS: |
| Equity in pooled cash and investments | \$118,452,663 | \$14,428,031 | \$14,651,251 | \$45,729,854 | \$19,487,433 | \$39,473,450 | \$4,625 | \$44 | \$162,975,757 | \$48,082,585 | \$16,724,929 | \$695,911 | \$- | \$480,706,533 | \$377,334,622 | Equity in pooled cash and investments |
| Receivables | 189,148 | - | - | - | 60,033 | - | - | - | 2,405,935 | - | - | - | - | 2,655,116 | 4,542,526 | Receivables |
| Receivables from other governments | 1,423,359 | - | - | - | 178,021 | - | - | - | 7,230,181 | - | 1,222,823 | - | - | 10,054,384 | 7,243,184 | Receivables from other governments |
| Prepaid expenses | - | - | 4,275 | - | - | - | - | - | - | - | - | - | - | 4,275 | 4,275 | Prepaid expenses |
| Total assets | \$120,065,170 | \$14,428,031 | \$14,655,526 | \$45,729,854 | \$19,725,487 | \$39,473,450 | \$4,625 | \$44 | \$172,611,873 | \$48,082,585 | \$17,947,752 | \$695,911 | \$- | \$493,420,308 | \$389,124,607 | Total assets |
| LIABILITIES AND FUND BALANCES | | | | | | | | | | | | | | | | LIABILITIES AND FUND BALANCES |
| LIABILITIES: | | | | | | | | | | | | | | | | LIABILITIES: |
| Vouchers payable | \$3,399,420 | \$3,717,795 | \$1,036,225 | \$2,069,489 | \$1,406,659 | \$228,753 | \$- | \$- | \$2,842,155 | \$- | \$77,313 | \$209,405 | \$15,717 | \$15,002,931 | \$20,393,701 | Vouchers payable |
| Contracts payable-retainage | 634,950 | - | - | 233,203 | 335,887 | 59,960 | - | - | 703,361 | - | 55,541 | - | - | 2,022,902 | 1,878,223 | Contracts payable-retainage |
| Unearned revenue | 12,564,011 | - | - | - | - | - | - | - | 500,827 | - | - | - | - | 13,064,838 | 7,431,494 | Deferred revenue |
| Other liabilities | 850,020 | - | 3,200 | - | - | - | - | - | - | - | - | - | 75,155 | 928,375 | 1,073,383 | Other liabilities |
| Total liabilities | 17,448,401 | 3,717,795 | 1,039,425 | 2,302,692 | 1,742,546 | 288,713 | - | - | 4,046,343 | - | 132,854 | 209,405 | 90,872 | 31,019,046 | 30,776,801 | Total liabilities |
| FUND BALANCES: | | | | | | | | | | | | | | | | FUND BALANCES: |
| Non-spendable | | | | | | | | | | | | | | | | Non-spendable |
| Prepaid | - | - | 4,275 | - | - | - | - | - | - | - | - | - | - | 4,275 | 4,275 | Prepaid |
| Restricted: | | | | | | | | | | | | | | | | Restricted: |
| Debt service | - | - | - | - | - | - | - | - | 13,529,817 | - | - | - | - | 13,529,817 | 22,682,341 | Debt service |
| Capital projects | 2,240,060 | 10,710,236 | 13,611,826 | 43,427,162 | - | 39,184,737 | - | - | - | 48,082,585 | - | - | - | 157,256,606 | - | Capital projects |
| Committed to: | | | | | | | | | | | | | | | | Committed to: |
| Capital projects | 100,376,709 | - | - | - | 17,982,941 | - | 4,625 | 44 | 155,035,713 | - | 17,814,898 | 486,506 | - | 291,701,436 | 335,752,062 | Capital projects |
| Unrestricted | - | - | - | - | - | - | - | - | - | - | - | - | (90,872) | (90,872) | (90,872) | Unrestricted: |
| Total fund balances | 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 | 358,347,806 | Total fund balances |
| Total liabilities and fund balances | \$120,065,170 | \$14,428,031 | \$14,655,526 | \$45,729,854 | \$19,725,487 | \$39,473,450 | \$4,625 | \$44 | \$172,611,873 | \$48,082,585 | \$17,947,752 | \$695,911 | \$- | \$493,420,308 | \$389,124,607 | 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, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

| | 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, 2017 | June 30, 2016 | |
| REVENUES: | | | | | | | | | | | | | | | | REVENUES: |
| From the Commonwealth of Virginia | \$996,057 | \$- | \$- | \$- | \$1,143,567 | \$- | \$- | \$- | \$4,617,465 | \$- | \$3,612 | \$- | \$- | \$6,760,701 | \$28,363,380 | From the Commonwealth of Virginia |
| From the federal government | 871,158 | - | - | - | - | - | - | - | 427,544 | - | 168,250 | - | - | 1,466,952 | 10,578 | From the federal government |
| Charges for services | 690,849 | - | - | - | 457,983 | - | - | - | 3,084,202 | - | 780,000 | - | - | 5,013,034 | 2,445,217 | Charges for services |
| Real estate taxes | - | - | - | - | 9,276,016 | - | - | - | 25,031,363 | - | 5,396,172 | 601,844 | - | 40,305,395 | 37,725,830 | Real estate taxes |
| Interest | - | 20,434 | 62,019 | 205,711 | - | 224,079 | - | - | - | 63,183 | - | - | 3,073 | 578,499 | 398,796 | Interest |
| Miscellaneous revenue | 7,146,831 | - | - | - | - | - | - | - | 15,108,169 | - | 1,167,669 | - | - | 23,422,669 | 4,859,441 | Miscellaneous revenue |
| Total revenues | 9,704,895 | 20,434 | 62,019 | 205,711 | 10,877,566 | 224,079 | - | - | 48,268,743 | 63,183 | 7,515,703 | 601,844 | 3,073 | 77,547,250 | 73,803,242 | Total Revenues |
| EXPENDITURES: | | | | | | | | | | | | | | | | EXPENDITURES: |
| Inter Governmental: | | | | | | | | | | | | | | | | Inter Governmental: |
| Community development | - | - | - | - | - | - | - | - | - | 8,300,000 | - | - | - | 8,300,000 | 7,596,576 | Community development |
| Current operating: | | | | | | | | | | | | | | | | Current operating: |
| General Government | 3,915,786 | - | - | - | 7,750,318 | - | - | - | 4,097,146 | - | 187,055 | - | - | 15,950,305 | 12,231,132 | General Government |
| Planning and Community Development | 239,849 | - | - | - | - | - | - | - | - | - | - | 632,875 | - | 872,724 | 248,917 | Planning and Community Development |
| Parks, Recreation and Cultural Development | 151,941 | - | - | - | - | - | - | - | - | - | - | - | - | 151,941 | 54,997 | Parks, Recreation and Cultural Development |
| Public Safety | 618,911 | - | - | - | - | - | - | - | - | - | - | - | - | 618,911 | 425,441 | Public Safety |
| Debt service: | | | | | | | | | | | | | | | | Debt Service |
| Principal | - | - | - | - | - | - | - | - | 342,626 | - | - | - | - | 342,626 | 334,688 | Principal |
| Interest | - | - | - | - | - | - | - | - | 253,527 | - | - | - | - | 253,527 | 337,760 | Interest |
| Capital outlay | 34,999,366 | 11,609,119 | 5,052,975 | 13,655,645 | 7,249,037 | 4,225,708 | - | - | 22,034,613 | - | 1,732,781 | - | - | 100,559,244 | 100,332,635 | Capital outlay |
| Total expenditures | 39,925,853 | 11,609,119 | 5,052,975 | 13,655,645 | 14,999,355 | 4,225,708 | - | - | 26,727,912 | 8,300,000 | 1,919,836 | 632,875 | - | 127,049,278 | 121,562,146 | Total expenditures |
| Revenues over/ (under) expenditures | (30,220,958) | (11,588,685) | (4,990,956) | (13,449,934) | (4,121,789) | (4,001,629) | - | - | 21,540,831 | (8,236,817) | 5,595,867 | (31,031) | 3,073 | (49,502,028) | (47,758,904) | Revenues over/ (under) expenditures |
| OTHER FINANCING SOURCES/(USES): | | | | | | | | | | | | | | | | OTHER FINANCING SOURCES/(USES): |
| Proceeds from lease purchase | 9,530,658 | - | - | - | - | - | - | - | - | - | - | - | - | 9,530,658 | 5,418,570 | Proceeds from lease purchase |
| Proceeds for bond premium | 17,686,387 | - | - | - | - | - | - | - | - | - | - | - | - | 17,686,387 | - | Proceeds for bond premium |
| Proceeds from sale of general obligation bonds | - | 15,670,000 | 9,600,000 | 26,125,000 | - | 11,900,000 | - | - | - | 46,600,000 | - | - | - | 109,895,000 | 22,650,000 | Proceeds from sale of general obligation bonds |
| Proceeds from sale of refunding bonds | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 78,890,000 | Proceeds from sale of refunding bonds |
| Payments to refunded bond escrow agent | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (79,158,306) | Payments to refunded bond escrow agent |
| Cost of refunding bonds | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 268,306 | Deferred cost of refunding |
| Transfers in | 20,213,499 | - | - | - | - | - | - | - | - | - | - | - | - | 20,213,499 | 19,890,523 | Transfers in |
| Transfers out | (2,500,000) | (20,434) | (62,019) | (205,711) | - | (224,079) | - | - | (691,561) | (63,183) | - | - | (3,073) | (3,770,060) | (1,452,498) | Transfers out |
| Total other financing sources/ (uses) | 44,930,544 | 15,649,566 | 9,537,981 | 25,919,289 | - | 11,675,921 | - | - | (691,561) | 46,536,817 | - | - | (3,073) | 153,555,484 | 46,506,595 | Total other financing sources/ (uses) |
| Revenues and other financing sources/ (uses) over/(under) expenditures | 14,709,586 | 4,060,881 | 4,547,025 | 12,469,355 | (4,121,789) | 7,674,292 | - | - | 20,849,270 | 38,300,000 | 5,595,867 | (31,031) | - | 104,053,456 | (1,252,309) | Revenues and other financing sources/ (uses) over/ (under) expenditures |
| FUND BALANCE, beginning of year | 87,907,183 | 6,649,355 | 9,069,076 | 30,957,807 | 22,104,730 | 31,510,445 | 4,625 | 44 | 147,716,260 | 9,782,585 | 12,219,031 | 517,537 | (90,872) | 358,347,806 | 359,600,115 | FUND BALANCE, beginning of year |
| FUND BALANCE, end 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 | \$358,347,806 | FUND BALANCE, end 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 | \$358,347,806 | |

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Enterprise Funds

Utilities Fund – to account for the operations, maintenance and construction of the County’s water and sanitary sewer system 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, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

A S S E T S

| | | | | | Totals | |
|---|------------------------|--------------------------------------|--|-----------------------------|------------------------|------------------------|
| | Utilities | Ballston Public Parking Garage | 8th Level Ballston Public Parking Garage | CPHD Development Fund | June 30, 2017 | June 30, 2016 |
| CURRENT ASSETS: | | | | | | |
| Equity in pooled cash and investments | \$62,312,253 | \$12,571,166 | \$961,900 | \$17,075,199 | \$92,920,518 | \$96,313,779 |
| Cash with fiscal agents | 25,221 | - | - | - | 25,221 | 25,221 |
| Accounts receivable: | | | | | | |
| Water-sewer charges | 604,531 | - | - | - | 604,531 | 599,160 |
| Estimated unbilled service charges | 12,810,360 | - | - | - | 12,810,360 | 13,071,812 |
| Other | 5,828,976 | - | - | - | 5,828,976 | 2,533,962 |
| Prepaid expenses | 2,447,864 | - | - | - | 2,447,864 | 2,635,744 |
| Inventories | 1,761,374 | - | - | - | 1,761,374 | 1,599,635 |
| Total current assets | <u>85,790,579</u> | <u>12,571,166</u> | <u>961,900</u> | <u>17,075,199</u> | <u>116,398,844</u> | <u>116,779,313</u> |
| CAPITAL ASSETS: | | | | | | |
| Land | 6,161,255 | - | - | - | 6,161,255 | 6,161,255 |
| Sewer system | 387,432,363 | - | - | - | 387,432,363 | 384,601,637 |
| Water system | 795,324,630 | - | - | - | 795,324,630 | 790,286,817 |
| Equipment | 2,625,765 | 1,652,860 | 73,900 | 2,922,335 | 7,274,860 | 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 | 46,248,938 | 1,008,084 | - | 539,432 | 47,796,454 | 33,962,093 |
| Less accumulated depreciation-intangible assets | (64,061) | - | - | (1,116,679) | (1,180,740) | (1,091,878) |
| Less accumulated depreciation | <u>(211,339,479)</u> | <u>(14,915,975)</u> | <u>(346,985)</u> | <u>(2,275,313)</u> | <u>(228,877,752)</u> | <u>(211,753,726)</u> |
| Total capital assets (net of accumulated depreciation) | <u>1,026,641,059</u> | <u>10,089,736</u> | <u>3,238,386</u> | <u>1,186,744</u> | <u>1,041,155,925</u> | <u>1,036,665,913</u> |
| Total assets | <u>\$1,112,431,638</u> | <u>\$22,660,902</u> | <u>\$4,200,286</u> | <u>\$18,261,943</u> | <u>\$1,157,554,769</u> | <u>\$1,153,445,226</u> |

ARLINGTON COUNTY, VIRGINIA
ENTERPRISE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

LIABILITIES AND EQUITY

| | Totals | | | | | |
|------------------------------------|-----------------|--------------------------------------|--|-----------------------------|------------------|------------------|
| | Utilities | Ballston Public Parking Garage | 8th Level Ballston Public Parking Garage | CPHD Development Fund | June 30, 2017 | June 30, 2016 |
| CURRENT LIABILITIES: | | | | | | |
| Payable from current assets: | | | | | | |
| General obligation bonds payable | \$8,021,563 | \$- | \$- | \$- | \$8,021,563 | \$8,418,919 |
| VRA loan payable | 14,929,684 | - | - | - | 14,929,684 | 14,478,026 |
| Interest payable | 3,160,123 | 29,646,312 | - | - | 32,806,435 | 31,040,667 |
| Vouchers payable | 7,592,856 | 1,085,556 | 1,606 | 857,116 | 9,537,134 | 8,043,856 |
| Contracts payable - retainage | 193,669 | 61,586 | - | - | 255,255 | 50,943 |
| Revenue bonds payable-current | - | 4,600,000 | - | - | 4,600,000 | 500,000 |
| Mortgage /notes payable | - | 3,429,679 | - | - | 3,429,679 | 3,429,679 |
| Capital leases | 33,208 | - | - | - | 33,208 | 32,275 |
| Other accrued liabilities | 245,185 | 15,235,615 | - | 375,937 | 15,856,737 | 14,140,708 |
| Compensated absences | 132,054 | - | - | 63,839 | 195,893 | 182,175 |
| Total current liabilities | 34,308,342 | 54,058,748 | 1,606 | 1,296,892 | 89,665,588 | 80,317,248 |
| LONG-TERM LIABILITIES: | | | | | | |
| Compensated absences | 1,188,481 | - | - | 574,547 | 1,763,028 | 1,639,569 |
| Revenue bonds payable | - | - | - | - | - | 5,300,000 |
| Capital leases | 16,962 | - | - | - | 16,962 | 50,171 |
| VRA loan payable | 176,384,956 | - | - | - | 176,384,956 | 191,338,256 |
| General obligation bonds payable | 85,963,480 | - | - | - | 85,963,480 | 93,985,044 |
| Total long-term liabilities | 263,553,879 | - | - | 574,547 | 264,128,426 | 292,313,040 |
| Deferred inflows | 2,438,496 | - | - | - | 2,438,496 | 2,601,729 |
| Total liabilities | 300,300,717 | 54,058,748 | 1,606 | 1,871,439 | 356,232,510 | 375,232,017 |
| NET POSITION: | | | | | | |
| Net investment in capital assets | 741,291,206 | 2,060,057 | 3,238,386 | 1,186,744 | 747,776,393 | 719,133,543 |
| Unrestricted (deficit) | 70,839,715 | (33,457,903) | 960,294 | 15,203,760 | 53,545,866 | 59,079,666 |
| Total net position | 812,130,921 | (31,397,846) | 4,198,680 | 16,390,504 | 801,322,259 | 778,213,209 |
| Total liabilities and net position | \$1,112,431,638 | \$22,660,902 | \$4,200,286 | \$18,261,943 | \$1,157,554,769 | \$1,153,445,226 |

ARLINGTON COUNTY, VIRGINIA
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITIONS
FOR THE YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

| | | | | | Totals | |
|---|---------------|--------------------------------------|--|-----------------------------|------------------|------------------|
| | Utilities | Ballston Public Parking Garage | 8th Level Ballston Public Parking Garage | CPHD Development Fund | June 30, 2017 | June 30, 2016 |
| OPERATING REVENUES: | | | | | | |
| Water-sewer service charges | \$97,263,095 | \$- | \$- | \$- | \$97,263,095 | \$93,056,953 |
| Water-service hook-up charges | 4,822,363 | - | - | - | 4,822,363 | 5,474,991 |
| Water-service connection charges | 1,176,940 | - | - | - | 1,176,940 | 1,357,997 |
| Sewage treatment service charges | 3,647,333 | - | - | - | 3,647,333 | 3,841,764 |
| Permits and fees | - | - | - | 15,928,767 | 15,928,767 | 14,942,802 |
| Other | 2,998,340 | - | - | - | 2,998,340 | 2,961,830 |
| Parking charges | - | 3,272,841 | 267,492 | - | 3,540,333 | 4,368,905 |
| Total operating revenues | 109,908,071 | 3,272,841 | 267,492 | 15,928,767 | 129,377,171 | 126,005,242 |
| OPERATING EXPENSES: | | | | | | |
| Personnel services | 15,618,571 | - | - | 7,437,682 | 23,056,253 | 22,228,806 |
| Fringe benefits | 5,657,156 | - | - | 2,813,966 | 8,471,122 | 8,201,476 |
| Contractual services | 11,060,370 | 1,544,048 | 35,418 | 4,648,019 | 17,287,855 | 18,422,412 |
| Purchases of water | 6,919,628 | - | - | - | 6,919,628 | 7,006,946 |
| Materials and supplies | 9,219,673 | 388,068 | 19,470 | 85,199 | 9,712,410 | 10,111,276 |
| Deferred rent | - | 1,279,992 | - | - | 1,279,992 | 1,279,992 |
| Depreciation and amortization | 15,636,478 | 660,671 | 95,177 | 339,413 | 16,731,739 | 16,623,821 |
| Equipment (construction contracts) | 4,513,032 | - | - | (189,925) | 4,323,107 | 2,475,621 |
| Internal services | - | - | - | 2,350,431 | 2,350,431 | 1,892,298 |
| Miscellaneous | 6,275,010 | 349,759 | 22,690 | - | 6,647,459 | 6,164,476 |
| Total operating expenses | 74,899,918 | 4,222,538 | 172,755 | 17,484,785 | 96,779,996 | 94,407,124 |
| Operating income (loss) | 35,008,153 | (949,697) | 94,737 | (1,556,018) | 32,597,175 | 31,598,118 |
| NON-OPERATING REVENUES(EXPENSES): | | | | | | |
| Interest income and other income | 310,554 | 25,231 | - | 84,889 | 420,674 | 621,879 |
| Interest expense and fiscal charges | (9,296,338) | (1,995,709) | - | - | (11,292,047) | (12,019,007) |
| Interest payment on capital lease | (2,136) | - | - | - | (2,136) | (3,043) |
| Total non-operating revenues (expenses) | (8,987,921) | (1,970,478) | - | 84,889 | (10,873,510) | (11,400,171) |
| Net Income before contributions and transfers | 26,020,232 | (2,920,175) | 94,737 | (1,471,129) | 21,723,665 | 20,197,947 |
| CONTRIBUTIONS AND NET TRANSFERS | | | | | | |
| Contributions from developers and other sources | 985,385 | - | - | - | 985,385 | 1,065,000 |
| TRANSFERS | | | | | | |
| Transfers in | 400,000 | - | - | - | 400,000 | (100,624) |
| Change in net position | 27,405,617 | (2,920,175) | 94,737 | (1,471,129) | 23,109,050 | 21,004,178 |
| Net position, beginning of year | 784,725,304 | (28,477,671) | 4,103,943 | 17,861,633 | 778,213,209 | 757,209,031 |
| Net position, end of year | \$812,130,921 | (\$31,397,846) | \$4,198,680 | \$16,390,504 | \$801,322,259 | \$778,213,209 |

ARLINGTON COUNTY, VIRGINIA
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

| | Totals | | | | | |
|---|---------------|--------------------------------------|--|-----------------------------|-----------------|-----------------|
| | Utilities | Ballston Public Parking Garage | 8th Level Ballston Public Parking Garage | CPHD Development Fund | June 30 2017 | June 30 2016 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | | |
| Cash received from customers | \$106,929,238 | \$3,272,841 | \$267,492 | \$15,928,767 | \$126,398,338 | \$125,194,785 |
| Cash received for refund of working capital advance | - | 187,880 | - | - | 187,880 | - |
| Cash paid to suppliers | (37,364,408) | (1,301,090) | (129,929) | (6,493,721) | (45,289,148) | (46,590,606) |
| Cash paid to employees | (21,160,708) | (39,955) | - | (10,229,490) | (31,430,153) | (30,482,394) |
| Net cash flows from operating activities | 48,404,122 | 2,119,676 | 137,563 | (794,444) | 49,866,917 | 48,121,785 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | | |
| Interest received | 310,554 | 25,231 | - | 84,889 | 420,674 | 621,880 |
| Net cash flows from investing activities | 310,554 | 25,231 | - | 84,889 | 420,674 | 621,880 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | | | | | |
| Transfers in/out | 400,000 | - | - | - | 400,000 | (100,624) |
| Net cash flows from non-capital financing activities | 400,000 | - | - | - | 400,000 | (100,624) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | | |
| Principal payments - bonds | (8,101,003) | (1,200,000) | - | - | (9,301,003) | (9,623,257) |
| Payments to bonds redeemed | - | - | - | - | - | (11,489,065) |
| Proceeds from sale of refunding bonds | - | - | - | - | - | 10,419,999 |
| Cost of refunding bonds | - | - | - | - | - | 1,069,066 |
| Principal payments - capital lease | (32,276) | - | - | - | (32,276) | (31,368) |
| Interest payments - capital lease | (2,135) | - | - | - | (2,135) | (3,043) |
| Payment of VRA loan | (14,501,642) | - | - | - | (14,501,642) | (14,016,627) |
| Interest and other loan expenses | (9,409,421) | (116,860) | - | - | (9,526,281) | (10,708,680) |
| Purchases of property | (19,186,999) | (991,084) | - | (539,432) | (20,717,515) | (18,052,653) |
| Net cash flows from capital and related financing activities | (51,233,476) | (2,307,944) | - | (539,432) | (54,080,852) | (52,435,628) |
| Net increase(decrease) in cash and cash equivalents | (2,118,800) | (163,037) | 137,563 | (1,248,987) | (3,393,261) | (3,792,587) |
| Cash and cash equivalents at beginning of year | 64,431,053 | 12,734,203 | 824,337 | 18,324,186 | 96,313,779 | 100,106,366 |
| Cash and cash equivalents at end of year | \$62,312,253 | \$12,571,166 | \$961,900 | \$17,075,199 | \$92,920,518 | \$96,313,779 |
| Reconciliation of operating income to net cash flow from operations: | | | | | | |
| Operating Income (loss) | \$35,008,153 | (\$949,697) | \$94,737 | (\$1,556,018) | \$32,597,175 | \$31,598,118 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | | | |
| Depreciation and amortization | 15,636,478 | 660,671 | 95,177 | 339,413 | 16,731,739 | 16,623,821 |
| (Increase)Decrease in accounts receivable | (3,038,933) | - | - | - | (3,038,933) | (730,757) |
| (Increase)Decrease in inventories | (161,740) | - | - | - | (161,740) | (244,804) |
| Increase(Decrease) in vouchers payable | 642,319 | 940,830 | (52,351) | 400,003 | 1,930,801 | (190,118) |
| Increase(Decrease) in compensated absences | 115,019 | - | - | 22,158 | 137,177 | (19,790) |
| Increase(Decrease) in contract retainage | 142,726 | - | - | - | 142,726 | (114,977) |
| Increase(Decrease) in accrued rent liability | - | 1,279,992 | - | - | 1,279,992 | 1,279,992 |
| Increase(Decrease) in unearned revenue | 60,100 | - | - | - | 60,100 | (79,700) |
| Increase(Decrease) working capital advance | - | 187,880 | - | - | 187,880 | - |
| Net cash provided (used) by operating activities | \$48,404,122 | \$2,119,676 | \$137,563 | (\$794,444) | \$49,866,917 | \$48,121,785 |
| Noncash investing, capital, and financing activities: | | | | | | |
| Contributions from developers and other sources | \$985,385 | \$- | \$- | \$- | \$985,385 | \$906,855 |

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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, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

| | | | Totals | |
|---------------------------------------|-------------------------|-----------|------------------|------------------|
| | Automotive Equipment | Printing | June 30, 2017 | June 30, 2016 |
| ASSETS | | | | |
| CURRENT ASSETS: | | | | |
| Equity in pooled cash and investments | \$19,497,371 | \$119,193 | \$19,616,564 | \$16,941,934 |
| Accounts receivable | 7,920 | - | 7,920 | - |
| Inventories | 713,119 | 57,905 | 771,024 | 703,775 |
| Total current assets | 20,218,410 | 177,098 | 20,395,508 | 17,645,709 |
| CAPITAL ASSETS: | | | | |
| Equipment and other capital assets | 77,895,055 | 35,633 | 77,930,688 | 76,415,982 |
| Less-accumulated depreciation | (47,961,091) | (10,526) | (47,971,617) | (43,248,408) |
| Net capital assets | 29,933,964 | 25,107 | 29,959,071 | 33,167,574 |
| Total assets | \$50,152,374 | \$202,205 | \$50,354,579 | \$50,813,283 |
| LIABILITIES AND NET POSITION: | | | | |
| CURRENT LIABILITIES: | | | | |
| Vouchers payable | \$1,407,117 | \$274,534 | \$1,681,651 | \$1,425,314 |
| Compensated absences | 44,600 | 12,006 | 56,606 | 55,528 |
| Obligations under capital lease | 1,005,105 | - | 1,005,105 | 1,200,379 |
| Accounts payable | - | - | - | 177,845 |
| Total current liabilities | 2,456,822 | 286,540 | 2,743,362 | 2,859,066 |
| LONG-TERM LIABILITIES | | | | |
| Compensated absences | 401,395 | 108,056 | 509,451 | 499,750 |
| Obligations under capital lease | 2,677,142 | - | 2,677,142 | 3,682,247 |
| Total long-term liabilities | 3,078,537 | 108,056 | 3,186,593 | 4,181,997 |
| Total liabilities | 5,535,359 | 394,596 | 5,929,955 | 7,041,063 |
| NET POSITION: | | | | |
| Net investment in capital assets | 26,251,717 | 25,107 | 26,276,824 | 28,284,948 |
| Unrestricted | 18,365,298 | (217,498) | 18,147,800 | 15,487,272 |
| Total net position | 44,617,015 | (192,391) | 44,424,624 | 43,772,220 |
| Total liabilities and net position | \$50,152,374 | \$202,205 | \$50,354,579 | \$50,813,283 |

ARLINGTON COUNTY, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITIONS
FOR THE YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

| | | | Totals | |
|--|-------------------------|-------------|------------------|------------------|
| | Automotive Equipment | Printing | June 30, 2017 | June 30, 2016 |
| OPERATING REVENUES: | | | | |
| Charges for services | \$20,537,132 | \$2,815,381 | \$23,352,513 | \$23,551,976 |
| OPERATING EXPENSES: | | | | |
| Cost of store issuances | 3,758,038 | 797,932 | 4,555,970 | 3,991,792 |
| Personnel services | 4,154,417 | 482,461 | 4,636,878 | 4,339,637 |
| Fringe benefits | 1,740,286 | 228,139 | 1,968,425 | 1,875,068 |
| Material and supplies | 2,841,649 | 251,693 | 3,093,342 | 2,774,680 |
| Utilities | 165,713 | 24,088 | 189,801 | 194,166 |
| Operating equipment | 13,712 | - | 13,712 | 13,758 |
| Outside services | 1,394,738 | 1,198,439 | 2,593,177 | 2,873,127 |
| Depreciation | 6,154,438 | 3,563 | 6,158,001 | 6,485,419 |
| Total operating expenses | 20,222,991 | 2,986,315 | 23,209,306 | 22,547,647 |
| Operating income (loss) | 314,141 | (170,934) | 143,207 | 1,004,329 |
| NON-OPERATING REVENUES (EXPENSES): | | | | |
| Interest payment on capital lease | (99,782) | - | (99,782) | (114,214) |
| Gain/(loss) on disposal of assets | 396,710 | - | 396,710 | 396,429 |
| Total non-operating revenues (expenses) | 296,928 | - | 296,928 | 282,215 |
| Income (loss) before transfers | 611,069 | (170,934) | 440,135 | 1,286,544 |
| CONTRIBUTIONS AND NET TRANSFERS | | | | |
| Transfers in | 100,500 | 241,769 | 342,269 | 332,108 |
| Transfers out | (130,000) | - | (130,000) | (130,000) |
| Total operating transfers | (29,500) | 241,769 | 212,269 | 202,108 |
| Change in net position | 581,569 | 70,835 | 652,404 | 1,488,652 |
| Net position, beginning of year | 44,035,446 | (263,226) | 43,772,220 | 42,283,568 |
| Net position, end of year | \$44,617,015 | (\$192,391) | \$44,424,624 | \$43,772,220 |

ARLINGTON COUNTY, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

| | | | Totals | |
|--|----------------------------|---------------------------|----------------------------|----------------------------|
| | Automotive Equipment | Printing | June 30, 2017 | June 30, 2016 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash received from customers | \$20,529,212 | \$2,815,381 | \$23,344,593 | \$23,555,124 |
| Cash paid to suppliers | (8,188,091) | (2,246,668) | (10,434,759) | (10,120,530) |
| Cash paid to employees | (5,903,235) | (691,289) | (6,594,524) | (6,186,350) |
| Net cash provided (used) by operating activities | <u>6,437,886</u> | <u>(122,576)</u> | <u>6,315,310</u> | <u>7,248,244</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | | | |
| Operating transfers in | 100,500 | 241,769 | 342,269 | 332,108 |
| Operating transfers out | <u>(130,000)</u> | <u>-</u> | <u>(130,000)</u> | <u>(130,000)</u> |
| Net cash provided by non-capital financing activities | <u>(29,500)</u> | <u>241,769</u> | <u>212,269</u> | <u>202,108</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Proceeds from capital lease | - | - | - | 1,535,518 |
| Principal payment on capital lease | (1,200,379) | - | (1,200,379) | (1,177,814) |
| Payment of interest on capital lease | (99,782) | - | (99,782) | (114,214) |
| Purchases of equipment | (3,081,438) | - | (3,081,438) | (5,533,082) |
| Proceeds from sale of equipment | <u>528,650</u> | <u>-</u> | <u>528,650</u> | <u>678,700</u> |
| Net cash used by capital and related financing activities | <u>(3,852,949)</u> | <u>-</u> | <u>(3,852,949)</u> | <u>(4,610,892)</u> |
| Net increase (decrease) in cash and cash equivalents | <u>2,555,437</u> | <u>119,193</u> | <u>2,674,630</u> | <u>2,839,460</u> |
| Cash and cash equivalents at beginning of year | <u>16,941,934</u> | <u>-</u> | <u>16,941,934</u> | <u>14,102,474</u> |
| Cash and cash equivalents at end of period | <u><u>\$19,497,371</u></u> | <u><u>\$119,193</u></u> | <u><u>\$19,616,564</u></u> | <u><u>\$16,941,934</u></u> |
| Reconciliation of operating income to net cash provided (used) by operating activities | | | | |
| Operating income (loss) | \$314,141 | (\$170,934) | \$143,207 | \$1,004,329 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | |
| Depreciation | 6,154,438 | 3,563 | 6,158,001 | 6,485,419 |
| (Increase)Decrease in accounts receivable | (7,920) | - | (7,920) | 3,148 |
| (Increase)Decrease in inventories | (59,490) | (7,759) | (67,249) | (77,502) |
| Increase(Decrease) in payables | 45,249 | 33,243 | 78,492 | (195,505) |
| Increase(Decrease) in compensated absences | (8,532) | 19,311 | 10,779 | 28,355 |
| Net cash provided (used) by operating activities | <u><u>\$6,437,886</u></u> | <u><u>(\$122,576)</u></u> | <u><u>\$6,315,310</u></u> | <u><u>\$7,248,244</u></u> |

Fiduciary Funds

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

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

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.

ARLINGTON COUNTY, VIRGINIA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
TRUST FUNDS
JUNE 30, 2017

| | Private Purpose Trust | | | | | | |
|---|------------------------|----------------------|--|---------------------------------|---------------|------------------------------|-----------------------------|
| | Pension Trust | OPEB Trust | Alex/Arlington Facility Monitoring Group Trust | IDA - Ballston Skating Facility | IDA Signature | Other Private Purpose Trusts | Total Private Purpose Trust |
| ASSETS | | | | | | | |
| Equity in pooled cash and investments | \$7,091,977 | \$33,734 | \$118,743 | \$2,078,007 | \$- | \$18,947 | \$2,215,697 |
| Contributions Receivable: | | | | | | | |
| Employer | 3,035,329 | - | - | - | - | - | - |
| Employee | 722,625 | - | - | - | - | - | - |
| Accrued Interest and Other Receivables | 2,517,354 | - | - | 539,052 | 4,280,978 | - | 4,820,030 |
| Capital Assets, net | - | - | - | 22,125,033 | - | - | 22,125,033 |
| Investments, at fair value | | | | | | | |
| Foreign, Municipal and U.S. Government Obligations, including Fixed Instruments in Pooled Funds | 65,318,345 | 40,271,256 | - | - | - | - | - |
| Corporate Fixed Income Obligations | 86,351,251 | - | - | - | - | - | - |
| Domestic and Foreign Equities, including Equities in Pooled Funds | 577,249,359 | 74,789,476 | - | - | - | - | - |
| Other Investments | 62,639,056 | - | - | - | - | - | - |
| Real Estate Funds | 7,718,263 | - | - | - | - | - | - |
| Pooled Equity | 785,925,912 | - | - | - | - | - | - |
| Pooled Fixed Income | 570,727,082 | - | - | - | - | - | - |
| Convertibles | 6,600,095 | - | - | - | - | - | - |
| Total assets | 2,175,896,648 | 115,094,466 | 118,743 | 24,742,092 | 4,280,978 | 18,947 | 29,160,760 |
| DEFERRED OUTFLOWS RESOURCES | | | | | | | |
| Loss on refunding bonds, net | - | - | - | 202,872 | - | - | 202,872 |
| Total assets and deferred outflows of resources | 2,175,896,648 | 115,094,466 | 118,743 | 24,944,964 | 4,280,978 | 18,947 | 29,363,632 |
| LIABILITIES | | | | | | | |
| Accounts payable and accrued liabilities | 2,077,480 | 33,734 | 7,348 | 544,052 | 4,280,978 | - | 4,832,378 |
| Bonds payable | - | - | - | 24,195,000 | - | - | 24,195,000 |
| Total liabilities | 2,077,480 | 33,734 | 7,348 | 24,739,052 | 4,280,978 | - | 29,027,378 |
| NET POSITION | <u>\$2,173,819,168</u> | <u>\$115,060,732</u> | <u>\$111,395</u> | <u>\$205,912</u> | <u>\$-</u> | <u>\$18,947</u> | <u>\$336,254</u> |

ARLINGTON COUNTY, VIRGINIA
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

| | Private Purpose Trusts | | | | |
|-------------------------------------|--|------------------------------------|------------------|------------------------------------|------------------------------------|
| | Alex/Arlington Facility Monitoring Group Trust | IDA - Ballston Skating Facility | IDA Signature | Other Private Purpose Trusts | Total Private Purpose Trusts |
| ADDITIONS | | | | | |
| Contributions and Revenues | | | | | |
| Shared revenues | \$118,000 | \$2,372,420 | \$- | \$- | \$2,490,420 |
| Private donations- Others | - | - | - | 82,297 | 82,297 |
| Total contributions | 118,000 | 2,372,420 | - | 82,297 | 2,572,717 |
| Investment earnings: | | | | | |
| Interest and other | 649 | 7,104 | 44,156 | - | 51,909 |
| Total investment earnings | 649 | 7,104 | 44,156 | - | 51,909 |
| Less investment expenses | - | 1,312,419 | 44,156 | - | 1,356,575 |
| Net investment earnings | 649 | (1,305,315) | - | - | (1,304,666) |
| Total additions | 118,649 | 1,067,105 | - | 82,297 | 1,268,051 |
| DEDUCTIONS | | | | | |
| Administrative expenses/ other | 91,602 | 661,101 | - | 91,040 | 843,743 |
| Total deductions | 91,602 | 661,101 | - | 91,040 | 843,743 |
| Change in net position | 27,047 | 406,004 | - | (8,743) | 424,308 |
| Net position- beginning of the year | 84,348 | (200,092) | - | 27,690 | (88,054) |
| Net position- ending of the year | <u>\$111,395</u> | <u>\$205,912</u> | <u>\$-</u> | <u>\$18,947</u> | <u>\$336,254</u> |

ARLINGTON COUNTY, VIRGINIA
PENSION AND OPEB TRUST FUNDS
STATEMENT OF CHANGES IN PLAN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

| | Pension Trust | OPEB Trust | June 30, 2017 | June 30, 2016 |
|---|------------------------|----------------------|------------------------|------------------------|
| ADDITIONS: | | | | |
| Employer contributions | \$51,782,007 | \$6,850,000 | \$58,632,007 | \$61,300,272 |
| Member contributions | 12,498,591 | - | 12,498,591 | 12,193,255 |
| Other contributions | 176,460 | 33,734 | 210,194 | 121,880 |
| Investment income: | | | | |
| Interest and dividends | 35,527,917 | 4,606,102 | 40,134,019 | 45,842,416 |
| Net appreciation (depreciation) in fair value | 217,354,326 | 7,219,887 | 224,574,213 | (35,972,414) |
| Commission recapture | 103 | - | 103 | 755 |
| Gross income from securities lending | 354,176 | - | 354,176 | 286,834 |
| Bank fees and income/expenses from securities lending | (88,539) | - | (88,539) | (71,702) |
| Investment expense | (5,853,260) | - | (5,853,260) | (7,233,306) |
| Total Additions | 311,751,781 | 18,709,723 | 330,461,504 | 76,467,990 |
| DEDUCTIONS: | | | | |
| Members' benefits | 98,729,853 | - | 98,729,853 | 93,988,777 |
| Refund of members' contributions | 946,394 | - | 946,394 | 1,270,089 |
| Administrative expenses | 796,901 | - | 796,901 | 761,474 |
| Other consulting expenses | 958,297 | 33,734 | 992,031 | 972,128 |
| Total Deductions | 101,431,445 | 33,734 | 101,465,179 | 96,992,468 |
| Net Increase/(Decrease) | 210,320,336 | 18,675,989 | 228,996,325 | (20,524,478) |
| Net Position Held in Trust for Plan Benefits, beginning of year | 1,963,498,832 | 96,384,743 | 2,059,883,575 | 2,080,408,052 |
| Net Position Held in Trust for Plan Benefits, end of year: | | | | |
| Undesignated | <u>\$2,173,819,168</u> | <u>\$115,060,732</u> | <u>\$2,288,879,900</u> | <u>\$2,059,883,574</u> |

ARLINGTON COUNTY, VIRGINIA
 COMBINING STATEMENT OF NET POSITION
 AGENCY FUNDS
 JUNE 30, 2017

| | Commonwealth of Virginia | Urban Area Security Initiative | Other Agency Funds | Total Agency Funds |
|--|--------------------------------|-----------------------------------|--------------------------|--------------------------|
| ASSETS | | | | |
| Equity in pooled cash and investments | \$46,344 | \$282,005 | \$16,234,269 | \$16,562,618 |
| Receivable from other government | 4,549 | - | - | 4,549 |
| Total assets | 50,893 | 282,005 | 16,234,269 | 16,567,167 |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | 50,893 | 282,005 | 16,234,269 | 16,567,167 |
| Total liabilities | 50,893 | 282,005 | 16,234,269 | 16,567,167 |
| NET POSITIONS | \$- | \$- | \$- | \$- |

ARLINGTON COUNTY, VIRGINIA
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2017

| | Balance July 1, 2016 | Additions | Deductions | Balance June 30, 2017 |
|--|-------------------------|--------------------|----------------------|--------------------------|
| <u>Commonwealth of Virginia</u> | | | | |
| ASSETS: | | | | |
| Cash | \$52,142 | \$- | \$5,798 | \$46,344 |
| Receivable from other government | 2,361 | 2,188 | - | 4,549 |
| Total assets | <u>\$54,503</u> | <u>\$2,188</u> | <u>\$5,798</u> | <u>\$50,893</u> |
| LIABILITIES: | | | | |
| Accounts payable and accrued liabilities | \$54,503 | \$5 | \$3,615 | \$50,893 |
| Total liabilities | <u>\$54,503</u> | <u>\$5</u> | <u>\$3,615</u> | <u>\$50,893</u> |
| <u>Urban Area Security Initiative</u> | | | | |
| ASSETS: | | | | |
| Cash & cash equivalents | \$263,507 | \$54,715 | \$36,217 | \$282,005 |
| Total assets | <u>\$263,507</u> | <u>\$2,321,251</u> | <u>\$36,217</u> | <u>\$282,005</u> |
| LIABILITIES: | | | | |
| Accounts payable and accrued liabilities | \$263,507 | \$31,057 | \$12,559 | \$282,005 |
| Total liabilities | <u>\$263,507</u> | <u>\$31,057</u> | <u>\$12,559</u> | <u>\$282,005</u> |
| <u>Other Agency Fund</u> | | | | |
| ASSETS: | | | | |
| Cash & cash equivalents | \$14,438,275 | \$9,410,600 | \$7,614,606 | \$16,234,269 |
| Total assets | <u>\$14,438,275</u> | <u>\$9,410,600</u> | <u>\$7,614,606</u> | <u>\$16,234,269</u> |
| LIABILITIES: | | | | |
| Accounts payable and accrued liabilities | \$14,438,275 | \$113,630 | (\$1,682,364) | \$16,234,269 |
| Total liabilities | <u>\$14,438,275</u> | <u>\$113,630</u> | <u>(\$1,682,364)</u> | <u>\$16,234,269</u> |
| <u>Total All Agency Funds</u> | | | | |
| ASSETS: | | | | |
| Cash | \$14,753,924 | \$9,465,315 | \$7,656,621 | \$16,562,618 |
| Receivable from other government | 2,361 | 2,188 | - | 4,549 |
| Total assets | <u>\$14,756,285</u> | <u>\$9,467,503</u> | <u>\$7,656,621</u> | <u>\$16,567,167</u> |
| LIABILITIES: | | | | |
| Vouchers payable | \$14,756,285 | \$144,692 | (\$1,666,190) | \$16,567,167 |
| Total liabilities | <u>\$14,756,285</u> | <u>\$144,692</u> | <u>(\$1,666,190)</u> | <u>\$16,567,167</u> |



Discretely Presented Component Unit – Schools

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

School 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.

ARLINGTON COUNTY, VIRGINIA
 COMBINING STATEMENT OF NET POSITION
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 JUNE 30, 2017
 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

| | 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, 2017 | June 30, 2016 |
| ASSETS | | | | | | | | | | |
| Equity in pooled cash and investments | \$51,994,561 | \$4,234,790 | \$- | \$1,878,007 | \$98,266,374 | \$34,200,373 | \$- | \$- | \$190,574,105 | \$144,958,340 |
| Petty cash | 200 | 340 | 375 | - | - | - | - | - | 915 | 915 |
| Accounts receivable | 227,629 | 421,805 | 30,907 | 3,280,516 | - | - | - | 460,014 | 4,420,871 | 4,068,694 |
| Due from other funds | - | - | - | 62,667 | - | - | - | - | 62,667 | - |
| Due from primary government | 70,055,503 | - | 1,268,158 | - | - | 21,451,012 | - | - | 92,774,673 | 74,716,491 |
| Inventories | 165,406 | 48,550 | - | - | - | - | - | - | 213,956 | 174,054 |
| | | | | | | | | | | |
| Total assets | \$122,443,299 | \$4,705,485 | \$1,299,440 | \$5,221,190 | \$98,266,374 | \$55,651,385 | \$- | \$460,014 | \$288,047,187 | \$223,918,494 |
| LIABILITIES AND FUND BALANCES | | | | | | | | | | |
| LIABILITIES | | | | | | | | | | |
| Accrued salaries payable | \$51,729,625 | \$352,689 | \$880,589 | \$1,103,929 | \$351 | \$827 | \$- | \$- | \$54,068,010 | \$47,584,165 |
| Vouchers payable | 2,899,029 | 810,077 | 191,957 | 161,590 | 3,645,096 | 677,667 | - | 41,672 | 8,427,088 | 7,802,398 |
| Contracts payable - retainage | - | - | - | - | 2,501,060 | - | - | - | 2,501,060 | 2,344,481 |
| Other liabilities | 8,189,448 | - | - | - | - | - | - | - | 8,189,448 | 5,302,287 |
| Deferred revenue | 44,425 | - | 41,309 | - | - | - | - | - | 85,734 | 415,796 |
| Due to other funds | 62,667 | - | - | - | - | - | - | - | 62,667 | - |
| Due to primary government | - | - | - | - | - | - | - | 418,342 | 418,342 | 274,678 |
| | | | | | | | | | | |
| Total liabilities | 62,925,194 | 1,162,766 | 1,113,855 | 1,265,519 | 6,146,507 | 678,494 | - | 460,014 | 73,752,349 | 63,723,805 |
| FUND EQUITY AND OTHER CREDITS | | | | | | | | | | |
| <u>Restricted for:</u> | | | | | | | | | | |
| Capital projects | - | - | - | - | 82,497,481 | 50,332,938 | - | - | 132,830,419 | 72,212,556 |
| Grants | - | - | - | 3,955,671 | - | - | - | - | 3,955,671 | 3,587,376 |
| <u>Committed to:</u> | | | | | | | | | | |
| Incomplete projects | 7,523,544 | 8,609 | 185,585 | - | 9,622,386 | 4,639,953 | - | - | 21,980,077 | 24,234,549 |
| Next years' School budget | 17,317,655 | - | - | - | - | - | - | - | 17,317,655 | 16,689,537 |
| <u>Assigned to:</u> | | | | | | | | | | |
| Operating reserve | 2,000,000 | 3,534,110 | - | - | - | - | - | - | 5,534,110 | 4,429,512 |
| Unfunded liabilities | 2,000,000 | - | - | - | - | - | - | - | 2,000,000 | 2,000,000 |
| Subsequent years' debt service | 3,310,000 | - | - | - | - | - | - | - | 3,310,000 | 4,610,000 |
| Health insurance reserve | 1,000,000 | - | - | - | - | - | - | - | 1,000,000 | 1,000,000 |
| General reserve | 19,204,667 | - | - | - | - | - | - | - | 19,204,667 | 21,593,920 |
| VRS reserve | 2,512,239 | - | - | - | - | - | - | - | 2,512,239 | 4,637,239 |
| Compensation reserve | 4,650,000 | - | - | - | - | - | - | - | 4,650,000 | 5,200,000 |
| | | | | | | | | | | |
| Total fund equity and other credits | 59,518,105 | 3,542,719 | 185,585 | 3,955,671 | 92,119,867 | 54,972,891 | - | - | 214,294,838 | 160,194,689 |
| | | | | | | | | | | |
| Total liabilities, fund equity and other credits | \$122,443,299 | \$4,705,485 | \$1,299,440 | \$5,221,190 | \$98,266,374 | \$55,651,385 | \$- | \$460,014 | \$288,047,187 | \$223,918,494 |

ARLINGTON COUNTY, VIRGINIA
 RECONCILIATION OF THE FUND BALANCES OF COMPONENT UNIT - SCHOOLS TO
 NET POSITION OF COMPONENT UNIT - SCHOOLS
 JUNE 30, 2017

| | |
|---|-----------------------------|
| Total-component unit-Schools fund balances | \$214,294,838 |
| 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 | 616,106,543 |
| Net OPEB liabilities are not due and payable in the current period and are not reported in the funds | (125,564,970) |
| Deferred outflows of resources from pensions are not available to pay for current period expenditures and are not reported in the funds. | 85,630,003 |
| Deferred outflows of resources from OPEB are not available to pay for current period expenditures and are not reported in the funds | 23,932,151 |
| Net pension liabilities are not due and payable in the current period and are not reported in the funds | (500,915,926) |
| Deferred inflows of resources from pension are not due and payable in the current period and are not reported in the funds | (17,248,667) |
| Deferred inflows of resources from OPEB are not due and payable in the current period and are not reported in the funds | (1,662,803) |
| Long-term liabilities, including capital leases, are not due and payable in the current period and are not reported in the funds | <u>(42,805,674)</u> |
| Net position of component unit - Schools | <u><u>\$251,765,495</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, 2017
 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016)

| | 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, 2017 | June 30, 2016 |
| REVENUES: | | | | | | | | | | |
| Sales tax | \$24,458,713 | \$- | \$- | \$- | \$- | \$- | \$- | \$- | \$24,458,713 | \$23,067,985 |
| State/local government | 37,206,066 | 231,007 | - | 3,490,772 | - | 131,429 | - | 1,972,245 | 43,031,519 | 40,571,919 |
| Federal | 309,052 | 5,444,180 | - | 9,437,993 | - | - | - | - | 15,191,225 | 13,774,753 |
| Charges for services | 3,027,954 | 4,503,088 | 11,344,954 | 2,817,486 | - | 11,714,732 | - | - | 33,408,214 | 27,296,367 |
| Use of money and property | - | - | - | - | 372,376 | - | - | - | 372,376 | 255,240 |
| Total revenues | 65,001,785 | 10,178,275 | 11,344,954 | 15,746,251 | 372,376 | 11,846,161 | - | 1,972,245 | 116,462,047 | 104,966,264 |
| EXPENDITURES: | | | | | | | | | | |
| Current - | | | | | | | | | | |
| Community Activities | - | - | 16,909,533 | - | - | - | - | - | 16,909,533 | 15,724,188 |
| Education | 470,819,601 | 9,107,667 | - | 15,377,956 | - | - | - | 4,223,511 | 499,528,735 | 475,846,878 |
| Capital projects | - | - | - | - | 38,662,910 | 11,307,483 | - | - | 49,970,393 | 43,066,388 |
| Principal | - | - | - | - | - | - | 32,313,399 | - | 32,313,399 | 28,856,655 |
| Interest | - | - | - | - | - | - | 13,929,730 | - | 13,929,730 | 15,674,196 |
| Total expenditures | 470,819,601 | 9,107,667 | 16,909,533 | 15,377,956 | 38,662,910 | 11,307,483 | 46,243,129 | 4,223,511 | 612,651,790 | 579,168,305 |
| Excess (deficiency) of revenues over expenditures | (405,817,816) | 1,070,608 | (5,564,579) | 368,295 | (38,290,534) | 538,678 | (46,243,129) | (2,251,266) | (496,189,743) | (474,202,041) |
| Other financing sources(uses): | | | | | | | | | | |
| Transfers in | 401,688,697 | - | 5,490,043 | - | - | 21,047,721 | 45,593,129 | 2,251,266 | 476,070,856 | 464,986,648 |
| Transfers out | (2,600,000) | - | - | - | (372,376) | - | - | - | (2,972,376) | (2,416,492) |
| Interfund transfers | (3,120,476) | - | 20,000 | - | - | 2,450,476 | 650,000 | - | - | - |
| Bond proceeds | - | - | - | - | 75,200,000 | - | - | - | 75,200,000 | 32,550,000 |
| Proceeds from leases | 1,991,412 | - | - | - | - | - | - | - | 1,991,412 | 2,663,295 |
| Total other financing sources(uses) | 397,959,633 | - | 5,510,043 | - | \$74,827,624 | 23,498,197 | 46,243,129 | 2,251,266 | 550,289,892 | 497,783,451 |
| Excess (deficiency) of Revenues and other sources over expenditures and other uses | (7,858,183) | 1,070,608 | (54,536) | 368,295 | 36,537,090 | 24,036,875 | - | - | 54,100,149 | 23,581,410 |
| FUND BALANCES, beginning of year | 67,376,288 | 2,472,111 | 240,121 | 3,587,376 | 55,582,777 | 30,936,016 | - | - | 160,194,689 | 136,613,279 |
| FUND BALANCES, end 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 |

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, 2017

| | |
|--|--------------|
| Net change in fund balances - component unit-Schools | \$54,100,149 |
|--|--------------|

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 | \$51,953,482 | |
| Less Depreciation expense | <u>(24,426,594)</u> | 27,526,888 |

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 | 2,250,790 | |
| Less Proceeds from capital leases | <u>(1,991,412)</u> | 259,378 |

OPEB 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

(11,965,400)

Pension 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

| | | |
|---|---------------------|-------------|
| Add: FY 2017 pension contributions deferred | 42,274,587 | |
| Less: Pension expense | <u>(51,183,494)</u> | (8,908,907) |

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

(2,896,180)

| | |
|--|----------------------------|
| Change in net position of component unit-Schools | <u><u>\$58,115,928</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, 2017

| | 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 | \$24,864,250 | \$24,458,713 | (\$405,537) | \$- | \$- | \$- | \$- | \$- | \$- |
| Intergovernmental | | | | | | | | | |
| State | 38,151,699 | 37,206,066 | (945,633) | 87,287 | 231,007 | 143,720 | - | - | - |
| Federal | - | 309,052 | 309,052 | 4,361,000 | 5,444,180 | 1,083,180 | - | - | - |
| Charges for services | 2,795,500 | 3,027,954 | 232,454 | 4,013,143 | 4,503,088 | 489,945 | 10,368,528 | 11,344,954 | 976,426 |
| Use of money and property | - | - | - | - | - | - | - | - | - |
| Total revenues | 65,811,449 | 65,001,785 | (809,664) | 8,461,430 | 10,178,275 | 1,716,845 | 10,368,528 | 11,344,954 | 976,426 |
| EXPENDITURES: | | | | | | | | | |
| Education | 500,654,453 | 470,819,601 | 29,834,852 | 8,504,029 | 9,107,667 | (603,638) | - | - | - |
| Community Activities | - | - | - | - | - | - | 16,959,028 | 16,909,533 | 49,495 |
| Capital projects | - | - | - | - | - | - | - | - | - |
| Debt service: | | | | | | | | | |
| Principal retirement | - | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - | - | - |
| Total expenditures | 500,654,453 | 470,819,601 | 29,834,852 | 8,504,029 | 9,107,667 | (603,638) | 16,959,028 | 16,909,533 | 49,495 |
| Excess (deficiency) of revenues over expenditures | (434,843,004) | (405,817,816) | 29,025,188 | (42,599) | 1,070,608 | 1,113,207 | (6,590,500) | (5,564,579) | 1,025,921 |
| Other financing sources(uses): | | | | | | | | | |
| Transfers in | 414,081,750 | 401,688,697 | (12,393,053) | - | - | - | 6,330,379 | 5,490,043 | (840,336) |
| Transfers out | - | (2,600,000) | (2,600,000) | - | - | - | - | - | - |
| Interfund transfers | (3,120,476) | (3,120,476) | - | - | - | - | 20,000 | 20,000 | - |
| Proceeds from sale of bonds | - | - | - | - | - | - | - | - | - |
| Proceeds from capital leases | - | 1,991,412 | 1,991,412 | - | - | - | - | - | - |
| Total other financing sources(uses) | 410,961,274 | 397,959,633 | (13,001,641) | - | - | - | 6,350,379 | 5,510,043 | (840,336) |
| Excess (deficiency) of Revenues and other sources over expenditures and other uses | (23,881,730) | (7,858,183) | 16,023,547 | (42,599) | 1,070,608 | 1,113,207 | (240,121) | (54,536) | 185,585 |
| FUND BALANCES, beginning of year | 67,376,288 | 67,376,288 | - | 2,472,111 | 2,472,111 | - | 240,121 | 240,121 | - |
| FUND BALANCES, end of year | \$43,494,558 | \$59,518,105 | \$16,023,547 | \$2,429,512 | \$3,542,719 | \$1,113,207 | \$- | \$185,585 | \$185,585 |

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, 2017

| | 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 | 3,499,108 | 3,490,772 | (8,336) | - | - | - | - | - | - |
| Federal | 15,312,055 | 9,437,993 | (5,874,062) | - | - | - | - | - | - |
| Charges for services | 2,604,295 | 2,817,486 | 213,191 | - | - | - | - | - | - |
| Use of money and property | - | - | - | - | - | - | - | 372,376 | - |
| Total revenues | <u>21,415,458</u> | <u>15,746,251</u> | <u>(5,669,207)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>372,376</u> | <u>-</u> |
| EXPENDITURES: | | | | | | | | | |
| Education | 25,002,834 | 15,377,956 | 9,624,878 | - | - | - | - | - | - |
| Community Activities | - | - | - | - | - | - | - | - | - |
| Capital projects | - | - | - | - | - | - | 130,782,777 | 38,662,910 | 92,119,867 |
| Debt service: | | | | | | | | | |
| Principal retirement | - | - | - | 31,543,636 | 32,313,399 | (769,763) | - | - | - |
| Interest and fiscal charges | - | - | - | 15,201,608 | 13,929,730 | 1,271,878 | - | - | - |
| Total expenditures | <u>25,002,834</u> | <u>15,377,956</u> | <u>9,624,878</u> | <u>46,745,244</u> | <u>46,243,129</u> | <u>502,115</u> | <u>130,782,777</u> | <u>38,662,910</u> | <u>92,119,867</u> |
| Excess (deficiency) of revenues over expenditures | <u>(3,587,376)</u> | <u>368,295</u> | <u>3,955,671</u> | <u>(46,745,244)</u> | <u>(46,243,129)</u> | <u>502,115</u> | <u>(130,782,777)</u> | <u>(38,290,534)</u> | <u>92,119,867</u> |
| Other financing sources(uses): | | | | | | | | | |
| Transfers in | - | - | - | 46,095,244 | 45,593,129 | (502,115) | - | - | - |
| Transfers out | - | - | - | - | - | - | - | (\$372,376) | - |
| Interfund transfers | - | - | - | 650,000 | 650,000 | - | - | - | - |
| Proceeds of sale of bonds | - | - | - | - | - | - | 75,200,000 | 75,200,000 | - |
| Proceeds of capital lease | - | - | - | - | - | - | - | - | - |
| Total other financing sources(uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>46,745,244</u> | <u>46,243,129</u> | <u>(502,115)</u> | <u>75,200,000</u> | <u>74,827,624</u> | <u>-</u> |
| Excess (deficiency) of Revenues and other sources over expenditures and other uses | <u>(3,587,376)</u> | <u>368,295</u> | <u>3,955,671</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(55,582,777)</u> | <u>36,537,090</u> | <u>92,119,867</u> |
| FUND BALANCES, beginning of year | <u>3,587,376</u> | <u>3,587,376</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>55,582,777</u> | <u>55,582,777</u> | <u>-</u> |
| FUND BALANCES, end of year | <u>\$-</u> | <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> |

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, 2017

| | 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 | \$- | \$- | \$- | \$- | \$- | \$- | \$24,864,250 | \$24,458,713 | (\$405,537) |
| Intergovernmental | | | | | | | | | |
| State | 131,585 | 131,429 | (156) | 1,880,000 | 1,972,245 | 92,245 | 43,749,679 | 43,031,519 | (718,160) |
| Federal | - | - | - | - | - | - | 19,673,055 | 15,191,225 | (4,481,830) |
| Charges for services | - | 11,714,732 | - | - | - | - | 19,781,466 | 33,408,214 | 13,626,748 |
| Use of money and property | - | - | - | - | - | - | - | 372,376 | 372,376 |
| Total revenues | 131,585 | 11,846,161 | (156) | 1,880,000 | 1,972,245 | 92,245 | 108,068,450 | 116,462,047 | 8,393,597 |
| EXPENDITURES: | | | | | | | | | |
| Education | - | - | - | 4,000,000 | 4,223,511 | (223,511) | 538,161,316 | 499,528,735 | 38,632,581 |
| Community Activities | - | - | - | - | - | - | 16,959,028 | 16,909,533 | 49,495 |
| Capital projects | 66,280,530 | 11,307,483 | 54,973,047 | - | - | - | 197,063,307 | 49,970,393 | 147,092,914 |
| Debt service: | | | | | | | | | |
| Principal retirement | - | - | - | - | - | - | 31,543,636 | 32,313,399 | (769,763) |
| Interest and fiscal charges | - | - | - | - | - | - | 15,201,608 | 13,929,730 | 1,271,878 |
| Total expenditures | 66,280,530 | 11,307,483 | 54,973,047 | 4,000,000 | 4,223,511 | (223,511) | 798,928,895 | 612,651,790 | 186,277,105 |
| Excess (deficiency) of revenues over expenditures | (66,148,945) | 538,678 | 66,687,623 | (2,120,000) | (2,251,266) | (131,266) | (690,860,445) | (496,189,743) | 194,670,702 |
| Other financing sources(uses): | | | | | | | | | |
| Transfers in | 21,047,721 | 21,047,721 | - | 2,120,000 | 2,251,266 | 131,266 | 489,675,094 | 476,070,856 | (13,604,238) |
| Transfers out | - | - | - | - | - | - | - | (2,972,376) | (2,972,376) |
| Interfund transfers | 2,450,476 | 2,450,476 | - | - | - | - | - | - | - |
| Proceeds of sale of bonds | 11,714,732 | - | - | - | - | - | \$86,914,732 | 75,200,000 | - |
| Proceeds from capital lease | - | - | - | - | - | - | - | 1,991,412 | 1,991,412 |
| Total other financing sources(uses) | 35,212,929 | 23,498,197 | - | 2,120,000 | 2,251,266 | 131,266 | 576,589,826 | 550,289,892 | (14,585,202) |
| Excess (deficiency) of Revenues and other sources over expenditures and other use: | (30,936,016) | 24,036,875 | 54,972,891 | - | - | - | (114,270,619) | 54,100,149 | 180,085,500 |
| FUND BALANCES, beginning of year | 30,936,016 | 30,936,016 | - | - | - | - | 160,194,689 | 160,194,689 | - |
| FUND BALANCES, end of year | \$- | \$54,972,891 | \$54,972,891 | \$- | \$- | \$- | \$45,924,070 | \$214,294,838 | \$180,085,500 |

EXHIBIT G-4

ARLINGTON COUNTY, VIRGINIA
 OPEB TRUST FUND - SCHOOLS
 BALANCE SHEET
 JUNE 30, 2017
 (WITH COMPARATIVE TOTALS FOR 2016)

| | <u>2017</u> | <u>2016</u> |
|----------------------|----------------------------|----------------------------|
| ASSETS | | |
| Cash and Investments | \$48,274,863 | \$42,987,187 |
| Accounts Receivable | <u>2,600,000</u> | <u>-</u> |
| Total assets | <u>50,874,863</u> | <u>42,987,187</u> |
| LIABILITIES | <u>-</u> | <u>-</u> |
| NET POSITION | <u><u>\$50,874,863</u></u> | <u><u>\$42,987,187</u></u> |

EXHIBIT G-5

ARLINGTON COUNTY, VIRGINIA
OPEB TRUST FUND - SCHOOLS
STATEMENT OF CHANGES IN PLAN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

| | <u>2017</u> | <u>2016</u> |
|--|----------------------------|----------------------------|
| ADDITIONS: | | |
| Employer contributions | \$2,600,000 | \$2,161,252 |
| Investment Income: | | |
| Interest and dividends | 2,054,302 | 2,495,176 |
| Net appreciation (depreciation) in fair value | <u>3,233,374</u> | <u>(607,006)</u> |
| Total additions | <u>7,887,676</u> | <u>4,049,422</u> |
| Net Increase | 7,887,676 | 4,049,422 |
| Net Position Held in Trust for Plan Benefits, beginning of year | <u>42,987,187</u> | <u>38,937,765</u> |
| Net Position Held in Trust for Plan Benefits, end of year: | | |
| Undesignated | <u><u>\$50,874,863</u></u> | <u><u>\$42,987,187</u></u> |



Supplemental Schedules

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

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF CASH AND INVESTMENTS - ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | Governmental Funds | | | Proprietary Funds | | Fiduciary Fund | Component Units | |
|--|--------------------|-----------------|------------------|-------------------|------------------|------------------|-----------------|-------------------------|
| | General | Special Revenue | Capital Projects | Enterprise | Internal Service | Trust and Agency | Schools | Total (Memorandum Only) |
| BALANCE, beginning of year | \$274,397,190 | \$7,623,719 | \$377,334,622 | \$96,313,779 | \$16,941,934 | \$16,726,090 | \$144,958,340 | \$934,295,674 |
| Receipts (net): | | | | | | | | |
| Taxes | 1,022,543,405 | 9,014,304 | 40,305,395 | - | - | - | 24,458,713 | 1,096,321,817 |
| Licenses and permits | 11,459,159 | - | - | - | - | - | - | 11,459,159 |
| Fines and forfeitures | 7,059,743 | - | - | - | - | - | - | 7,059,743 |
| Revenue from use of money and property | 7,415,759 | 4,133 | 578,499 | 420,674 | - | - | 372,376 | 8,791,441 |
| Charges for services | 57,520,846 | - | 5,013,034 | 129,377,171 | 23,352,513 | 10,278,565 | 33,408,214 | 258,950,343 |
| Miscellaneous | 13,380,229 | - | 23,422,669 | 985,385 | - | 9,997,940 | - | 47,786,223 |
| Intergovernmental | 93,373,113 | 22,413,038 | 8,227,653 | - | - | 71,611 | 58,222,744 | 182,308,159 |
| Proceeds from indebtedness | - | - | 119,425,658 | - | - | - | - | 119,425,658 |
| Proceeds from sale of assets | - | - | - | - | 528,650 | - | 1,991,412 | 2,520,062 |
| Total Receipts | 1,212,752,254 | 31,431,475 | 196,972,908 | 130,783,230 | 23,881,163 | 20,348,116 | 118,453,459 | 1,734,622,605 |
| Total Receipts and Balance | 1,487,149,444 | 39,055,194 | 574,307,530 | 227,097,009 | 40,823,097 | 37,074,206 | 263,411,799 | 2,668,918,279 |
| Disbursements (net): | | | | | | | | |
| Warrants(checks)issued | 654,157,043 | 32,180,970 | 110,044,436 | 101,217,426 | 20,118,641 | 18,262,157 | 499,693,045 | 1,435,673,718 |
| Retirement of indebtedness | 43,967,972 | - | - | 23,834,921 | 1,200,379 | - | 32,313,399 | 101,316,671 |
| Interest and other debt costs | 16,284,182 | - | - | 9,524,146 | 99,782 | - | 13,929,730 | 39,837,840 |
| Total Disbursements | 714,409,197 | 32,180,970 | 110,044,436 | 134,576,493 | 21,418,802 | 18,262,157 | 545,936,174 | 1,576,828,229 |
| Interfund Transfers: | | | | | | | | |
| Transfers in | 4,467,791 | 626,148 | 20,213,499 | - | 342,269 | - | 476,070,856 | 501,720,563 |
| Transfers out | (498,139,550) | (76,395) | (3,770,060) | 400,000 | (130,000) | - | (2,972,376) | (504,688,381) |
| BALANCE, end 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 |

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF CASH AND INVESTMENTS
ADJUSTED CASH IN BANKS (BOOK BALANCE)
JUNE 30, 2017

| | |
|--|------------------------|
| Assets held by the Treasurer | |
| Cash on hand | <u>\$15,000</u> |
| Cash in banks: | |
| Checking | |
| Wells Fargo | 32,883,649 |
| SunTrust | 129,071 |
| Citibank | 909,815 |
| Bank of America | 120,824 |
| United Bank | 860,814 |
| Burke and Herbert Bank | 104,273 |
| Total Checking Account | <u>35,008,446</u> |
| Savings : | |
| Wells Fargo | 5,489,004 |
| Bank of America | 3,627,841 |
| Total Savings Account | <u>9,116,845</u> |
| Certificates of Deposit : | |
| John Marshall | 26,019,368 |
| WashingtonFirst | 4,047,510 |
| United Bank | 4,068,521 |
| EagleBank | 1,000,000 |
| Total Certificates of Deposit | <u>35,135,399</u> |
| Money Markets : | |
| Chain Bridge Money Market | 1,022,930 |
| John Marshall Money Market | 6,555,166 |
| First Virginia Community Bank Money Market | 17,428,670 |
| United Bank Money Market | 7,030,122 |
| Washington First Money Market | 7,051,263 |
| Eagle Bank Money Market | 2,010,019 |
| Total Money Markets | <u>41,098,170</u> |
| Total Cash in Banks | <u>120,358,860</u> |
| Investments: | |
| Held with Trustee : | |
| Corporate Notes | 138,220,673 |
| Federal Agency Bonds/ Notes | 77,797,339 |
| Municipal Investments | 31,559,240 |
| Total Held with Trustee | <u>247,577,252</u> |
| State Treasurer's Local Government Investment Pool | 221,737 |
| Virginia Investment Pool | 40,974,806 |
| Virginia Investment Pool Daily Liquidity | 322,426,637 |
| State Non Arbitrage Investment Program (SNAP) | 338,179,591 |
| Total Investments | <u>949,380,023</u> |
| Total Cash and Investments held by the Treasurer | <u>1,069,753,883</u> |
| Assets held with Trustees | |
| SunTrust, Ballston Parking Garage | 96,727 |
| First Virginia Community Bank - Solid Waste | 118,743 |
| Arlington Mill Garage | 68,837 |
| US Bank, Ballston Garage Accounts | 16,198,088 |
| Mellon- IDA Ballston Skating Facility | 2,178,007 |
| John Marshall World Cities Alliance | 49,260 |
| Mellon- IDA Lease Revenue Bonds (Capital) | 454,866 |
| Total Assets held with Trustees | <u>19,164,528</u> |
| Total Cash & Investment Balances, June 30, 2017 | <u>\$1,088,918,411</u> |

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF CASH AND INVESTMENTS
CASH IN BANKS
JUNE 30, 2017

| | |
|--|------------------------|
| Assets Held by the Treasurer | |
| Cash on Hand | <u>\$15,000</u> |
| Cash in Banks: | |
| Checking | |
| Wells Fargo | 44,286,385 |
| SunTrust | 129,071 |
| Citibank | 909,815 |
| Bank of America | 120,824 |
| United Bank | 838,308 |
| Burke and Herbert Bank | 104,274 |
| Total Checking Account | <u>46,388,677</u> |
| Savings: | |
| Wells Fargo | 5,489,004 |
| Bank of America | 3,627,841 |
| Total Savings Account | <u>9,116,845</u> |
| Certificates of Deposit: | |
| John Marshall | 26,019,368 |
| WashingtonFirst | 4,047,510 |
| United Bank | 4,068,521 |
| Eagle Bank | 1,000,000 |
| Total Certificates of Deposit | <u>35,135,399</u> |
| Money Markets: | |
| Chain Bridge Money Market | 1,022,930 |
| John Marshall Money Market | 6,555,166 |
| First Virginia Community Bank Money Market | 17,428,670 |
| United Bank Money Market | 7,030,122 |
| Washington First Money Market | 7,051,263 |
| Eagle Bank Money Market | 2,010,019 |
| Total Money Markets | <u>41,098,170</u> |
| Total Cash in Banks | <u>131,739,091</u> |
| Investments: | |
| Held with Trustee : | |
| Corporate Notes | 138,220,673 |
| Federal Agency Bonds/ Notes | 77,797,339 |
| Municipal Investments | 31,559,240 |
| Total Held with Trustee | <u>247,577,252</u> |
| State Treasurer's Local Government Investment Pool | 221,737 |
| Virginia Investment Pool | 40,974,806 |
| Virginia Investment Pool Daily Liquidity | 322,426,637 |
| State Non Arbitrage Investment Program (SNAP) | 338,179,591 |
| Total Investments | <u>949,380,023</u> |
| Total Cash and Investments held by the Treasurer | <u>1,081,134,114</u> |
| Assets held with Trustees | |
| SunTrust, (Ballston Parking Garage) | 96,727 |
| First Virginia Community Bank - Solid Waste | 118,743 |
| Suntrust Arlington Mill Garage | 68,540 |
| US Bank, Ballston Garage Accounts | 16,198,088 |
| Mellon- IDA Ballston Skating Facility | 2,178,007 |
| John Marshall World Cities Alliance | 49,260 |
| Mellon- IDA Lease Revenue Bonds (Capital) | 454,866 |
| Total Assets held with Trustees | <u>19,164,231</u> |
| Total Cash & Investment Balances, June 30, 2017 | <u>\$1,100,298,345</u> |

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF INVESTMENTS-ALL FUNDS
JUNE 30, 2017

| | Interest Rate | Maturity Date | Market Value |
|--------------------------------|------------------|------------------|-------------------|
| Certificate of Deposit | | | |
| JOHN MARSHALL BANK | 0.70% | 08/24/2017 | \$974,000 |
| UNITED BANK | 0.55% | 09/18/2017 | 1,012,350 |
| JOHN MARSHALL BANK | 0.85% | 09/30/2017 | 5,151,398 |
| JOHN MARSHALL BANK | 1.10% | 09/30/2017 | 5,324,140 |
| JOHN MARSHALL BANK | 0.75% | 10/19/2017 | 3,101,293 |
| JOHN MARSHALL BANK | 0.85% | 10/24/2017 | 2,070,278 |
| JOHN MARSHALL BANK | 1.19% | 12/07/2017 | 2,128,796 |
| WASHINGTON FIRST BANK | 0.95% | 12/08/2017 | 1,009,538 |
| JOHN MARSHALL BANK | 1.19% | 12/13/2017 | 2,080,656 |
| JOHN MARSHALL BANK | 1.05% | 04/01/2018 | 5,188,806 |
| UNITED BANK | 1.59% | 04/26/2018 | 1,019,034 |
| UNITED BANK | 1.59% | 04/26/2018 | 1,025,086 |
| UNITED BANK | 1.58% | 05/07/2018 | 1,012,051 |
| WASHINGTON FIRST BANK | 1.00% | 05/19/2018 | 2,030,950 |
| WASHINGTON FIRST BANK | 1.10% | 06/08/2018 | 1,007,023 |
| EAGLE BANK | 1.49% | 06/30/2018 | 1,000,000 |
| Total Certificates of Deposits | | | 35,135,399 |
| Corporate Notes | | | |
| STANDARD CHARTERED BK | 1.720% | 03/16/2018 | 5,007,000 |
| DNB BOLIGKREDITT AS BOND 144A | 1.450% | 03/21/2018 | 4,994,000 |
| HSBC BANK PLC | 1.500% | 05/15/2018 | 2,552,138 |
| ROYAL BANK OF CANADA | 1.800% | 07/30/2018 | 2,503,225 |
| TOYOTA MOTOR CREDIT CORP | 2.000% | 10/24/2018 | 2,010,860 |
| WESTPAC BANKING CORP | 1.950% | 11/23/2018 | 1,736,397 |
| ROYAL BANK OF CANADA | 3.000% | 01/30/2019 | 1,511,250 |
| SVENSKA HANDELSBANKEN AB | 2.250% | 06/17/2019 | 2,011,480 |
| SVENSKA HANDELSBANKEN AB | 2.250% | 06/17/2019 | 2,852,279 |
| ROYAL BANK OF CANADA | 1.500% | 07/29/2019 | 2,004,486 |
| BERKSHIRE HATHAWAY | 2.100% | 08/14/2019 | 2,720,628 |
| WESTPAC BANKING GROUP | 1.600% | 08/19/2019 | 1,984,460 |
| COMMONWEALTH BK AUSTR NY | 2.300% | 09/06/2019 | 2,012,920 |
| TOYOTA MOTOR CREDIT CORP | 1.550% | 10/18/2019 | 2,489,025 |
| TORONTO DOMINION BANK | 2.250% | 11/05/2019 | 5,037,100 |
| WESTPAC BKG CORP SR GLBL NT | 4.875% | 11/19/2019 | 5,324,450 |
| NATIONAL AUSTRALIA BK/NY | 2.250% | 01/10/2020 | 2,006,140 |
| MICROSOFT CORP | 1.850% | 02/12/2020 | 3,005,280 |
| MET LIFE GLOB FUNDING | 2.000% | 04/14/2020 | 2,066,343 |
| ROYAL BANK OF CANADA | 2.000% | 07/14/2020 | 5,041,050 |
| WELLS FARGO & COMPANY | 1.576% | 07/20/2020 | 6,569,512 |
| USAA CAPITAL CORP | 2.450% | 08/01/2020 | 1,992,558 |
| ROYAL BANK OF CANADA | 2.350% | 10/30/2020 | 3,515,575 |
| ROYAL BANK OF CANADA | 2.350% | 10/30/2020 | 4,419,580 |
| ROYAL BANK OF CANADA | 2.350% | 10/30/2020 | 2,008,900 |
| MASSMUTUAL GLOBAL FUNDING | 2.450% | 11/23/2020 | 1,661,847 |
| WESTPAC BANKING CORP | 2.600% | 11/23/2020 | 2,526,925 |
| TORONTO DOMINION BANK | 2.500% | 12/14/2020 | 2,528,850 |
| TOYOTA MOTOR CREDIT CORP | 4.250% | 01/11/2021 | 2,673,375 |

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF INVESTMENTS-ALL FUNDS
JUNE 30, 2017

| | Interest Rate | Maturity Date | Market Value |
|---------------------------------------|------------------|------------------|--------------------|
| COMMONWEALTH BK AUSTR NY | 2.550% | 03/15/2021 | 5,013,000 |
| APPLE INC | 2.850% | 05/06/2021 | 5,140,850 |
| TORONTO DOMINION BANK | 1.800% | 07/13/2021 | 2,507,827 |
| TORONTO DOMINION BANK | 1.800% | 07/13/2021 | 4,898,100 |
| BANK OF MONTREAL | 1.550% | 09/21/2021 | 4,908,200 |
| BAYLOR SCOTT & WHITE HOL | 1.947% | 11/15/2021 | 4,164,363 |
| TORONTO DOMINION BANK | 1.500% | 11/28/2021 | 4,888,450 |
| ROYAL BANK OF CANADA | 2.000% | 03/30/2022 | 5,021,800 |
| ROYAL BANK OF CANADA | 2.000% | 05/05/2022 | 4,991,050 |
| Toyota Motor Credit Corp | 2.125% | 06/29/2022 | 9,919,400 |
| Total Corporate Notes | | | 138,220,673 |
| Government Agency Bonds | | | |
| FEDERAL FARM CREDIT BANK | 0.95% | 05/08/2018 | 498,425 |
| FEDERAL NATIONAL MTG ASSN | 3.59% | 06/01/2018 | 364,379 |
| FEDERAL NATIONAL MTG ASSN | 0.00% | 10/09/2019 | 5,935,693 |
| FEDERAL NATIONAL MTG ASSN | 0.00% | 10/09/2019 | 2,374,277 |
| FEDERAL FARM CREDIT BANK | 1.59% | 03/23/2020 | 4,632,923 |
| FEDERAL HOME LOAN MTG CORP | 1.13% | 10/29/2020 | 7,469,250 |
| FEDERAL FARM CREDIT BANK | 1.44% | 01/19/2021 | 4,849,950 |
| FEDERAL HOME LOAN BANK | 1.00% | 02/26/2021 | 992,610 |
| FEDERAL HOME LOAN BANK | 1.00% | 02/26/2021 | 1,111,723 |
| FEDERAL HOME LOAN MTG CORP | 1.25% | 02/26/2021 | 1,091,112 |
| FEDERAL HOME LOAN MTG CORP | 1.13% | 04/28/2021 | 2,158,549 |
| FEDERAL HOME LOAN MTG CORP | 1.25% | 04/28/2021 | 2,428,175 |
| FEDERAL HOME LOAN BANK | 1.00% | 05/25/2021 | 3,637,809 |
| FEDERAL HOME LOAN BANK | 1.00% | 05/25/2021 | 5,093,436 |
| FEDERAL HOME LOAN MTG CORP | 1.50% | 06/07/2021 | 5,919,900 |
| FEDERAL HOME LOAN MTG CORP | 1.13% | 06/30/2021 | 4,425,840 |
| FEDERAL HOME LOAN MTG CORP | 1.50% | 06/30/2021 | 1,489,440 |
| FEDERAL FARM CREDIT BANK | 1.50% | 07/06/2021 | 5,902,920 |
| FEDERAL HOME LOAN MTG CORP | 1.00% | 07/27/2021 | 1,474,890 |
| FEDERAL NATIONAL MTG ASSN | 1.25% | 07/27/2021 | 6,379,962 |
| FEDERAL HOME LOAN BANK | 1.13% | 11/23/2021 | 8,393,920 |
| FEDERAL HOME LOAN MTG CORP | 1.85% | 12/14/2021 | 1,172,156 |
| Total Government Agency Bonds | | | 77,797,339 |
| Municipal Obligations | | | |
| VIENNA VA | 2.50% | 08/01/2017 | 25,030 |
| NORFOLK VA | 3.00% | 10/01/2017 | 50,250 |
| HONOLULU HAWAII CITY& CNTY GO BDS SER | 1.26% | 11/01/2017 | 49,983 |
| HAWAII CNTY HAWAII GO BDS SER. 2010B | 4.46% | 03/01/2018 | 50,921 |
| VIRGINIA ST HSG DEV AUTH | 4.80% | 04/01/2018 | 100,000 |
| DANE CNTY BUILD AMERICA BOND | 3.00% | 06/01/2018 | 353,689 |
| RIVERSIDE VA REGL AUTH JAIL | 4.00% | 07/01/2018 | 283,239 |
| PRINCE WILLIAM CNTY VA | 1.74% | 10/01/2018 | 933,943 |
| VIRGINIA ST CLG BLDG AUTH | 3.35% | 02/01/2019 | 945,886 |

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF INVESTMENTS-ALL FUNDS
JUNE 30, 2017

| | Interest Rate | Maturity Date | Market Value |
|--|------------------|------------------|------------------------|
| RIVERSIDE VA REGL AUTH JAIL | 4.00% | 07/01/2019 | 204,896 |
| CITY OF NEW YORK NY | 2.30% | 08/01/2019 | 2,872,461 |
| VIRGINIA ST HSG DEV AUTH RENTAL HSG BDS | 6.32% | 08/01/2019 | 35,934 |
| BURLINGTON VT TXBL REF SER D | 1.70% | 11/01/2019 | 391,816 |
| NORFOLK VA | 4.00% | 11/01/2019 | 53,216 |
| PORTSMOUTH VA | 2.40% | 02/01/2020 | 510,035 |
| VIRGINIA ST CLG BLDG AUTH | 4.50% | 02/01/2020 | 527,550 |
| VIRGINIA ST BUILD AMER BOND | 3.05% | 06/01/2020 | 329,562 |
| FLORIDA ST HURRICANE | 3.00% | 07/01/2020 | 2,552,100 |
| FLORIDA ST HURRICANE | 3.00% | 07/01/2020 | 2,516,371 |
| UPPER OCCOQUAN VA SEWAGE AUTH | 4.25% | 07/01/2020 | 535,020 |
| UPPER OCCOQUAN VA SEWAGE AUTH | 4.25% | 07/01/2020 | 176,557 |
| VIRGINIA ST PORT AUTH CMWLTH | 2.15% | 07/01/2020 | 498,505 |
| PORTSMOUTH VA SER C | 5.92% | 07/15/2020 | 1,087,100 |
| PORTSMOUTH VA | 2.00% | 08/01/2020 | 1,755,005 |
| VIRGINIA ST HSG DEV AUTH | 6.47% | 08/01/2020 | 513,645 |
| NORFOLK VA BUILD AMERICAN BOND | 4.85% | 03/01/2021 | 272,272 |
| FLORIDA ST REV BOND | 2.64% | 07/01/2021 | 2,505,500 |
| FLORIDA ST REV BOND | 2.64% | 07/01/2021 | 3,006,600 |
| UPPER OCCOQUAN SEWAGE AUTH | 2.05% | 07/01/2021 | 500,010 |
| SPOTSYLVANIA CNTY VA | 5.30% | 07/15/2021 | 1,073,090 |
| VIRGINIA ST PUBLIC BLDG | 5.30% | 08/01/2021 | 549,122 |
| VIRGINIA ST PUBLIC BLDG AUTH | 4.20% | 08/01/2021 | 1,023,616 |
| VIRGINIA ST PUBLIC BLDG AUTH | 4.20% | 08/01/2021 | 538,745 |
| FAIRFAX CNTY VA ECON DEV AUTHFAC | 2.90% | 10/01/2021 | 515,590 |
| CONNECTICUT ST TXBL-SER B | 2.40% | 10/15/2021 | 992,240 |
| CONNECTICUT ST TXBL-SER B | 2.40% | 10/15/2021 | 3,229,741 |
| Total Municipal Obligations | | | 31,559,240 |
| Money Market Funds | | | |
| WASHINGTON FIRST BANK | 0.75% | | 7,051,263 |
| FIRST VIRGINIA COMMUNITY BANK | 0.85% | | 17,428,670 |
| CHAIN BRIDGE BANK | 0.50% | | 1,022,930 |
| EAGLE BANK | 0.60% | | 2,010,019 |
| JOHN MARSHALL BANK | 0.65% | | 6,555,166 |
| UNITED BANK | 0.80% | | 6,017,084 |
| UNITED BANK | 0.60% | | 1,013,037 |
| Total Money Market Funds | | | 41,098,169 |
| Virginia State Non-Arbitrage Program (SNAP) | | | 338,179,591 |
| Virginia Investment Pool (VIP) | | | 40,974,806 |
| State Treasurer's Local Government Investment Pool | | | 221,737 |
| Virginia Investment Pool Daily Liquidity | | | 322,426,637 |
| TOTAL SECURITIES | | | \$1,025,613,591 |

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2017

| | Amount Authorized and Sold | Date of Bonds | Bonds Outstanding: (Relates to total amount authorized and sold) | Interest Rate- % | Principal | Payments: (Relates to total amount authorized and sold) | 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 | | | | | | | |
| Parks and Recreation | 2,050,000 | | | | | | | |
| Metro | 8,000,000 | | 5.00 | | 775,000 | 775,000 | | 08/15/17 |
| | <u>\$14,867,322</u> | | 3.00 | | 195,313 | 195,313 | | 08/15/18 |
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ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2017

| | | | Bonds Outstanding: (Relates to total amount) | | Payments: (Relates to total amount) | |
|---|---------------------|-----------|---|---------------------|--|--|
| G.O. Public Improvement (\$127,000,000) | 6/28/11 | | | | | |
| Street & Highway | \$10,669,428 | | | | | |
| Neighborhood Conservation | 6,400,000 | | | | | |
| Government Facility Bond | 4,675,000 | 4.00/5.00 | 3,685,000 | 3,685,000 | 08/15/17 | |
| Parks and Recreation | 39,005,572 | 4.00 | 3,685,000 | 3,685,000 | 08/15/18 | |
| Metro | 10,000,000 | 5.00 | 3,685,000 | 3,685,000 | 08/15/19 | |
| | <u>\$70,750,000</u> | | | | | |
| | | | | <u>\$11,055,000</u> | | |
| 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 Refunding (\$108,140,000) | 6/20/12 | | | | | |
| Street & Highway | \$6,150,000 | | | | | |
| Neighborhood Conservation | 4,000,000 | | | | | |
| Government Facility Bond | 4,435,000 | 5.00 | 2,313,675 | 2,313,675 | 08/15/17 | |
| Parks and Recreation | 11,010,000 | 5.00 | 5,873,175 | 1,957,725 | 08/15/18-20 | |
| Metro | 10,000,000 | | | | | |
| | <u>\$35,595,000</u> | | | <u>\$8,186,850</u> | | |
| G.O. Public Improvement (\$93,975,000) | 5/9/13 | | | | | |
| Street & Highway | \$11,190,000 | | | | | |
| Neighborhood Conservation | 4,000,000 | | | | | |
| Government Facility Bond | 11,395,000 | 5.00 | 12,425,000 | 2,485,000 | 08/01/17-21 | |
| Parks and Recreation | 15,410,000 | 4.00 | 4,960,000 | 2,480,000 | 08/01/31-32 | |
| Metro | 10,000,000 | | | | | |
| | <u>\$51,995,000</u> | | | <u>\$17,385,000</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 | | | | | |
| Neighborhood Conservation | 6,878,456 | | | | | |
| Parks and Recreation | 15,956,083 | 0.776 | 2,430,000 | 2,430,000 | 08/01/17 | |
| Fire station | 1,564,102 | 1.076 | 6,610,000 | 6,610,000 | 08/01/18 | |
| Library | 1,591,281 | 1.339 | 6,335,000 | 6,335,000 | 08/01/19 | |
| Metro | 8,060,817 | 1.659 | 6,275,000 | 6,275,000 | 08/01/20 | |
| | <u>\$44,245,000</u> | 1.925 | 3,310,000 | 3,310,000 | 08/01/21 | |
| | | 2.075 | 2,245,000 | 2,245,000 | 08/01/22 | |
| | | 2.225 | 1,345,000 | 1,345,000 | 08/01/23 | |
| | | 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>\$30,925,000</u> | | |

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2017

| | | | Bonds Outstanding: (Relates to total amount) | | Payments: (Relates to total amount) | |
|---|---------------------|-------|---|-----------|--|--|
| G.O. Public Improvement (\$64,910,000) | 5/28/14 | | | | | |
| Street & Highway | \$7,405,000 | | | | | |
| Neighborhood Conservation | 5,000,000 | 5.000 | 6,975,000 | 1,395,000 | 02/15/18-22 | |
| Parks and Recreation | 3,640,000 | 3.000 | 1,395,000 | 1,395,000 | 02/15/24 | |
| Government Facility Bond | 5,705,000 | 3.000 | 1,390,000 | 1,390,000 | 02/15/25 | |
| Metro | 5,000,000 | 3.000 | 2,790,000 | 1,395,000 | 02/15/26-27 | |
| | <u>\$26,750,000</u> | 3.000 | 1,395,000 | 1,395,000 | 02/15/29 | |
| | | 3.750 | 6,950,000 | 1,390,000 | 02/15/30-34 | |
| | | | <u>\$20,895,000</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 | 02/15/21 | |
| Neighborhood Conservation | 1,633,800 | 5.000 | 1,885,000 | 1,885,000 | 02/15/22 | |
| Parks and Recreation | 7,423,080 | 5.000 | 8,720,000 | 4,360,000 | 02/15/23-24 | |
| Government Facility Bond | 2,326,465 | 5.000 | 1,875,000 | 1,875,000 | 02/15/25 | |
| Metro | 3,403,750 | 5.000 | 3,545,000 | 3,545,000 | 02/15/27 | |
| | <u>\$17,965,000</u> | | | | | |
| | | | <u>\$17,965,000</u> | | | |
| G.O. Public Improvement (\$77,440,000) | 6/17/15 | | | | | |
| Street & Highway | \$9,370,000 | | | | | |
| Neighborhood Conservation | 3,000,000 | | | | | |
| Parks and Recreation | 5,705,000 | 4.000 | 20,835,000 | 2,315,000 | 08/15/17-25 | |
| Government Facility Bond | 18,365,000 | 3.000 | 4,630,000 | 2,315,000 | 08/15/26-27 | |
| Metro | 8,000,000 | 4.000 | 2,315,000 | 2,315,000 | 08/15/28 | |
| | <u>\$44,440,000</u> | 3.500 | 4,630,000 | 2,315,000 | 08/15/29-30 | |
| | | 3.500 | 2,310,000 | 2,310,000 | 08/15/31 | |
| | | 3.750 | 6,930,000 | 2,310,000 | 08/15/32-34 | |
| | | | <u>\$41,650,000</u> | | | |
| G.O. Public Improvement (\$55,200,000) | 5/4/16 | | | | | |
| Street & Highway | \$3,075,000 | | | | | |
| Neighborhood Conservation | 4,000,000 | 4.000 | 1,850,000 | 1,850,000 | 08/15/17 | |
| Parks and Recreation | 5,610,000 | 5.000 | 980,000 | 980,000 | 08/15/21 | |
| Government Facility Bond | 8,365,000 | 5.000 | 16,520,000 | 1,180,000 | 08/15/22-35 | |
| Metro | 1,600,000 | | | | | |
| | <u>\$22,650,000</u> | | | | | |
| | | | <u>\$19,350,000</u> | | | |
| G.O. Public Improvement Refunding (\$161,530,000) | 5/4/16 | | | | | |
| Street & Highway | \$13,758,132 | | | | | |
| Neighborhood Conservation | 9,438,268 | 4.000 | 5,270,000 | 5,270,000 | 08/15/17 | |
| Parks and Recreation | 27,586,418 | 5.000 | 680,000 | 680,000 | 08/15/18 | |
| Government Facility Bond | 7,093,846 | 3.000 | 4,370,000 | 4,370,000 | 08/15/20 | |
| Metro | 17,419,589 | 5.000 | 3,505,000 | 3,505,000 | 08/15/21 | |
| Higher Education | 548,993 | 5.000 | 3,730,000 | 3,730,000 | 08/15/22 | |
| Fire Station | 2,524,864 | 5.000 | 3,520,000 | 3,520,000 | 08/15/23 | |
| Libraries | 519,890 | 5.000 | 4,120,000 | 4,120,000 | 08/15/24 | |
| | <u>\$78,890,000</u> | 5.000 | 6,190,000 | 6,190,000 | 08/15/25 | |
| | | 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>\$78,295,000</u> | | | |

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2017

| | | Bonds Outstanding: (Relates to total amount) | | Payments: (Relates to total amount) | |
|--|----------------------|---|-----------------------------|--|-------------|
| G.O. Public improvement (\$185,095,000) | | 5/31/17 | | | |
| Street & highway | \$15,670,000 | 2.000 | 4,240,000 | 4,240,000 | 08/15/17 |
| Neighborhood conservation | 9,600,000 | 4.000 | 5,190,000 | 5,190,000 | 08/15/18 |
| Parks and recreation | 11,900,000 | 5.000 | 6,200,000 | 6,200,000 | 05/15/19 |
| Government facility bond | 26,125,000 | 5.000 | 3,765,000 | 3,765,000 | 08/15/20 |
| Metro | 46,600,000 | 5.000 | 4,745,000 | 4,745,000 | 08/15/21 |
| | <u>\$109,895,000</u> | 2.000 | 5,720,000 | 5,720,000 | 08/15/22 |
| | | 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 |
| SUBTOTAL: | | | <u>\$468,342,540</u> | | |
| FY 2004 Bond Premium to be amortized | | | \$774,319 | | |
| FY 2005 Bond Premium to be amortized | | | 1,686,845 | | |
| FY 2006 Bond Premium to be amorized | | | 739,956 | | |
| FY 2007 Bond Premium to be amortized | | | 225,248 | | |
| FY 2008 Bond Premium to be amortized | | | 820,325 | | |
| FY 2010 Bond Premium to be amortized | | | 610,590 | | |
| FY 2011 Bond Premium to be amortized | | | 4,521,143 | | |
| FY 2012 Bond Premium to be amortized | | | 4,844,288 | | |
| FY 2013 Bond Premium to be amortized | | | 8,903,551 | | |
| FY 2014 Bond Premium to be amortized | | | 2,075,761 | | |
| FY 2015 Bond Premium to be amortized | | | 3,074,243 | | |
| FY 2016 Bond Premium to be amortized | | | 4,619,856 | | |
| FY 2017 Bond Premium to be amortized | | | 17,686,387 | | |
| Total GO Bonds Serviced by General Fund: | | | <u>\$518,925,052</u> | | |
| IDA Revenue Bond (\$41,280,000) | | 12/15/10 | | | |
| Metro Matters | \$26,000,000 | | | | |
| Buckingham Village I | <u>15,280,000</u> | | | | |
| | <u>\$41,280,000</u> | 4.70 | 1,330,000 | 1,330,000 | 12/15/17 |
| | | 4.90 | 1,370,000 | 1,370,000 | 12/15/18 |
| | | 5.00 | 1,415,000 | 1,415,000 | 12/15/19 |
| | | 5.10 | 1,460,000 | 1,460,000 | 12/15/20 |
| | | 5.20 | 1,510,000 | 1,510,000 | 12/15/21 |
| | | 5.30 | 1,560,000 | 1,560,000 | 12/15/22 |
| | | 5.40 | 1,615,000 | 1,615,000 | 12/15/23 |
| | | 6.00 | 1,670,000 | 1,670,000 | 12/15/24 |
| | | 6.00 | 1,735,000 | 1,735,000 | 12/15/25 |
| | | 6.00 | 1,805,000 | 1,805,000 | 12/15/26 |
| | | 6.00 | 1,875,000 | 1,875,000 | 12/15/27 |
| | | 6.00 | 1,950,000 | 1,950,000 | 12/15/28 |
| | | 6.00 | 2,025,000 | 2,025,000 | 12/15/29 |
| | | 6.20 | 2,110,000 | 2,110,000 | 12/15/30 |
| | | 6.20 | 2,195,000 | 2,195,000 | 12/15/31 |
| | | 6.20 | 2,285,000 | 2,285,000 | 12/15/32 |
| | | 6.20 | 2,380,000 | 2,380,000 | 12/15/33 |
| | | 6.20 | 2,475,000 | 2,475,000 | 12/15/34 |
| | | | <u>\$32,765,000</u> | | |

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2017

| | | Bonds Outstanding: (Relates to total amount) | | Payments: (Relates to total amount) | |
|--|----------------------------|---|-----------|--|------------|
| IDA Revenue Bond (\$11,940,000) | | 12/15/10 | | | |
| FS #3, Arlington Mill and Buckingham Park | <u>\$11,940,000</u> | 3.00 | 625,000 | 625,000 | 2/15/118 |
| | | 4.00 | 625,000 | 625,000 | 2/15/19 |
| | | 4.00 | 2,480,000 | 620,000 | 2/15/20-23 |
| | | 4.125 | 620,000 | 620,000 | 2/15/24 |
| | | 4.375 | 620,000 | 620,000 | 2/15/25 |
| | | 4.50 | 620,000 | 620,000 | 2/15/26 |
| | | 4.625 | 620,000 | 620,000 | 2/15/27 |
| | | 4.75 | 620,000 | 620,000 | 2/15/28 |
| | | 5.00 | 1,860,000 | 620,000 | 2/15/29-31 |
| | | | | <u>\$8,690,000</u> | |
| IDA Revenue Bond (\$76,315,000) | | 6/3/13 | | | |
| Refunding 2004 IDA | \$23,930,000 | | | | |
| \$2,020 | 20,250,000 | | | | |
| Buckingham Village 3 | <u>32,135,000</u> | | | | |
| | <u>\$76,315,000</u> | 5.00/1.02 | 3,005,000 | 3,005,000 | 12/15/17 |
| | | 5.00/1.37 | 3,010,000 | 3,010,000 | 12/15/18 |
| | | 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>\$55,525,000</u> | |
| Total IDA Revenue Bonds Serviced by General Fund | | | | <u>\$96,980,000</u> | |
| Compensated Absences | | | | 33,500,387 | |
| Estimated Liability for Workers' Comp Claims & Other Judgments | | | | 4,728,888 | |
| Serviced by General Fund-Capital Leases | | | | <u>21,124,811</u> | |
| Total General Obligation Debt Serviced by General Fund: | | | | 675,259,138 | |
| Due in one year | | | | <u>(58,633,944)</u> | |
| Total Long Term Liabilities -General Fund | | | | <u><u>\$616,625,194</u></u> | |

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2017

| | | Bonds Outstanding: | | Payments: | |
|--|---------|---------------------------|----------------------------|---------------------------|-------------|
| | | (Relates to total amount) | | (Relates to total amount) | |
| <u>Serviced by School Operating Fund:</u> | | | | | |
| G.O. Public Improvement (\$39,217,322) | 8/15/09 | | | | |
| School Improvements | | | | | |
| | | | | | |
| | | 5.00 | 1,220,000 | 1,220,000 | 08/15/17 |
| | | 3.00 | 304,688 | 304,688 | 08/15/18 |
| | | | | | |
| | | | <u>\$1,524,688</u> | | |
| G.O. Public Improvement Refunding (\$41,262,678) | 8/15/09 | | | | |
| School Improvements | | | | | |
| | | | | | |
| | | 5.00 | 2,087,400 | 2,087,400 | 08/15/17 |
| | | 5.00 | 997,500 | 997,500 | 08/15/18 |
| | | 3.00 | 829,500 | 829,500 | 08/15/18 |
| | | | | | |
| | | | <u>\$3,914,400</u> | | |
| G.O. Public Improvement Refunding (\$65,650,000) | 8/15/09 | | | | |
| School Improvements | | | | | |
| | | | | | |
| | | 5.00 | 2,651,482 | 2,651,482 | 08/15/17 |
| | | 5.00 | 4,631,381 | 4,631,381 | 08/15/18 |
| | | 5.00 | 2,540,397 | 2,540,397 | 08/15/19 |
| | | 5.00 | 2,544,916 | 2,544,916 | 08/15/20 |
| | | | | | |
| | | | <u>\$12,368,176</u> | | |
| Schools- QSCB (\$3,390,000) | 7/6/10 | | | | |
| School Improvements | | 5.31 | 2,000,000 | 200,000 | 08/01/17-27 |
| | | | | | |
| | | | <u>\$2,000,000</u> | | |
| G.O. Public Improvement (\$73,415,000) | 7/27/10 | | | | |
| School Improvements | | | | | |
| | | | | | |
| | | 5.00 | 1,535,000 | 1,535,000 | 08/15/17 |
| | | 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>\$21,490,000</u> | | |
| G.O. Public Improvement Refunding (\$65,870,000) | 7/27/10 | | | | |
| School Improvements | | | | | |
| | | | | | |
| | | 4.00 | 4,991,847 | 4,991,847 | 08/15/17 |
| | | 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>\$24,608,312</u> | | |
| G.O. Public Improvement (\$127,000,000) | 6/28/11 | | | | |
| School Improvements | | | | | |
| | | | | | |
| | | 4.00/5.00 | 2,225,000 | 2,225,000 | 08/15/17 |
| | | 4.00 | 2,225,000 | 2,225,000 | 08/15/18 |
| | | 5.00 | 2,225,000 | 2,225,000 | 08/15/19 |
| | | | | | |
| | | | <u>\$6,675,000</u> | | |

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2017

| | | | Bonds Outstanding: (Relates to total amount) | | Payments: (Relates to total amount) | |
|---|---------------------|--|---|---------------------|--|---------------|
| G.O. Public Improvement Refunding (\$106,445,000) | 2/22/12 | | | | | |
| School Improvements | <u>\$39,255,000</u> | | 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 | <u>\$65,145,000</u> | | 5.00 | 3,256,325 | 3,256,325 | 08/15/17 |
| | | | 5.00 | 9,771,825 | 3,257,275 | 08/15/18-20 |
| | | | | <u>\$13,028,150</u> | | |
| G.O. Public Improvement (\$93,975,000) | 5/9/13 | | | | | |
| School Improvements | <u>\$38,380,000</u> | | 5.00 | 9,600,000 | 1,920,000 | 08/01/17-21 |
| | | | 4.00 | 1,920,000 | 1,920,000 | 08/01/31 |
| | | | 4.00 | 1,915,000 | 1,915,000 | 08/01/32 |
| | | | | <u>\$13,435,000</u> | | |
| G.O. Public Improvement Refunding (\$30,320,000) | 5/9/13 | | | | | |
| School Improvements | <u>\$11,590,000</u> | | 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 | <u>\$33,505,000</u> | | 0.776 | 2,630,000 | 2,630,000 | 08/01/17 |
| | | | 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>\$23,200,000</u> | | |
| G.O. Public Improvement (\$64,910,000) | 5/28/14 | | | | | |
| School Improvements | <u>\$36,460,000</u> | | 5.000 | 9,125,000 | 1,825,000 | 02/15/2018-22 |
| | | | 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>\$27,345,000</u> | | |

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2017

| | | | Bonds Outstanding: (Relates to total amount) | Payments: (Relates to total amount) | |
|---|---------------------|-------|---|--|---------------|
| G.O. Public Improvement Refunding (\$40,455,000) | 5/28/14 | | | | |
| School Improvements | <u>\$19,725,000</u> | 5.000 | 1,170,000 | 1,170,000 | 02/15/21 |
| | | 5.000 | 3,135,000 | 3,135,000 | 02/15/22 |
| | | 5.000 | 10,170,000 | 5,085,000 | 02/15/2023-24 |
| | | 5.000 | 3,115,000 | 3,115,000 | 02/15/25 |
| | | 5.000 | 2,135,000 | 2,135,000 | 02/15/27 |
| | | | <u>\$19,725,000</u> | | |
| G.O. Public Improvement (\$77,440,000) | 6/17/15 | | | | |
| School Improvements | <u>\$30,000,000</u> | 4.000 | 13,500,000 | 1,500,000 | 08/15/17-25 |
| | | 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>\$27,000,000</u> | | |
| G.O. Public Improvement (\$55,200,000) | 5/4/16 | | | | |
| School Improvements | <u>\$32,550,000</u> | 4.000 | 3,260,000 | 1,630,000 | 08/15/17-18 |
| | | 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 |
| | | | <u>\$30,925,000</u> | | |
| G.O. Public Improvement Refunding (\$161,530,000) | 5/4/16 | | | | |
| School Improvements | <u>\$72,220,000</u> | 4.000 | 3,315,000 | 3,315,000 | 08/15/17 |
| | | 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 |
| | | | <u>\$71,650,000</u> | | |
| G.O. Public improvement (\$185,095,000) | 5/31/17 | | | | |
| School improvements | <u>\$75,200,000</u> | 2.000 | 3,760,000 | 3,760,000 | 08/15/17 |
| | | 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 |
| | | | <u>\$75,200,000</u> | | |

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2017

| | Bonds Outstanding: (Relates to total amount) | Payments: (Relates to total amount) |
|--|---|--|
| SUB TOTAL | <u>\$424,933,726</u> | |
| FY 2004 Bond Premium to be amortized | \$508,333 | |
| FY 2005 Bond Premium to be amortized | 1,170,869 | |
| FY 2006 Bond Premium to be amortized | 262,200 | |
| FY 2007 Bond Premium to be amortized | 128,600 | |
| FY 2008 Bond Premium to be amortized | 1,324,312 | |
| FY 2010 Bond Premium to be amortized | 963,888 | |
| FY 2011 Bond Premium to be amortized | 3,036,522 | |
| FY 2012 Bond Premium to be amortized | 8,201,022 | |
| FY 2013 Bond Premium to be amortized | 5,059,407 | |
| FY 2014 Bond Premium to be amortized | 2,771,675 | |
| FY 2015 Bond Premium to be amortized | 2,008,341 | |
| FY 2016 Bond Premium to be amortized | 6,848,774 | |
| FY 2017 Bond Premium to be amortized | 11,875,211 | |
| Total Serial Bonds Serviced by School Operating Fund: | 469,092,880 | |
| Compensated Absences | 38,475,881 | |
| Capital Leases Serviced by Schools | <u>4,329,793</u> | |
| Total General Obligation Debt Serviced by School Operating Fund: | 511,898,554 | |
| Due in one year | <u>(43,450,467)</u> | |
| Total Long Term Liabilities - Schools | 468,448,087 | |
| Total General Obligation Debt Serviced by General Fund and School Operating Fund: | <u>\$1,085,073,281</u> | |

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2017

| | | | Bonds Outstanding: (Relates to total amount) | Payments: (Relates to total amount) | |
|--|--------------------|-------|---|--|---------------|
| G.O. Public Improvement (\$93,975,000) | 5/9/13 | | | | |
| Water share | <u>\$3,600,000</u> | | | | |
| | | 5.00 | 900,000 | 180,000 | 08/01/17-21 |
| | | 4.00 | 360,000 | 180,000 | 08/01/31-32 |
| | | | <u>\$1,260,000</u> | | |
| 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 |
| | <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 | | | | |
| Advanced Water Treatment | <u>1,165,666</u> | 0.776 | 265,000 | 265,000 | 08/01/17 |
| | <u>\$3,505,000</u> | 1.076 | 345,000 | 345,000 | 08/01/18 |
| | | 1.339 | 250,000 | 250,000 | 08/01/19 |
| | | 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>\$2,750,000</u> | | |
| G.O. Public Improvement (\$64,910,000) | 5/28/14 | | | | |
| Water share | <u>\$1,700,000</u> | 5.000 | 425,000 | 85,000 | 02/15/2018-22 |
| | | 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>\$1,275,000</u> | | |
| G.O. Public Improvement Refunding (\$40,455,000) | 5/28/14 | | | | |
| Water share | <u>\$2,765,000</u> | 5.000 | 325,000 | 325,000 | 02/15/21 |
| | | 5.000 | 370,000 | 370,000 | 02/15/22 |
| | | 5.000 | 1,110,000 | 555,000 | 02/15/2023-24 |
| | | 5.000 | 370,000 | 370,000 | 02/15/25 |
| | | 5.000 | 590,000 | 590,000 | 02/15/27 |
| | | | <u>\$2,765,000</u> | | |
| G.O. Public Improvement (\$77,440,000) | 6/17/15 | | | | |
| Water share | <u>\$3,000,000</u> | 4.000 | 1,350,000 | 150,000 | 08/15/17-25 |
| | | 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>\$2,700,000</u> | | |

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2017

| | | Bonds Outstanding: (Relates to total amount) | Payments: (Relates to total amount) |
|---|---------------------|---|--|
| G.O. Public Improvement Refunding (\$161,530,000) | 5/4/16 | | |
| Water share | \$1,987,360 | | |
| Sewer share | 31,547 | 4.000 | 220,000 08/15/17 |
| Advanced Water Treatment | 8,401,093 | 3.000 | 600,000 08/15/20 |
| | <u>\$10,420,000</u> | 5.000 | 640,000 08/15/21 |
| | | 5.000 | 235,000 08/15/22 |
| | | 5.000 | 585,000 08/15/23 |
| | | 5.000 | 605,000 08/15/24 |
| | | 5.000 | 795,000 08/15/25 |
| | | 5.000 | 1,190,000 08/15/26 |
| | | 5.000 | 680,000 08/15/27 |
| | | 2.500 | 1,190,000 08/15/28 |
| | | 2.500 | 1,175,000 08/15/29 |
| | | 2.500 | 1,155,000 08/15/30 |
| | | 2.750 | 940,000 08/15/31 |
| | | 2.750 | 325,000 08/15/32 |
| | | | <u>\$10,335,000</u> |
| SUBTOTAL: | | | <u>\$89,873,734</u> |
| FY 2005 Bond Premium to be amortized | | | \$197,983 |
| FY 2007 Bond Premium to be amortized | | | 457,133 |
| FY 2008 Bond Premium to be amortized | | | 604,571 |
| FY 2011 Bond Premium to be amortized | | | 1,088,232 |
| FY 2012 Bond Premium to be amortized | | | 958,989 |
| FY 2013 Bond Premium to be amortized | | | 474,425 |
| FY 2014 Bond Premium to be amortized | | | 129,142 |
| FY 2015 Bond Premium to be amortized | | | 200,834 |
| Total Serial Bonds Serviced by Utilities Fund: | | | <u>93,985,043</u> |
| Compensated Absences - Utilities Fund | | | 1,320,535 |
| Bond and VRA interest payable - Utilities Fund | | | 3,160,123 |
| Capital Leases serviced by Utilities Fund | | | 50,170 |
| VRA Loans payable | | | <u>191,314,640</u> |
| Total Long Term Obligations Serviced by Utilities Fund: | | | <u>289,830,511</u> |
| Compensated Absences - Internal Service funds | | | 566,057 |
| Compensated Absences - CPHD Development Fund | | | 638,386 |
| Capital Leases serviced by Auto Equipment Fund | | | <u>3,682,247</u> |
| SUBTOTAL: | | | <u>294,717,201</u> |
| Revenue Bonds-Serviced by Ballston Public Garage Fund | | | 4,600,000 |
| Bond and mortgage interest payable | | | 29,646,312 |
| Mortgage Payable-Ballston Public Garage Fund | | | <u>3,429,679</u> |
| Total Business-type Activities Obligations: | | | <u>332,393,192</u> |
| Due in one year | | | <u>(65,078,173)</u> |
| Total Business-type Activities Long Term Obligations: | | | <u>\$267,315,019</u> |
| TOTAL LONG TERM OBLIGATIONS: | | | <u>\$1,352,388,300</u> |

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF DELINQUENT PROPERTY TAXES RECEIVABLE
JUNE 30, 2017

| FISCAL YEAR | REAL ESTATE | PERSONAL PROPERTY | TOTAL |
|----------------|------------------|----------------------|--------------------|
| 2017 | \$53,950 | \$549,790 | \$603,740 |
| 2016 | 58,258 | 308,560 | 366,819 |
| 2015 | 27,150 | 288,969 | 316,120 |
| 2014 | 12,390 | 282,635 | 295,025 |
| 2013 | 12,029 | 228,366 | 240,395 |
| 2012 | 835 | | 835 |
| 2011 | 1,818 | - | 1,818 |
| 2010 | 6,994 | - | 6,994 |
| 2009 | 10,327 | - | 10,327 |
| 2008 | 12,958 | - | 12,958 |
| 2007 | 9,478 | - | 9,478 |
| 2006 | 9,436 | - | 9,436 |
| 2005 | 6,560 | - | 6,560 |
| 2004 | 2,144 | - | 2,144 |
| 2003 | 1,005 | - | 1,005 |
| 2002 | 2,806 | - | 2,806 |
| 2001 | 8,451 | - | 8,451 |
| 2000 | 11,836 | - | 11,836 |
| 1999 | 12,427 | - | 12,427 |
| 1998 | 9,620 | - | 9,620 |
| 1989-1997 * | 35,990 | - | 35,990 |
| TOTAL | <u>\$306,461</u> | <u>\$1,658,320</u> | <u>\$1,964,782</u> |

NOTES:

Figures are rounded to the nearest dollar.

The amounts of delinquent real and personal property taxes receivable at June 30, 2017 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 1989-1997 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 and personal property taxes totaled \$13,196 and \$366,078 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 |
|-------------|------------------------|-----------------------------|-------------------------|---------------------------|--|-----------------------|--|----------------------------|----------------|------------------------------|---|
| 2008 | 577,353,341 | 2,881,468 | 574,471,873 | 99.50% | 3,285,410 | 577,757,283 | 100.07% | 829,482 | 1,259,192 | 4,645,017 | 0.80% |
| 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% |

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, 2017

| | Governmental Funds <u>Net Book Value</u> |
|---|---|
| Governmental funds capital assets: | |
| Land | 176,794,701 |
| Infrastructure | 726,254,649 |
| Buildings | 358,584,484 |
| Furniture, fixtures and equipment | 229,037,369 |
| Construction in Progress | 233,906,927 |
| Intangibles | <u>7,431,510</u> |
| Total governmental funds capital assets | <u><u>\$1,732,009,640</u></u> |
| Investments in governmental funds capital assets by source: | |
| General fund | \$242,415,185 |
| Special revenue funds | 135,506 |
| Capital projects funds | 1,481,928,854 |
| State literary loans | 1,680,040 |
| Donated assets | <u>5,850,055</u> |
| Total Investment in General Capital Assets | <u><u>\$1,732,009,640</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, 2017

| FUNCTION AND ACTIVITY: | General Capital Assets | | | |
|------------------------------------|------------------------------|---------------|-------------|------------------------------|
| | FY 2017 Beginning Balance | Additions | Deletions | 06/30/2017 Ending Balance |
| Primary Government: | | | | |
| General Government | \$324,916,837 | \$5,590,194 | \$- | \$330,507,031 |
| Public Safety | 107,549,584 | 6,865,754 | 8,457 | 114,406,881 |
| Environmental Services | 863,240,830 | 76,656,628 | 40,674 | 939,856,784 |
| Health and Public Welfare | 33,990,233 | 270,352 | - | 34,260,585 |
| Libraries | 30,432,892 | 32,718 | - | 30,465,610 |
| Parks and Recreation | 215,364,983 | 7,844,012 | - | 223,208,995 |
| Planning and Community Development | 53,843,518 | 5,487,754 | 27,518 | 59,303,754 |
| Total primary government | 1,629,338,877 | 102,747,412 | 76,649 | 1,732,009,640 |
| Internal Services Fund | | | | |
| Auto Equipment Fund | 76,415,982 | 3,081,438 | 1,566,732 | 77,930,688 |
| Total Internal Services Fund | 76,415,982 | 3,081,438 | 1,566,732 | 77,930,688 |
| Component Unit: School Board | | | | |
| Schools | 864,063,643 | 51,953,482 | - | 916,017,125 |
| Total Capital Assets | \$2,569,818,502 | \$157,782,332 | \$1,643,381 | \$2,725,957,453 |

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF GENERAL CAPITAL ASSETS - BY FUNCTION AND ACTIVITY
JUNE 30, 2017

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 | 5,822,409 | - | - | - | 4,870,829 | 899,576 | 52,004 |
| Total Control | 7,545,669 | - | - | - | \$6,594,089 | 899,576 | 52,004 |
| 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 | 50,630,621 | - | 421,153 | 991,860 | 33,025,248 | 1,314,387 | 14,877,973 |
| General government | 267,127,519 | 140,919,088 | 82,261,846 | 25,877,382 | 10,730,114 | 1,001,390 | 6,337,699 |
| Total Staff Agencies | 322,961,362 | 140,919,088 | 82,682,999 | 27,114,126 | 48,478,524 | 2,550,953 | 21,215,672 |
| Total General Government | 330,507,031 | 140,919,088 | 82,682,999 | 27,114,126 | 55,072,613 | 3,450,529 | 21,267,676 |
| Public Safety: | | | | | | | |
| Police | 18,892,893 | - | 958,127 | 9,087,613 | 6,197,110 | - | 2,650,043 |
| Fire | 81,537,998 | 5,499,264 | 32,569,290 | 7,125,394 | 36,225,940 | - | 118,110 |
| Emergency management | 13,975,990 | - | - | - | 13,074,500 | 794,936 | 106,554 |
| Total Public Safety | 114,406,881 | 5,499,264 | 33,527,417 | 16,213,007 | 55,497,550 | 794,936 | 2,874,707 |
| Community Services: | | | | | | | |
| Environmental Services | 939,856,784 | 9,213,646 | 502,078,806 | 201,888,566 | 85,999,675 | 2,183,337 | 138,492,754 |
| Health and Public Welfare | 34,260,585 | - | - | 14,127,700 | 19,368,269 | 636,104 | 128,512 |
| Libraries | 30,465,610 | - | 11,857,686 | 18,349,791 | 258,133 | - | - |
| Recreation | 223,208,995 | 18,959,398 | 67,781,444 | 65,652,516 | 12,074,932 | - | 58,740,705 |
| Community Development | 59,303,754 | 2,203,305 | 28,326,297 | 15,238,778 | 766,197 | 366,604 | 12,402,573 |
| Total Community Service | 1,287,095,728 | 30,376,349 | 610,044,233 | 315,257,351 | 118,467,206 | 3,186,045 | 209,764,544 |
| Total General Capital Assets | <u>\$1,732,009,640</u> | <u>\$176,794,701</u> | <u>\$726,254,649</u> | <u>\$358,584,484</u> | <u>\$229,037,369</u> | <u>\$7,431,510</u> | <u>\$233,906,927</u> |
| Internal Services Fund: | | | | | | | |
| Auto Equipment Fund | \$77,930,688 | \$- | \$- | \$- | \$77,930,688 | \$- | \$- |
| Total Internal Services Fund | <u>\$77,930,688</u> | <u>\$-</u> | <u>\$-</u> | <u>\$-</u> | <u>\$77,930,688</u> | <u>\$-</u> | <u>\$-</u> |
| Component Unit: School Board Schools | <u>\$916,017,125</u> | <u>\$4,697,946</u> | <u>\$-</u> | <u>\$802,584,805</u> | <u>\$108,734,374</u> | <u>\$-</u> | <u>\$-</u> |
| GRAND TOTALS | <u>\$2,725,957,453</u> | <u>\$181,492,647</u> | <u>\$726,254,649</u> | <u>\$1,161,169,289</u> | <u>\$415,702,431</u> | <u>\$7,431,510</u> | <u>\$233,906,927</u> |

ARLINGTON COUNTY, VIRGINIA
GENERAL AND SPECIAL REVENUE FUNDS - DETAIL SCHEDULE OF REVENUES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| | 2017 | | | |
|--|-----------------|-----------------|-----------------------------------|-----------------|
| | Budget | Actual | Variance - Positive (Negative) | 2016 Actuals |
| GENERAL FUND | | | | |
| General property taxes: | | | | |
| Real estate | \$687,171,555 | \$698,901,529 | \$11,729,974 | \$675,717,875 |
| Personal | 112,052,147 | 114,836,050 | 2,783,903 | 111,768,494 |
| Total general property taxes | 799,223,702 | 813,737,579 | 14,513,877 | 787,486,369 |
| Other local taxes: | | | | |
| Business, professional and occupational license (BPOL) tax | 57,020,000 | 63,837,926 | 6,817,926 | 60,181,386 |
| Sales tax | 40,200,000 | 41,197,357 | 997,357 | 39,683,462 |
| Meals tax | 38,500,000 | 39,047,018 | 547,018 | 37,332,584 |
| Transient tax | 25,000,000 | 25,267,916 | 267,916 | 24,106,373 |
| Utility tax | 11,950,000 | 11,426,615 | (523,385) | 11,459,469 |
| Recordation, car rental and other local taxes | 25,125,000 | 28,028,994 | 2,903,994 | 26,236,117 |
| Total other local taxes | 197,795,000 | 208,805,826 | 11,010,826 | 198,999,391 |
| Total taxes | 997,018,702 | 1,022,543,405 | 25,524,703 | 986,485,760 |
| License, permits and fees | 10,217,950 | 11,459,159 | 1,241,209 | 9,846,558 |
| Fines and forfeitures | 8,317,748 | 7,059,743 | (1,258,005) | 7,059,138 |
| Charges for services | 56,777,504 | 57,520,846 | 743,342 | 54,490,980 |
| Grants: | | | | |
| State grants | 78,981,487 | 75,076,003 | (3,905,484) | 71,790,714 |
| Federal grants | 16,468,845 | 18,297,110 | 1,828,265 | 17,035,639 |
| Total grants | 95,450,332 | 93,373,113 | (2,077,219) | 88,826,353 |
| Use of money and property | 6,993,139 | 7,415,759 | 422,620 | 9,451,264 |
| Bond premiums | - | - | - | 4,863,006 |
| Miscellaneous revenue | 10,290,647 | 13,380,229 | 3,089,582 | 12,255,370 |
| GRAND TOTALS FOR GENERAL FUND | \$1,185,066,022 | \$1,212,752,254 | \$27,686,232 | \$1,173,278,429 |
| GENERAL FUND TRANSFERS FROM OTHER FUNDS: | | | | |
| Rosslyn Business Improvement District | \$36,146 | \$35,150 | (\$996) | \$34,928 |
| Crystal City Business Improvement District | 25,881 | 25,380 | (501) | 25,280 |
| Community Development Block Grant Fund | 57,557 | - | (57,557) | - |
| Automotive Equipment Fund | 130,000 | 130,000 | - | 130,000 |
| General Capital Projects | - | 2,500,000 | 2,500,000 | 400,000 |
| Street & Highway Bond Fund | - | 20,434 | 20,434 | 60,579 |
| Neighborhood Conservation Bond Fund | - | 62,019 | 62,019 | 39,675 |
| Government Facility Bond | - | 205,711 | 205,711 | 122,416 |
| Ballston Business Improvement District | 16,101 | 15,865 | (236) | 15,381 |
| Public Recreation Bond Fund | - | 224,079 | 224,079 | 124,490 |
| TCF – NVTA 30% | - | 594,340 | 594,340 | 578,702 |
| TCF C&I Tax | 691,561 | 97,221 | (594,340) | 75,000 |
| Transit Facilities Bond Fund | - | 63,183 | 63,183 | 50,312 |
| IDA Bond Funds | - | 3,073 | 3,073 | 1,324 |
| IDA Skating Facility | 2,400,000 | - | (2,400,000) | - |
| School Capital Improvement Bond Fund | - | 372,376 | 372,376 | 255,240 |
| School Construction | 2,500,000 | - | (2,500,000) | - |
| Trust & Agency Fund | 118,960 | 118,960 | - | 181,613 |
| Total transfers | \$5,976,206 | \$4,467,791 | (\$1,508,415) | \$2,094,940 |
| GRAND TOTALS | \$1,191,042,228 | \$1,217,220,045 | \$26,177,817 | \$1,175,373,369 |

ARLINGTON COUNTY, VIRGINIA
GENERAL AND SPECIAL REVENUE FUNDS - DETAIL SCHEDULE OF REVENUES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| | 2017 | | | |
|--|--------------|--------------|-----------------------------------|-----------------|
| | Budget | Actual | Variance - Positive (Negative) | 2016 Actuals |
| SPECIAL REVENUE FUNDS: | | | | |
| Ballston BID | \$1,610,085 | \$1,587,597 | (\$22,488) | \$1,538,692 |
| Ballston Quarter CDA | - | 111,785 | 111,785 | - |
| Travel & Tourism Fund | 1,250,000 | 1,262,988 | 12,988 | - |
| Rosslyn BID | 3,616,055 | 3,517,098 | (98,957) | 3,494,278 |
| Crystal City BID | 2,588,141 | 2,538,970 | (49,171) | 2,528,683 |
| Community Development Block Grant Fund | 6,779,314 | 3,621,791 | (3,157,523) | 1,467,801 |
| Section 8 Housing | 18,953,470 | 18,791,247 | (162,223) | 17,490,977 |
| Total Special Revenue Funds | \$34,797,065 | \$31,431,476 | (\$3,365,589) | \$26,520,431 |

BREAKDOWN OF REVENUE BY FUNCTION:

| | Charges for services Includes licenses & fees | Operating grants/Contributions | | Capital Grants Contributions |
|----------------------------------|--|--------------------------------|---------------------|---------------------------------|
| | | State | Federal | |
| General government | \$20,352,884 | \$31,335,992 | \$930,425 | \$- |
| Public safety | 11,064,477 | 10,155,655 | 910,143 | - |
| Environmental services | 29,865,144 | 11,512,205 | - | - |
| Health & welfare | 3,612,699 | 21,746,633 | 16,117,087 | - |
| Libraries | 433,302 | 182,231 | - | - |
| Economic development | 271,348 | 9,500 | - | - |
| Planning & community development | 1,294,299 | - | 169,730 | - |
| Parks & recreation | 9,145,595 | 133,787 | 169,725 | - |
| Total General Fund | <u>\$76,039,748</u> | <u>\$75,076,003</u> | <u>\$18,297,110</u> | <u>\$-</u> |

ARLINGTON COUNTY, VIRGINIA
GENERAL AND SPECIAL REVENUE FUNDS - DETAIL SCHEDULE OF EXPENDITURES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| | 2017 | | | 2016 |
|--|-------------|-------------|-----------------------------------|-------------|
| | Budget | Actual | Variance - Positive (Negative) | Actuals |
| General Government Administration: | | | | |
| County Board | \$1,559,416 | \$1,405,569 | \$153,847 | \$1,326,700 |
| County Manager | 5,257,227 | 5,425,724 | (168,497) | 5,578,990 |
| Management and Finance | 7,357,600 | 7,428,284 | (70,684) | 6,480,030 |
| Human Resources | 9,338,291 | 8,919,460 | 418,831 | 8,783,654 |
| Technology Services | 20,115,285 | 20,459,334 | (344,049) | 19,805,807 |
| County Attorney | 2,772,065 | 3,141,596 | (369,531) | 2,766,821 |
| Commissioner of Revenue | 5,572,714 | 5,457,960 | 114,754 | 5,409,558 |
| Treasurer | 6,900,367 | 6,879,063 | 21,304 | 6,820,769 |
| Electoral Board | 1,788,646 | 1,479,070 | 309,576 | 1,129,861 |
| Total General Government | 60,661,611 | 60,596,060 | 65,551 | 58,102,190 |
| Judicial Administration: | | | | |
| Circuit Court Judiciary | 1,024,871 | 1,052,604 | (27,733) | 977,960 |
| Circuit Court Clerk | 3,194,401 | 3,194,744 | (343) | 3,166,978 |
| District Court | 388,115 | 332,851 | 55,264 | 345,061 |
| Juvenile & Domestic Relations Court | 6,483,759 | 6,003,989 | 479,770 | 6,211,080 |
| Commonwealth Attorney | 4,155,984 | 4,049,552 | 106,432 | 4,152,655 |
| Sheriff & Jail | 42,007,067 | 44,118,172 | (2,111,105) | 43,702,573 |
| Magistrate's Office | 42,616 | 39,044 | 3,572 | 39,688 |
| Office of the Public Defender | 166,111 | 157,137 | 8,974 | 81,927 |
| Total Judicial Administration | 57,462,924 | 58,948,093 | (1,485,169) | 58,677,922 |
| Public Safety: | | | | |
| Police | 67,712,326 | 66,040,676 | 1,671,650 | 65,439,095 |
| Office of Emergency Management | 12,272,411 | 11,662,065 | 610,346 | 11,341,831 |
| Fire | 57,325,229 | 58,034,572 | (709,343) | 56,348,894 |
| Total Public Safety | 137,309,966 | 135,737,313 | 1,572,653 | 133,129,820 |
| Department of Environmental Services: | | | | |
| DES-Environmental Services | 96,611,306 | 93,100,334 | 3,510,972 | 90,929,047 |
| Health & Welfare: | | | | |
| Human Services | 140,699,257 | 134,525,749 | 6,173,508 | 127,949,353 |
| Libraries: | | | | |
| | 13,858,945 | 13,648,924 | 210,021 | 12,999,158 |
| Planning & Community Development: | | | | |
| Economic Development | 8,558,568 | 8,524,531 | 34,037 | 10,522,630 |
| Community Planning Housing & Development | 11,511,872 | 10,978,461 | 533,411 | 11,051,427 |
| Total Planning & Community Development | 20,070,440 | 19,502,992 | 567,448 | 21,574,057 |
| Parks & Recreation: | | | | |
| | 40,753,221 | 40,081,828 | 671,393 | 37,974,121 |
| Non-Departmental: | | | | |
| Non-Departmental | 126,229,618 | 69,607,342 | 56,622,276 | 63,067,532 |
| Debt Service | | | | |
| Principal payment | 40,471,357 | 43,967,972 | (3,496,615) | 39,843,463 |
| Interest payment | 20,671,462 | 16,280,240 | 4,391,222 | 18,360,273 |
| Other costs | 125,000 | 3,942 | 121,058 | 5,732 |
| Regionals/Contributions | 8,228,441 | 7,550,062 | 678,379 | 6,182,977 |
| METRO | 30,343,315 | 30,343,315 | - | 30,328,935 |
| Total Non-Departmental | 226,069,193 | 167,752,873 | 58,316,320 | 157,788,912 |
| Total expenditures before transfers-out | 793,496,863 | 723,894,166 | 69,602,697 | 699,124,580 |

ARLINGTON COUNTY, VIRGINIA
GENERAL AND SPECIAL REVENUE FUNDS - DETAIL SCHEDULE OF EXPENDITURES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

| | 2017 | | Variance - Positive (Negative) | 2016 Actuals |
|--|-----------------|-----------------|-----------------------------------|-----------------|
| | Budget | Actual | | |
| Transfers-Out | | | | |
| Travel & Tourism | 626,148 | 626,148 | - | - |
| Community Development Block Grant | - | - | - | - |
| Auto Equipment Fund | - | 100,500 | (100,500) | - |
| Printing Fund | 241,769 | 241,769 | - | 231,484 |
| General Capital Projects Fund | 20,191,849 | 20,191,849 | - | 19,890,523 |
| Utilities - Construction (Pay as U Go) | - | 400,000 | (400,000) | - |
| OPEB Trust Fund | - | 33,734 | (33,734) | 56,351 |
| Schools | | | | |
| General Operating | 489,675,094 | 401,688,697 | 87,986,397 | 402,201,167 |
| Community Activities/Cable TV | - | 5,490,043 | (5,490,043) | 5,232,404 |
| Pay-As-You-Go | - | 21,047,721 | (21,047,721) | 11,216,294 |
| Debt Service | - | 45,593,129 | (45,593,129) | 44,430,851 |
| Comprehensive Services Act | - | 2,251,266 | (2,251,266) | 1,905,932 |
| Trust & Agency | 1,867,000 | 474,694 | 1,392,306 | 100,000 |
| Total transfers-out | 512,601,860 | 498,139,550 | 14,462,310 | 485,265,006 |
| GRAND TOTALS EXPENDITURES | \$1,306,098,723 | \$1,222,033,716 | \$84,065,007 | \$1,184,389,586 |
| SPECIAL REVENUE FUNDS: | | | | |
| Ballston Quarter CDA | \$- | \$111,785 | (\$111,785) | \$- |
| Travel & Tourism Promotion | 1,876,148 | 1,710,886 | 165,262 | - |
| Ballston Business Improvement District | 1,593,984 | 1,566,072 | 27,912 | 1,499,413 |
| Rosslyn Business Improvement District | 3,579,909 | 3,453,883 | 126,026 | 3,414,382 |
| Crystal City Business Improvement District | 2,562,260 | 2,497,556 | 64,704 | 2,488,910 |
| Community Development Block Grant | 6,721,757 | 3,621,791 | 3,099,966 | 1,467,802 |
| Section 8 Housing | 18,953,470 | 18,791,247 | 162,223 | 17,490,977 |
| Total Special Revenue Funds | \$35,287,528 | \$31,753,220 | \$3,534,308 | \$26,361,484 |
| TOTAL GENERAL AND SPECIAL REVENUE FUNDS | \$1,341,386,251 | \$1,253,786,936 | \$87,599,315 | \$1,210,751,070 |

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF CAPITAL OUTLAYS AND CAPITAL PROJECTS
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2017

| FUND AND FUNCTION | AMOUNT |
|--|-----------------------------|
| GENERAL FUND: | |
| Capital Outlays: | |
| General Government | \$173,983 |
| Public Safety | 284,690 |
| Public Works | 885,406 |
| Health & Public Welfare | 141,840 |
| Libraries | 32,718 |
| Parks & Recreation | 582,553 |
| Planning & Community development | <u>78,522</u> |
| Total General Fund | \$2,179,712 |
| CAPITAL PROJECTS FUNDS: | |
| General Capital Projects Fund: | |
| Public Works: | |
| Transportation Projects | 10,271,516 |
| Government Facilities | 15,023,476 |
| Cultural & Recreation - Community Affairs: | |
| Government Facilities | 6,913,570 |
| Parks | <u>2,790,804</u> |
| Total General Capital Projects Funds | 34,999,366 |
| NVTA | 22,034,613 |
| NOVA Transportation Authority | |
| Street & Highway Bond Fund: | |
| Capital Projects - Public Works/Transportation/ Street & Highway Improvements | 11,609,119 |
| Neighborhood Conservation Bond Fund: | |
| Neighborhood Capital Projects | 5,052,975 |
| Government Facility Bond | 13,655,645 |
| Stormwater Fund | 7,249,037 |
| Public Recreation Bond Fund: | |
| Public Recreation | 4,225,708 |
| TIF Tax Increment Finance Fund: | |
| Crystal City | 1,732,781 |
| TOTAL ALL OTHER GOVERNMENTAL FUNDS | <u>43,525,265</u> |
| GRAND TOTAL | <u><u>\$102,738,956</u></u> |

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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, and Table D2.)

Revenue Capacity

These schedules contain information to help the reader assess the County’s most significant local revenue source, the property tax (Table E, F, 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.)

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ARLINGTON COUNTY, VIRGINIA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Restated 2014 | 2015 | Restated (Per GASB 75) 2016 | 2017 |
|---|----------------------|----------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|--------------------------------|------------------------|
| Governmental Activities | | | | | | | | | | |
| Invested in capital assets, net of related debt * | (\$32,045,987) | (\$4,473,221) | \$3,326,233 | \$85,911,369 | \$106,482,421 | \$113,408,961 | \$170,891,751 | \$220,958,287 | \$637,425,082 | \$682,757,711 |
| Restricted for: | | | | | | | | | | |
| Capital projects | 10,418,820 | 118,951,943 | 148,562,047 | 219,717,828 | 254,592,361 | 264,758,831 | 300,867,564 | 359,600,115 | 358,347,806 | 157,256,606 |
| Other projects | 8,110,583 | 5,515,684 | 5,286,376 | 5,571,153 | 4,042,402 | 2,557,084 | 2,290,690 | 178,471 | 261,829 | - |
| Seized assets | - | - | - | - | - | - | - | - | - | 1,599,616 |
| Grants | - | - | - | - | - | - | - | - | - | 744,947 |
| Debt service | - | - | - | - | - | - | - | - | - | 13,529,817 |
| Unrestricted * | 332,536,404 | 294,264,704 | 315,395,737 | 240,953,482 | 296,869,258 | 371,505,711 | 388,828,867 | 405,775,777 | (72,541,800) | 78,106,608 |
| Total governmental activities net position | \$319,019,820 | \$414,259,110 | \$472,570,393 | \$552,153,832 | \$661,986,442 | \$752,230,587 | \$862,878,872 | \$986,512,650 | \$923,492,917 | \$933,995,305 |
| | | | | | | | | | * FY16 reclassified | |
| Business-Type Activities | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$355,750,043 | \$446,066,559 | \$531,452,315 | \$552,113,257 | \$603,252,038 | \$640,920,418 | \$671,143,524 | \$692,157,867 | \$719,133,545 | \$747,776,393 |
| Restricted for: | | | | | | | | | | |
| Capital projects | 12,307,036 | 6,945,927 | 3,432,530 | - | - | - | - | - | - | - |
| Other projects | - | - | - | - | - | - | - | - | - | - |
| Unrestricted | 105,289,754 | 101,416,280 | 76,726,708 | 98,488,340 | 84,916,280 | 69,103,784 | 63,289,095 | 65,051,144 | 59,079,666 | 53,545,866 |
| Total business-type activities net position | \$473,346,833 | \$554,428,766 | \$611,611,553 | \$650,601,597 | \$688,168,318 | \$710,024,202 | \$734,432,619 | \$757,209,011 | \$778,213,211 | \$801,322,259 |
| Primary government | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$323,704,056 | \$441,593,338 | \$534,778,548 | \$638,024,626 | \$709,734,459 | \$754,329,379 | \$842,035,275 | \$913,116,154 | \$1,356,558,627 | \$1,430,534,104 |
| Restricted for: | | | | | | | | | | |
| Capital projects | 22,725,856 | 125,897,870 | 151,994,577 | 219,717,828 | 254,592,361 | 264,758,831 | 300,867,564 | 359,600,115 | 358,347,806 | 157,256,606 |
| Other projects | 8,110,583 | 5,515,684 | 5,286,376 | 5,571,153 | 4,042,402 | 2,557,084 | 2,290,690 | 178,471 | 261,829 | - |
| Seized assets | - | - | - | - | - | - | - | - | - | 1,599,616 |
| Grants | - | - | - | - | - | - | - | - | - | 744,947 |
| Debt service | - | - | - | - | - | - | - | - | - | 13,529,817 |
| Unrestricted | 437,826,158 | 395,680,984 | 392,122,445 | 339,441,822 | 381,785,538 | 440,609,495 | 452,117,962 | 470,826,921 | (13,462,134) | 131,652,474 |
| Total primary government activities net position | \$792,366,653 | \$968,687,876 | \$1,084,181,946 | \$1,202,755,429 | \$1,350,154,760 | \$1,462,254,789 | \$1,597,311,491 | \$1,743,721,661 | \$1,701,706,128 | \$1,735,317,564 |
| School Component Unit | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$332,700,082 | \$356,757,290 | \$386,599,276 | \$404,050,823 | \$464,751,903 | \$520,283,078 | \$535,315,558 | \$559,348,585 | \$583,990,484 | \$611,776,750 |
| Restricted for: | | | | | | | | | | |
| Capital projects | 53,652,410 | 15,008,543 | 4,549,397 | 52,726,465 | 47,055,029 | 54,583,825 | 57,977,311 | 69,833,117 | 72,212,556 | 132,830,419 |
| Other projects/Grants | - | - | - | 3,180,528 | 10,954,607 | 12,076,754 | 11,446,474 | 3,010,014 | 3,587,376 | 3,955,671 |
| Unrestricted | (21,749,122) | (29,729,500) | (32,814,262) | - | - | - | (441,907,246) | (408,902,983) | (466,140,849) | (496,797,345) |
| Total schools component unit activities net position | \$364,603,370 | \$342,036,333 | \$358,334,411 | \$459,957,816 | \$522,761,539 | \$586,943,657 | \$162,832,097 | \$223,288,733 | \$193,649,567 | \$251,765,495 |
| | | | | | | | | | *restated | |
| Other Component Units | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$29,344,880 | \$29,978,738 | \$27,878,594 | \$27,962,471 | \$26,577,683 | \$24,576,817 | \$23,811,868 | \$22,749,656 | \$21,665,493 | \$21,996,512 |
| Restricted for: | | | | | | | | | | |
| Capital projects | - | - | - | - | - | - | - | - | - | - |
| Other projects | - | - | - | - | - | - | - | - | - | - |
| Unrestricted | (4,918,215) | (5,578,810) | (554,073) | (982,778) | 428,056 | 2,476,291 | 3,361,665 | 4,581,044 | 5,009,233 | 3,768,845 |
| Total other component units activities net position | \$24,426,665 | \$24,399,928 | \$27,324,521 | \$26,979,693 | \$27,005,739 | \$27,053,108 | \$27,173,533 | \$27,330,700 | \$26,674,726 | \$25,765,357 |

ARLINGTON COUNTY, VIRGINIA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

| Expenses | | | | | | | Restated | | Restated | |
|--|------------------------|----------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Primary government: | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Governmental activities: | | | | | | | | | | |
| General government | \$183,532,881 | \$157,913,828 | \$195,846,347 | \$180,060,339 | \$212,776,822 | \$197,890,282 | \$246,530,409 | \$231,359,735 | \$394,484,321 | \$267,798,619 |
| Public safety | 114,536,445 | 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 |
| Environmental services | 73,697,836 | 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 |
| Health & welfare | 109,949,551 | 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 |
| Libraries | 14,426,350 | 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 |
| Parks, recreation & culture | 38,592,964 | 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 |
| Planning & community development | 46,279,307 | 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 |
| Education | 390,921,262 | 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 |
| Interest and other charges | 18,430,756 | 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 |
| Total governmental activities expenses | <u>990,367,352</u> | <u>909,167,130</u> | <u>948,087,547</u> | <u>1,009,595,950</u> | <u>1,057,219,530</u> | <u>1,116,836,685</u> | <u>1,141,079,588</u> | <u>1,145,308,461</u> | <u>1,376,697,345</u> | <u>1,422,630,538</u> |
| Business-type activities: | | | | | | | | | | |
| Utilities | 57,904,261 | 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 |
| Ballston Public Parking Garage | 9,517,231 | 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 |
| IDA Revenue Bond Fund | 1,519,061 | 1,695,732 | 1,701,967 | - | - | - | - | - | - | - |
| 8th Level Ballston Public Parking Garage | 35,947 | 52,808 | 88,383 | 132,027 | 50,496 | 53,085 | 157,097 | 174,141 | 193,955 | 172,755 |
| 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 |
| Total business-type activities expenses | <u>68,976,500</u> | <u>75,981,436</u> | <u>81,809,379</u> | <u>83,928,426</u> | <u>93,761,404</u> | <u>111,541,816</u> | <u>104,683,282</u> | <u>107,395,393</u> | <u>106,529,798</u> | <u>107,674,180</u> |
| Total primary government expenses | <u>\$1,059,343,852</u> | <u>\$985,148,566</u> | <u>\$1,029,896,926</u> | <u>\$1,093,524,376</u> | <u>\$1,150,980,934</u> | <u>\$1,228,378,501</u> | <u>\$1,245,762,870</u> | <u>\$1,252,703,854</u> | <u>\$1,483,227,143</u> | <u>\$1,530,304,718</u> |
| Component units: | | | | | | | | | | |
| Schools | 412,953,520 | 422,055,027 | 412,450,899 | 407,401,980 | 431,308,198 | 485,061,915 | 930,311,090 | 487,285,239 | 603,030,183 | 576,931,200 |
| Other | 7,777,236 | 8,189,092 | 7,702,100 | 7,505,677 | 7,317,002 | 7,375,441 | 7,468,573 | 7,480,926 | 8,268,201 | 8,625,732 |
| Total component units activities expenses | <u>\$420,730,756</u> | <u>\$430,244,119</u> | <u>\$420,152,999</u> | <u>\$414,907,657</u> | <u>\$438,625,200</u> | <u>\$492,437,356</u> | <u>\$937,779,663</u> | <u>\$494,766,165</u> | <u>\$611,298,384</u> | <u>\$585,556,932</u> |
| Program Revenues | | | | | | | | | | |
| Primary government: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| General government | \$18,106,488 | \$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 |
| Environmental services | 19,684,727 | 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 |
| Public safety | 5,049,238 | 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 |
| Other activities | 21,509,731 | 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 |
| Operating grants and contributions | 105,661,179 | 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 |
| Capital grants and contributions | 1,811,566 | 1,812,817 | 1,807,735 | 1,822,203 | 1,818,130 | - | - | - | - | - |
| Total governmental activities program revenues | <u>171,822,929</u> | <u>162,960,218</u> | <u>166,766,564</u> | <u>184,734,123</u> | <u>214,623,922</u> | <u>191,980,671</u> | <u>213,716,120</u> | <u>218,839,043</u> | <u>210,000,983</u> | <u>205,066,586</u> |
| Business-type activities: | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| Water-sewer service charges | 67,434,401 | 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 |
| Water-service hook-up charges | 4,810,598 | 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 |
| Other activities | 33,946,120 | 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 |
| Capital grants and contributions | 28,033,520 | 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 |
| Total business-type activities program revenues | <u>134,224,639</u> | <u>150,734,518</u> | <u>137,776,953</u> | <u>124,690,215</u> | <u>130,406,670</u> | <u>133,357,967</u> | <u>128,818,690</u> | <u>129,806,792</u> | <u>126,912,097</u> | <u>130,362,556</u> |
| Total primary government program revenues | <u>\$306,047,568</u> | <u>\$313,694,736</u> | <u>\$304,543,517</u> | <u>\$309,424,338</u> | <u>\$345,030,592</u> | <u>\$325,338,638</u> | <u>\$342,534,810</u> | <u>\$348,645,835</u> | <u>\$336,913,080</u> | <u>\$335,429,142</u> |
| Component units: | | | | | | | | | | |
| Charges for services | \$20,328,889 | \$20,561,183 | \$26,743,790 | \$27,358,213 | \$23,945,689 | \$31,354,968 | \$28,565,024 | \$28,974,950 | \$34,839,210 | \$41,051,384 |
| Operating grants and contributions | 417,046,873 | 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 |
| Capital grants and contributions | 1,428,953 | 500,000 | 586,833 | - | - | - | - | - | - | - |
| Total component units program revenues | <u>\$438,804,715</u> | <u>\$389,197,940</u> | <u>\$422,509,147</u> | <u>\$498,739,061</u> | <u>\$483,460,298</u> | <u>\$538,358,289</u> | <u>\$494,247,678</u> | <u>\$533,977,476</u> | <u>\$89,185,882</u> | <u>\$99,274,128</u> |

ARLINGTON COUNTY, VIRGINIA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|--------------------------|--------------------------|
| Net (Expense) Revenue | | | | | | | | | | |
| Primary government: | | | | | | | | | | |
| Governmental activities | (\$818,544,423) | (\$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) | (\$1,217,563,952) |
| Business-type activities | 65,248,139 | 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 |
| Total primary government net expense | (\$753,296,284) | (\$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) | (\$1,194,875,576) |
| Component units: | | | | | | | | | | |
| Component unit activities | \$17,798,673 | (\$41,046,179) | \$2,356,148 | \$83,831,404 | \$44,835,098 | \$45,920,933 | (\$443,531,985) | \$39,211,311 | (\$522,112,502) | (\$486,282,804) |
| Total component units net expense | \$17,798,673 | (\$41,046,179) | \$2,356,148 | \$83,831,404 | \$44,835,098 | \$45,920,933 | (\$443,531,985) | \$39,211,311 | (\$522,112,502) | (\$486,282,804) |
| General Revenues and Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Property taxes: | | | | | | | | | | |
| Real estate property taxes | \$509,933,075 | \$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 |
| Personal property taxes | 93,870,189 | 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 |
| Other local taxes: | | | | | | | | | | |
| Business, professional occupancy license taxes | 57,266,956 | 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 |
| Other local taxes | 128,615,218 | 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 |
| Investment and interest earnings | 17,282,845 | 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 |
| Miscellaneous | 23,985,005 | 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 |
| Total governmental activities | \$830,953,288 | \$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 |
| Business-type activities: | | | | | | | | | | |
| Investment and interest earnings | \$6,065,870 | \$3,447,340 | \$1,215,213 | \$691,356 | \$747,823 | \$39,733 | \$272,989 | \$365,013 | \$621,879 | 420,674 |
| Total business-type activities | \$6,065,870 | \$3,447,340 | \$1,215,213 | \$691,356 | \$747,823 | \$39,733 | \$272,989 | \$365,013 | \$621,879 | \$420,674 |
| Total primary government | \$837,019,158 | \$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 |
| Component units activities: | | | | | | | | | | |
| Other local taxes | | | | | | | | | | |
| Other local taxes | \$16,906,350 | \$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 |
| Investment and interest earnings/Miscellaneous | 681,544 | 1,319,336 | 533,684 | 312,440 | 212,204 | 137,253 | 172,798 | 204,103 | 324,524 | 445,569 |
| Total primary government | \$17,587,894 | \$17,482,362 | \$16,866,524 | \$17,447,172 | \$17,994,671 | \$18,308,554 | \$19,540,850 | \$21,402,492 | \$23,392,509 | \$24,904,282 |
| Changes in Net Position | | | | | | | | | | |
| Primary government: | | | | | | | | | | |
| Governmental activities | \$12,408,864 | \$95,239,289 | \$58,311,273 | \$58,848,666 | \$112,216,748 | \$90,244,145 | \$110,648,285 | \$123,633,778 | (\$63,019,733) | \$10,502,388 |
| Business-type activities | 71,314,009 | 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 |
| Total primary government net expense | \$83,722,873 | \$173,439,711 | \$115,494,060 | \$100,301,811 | \$149,609,837 | \$112,100,029 | \$135,056,702 | \$146,410,190 | (\$42,015,555) | \$33,611,438 |
| Component units: | | | | | | | | | | |
| Component units activities | \$35,386,567 | (\$23,563,817) | \$19,222,672 | \$101,278,576 | \$62,829,769 | \$64,229,487 | (\$423,991,135) | \$60,613,803 | (\$30,295,140) | \$57,206,559 |
| Total component units net expense | \$35,386,567 | (\$23,563,817) | \$19,222,672 | \$101,278,576 | \$62,829,769 | \$64,229,487 | (\$423,991,135) | \$60,613,803 | (\$30,295,140) | \$57,206,559 |

ARLINGTON COUNTY, VIRGINIA
FUND BALANCES, GOVERNMENTAL FUNDS AND COMPONENT UNITS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

| | 2008 | 2009 |
|---|--------------------|--------------------|
| General Fund | | |
| Reserved for | | |
| Encumbrances | \$2,517,374 | \$270,619 |
| Four Mile Run | 500,000 | - |
| Unreserved | | |
| Designated for Self Insurance | 3,500,000 | 5,000,000 |
| Designated for Operating Reserve | 28,262,153 | 30,769,734 |
| Designated for Subsequent Years Budget | 29,928,475 | 44,666,386 |
| Designated for Incomplete Projects | 49,107,897 | 57,713,108 |
| Designated for Retirement | 3,880,000 | - |
| Total General Fund Balance | <u>117,695,899</u> | <u>138,419,847</u> |
| General Fund Balance as Percent of General Fund Expenditures and Other Financing Uses | 12.93% | 14.98% |
| Other Governmental Funds | | |
| Special revenue funds | | |
| Reserved | 53,706 | - |
| Unreserved | 8,526,238 | 6,121,704 |
| Capital Project funds | | |
| Reserved | 26,259,487 | 23,836,818 |
| Unreserved | 133,844,803 | 95,115,125 |
| Total Other Governmental Funds | <u>168,684,234</u> | <u>125,073,647</u> |
| Component Unit - Schools | | |
| Reserved | 65,672,036 | 28,788,084 |
| Unreserved | 7,799,312 | 7,155,183 |
| Total Component Unit - Schools | <u>73,471,348</u> | <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 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| General Fund | | | | | | | | |
| <u>Nonspendable:</u> | | | | | | | | |
| Prepaid | \$- | \$- | \$- | \$- | \$- | \$- | \$- | 35,036 |
| <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 |
| Grants | 45,206 | - | - | - | - | - | - | 255,110 |
| <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 |
| Economic & revenue stabilization contingent | - | - | - | 3,000,000 | 3,000,000 | 8,599,377 | 3,000,000 | 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 |
| 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 |
| Capital projects | - | 4,946,013 | 1,902,323 | 8,403,862 | 14,831,642 | 2,833,146 | 2,057,099 | 6,636,589 |
| 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 |
| 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 |
| <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 |
| 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 |
| Economic Stabilization reserve | - | - | 3,000,000 | 5,000,000 | - | - | - | - |
| 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 |
| 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 |
| 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 |
| 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% |
| 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 |
| <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 |
| <u>Unassigned:</u> | - | - | - | - | - | (1,265,793) | (1,382,728) | (1,351,822) |
| Capital Project funds | | | | | | | | |
| <u>Nonspendable:</u> | | | | | | | | |
| Prepaid | - | - | - | 4,275 | 4,275 | 4,275 | 4,275 | 4,275 |
| <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 |
| <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 |
| <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 |
| Component unit - Schools | | | | | | | | |
| <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 |
| Grants | - | 2,077,853 | 2,109,001 | 2,009,337 | 2,439,196 | 3,010,014 | 3,587,376 | 3,955,671 |
| <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 |
| 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 |
| <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 | 5,534,110 |
| Unfunded liabilities | - | 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 |
| 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 |
| General reserve | - | 3,000,000 | 4,000,000 | - | 1,201,283 | 20,824,898 | 21,593,920 | 19,204,667 |
| VRS reserve | - | 11,587,239 | 7,387,239 | 7,387,239 | 5,637,239 | 5,637,239 | 4,637,239 | 2,512,239 |
| Compensation reserve | - | - | - | - | - | 2,000,000 | 5,200,000 | 4,650,000 |
| 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 |

(1) Required disclosure by Implementation of GASB54 in Fiscal Year 2011.

TABLE D

ARLINGTON COUNTY, VIRGINIA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

| | <u>2008</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> |
|---|----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|----------------------|
| REVENUES: | | | | | | | | | | |
| General property taxes: | | | | | | | | | | |
| Real Estate property taxes | \$473,501,869 | \$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 |
| Personal property taxes | 93,870,189 | 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 |
| Other Local taxes: | | | | | | | | | | |
| BPOL | 57,266,956 | 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 |
| Other local taxes | 128,615,218 | 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 |
| Fines and forfeitures | 8,049,910 | 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 |
| Licenses, permits and fees | 17,022,701 | 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 |
| Intergovernmental | 107,472,746 | 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 |
| Charges for services | 39,277,573 | 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 |
| Interest and rent | 17,282,845 | 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 |
| Miscellaneous revenues | 6,938,710 | 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 |
| Total revenues | <u>949,298,717</u> | <u>993,097,926</u> | <u>1,012,007,612</u> | <u>1,046,067,987</u> | <u>1,131,562,934</u> | <u>1,167,841,834</u> | <u>1,229,267,216</u> | <u>1,244,427,646</u> | <u>1,261,611,473</u> | <u>1,321,363,161</u> |
| EXPENDITURES: | | | | | | | | | | |
| Current operating: | | | | | | | | | | |
| General government | 162,318,710 | 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 |
| Public safety | 105,760,328 | 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 |
| Environmental services | 62,420,185 | 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 |
| Health and welfare | 101,695,722 | 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 |
| Libraries | 13,062,000 | 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 |
| Parks, recreation and culture | 35,000,210 | 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 |
| Planning and community development | 42,796,892 | 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 |
| Debt service | | | | | | | | | | |
| Principal | 28,950,071 | 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 |
| Interest and other charges | 18,430,756 | 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 |
| 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 |
| Education | 390,921,262 | 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 |
| Capital outlay | 60,137,617 | 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 |
| Total expenditures | <u>1,021,493,753</u> | <u>1,047,313,916</u> | <u>1,048,342,446</u> | <u>1,083,319,363</u> | <u>1,176,203,346</u> | <u>1,285,984,852</u> | <u>1,229,776,155</u> | <u>1,306,933,796</u> | <u>1,344,273,684</u> | <u>1,445,470,355</u> |
| Excess(deficiency) of revenues over expenditures | <u>(72,195,036)</u> | <u>(54,215,990)</u> | <u>(36,334,834)</u> | <u>(37,251,376)</u> | <u>(44,640,412)</u> | <u>(118,143,018)</u> | <u>(508,939)</u> | <u>(62,506,150)</u> | <u>(82,662,211)</u> | <u>(124,107,194)</u> |
| OTHER FINANCING SOURCES(USES): | | | | | | | | | | |
| Transfers in | 29,370,998 | 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 |
| Transfers out | (29,663,941) | (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) |
| Capital leases | 5,704,728 | 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 |
| 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 | - | - | - | - | - |
| Premium from sale of bonds | 1,491,507 | - | 1,145,925 | 6,458,775 | 6,712,155 | 11,594,033 | 2,442,072 | 5,647,316 | 12,072,242 | 29,561,598 |
| Issuance of revenue bonds | - | - | 41,280,000 | 11,940,000 | - | - | - | - | - | - |
| Issuance of debt | 83,777,000 | 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 |
| Bond proceeds Schools | - | - | - | (78,543,000) | - | - | - | - | - | - |
| Total other financing sources and uses | <u>90,680,292</u> | <u>31,329,351</u> | <u>64,309,476</u> | <u>117,721,034</u> | <u>108,690,712</u> | <u>134,963,935</u> | <u>69,806,288</u> | <u>86,332,621</u> | <u>72,477,043</u> | <u>223,574,987</u> |
| Net change in fund balances | <u>\$18,485,256</u> | <u>(\$22,886,639)</u> | <u>\$27,974,642</u> | <u>\$80,469,658</u> | <u>\$64,050,300</u> | <u>\$16,820,917</u> | <u>\$69,297,349</u> | <u>\$23,826,471</u> | <u>(\$10,185,168)</u> | <u>\$99,467,793</u> |
| Debt service as a percentage of noncapital expenditures | 4.9% | 5.5% | 5.4% | 5.6% | 5.0% | 4.9% | 4.9% | 4.7% | 4.7% | 4.5% |

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-Departmental | Debt Service(3) | Contributions to Regional Agencies | | Total |
|-------------|--------------------|---------------|---|------------------|----------------------------|-------------|------------------|-----------------|------------------------------------|-----------|---------------|
| | | | | | | | | | Transit | Other | |
| 2008 | 91,871,133 | 105,760,328 | 62,420,185 | 101,695,722 | 84,965,631 | 356,461,219 | 45,179,813 | 76,238,801 | 17,400,000 | 7,867,764 | 949,860,596 |
| 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 |

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 |
|-------------|---------------|----------------------|----------------------------|----------------------|-----------------------|------------------------|---------------|
| 2008 | 756,859,824 | 17,022,701 | 131,541,624 | 53,645,287 | 8,049,910 | 19,554,790 | 986,674,136 |
| 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 |

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 |
|-------------|------------------|-------------|-----------------|---------------|------------|-------------|------------|--------------------|------------|-------------------|--------------|-------------|
| 2008 | 554,127,644 | 35,299,283 | 2,621,265 | 22,124,454 | 1,477,629 | 6,941,848 | 5,279,450 | 10,024,166 | 28,453,021 | 76,643 | 74,414 | 666,499,817 |
| 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 |

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 | | |
| 2008 | 57,469,500,000 | 57,469,500,000 | 1,931,899,776 | 1,931,899,776 | 884,773,303 | 884,773,303 | 60,286,173,079 | 60,286,173,079 | .818/.848 | 5.00 |
| 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 |

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 from calendar year 2008 forward include sanitary district tax for stormwater management initiatives.

TABLE G

ARLINGTON COUNTY, VIRGINIA
PRINCIPAL TAXPAYERS (1)
CURRENT YEAR AND NINE YEARS AGO

| 2017 | | | | 2008 | | | |
|---|-------------------------|------|--|---|-------------------------|------|--|
| 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, apartments, hotel, land | \$3,722,627,200 | 1 | 5.07% | Vornado Realty Trust Office buildings, apartments, hotel, land | \$5,492,715,000 | 1 | 9.56% |
| Albrittain Interests Apartments, general commercial | 1,344,635,000 | 2 | 1.83% | JBG/ Trize Chahn Office building land | 970,750,800 | 2 | 1.69% |
| Paradigm Managed Properties Apartments, general commercial | 1,222,909,200 | 3 | 1.66% | Albrittain interests Apartment, general commercial | 965,111,600 | 3 | 1.68% |
| Arland Towers Company Office Building, land | 1,208,065,900 | 4 | 1.64% | Paradigm Managed Properties Apartments, general commercial | 687,674,200 | 4 | 1.20% |
| JBG Companies Office buildings, apartments, hotel, land | 1,078,276,100 | 5 | 1.49% | Shirley Park Leasing Lp Office building Land | 609,308,000 | 5 | 1.06% |
| Fashion Centre Associates Mixed use retail | 894,847,200 | 6 | 1.21% | Fashion Centre Assoc Mixed Use retail | 601,308,000 | 6 | 1.05% |
| Shirley Park Leasing Office buildings, land | 873,105,800 | 7 | 1.18% | Beacon Capital Partners Office Bldg | 540,177,900 | 7 | 0.94% |
| Beacon Office buildings, land | 781,314,500 | 8 | 1.06% | Arland Towers Co Office building land | 418,140,400 | 8 | 0.73% |
| Caruthers Retail, Office Apartment | 703,618,800 | 9 | 0.95% | Kingdon Gould/Airport Plaza Assoc Office Buildings, hotel land | 344,153,000 | 9 | 0.60% |
| Street Retail Inc Office buildings, hotel, land | 668,334,000 | 10 | 0.91% | FDIC Office Building | 294,421,300 | 10 | 0.51% |
| Total | <u>\$12,497,733,700</u> | | <u>17.00%</u> | | <u>\$10,923,760,200</u> | | <u>19.02%</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 |
| 2008 | 577,382,502 | 574,471,873 | 99.50% | 2,499,837 | 576,971,710 | 99.93% |
| 2009 | 620,932,072 | 617,215,681 | 99.40% | 3,165,413 | 620,381,094 | 99.91% |
| 2010 | 632,119,546 | 628,272,902 | 99.39% | 6,462,384 | 631,735,287 | 99.94% |
| 2011 | 655,037,161 | 650,965,303 | 99.38% | 3,805,352 | 654,770,655 | 99.96% |
| 2012 | 696,343,133 | 697,633,240 | 100.19% | (1,556,717) | 696,076,524 | 99.96% |
| 2013 | 753,003,967 | 748,656,079 | 99.42% | 4,107,492 | 752,763,571 | 99.97% |
| 2014 | 788,220,268 | 784,483,188 | 99.53% | 3,442,055 | 787,925,243 | 99.96% |
| 2015 | 812,776,470 | 809,269,205 | 99.57% | 3,191,146 | 812,460,350 | 99.96% |
| 2016 | 838,653,711 | 835,542,405 | 99.63% | 2,744,488 | 838,286,893 | 99.96% |
| 2017 | 868,874,581 | 867,494,501 | 99.84% | - | 867,494,501 | 99.84% |

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 |
| 2008 | 481,450,469 | 479,931,389 | 99.68% | 1,506,123 | 481,437,512 | 100.00% |
| 2009 | 522,711,290 | 521,181,642 | 99.71% | 1,519,320 | 522,700,963 | 100.00% |
| 2010 | 535,673,731 | 533,974,360 | 99.68% | 1,692,377 | 535,666,737 | 100.00% |
| 2011 | 556,655,948 | 554,896,565 | 99.68% | 1,757,566 | 556,654,131 | 100.00% |
| 2012 | 596,245,497 | 599,088,319 | 100.48% | (2,843,658) | 596,244,662 | 100.00% |
| 2013 | 644,487,043 | 642,101,576 | 99.63% | 2,373,438 | 644,475,014 | 100.00% |
| 2014 | 676,543,753 | 674,587,922 | 99.71% | 1,943,441 | 676,531,362 | 100.00% |
| 2015 | 701,721,141 | 699,630,645 | 99.70% | 2,063,346 | 701,693,991 | 100.00% |
| 2016 | 725,537,709 | 723,726,055 | 99.78% | 1,573,396 | 725,299,451 | 99.99% |
| 2017 | 752,487,560 | 751,657,270 | 99.89% | - | 751,657,270 | 99.89% |

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 |
| 2008 | 95,932,033 | 94,540,484 | 98.55% | 993,714 | 95,534,198 | 99.59% |
| 2009 | 98,220,783 | 96,034,039 | 97.77% | 1,646,093 | 97,680,132 | 99.45% |
| 2010 | 96,445,815 | 94,298,542 | 97.77% | 1,770,007 | 96,068,549 | 99.61% |
| 2011 | 98,370,468 | 96,068,738 | 97.66% | 2,047,786 | 98,116,524 | 99.74% |
| 2012 | 100,097,636 | 98,544,921 | 98.45% | 1,286,941 | 99,831,862 | 99.73% |
| 2013 | 108,516,923 | 106,554,504 | 98.19% | 1,734,054 | 108,288,557 | 99.79% |
| 2014 | 111,676,516 | 109,895,266 | 98.40% | 1,498,615 | 111,393,881 | 99.75% |
| 2015 | 111,055,629 | 109,638,560 | 98.72% | 1,127,799 | 110,766,359 | 99.74% |
| 2016 | 113,296,002 | 111,816,350 | 98.69% | 1,171,092 | 112,987,442 | 99.73% |
| 2017 | 116,387,021 | 115,837,231 | 99.53% | - | 115,837,231 | 99.53% |

* 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 Note s Payable (3) | Capital Leases | Utilities General Obligation Bonds (4) | Bond Premiums | BPPG Revenue Bonds (4) | BPPG Note Payable | VRA Bonds (4) | Capital Leases | | | |
| 2008 | 625,498,345 | 15,580,360 | - | 52,180,000 | - | 8,636,047 | 119,701,657 | 3,533,627 | 13,300,000 | 3,429,679 | 146,074,542 | 3,045,844 | 990,980,101 | 6.92% | 4,672 |
| 2009 | 576,842,463 | 14,698,208 | - | 47,120,000 | 35,962,739 | 18,436,505 | 112,617,553 | 3,280,753 | 12,800,000 | 3,429,679 | 216,152,600 | 2,120,767 | 1,043,461,267 | 6.91% | 4,900 |
| 2010 | 566,435,124 | 16,238,342 | 41,280,000 | 41,900,000 | 35,666,099 | 20,556,593 | 105,459,880 | 2,154,622 | 12,300,000 | 3,429,679 | 256,458,344 | 3,450,321 | 1,105,329,004 | 7.14% | 5,122 |
| 2011 | 687,933,174 | 27,954,839 | 40,135,000 | 48,455,000 | 35,016,099 | 18,933,209 | 127,396,828 | 3,581,390 | 11,800,000 | 3,429,679 | 263,158,039 | 3,119,963 | 1,270,913,220 | 7.89% | 5,894 |
| 2012 | 730,532,411 | 43,491,622 | 38,970,000 | 42,635,000 | 35,016,099 | 14,368,663 | 124,517,591 | 4,654,464 | 10,600,000 | 3,429,679 | 253,204,991 | 2,467,919 | 1,303,888,439 | 7.27% | 5,814 |
| 2013 | 776,934,905 | 57,387,895 | 125,285,000 | - | - | 13,175,010 | 119,765,096 | 4,977,984 | 9,400,000 | 3,429,679 | 246,193,772 | 4,261,192 | 1,360,810,533 | 7.12% | 5,874 |
| 2014 | 779,454,489 | 59,689,141 | 116,500,000 | - | - | 14,315,564 | 112,630,511 | 4,830,753 | 8,900,000 | 3,429,679 | 233,282,935 | 5,812,459 | 1,274,325,637 | 6.99% | 5,765 |
| 2015 | 791,622,939 | 61,649,694 | 106,855,000 | - | - | 15,938,583 | 107,467,060 | 4,747,140 | 7,000,000 | 3,429,679 | 219,832,909 | 4,638,736 | 1,256,784,906 | 6.89% | 5,686 |
| 2016 | 780,605,263 | 69,752,807 | 101,925,000 | - | - | 16,585,370 | 97,974,737 | 4,429,224 | 5,800,000 | 3,429,679 | 205,816,282 | 4,965,071 | 1,217,101,402 | 6.67% | 5,506 |
| 2017 | 893,276,266 | 94,741,666 | 96,980,000 | - | - | 21,124,811 | 89,873,734 | 4,111,309 | 4,600,000 | 3,429,679 | 191,314,640 | 3,732,417 | 1,403,184,522 | 6.56% | 5,854 |

NOTES:

- (1) Population and personal Income estimates are from Arlington County Planning Division presented in Table I
(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 Revenue

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) | | | |
| 2008 | 208,000 | 60,286,173,079 | 625,498,345 | 119,701,657 | - | 52,180,000 | - | 797,380,002 | 1.32% | 3,834 |
| 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 |

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 |
|-------------|---------------|--------------------|------------------|--------------------|--------------------------------------|--|--------------------|----------|
| 2008 | 4,318,862 | 7,268,910 | (3,695,305) | (654,996) | 2,918,609 | 1,400,253 | 1,021,719 | 1.37 |
| 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 |

(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 |
| 2008 | 102,270,725 | 42,983,162 | 59,287,563 | 5,179,814 | 6,142,614 | 11,322,428 | 5.24 |
| 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 |

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) |
|-------------|----------------|---|-----------------------|-----------------------|-----------------------|
| 2008 | 208,000 | 14,040,000 | 67,500 | 18,684 | 2.6% |
| 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% |

NOTES:

- 1) The 2011-2013 population figures are estimates from the US Census Bureau.
The 2008-2010, & 2014-2017 population figures are estimates from the Arlington County Planning Division.
- (2) Source - 2014 -2017 estimates from the Arlington County Planning Division. 2008-2013 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 2014-2017 U.S. Bureau of Labor Statistics, Figures 2008-2013 Virginia Employment Commission

TABLE L

ARLINGTON COUNTY, VIRGINIA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

| 2017* | | | | 2008 | | | |
|---------------------------------------|------------------|-------------|--|--------------------------------|------------------|-------------|---|
| <u>Employers</u> | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total County Employment</u> | <u>Employers</u> | <u>Employees</u> | <u>Rank</u> | <u>Percentage of Total Count Employment</u> |
| Department of Defense | 28,000 | 1 | 12.60% | Department of Defense | 29,500 | 1 | 14.73% |
| Arlington County Government & Schools | 10,000 | 2 | 4.50% | Arlington County Government | 10,264 | 2 | 5.12% |
| Department of Homeland Security | 5,600 | 3 | 2.52% | Virginia Hospital Center | 2,127 | 3 | 1.06% |
| Department of Justice | 5,300 | 4 | 2.38% | Marriott International Inc. | 1,720 | 4 | 0.86% |
| State Department | 5,300 | 5 | 2.38% | Corporate Executive Board | 1,659 | 5 | 0.83% |
| Accenture | 4,600 | 6 | 2.07% | Lockheed Martin Group | 1,533 | 6 | 0.77% |
| Deloitte | 3,200 | 7 | 1.44% | SAIC | 1,448 | 7 | 0.72% |
| Virginia Hospital Center | 3,000 | 8 | 1.35% | US Airways | 1,294 | 8 | 0.65% |
| FDIC | 2,900 | 9 | 1.30% | CACI | 1,246 | 9 | 0.62% |
| National Science Foundation | 2,200 | 10 | 0.99% | Booz Allen Hamilton | 1,203 | 10 | 0.60% |
| Booz Allen Hamilton | 1,600 | 11 | 0.72% | Verizon | 995 | 11 | 0.50% |
| CEB | 1,500 | 12 | 0.67% | SRA International, Inc. | 954 | 12 | 0.48% |
| Bloomberg BNA | 1,200 | 13 | 0.54% | Marymount University | 651 | 13 | 0.33% |
| Environmental Protection Agency | 1,000 | 14 | 0.45% | Virginia State Government | 646 | 14 | 0.32% |
| PAE Government Services | 800 | 15 | 0.36% | Bureau of National Affairs (BN | 600 | 15 | 0.30% |
| Lockheed Martin | 650 | 16 | 0.29% | Nordstrom | 593 | 16 | 0.30% |
| Marymount University | 600 | 17 | 0.27% | The Boeing Company | 579 | 17 | 0.29% |
| Marriott | 600 | 18 | 0.27% | Macy's | 550 | 18 | 0.27% |
| NRECA | 550 | 19 | 0.25% | E*Trade Financial | 500 | 19 | 0.25% |
| CACI | 500 | 20 | 0.22% | NRECA | 500 | 20 | 0.25% |
| Total | 79,100 | | 35.58% | | 58,562 | | 29.24% |
| Total At-Place Employment | 222,300 | | | | 200,300 | | |

Source: Arlington County Planning Division; Arlington Economic Development

* 1st Quarter Estimates

TABLE M

ARLINGTON COUNTY, VIRGINIA
FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

| Department | <u>2008</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> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| County Board | 8.0 | 8.0 | 7.8 | 7.8 | 8.0 | 8.0 | 7.8 | 8.3 | 9.3 | 10.0 |
| County Manager | 35.0 | 34.5 | 37.9 | 36.9 | 36.9 | 37.1 | 35.9 | 35.9 | 37.4 | 33.4 |
| Management and Finance | 55.0 | 57.0 | 50.0 | 54.0 | 55.0 | 55.0 | 55.5 | 56.5 | 57.5 | 57.5 |
| Technology Services | 67.8 | 67.8 | 70.0 | 71.0 | 72.0 | 74.0 | 73.0 | 72.0 | 78.0 | 78.0 |
| Human Resources | 50.5 | 51.5 | 53.5 | 50.0 | 51.0 | 52.0 | 52.0 | 52.0 | 52.0 | 53.0 |
| Civil Service Commission | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| County Attorney | 11.0 | 14.0 | 14.0 | 14.0 | 14.0 | 14.0 | 14.0 | 14.0 | 15.0 | 15.0 |
| Circuit Court | 34.4 | 35.8 | 33.8 | 32.3 | 32.3 | 32.3 | 32.3 | 33.8 | 36.8 | 36.8 |
| 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 | 57.5 | 56.3 | 55.8 | 55.8 | 55.8 | 55.8 | 55.8 | 55.8 | 55.8 |
| Commonwealth's Attorney | 40.0 | 39.0 | 35.5 | 34.0 | 35.0 | 35.0 | 35.0 | 35.0 | 36.0 | 34.0 |
| Sheriff | 277.8 | 277.8 | 268.4 | 266.0 | 267.0 | 271.0 | 271.0 | 272.0 | 279.0 | 286.0 |
| Commissioner of Revenue | 56.0 | 56.0 | 54.0 | 53.0 | 53.0 | 52.0 | 52.0 | 52.0 | 52.0 | 52.0 |
| Treasurer | 63.2 | 63.2 | 61.8 | 60.8 | 60.8 | 59.8 | 61.8 | 61.8 | 62.4 | 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 | 66.5 | 72.5 | 72.5 | 71.5 | 71.5 | 79.5 | 76.5 | 74.5 | 74.5 | 74.5 |
| Police | 476.0 | 476.0 | 475.0 | 465.0 | 466.0 | 466.0 | 466.0 | 470.0 | 472.0 | 478.0 |
| Fire | 314.7 | 321.3 | 317.3 | 316.0 | 317.0 | 320.0 | 321.0 | 321.0 | 319.0 | 332.0 |
| Public Works/Environmental Services | 676.7 | 699.7 | 688.7 | 694.7 | 700.2 | 721.2 | 730.2 | 765.0 | 774.5 | 783.5 |
| Human Services | 703.5 | 712.2 | 703.3 | 694.7 | 699.7 | 685.8 | 680.5 | 681.5 | 705.9 | 717.9 |
| Libraries | 157.8 | 157.8 | 142.4 | 125.1 | 127.6 | 135.6 | 133.9 | 133.9 | 133.9 | 133.9 |
| Economic Development | 32.8 | 31.8 | 28.8 | 28.8 | 28.8 | 61.6 | 61.6 | 63.6 | 56.7 | 60.0 |
| Community Planning, Housing & Developme | 156.5 | 181.1 | 179.0 | 176.0 | 177.0 | 197.1 | 198.6 | 198.6 | 184.5 | 188.5 |
| Parks, Recreation & Cultural Resources | 411.3 | 400.5 | 378.2 | 355.8 | 360.3 | 345.9 | 365.9 | 371.2 | 370.9 | 379.0 |
| Total County Positions | 3,762.1 | 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 |
| Total School Positions | 3,613.7 | 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 |
| TOTAL POSITIONS | 7,375.8 | 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 |

Sources: Arlington County FY2017 Adopted Budget and Arlington County School Board's Adopted Budget FY 2017

TABLE N

ARLINGTON COUNTY, VIRGINIA
OPERATING INDICATORS BY FUNCTION-PROGRAM
JUNE 30, 2017

| Form of Government Date of Adoption January 1, 1932 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Area (square miles) | 26 | 26 | 26 | 26 | 26 | 26 | 26 | 26 | 26 | 26 |
| Lane Miles | 961 | 961 | 961 | 974 | 974 | 974 | 974 | 974 | 974 | 974 |
| Number of Street Lights | 14,620 | 14,657 | 16,580 | 16,723 | 17,267 | 17,796 | 18,708 | 19,642 | 18,349 | 18,493 |
| <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 | 34 | 35 | 37 | 37 | 37 | 37 | 37 | 38 | 39 | 39 |
| Number of Classrooms | 1,720 | 1,720 | 1,720 | 1,720 | 1,720 | 1,740 | 1,760 | 1,780 | 1,851 | 1,913 |
| Number of Teachers | 1,962 | 2,046 | 2,096 | 2,105 | 2,241 | 2,295 | 2,406 | 2,501 | 2,628 | 2,736 |
| Number of Students | 18,684 | 19,420 | 20,233 | 21,168 | 21,853 | 22,763 | 23,612 | 24,664 | 25,463 | 26,405 |
| <u>County Water System:</u> | | | | | | | | | | |
| Number of consumer service locations | 36,828 | 36,877 | 37,228 | 37,574 | 37,151 | 37,189 | 37,343 | 37,464 | 37,658 | 37,577 |
| Average daily consumption (gallons) | 24,066,000 | 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 |
| 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 | 24,700,000 | 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 |
| System capacity under construction (gallons per day) | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | - | - | - | - | - |
| <u>Building Permits:</u> | | | | | | | | | | |
| Construction Permits | 3,289 | 2,473 | 2,543 | 2,939 | 3,074 | 3,019 | 3,035 | 3,250 | 3,702 | 3,376 |
| Plumbing, Electrical & Mechanical Permits | 7,132 | 7,232 | 6,531 | 7,834 | 7,907 | 8,264 | 8,338 | 8,873 | 10,288 | 9,477 |
| Fire Permits | 974 | 842 | 804 | 982 | 1,052 | 953 | 997 | 1,064 | 1,214 | 1,192 |
| Elevator Permits | 103 | 75 | 116 | 72 | 77 | 99 | 95 | 115 | 106 | 110 |
| <u>Recreation and Culture:</u> | | | | | | | | | | |
| Number of Parks and Playgrounds | 212 | 212 | 212 | 212 | 219 | 236 | 236 | *210 | 213 | 214 |
| Number of Libraries | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Number of Items (Print and Audiovisual) | 629,808 | 635,284 | 643,950 | 662,757 | 632,517 | 653,092 | 633,127 | 675,924 | 687,584 | 690,700 |
| Number of Community Centers | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 13 |
| Number of Nature Centers | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Number of Historical Districts | 30 | 30 | 31 | 31 | 32 | 34 | 34 | 36 | 38 | 40 |

*Prior to FY2015, 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.

TABLE O

ARLINGTON COUNTY, VIRGINIA
CAPITAL ASSET STATISTICS BY FUNCTION/ PROGRAM
JUNE 30, 2017

Primary Government

| FUNCTION AND ACTIVITY: | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| General Government: | | | | | | | | | | |
| Control- | | | | | | | | | | |
| Legislative | \$58,579 | \$81,144 | \$92,430 | \$114,522 | \$114,522 | \$114,522 | \$114,522 | \$694,222 | \$694,222 | \$1,190,662 |
| Executive | 245,864 | 340,573 | 387,942 | 480,663 | 480,663 | 480,663 | 492,215 | 497,308 | 532,598 | 532,598 |
| Judicial | 1,292,973 | 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 |
| Total Control | 1,597,416 | 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 |
| Staff Agencies- | | | | | | | | | | |
| Elections | 138,310 | 191,588 | 218,235 | 270,396 | 270,396 | 270,396 | 1,129,595 | 1,129,595 | 1,129,595 | 1,129,595 |
| Management and Finance | 239,344 | 331,542 | 377,655 | 467,918 | 1,077,827 | 1,588,298 | 1,610,532 | 1,610,532 | 1,610,532 | 1,610,532 |
| Human Resources | 167,306 | 231,753 | 347,256 | 410,350 | 414,403 | 414,403 | 414,403 | 414,403 | 414,403 | 414,403 |
| Office of County Attorney | 38,971 | 53,983 | 61,491 | 876,188 | 923,699 | 953,687 | 966,128 | 1,092,069 | 1,092,069 | 1,092,069 |
| Commissioner of the Revenue | 48,621 | 67,350 | 76,718 | 595,054 | 595,054 | 595,054 | 595,054 | 595,054 | 607,454 | 607,454 |
| Treasurer | 835,309 | 1,157,077 | 1,350,098 | 65,114 | 65,114 | 65,114 | 65,114 | 65,114 | 283,967 | 349,169 |
| Department of Technology Service: | 16,700,152 | 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 |
| General government buildings | 43,796,601 | 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 |
| Total Staff Agencies | 61,964,614 | 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 |
| Total General Government | 63,562,030 | 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 |
| Public Safety: | | | | | | | | | | |
| Police | 24,163,161 | 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 |
| Fire | 6,594,563 | 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 |
| Emergency management | 922,734 | 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 |
| Total Public Safety | 31,680,458 | 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 |
| Environmental Services | 414,461,104 | 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 |
| Health and Public Welfare | 31,394,364 | 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 |
| Libraries | 12,159,862 | 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 |
| Recreation | 88,774,344 | 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 |
| Community Development | 14,644,784 | 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 |
| Total General Capital Assets | \$764,951,857 | \$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 |
| Internal Services Fund | | | | | | | | | | |
| Auto Equipment Fund | \$45,696,573 | \$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 |
| Total Internal Services Fund | \$45,696,573 | \$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 |
| Component Unit: School Board | | | | | | | | | | |
| Schools | \$470,609,847 | \$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 |
| GRAND TOTALS | \$1,281,258,277 | \$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 |

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) | Percentage of Debt Service to Total General Expenditures |
|-------------|------------|------------|------------------------|--------------------------------|--|
| 2008 | 47,100,186 | 29,138,615 | 76,238,801 | 949,860,596 | 8.03% |
| 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% |

NOTES:

- (1) Excludes debt service on general obligation bonds payable from the Enterprises Fund and all paying agent charges
 (2) Includes all categories of expenditures as presented in Table I

| ARLINGTON COUNTY, VIRGINIA SCHEDULE OF INSURANCE JULY 1, 2016 - JUNE 30, 2017 | | | | | |
|--|----------------------------|----------------------|----------------------|--|--|
| 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-006-17 | 07/01/16 | 07/01/17 | 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 | \$521,979.00 Includes TRIA |
| <u>Crime Policy</u> VaCorp 2 | VA-AR-006-17 | 07/01/16 | 07/01/17 | 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-006-17 | 07/01/16 | 07/01/17 | 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>Performing Arts</u> Package Business Policy Liquor Liability Rosslyn Theater 4 | MRC4102701 HBD 10010727 | 07/01/16 07/01/16 | 07/01/17 07/01/17 | Package Ins. Policy for Performing Arts Group DBA Rosslyn Theater Incl.\$ 1/2 million GL \$ 850,000 Property | Package Policy \$5,972.00 Included |
| <u>General Liability, Public Officials Liab.</u> <u>Law Enforcement Liab, Auto Liability</u> Covers Arlington County employees and Officials conducting County business 5 | 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 6 | VA-AR-006-17 | 07/01/16 | 07/01/17 | Excess Public Entity Liability Policy Excess of \$ 1,000,000 self-insured retention \$ 10 million limits excess of SIR | \$341,815.00 |

| ARLINGTON COUNTY, VIRGINIA SCHEDULE OF INSURANCE JULY 1, 2016 - JUNE 30, 2017 | | | | | |
|--|--|--|--|---|---|
| Type of Coverage & Insurance Company | Policy Number | Period From | Period To | Summary of Coverage & Liability Limits | Premium Costs |
| <u>Constitutional Officers</u> <u>Business Auto</u> <u>Package Policy</u> VACorp 7 | VA-AR-006-17 | 07/01/16 | 07/01/17 | 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 | \$32,372.00 |
| <u>Medical Prof. Liability</u> Arch Speciality Insurance 8 | FLP0022336 | 07/01/16 | 07/01/17 | Professional Liability Insurance Employed and Contracted Physicians Clinic Staf and EMS Limits: \$ 2/6 million \$ 25,000 DED. Each claim | \$223,384.00 |
| <u>Group Accident Coverage</u> National Union Fire Ins. National Union Fire Ins. National Union Fire Ins. VaCorp VaCorp 9 | SRG 0009105405 SRG 0009105406 SRG 0009105403 VA-AR-006-16 VA-AR-006-16 | 07/01/16 07/01/16 07/01/16 07/01/16 07/01/16 | 07/01/17 07/01/17 07/01/17 07/01/17 07/01/17 | 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 \$9,958.00 \$12,792.00 \$1,000.00 \$1,000.00 |
| TOTAL PREMIUM | | | | | \$35,250.00 |
| <u>County Board Surety Bond</u> 10 | L. Garvey J. Fisette J. Vihstadt | Continuous until Cancelled | | Bond limit \$ 2,500 | 3 yr. policy |
| <u>VDOT Permit Bond</u> Travelers 11 | 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 12 | 03076C153ALI ZUP-10T21909-15-NF | 07/01/16 07/01/16 | 07/01/17 07/01/17 | Excess liability coverage required by May Co. regarding ice rink at Ballston Garage. | \$48,250.00 \$29,000.00 |

| ARLINGTON COUNTY, VIRGINIA SCHEDULE OF INSURANCE JULY 1, 2016 - JUNE 30, 2017 | | | | | |
|--|--|--|-----------|---|----------------------------------|
| 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 13 | 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) Clerk of Court Sheriff Commissioner of Revenue Commonwealth's Attorney Registrar of Voters Arlington County Treasurer 14 | Virginia Risk Virginia Risk Virginia Risk Virginia Risk Virginia Risk Virginia Risk | Continuous Continuous Continuous Continuous Continuous Continuous | | Combined Program for CGL/POL & LEL covers Public Officials & Employees by reason of any wrongful Act, rendered in the discharge of the duties of the Limits: \$1 million per loss Limits: \$1.5 million per loss Limits: \$1 million per loss Limits: \$1 million per loss Limits: \$1 million per loss Limits: \$1 million per loss | |
| <u>Fire and Rescue Auto Physical Damage</u> VaCorp 15 | VA-AR-006-16 | 07/01/16 | 07/01/17 | Provides comprehensive and collision coverage on vehicles owned or operated by ACFD \$ 1,000 Ded. Per unit | \$63,966.00 Incl. TRIA |
| <u>Police Command Vehicle</u> Hartford Fire Insurance Company 16 | VA-AR-006-16 | 07/01/16 | 07/01/17 | Inland Marine policy covering portable Police equipment and Command Vehicle | Incl Incl. TRIA |
| <u>Portable Equipment-Fire Command Vehicle</u> VFIS American Alternative Insurance 17 | VA-AR-006-16 | 07/01/16 | 07/01/17 | Inland Marine policy covering ACFD equipment & Command Veh. | \$1,222.00 |
| <u>Blanket Volunteer Liability</u> VaCorp 18 | VA-AR-006-16 | 07/01/16 | 07/01/17 | Covers Liability of Volunteers | \$4,760.00 |
| TOTAL | | | | | \$1,316,820.00 |

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 |
| 2008 | 132 | 32,778,000 | 76 | 295,231,000 | 11,331 | 646,663,518 | 31,511,540,600 | 25,957,959,400 | 7,208,720,200 |
| 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 |

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 | Percent Change |
|-------------|------------|----------------|
| 2008 | 57,266,956 | 11.12% |
| 2009 | 57,272,629 | 0.01% |
| 2010 | 58,611,239 | 2.34% |
| 2011 | 60,460,108 | 3.23% |
| 2012 | 61,939,212 | 5.81% |
| 2013 | 61,341,154 | 4.77% |
| 2014 | 62,752,491 | 2.30% |
| 2015 | 58,970,752 | -6.03% |
| 2016 | 60,181,386 | 1.97% |
| 2017 | 63,837,926 | 6.08% |

ARLINGTON COUNTY, VIRGINIA
CERTIFICATE OF NO DEFAULT
June 30, 2017

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, 2017, 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-515378-02a, 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 Agostini
Director
Department of Management & Finance



Date

TABLE U

ARLINGTON COUNTY, VIRGINIA
LARGEST USERS OF THE WATER & SEWER SYSTEM
FOR THE TWELVE MONTHS ENDING JUNE 30, 2017

| 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 | 7,400 | Reagan National Airport Aviation | 12,350 |
| Gates Hudson - 1600 S. Eads Residential | 4,828 | Pentagon Military | 11,047 |
| Pentagon City Mall Associates Retail | 4,025 | Joint Base Myer-Henderson Hall Military | 7,400 |
| Avalon Ballston Square- 850 N. Randolph Apartments | 3,453 | Gates Hudson - 1600 S. Eads Residential | 4,828 |
| Vornado - 1600 S. Joyce Street Retail | 3,116 | Pentagon City Mall Associates Retail | 4,025 |
| Dittmar Company - 5550 S. Columbia Pike Apartments | 2,592 | Avalon Ballston Square- 850 N. Randolph Apartments | 3,453 |
| Vornado - 1111 S. Army Navy Drive Apartments | 2,582 | Vornado - 1600 S. Joyce Street Retail | 3,116 |
| RP Washington Buchanan - 320 S. 23rd Street Residential | 2,574 | Dittmar Company - 5550 S. Columbia Pike Apartments | 2,592 |
| River Place East - 1021 N Arlington Blvd. Apartments | 2,532 | Vornado - 1111 S. Army Navy Drive Apartments | 2,582 |
| Marriott Crystal City Hotel | 2,509 | RP Washington Buchanan - 320 S. 23rd Street Residential | 2,574 |

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, 2017

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 21.59 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 features 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 is estimated to be \$568 million. County ratepayer's share is estimated to be 82 percent; Inter-Jurisdictional Partners' share is 18 percent. Financing to date for the County's share has been provided by several sources. There have been 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 |

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 22.0 MGD to approximately 37,577 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 2013 through 2018 are shown in the following table. The typical residential customer pays \$79.45 per month, assuming annual consumption of 70,000 gallons. Historically, rate increases have been effective on May 1 prior to the start of the fiscal year.

**FY 2013 – FY 2018 Wastewater & Water Rates
Per 1,000 Gallons of Metered Water Usage**

| Fiscal Year | Water | Wastewater | Total | Percent Change |
|-------------|--------|------------|---------|----------------|
| 2013 | \$3.98 | \$8.63 | \$12.61 | 3% |
| 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% |

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, 2017, general obligation debt outstanding attributable to the Utilities Fund totaled \$89,873,734. As of June 30, 2017, outstanding debt for Wastewater System and Water System Revenue Bonds issued through the VWFRF to the VRA totaled \$191,314,640. 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 |
| 2018 | 7,703,648 | 4,072,190 | 11,775,838 | 14,929,684 | 5,103,533 | 20,033,218 | 22,633,332 | 9,175,723 | 31,809,055 |
| 2019 | 7,671,614 | 3,491,148 | 11,162,763 | 15,344,080 | 4,689,138 | 20,033,218 | 23,015,695 | 8,180,286 | 31,195,981 |
| 2020 | 7,490,101 | 3,154,691 | 10,644,792 | 15,770,108 | 4,263,109 | 20,033,218 | 23,260,209 | 7,417,801 | 30,678,010 |
| 2021 | 7,750,216 | 2,863,365 | 10,613,580 | 16,208,098 | 3,825,120 | 20,033,218 | 23,958,314 | 6,688,484 | 30,646,798 |
| 2022 | 7,343,155 | 2,460,590 | 9,803,746 | 16,658,389 | 3,374,829 | 20,033,218 | 24,001,544 | 5,835,419 | 29,836,964 |
| 2023 | 7,620,000 | 2,124,466 | 9,744,466 | 17,121,330 | 2,911,888 | 20,033,218 | 24,741,330 | 5,036,353 | 29,777,683 |
| 2024 | 7,735,000 | 1,751,176 | 9,486,176 | 17,597,281 | 2,435,937 | 20,033,218 | 25,332,281 | 4,187,113 | 29,519,393 |
| 2025 | 8,100,000 | 1,372,591 | 9,472,591 | 18,086,610 | 1,946,608 | 20,033,218 | 26,186,610 | 3,319,199 | 29,505,809 |
| 2026 | 8,130,000 | 999,957 | 9,129,957 | 18,589,698 | 1,443,520 | 20,033,218 | 26,719,698 | 2,443,476 | 29,163,175 |
| 2027 | 6,295,000 | 683,455 | 6,978,455 | 12,308,055 | 978,568 | 13,286,623 | 18,603,055 | 1,662,023 | 20,265,078 |
| 2028 | 4,465,000 | 447,286 | 4,912,286 | 12,627,446 | 659,177 | 13,286,623 | 17,092,446 | 1,106,463 | 18,198,908 |
| 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 |
| | 89,873,734 | 24,169,632 | 114,043,366 | 191,314,639 | 32,190,286 | 223,504,926 | 281,188,374 | 56,359,918 | 337,548,292 |

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 19, 2017

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, 2018, 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: April 19, 2017

By: Dennis W. Dobbs
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

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FEDERALLY ASSISTED PROGRAMS

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

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

- Compliance with requirements applicable for each major program and internal control over compliance in accordance with OMB Circular A-133; and
- The Schedule of Expenditures of Federal Awards

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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 and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities and aggregate discretely presented component units, each major fund, and the aggregate remaining fund of Arlington County, Virginia, as of and for the year ended June 30, 2017, 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 31, 2017. Our report included a reference to other auditors who audited the financial statements of Gates Partnership as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting on compliance and other matters that are reviewed separately by those auditors.

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 opinion 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.

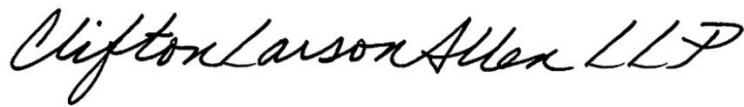
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 result 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 black ink that reads "Clifton Larson Allen LLP". The signature is written in a cursive, flowing style.

Arlington, Virginia
October 31, 2017

**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 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, 2017. The County's major federal programs are identified in the summary of auditors' 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, 2017. 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.

Auditors' 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, 2017.

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 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 black ink that reads "Clifton Larson Allen LLP". The signature is written in a cursive, flowing style.

Arlington, Virginia
October 31, 2017

ARLINGTON COUNTY, VIRGINIA
SECHEDULE OF EXPENDITURES OF FEDERAL AWARD
FOR THE YEAR ENDED JUNE 30, 2017

Page 1 of 6

| Federal Granting Agency / Pass-Through Entity / Program / Cluster | CFDA Number | Pass-through Entity Identifying Number | Passed-through to Subrecipients | Federal Expenditures |
|--|-------------|--|---------------------------------|----------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | | |
| Child Nutrition Cluster: | | | | |
| Direct Payments | | | | |
| National School Lunch Program | 10.555 | | - | 1,579 |
| Pass Through State of Virginia | | | | |
| Department of Education: | | | | |
| National School Lunch Program | 10.555 | | - | 4,406,850 |
| School Breakfast Program | 10.553 | | - | 1,037,330 |
| Total Child Nutrition Cluster | | | - | 5,445,759 |
| Child and Adult Care Food Program | 10.558 | | - | 410,285 |
| Department of Agriculture and Consumer Services: | | | | |
| WIC Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | | - | 592,312 |
| SNAP Cluster: | | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | | - | 2,681,885 |
| Total SNAP Cluster | | | - | 2,681,885 |
| Department for the Aging: | | | | |
| Older Americans Act Title III USDA (163/457-02) | 10.570 | | - | 183,031 |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | - | 9,313,272 |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | |
| Direct Payments | | | | |
| Community Development Block Grants/ Entitlement Grants: | | | | |
| Thirty-seventh Entitlement (B11UC510002) | 14.218 | | - | 537 |
| Thirty-eight Entitlement(B12UC510002) | 14.218 | | - | 38,236 |
| Thirty-ninth Entitlement (B13UC510002) | 14.218 | | 1,909,750 | 1,923,426 |
| Fortieth Entitlement (B14UC510002) | 14.218 | | 64,851 | 64,851 |
| Fortieth Entitlement (B14UC510002) | 14.218 | | 542,784 | 542,784 |
| Forty-first Entitlement (B15UC510002) | 14.218 | | 25,789 | 25,789 |
| Forty-first Entitlement (B15UC510002) | 14.218 | | 100,794 | 100,794 |
| Forty-second Entitlement (B16UC510002) | 14.218 | | 673,678 | 673,678 |
| Forty-second Entitlement (B16UC510002) | 14.218 | | 240,372 | 240,372 |
| Total Community Development Block Grants/ Entitlement Grants | | | 3,558,018 | 3,610,467 |
| Shelter Plus Care | 14.238 | | - | 315,091 |
| Housing Opportunities for Persons with AIDS | 14.241 | | - | 68,265 |
| Continuum of Care Program | 14.267 | | - | 37,112 |
| Section 8 Housing Choice Vouchers Cluster: | | | | |
| Rental Assistance Demonstration 2 - Rental Assistance | 14.871 | | - | 384,488 |
| Family Unification Program - Rental Assistance | 14.871 | | - | 577,612 |
| Voucher Program (VAO28VO015-023) | 14.871 | | - | 16,109,441 |
| Voucher Program - Administrative Expenses | 14.871 | | - | 1,336,350 |
| Total Section 8 Housing Choice Vouchers Cluster | | | - | 18,407,891 |
| Home Investment Partnerships Program | 14.239 | | - | 82,498 |
| Home Investment Partnerships Program | 14.239 | | 4,728,367 | 4,782,556 |
| TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN | | | 8,286,385 | 27,303,880 |

See accompanying notes to Schedule of Federal Awards

ARLINGTON COUNTY, VIRGINIA
SECHEDULE OF EXPENDITURES OF FEDERAL AWARD
FOR THE YEAR ENDED JUNE 30, 2017

Page 2 of 6

| Federal Granting Agency / Pass-Through Entity / Program / Cluster | CFDA Number | Pass-through Entity Identifying Number | Passed-through to Subrecipients | Federal Expenditures |
|--|------------------------|---|--|---------------------------------|
| U.S. DEPARTMENT OF LABOR | | | | |
| Pass Through State of Virginia | | | | |
| Virginia Community College System: | | | | |
| Workforce Investment Act Cluster: | | | | |
| WIOA Adult Program-Admin. (Adult) | 17.258 | LWA-12-01T | 7,881 | 24,694 |
| WIOA Youth Activities -Admin. (Youth) | 17.259 | LWA 12-16-01T | 9,758 | 24,629 |
| Veterans Housing Rehabilitation and Modification Program -Admin. (Dislocated) | 17.278 | LWA 12-15-01T LWA 12-16-01T | 25,727 | 25,727 |
| WIOA Adult Program-Adult | 17.258 | LWA 12-16-01T | 124,427 | 272,788 |
| Community Compass Technical Assistance and Capacity Building -Youth | 17.259 | LWA 12-16-01T | 60,070 | 187,889 |
| Veterans Housing Rehabilitation and Modification Program - Dislocated - Incentive awards - Culinary skills training | 17.278 | LWA-12-15-01T | 19,833 | 45,427 |
| Veterans Housing Rehabilitation and Modification Program - Dislocated | 17.278 | LWA 12-16-01T | 113,201 | 228,486 |
| Veterans Housing Rehabilitation and Modification Program - PY14 | 17.278 | LWA 12-14-04TN, LWA 12-15-01NR | - | 16,725 |
| WIOA Transitional Activities award | | | - | 16,725 |
| Total Workforce Investment Act Cluster | | | 360,897 | 826,365 |
| TOTAL U.S. DEPARTMENT OF LABOR | | | 360,897 | 826,365 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | |
| Direct Payments | | | | |
| Community Service Block Grant CVS-17-001-03 | 93.569 | | 90,000 | 113,578 |
| Community Service Block Grant CVS-16-001-03 | 93.569 | | - | 23,892 |
| Community Service Block Grant CVS-17-001-03 | 93.569 | | - | 32,260 |
| Total 477 Cluster | | | 90,000 | 169,730 |
| Pass Through State of Virginia | | | | |
| Department of Social Services: | | | | |
| Refugee Programs - Indo-Chinese Refugee Relief | 93.566 | | - | 28,651 |
| Social Services Block Grant (Purchased Services) | 93.667 | | - | 950,159 |
| Medicaid Cluster: | | | | |
| Medical Assistance | 93.778 | | - | 3,556,313 |
| Total Medicaid Cluster | | | - | 3,556,313 |
| Child Care and Development Fund Cluster: | | | | |
| Refugee and Entrant Assistance State/Replacement Designee Administered Programs | 93.596 | | - | 210,436 |
| Total Child Care and Development Fund Cluster | | | - | 210,436 |
| Temporary Assistance to Needy Families Cluster: | | | | |
| Temporary Assistance for Needy Families-View Purchased Services | 93.558 | | - | 1,150,186 |
| Total Temporary Assistance to Needy Families Cluster | | | - | 1,150,186 |
| Children's Health Insurance Program-FAMIS Outreach Grant | 93.767 | | - | 100,422 |
| Chafee Education and Training Vouchers Program-ILP Education & Training Vouchers | 93.599 | | - | 17,492 |
| Promoting Safe and Stable Families | 93.556 | | - | 65,202 |
| Chafee Foster Care Independence Program | 93.674 | | - | 16,974 |
| Foster Care Title IV-E | 93.658 | | - | 1,431,608 |
| Adoption Assistance | 93.659 | | - | 739,162 |
| Stephanie Tubbs Jones Child Welfare Services Program -Admin Title IV-B | 93.645 | | - | 2,265 |
| Low-Income Home Energy Assistance (765/452-06) | 93.568 | | - | 112,847 |
| Adoption and Legal Guardianship Incentive Payments | 93.603 | | - | 4,160 |
| Total Department of Social Services | | | - | 8,385,877 |

See accompanying notes to Schedule of Federal Awards

**ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARD
FOR THE YEAR ENDED JUNE 30, 2017**

Page 3 of 6

| Federal Granting Agency / Pass-Through Entity / Program / Cluster | CFDA Number | Pass-through Entity Identifying Number | Passed-through to Subrecipients | Federal Expenditures |
|---|------------------------|---|--|---------------------------------|
| U.S. Department of Health and Human Services (cont.) | | | | |
| Pass Through State of Virginia | | | | |
| Department of Health Services: | | | | |
| Capacity Building Assistance to Strengthen PublicHealth Immunization Infrastructure and Performance | 93.539 | | - | 75,012 |
| Public Health Emergency Preparedness Grant | 93.074 | | - | 91,587 |
| Family Planning Services | 93.217 | | - | 100,306 |
| Maternal and ChildHealth Services Block Grant to the States | 93.994 | | - | 89,977 |
| Project Grants and Cooperative Agreements for Tuberculosis Control Programs | 93.116 | | - | 45,000 |
| Total Department of Health Services | | | - | 401,882 |
| Pass Through State of Virginia | | | | |
| Department of Mental Health and Mental Retardation | | | | |
| Alcohol and Drug Abuse and Mental Health Services Block Grant(790/445-01/455-02) | | | | |
| Projects for Assistance in Transition from Homelessness | 93.150 | | - | 80,950 |
| Substance Abuse and Mental Health Services - Projects of Regional and National Significance | 93.243 | | - | 311,721 |
| Block Grants for Community Mental Health Services | 93.958 | | - | 519,056 |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | | - | 579,696 |
| Total Alcohol and Drug Abuse and Mental Health Services | | | - | 1,491,423 |
| Pass Through State of Virginia | | | | |
| Department for the Aging: | | | | |
| Aging Cluster: | | | | |
| Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers | 93.044 | | - | 325,716 |
| Special Programs for the Aging, Title III, Part C, Nutrition Services | 93.045 | | - | 121,222 |
| Total Aging Cluster | | | - | 446,938 |
| Title III-D-Disease Prevention Area Plan | 93.046 | | - | 173 |
| Senior Medicare Patrol Project | 93.048 | | - | 5,196 |
| Title III-E- National Family Caregiver Support | 93.052 | | - | 60,526 |
| Title VII-Elder Abuse Prevention | 93.041 | | - | 1,479 |
| Health Insurance Counseling & Assistance | 93.779 | | - | 65,210 |
| Total Department for the Aging | | | - | 132,584 |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | 90,000 | 11,028,434 |
| U.S. DEPARTMENT OF EDUCATION | | | | |
| Pass Through State of Virginia | | | | |
| Department of Mental Health and Mental Retardation: | | | | |
| Special Education-Grants for Infants and Families (PIE-PART C) | 84.181 | | - | 349,378 |
| Department of Education: | | | | |
| Elementary and Secondary Education Act: | | | | |
| Title I Grants to Local Educational Agencies (197/171/01) | 84.010 | | - | 2,686,454 |
| Special Education Cluster: | | | | |
| Special Education Preschool Grants | 84.173 | | - | 86,259 |
| Special Education Grants to States | 84.027 | | - | 4,680,929 |
| Total Special Education Cluster | | | - | 4,767,188 |

See accompanying notes to Schedule of Federal Awards

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARD
FOR THE YEAR ENDED JUNE 30, 2017

Page 4 of 6

| Federal Granting Agency / Pass-Through Entity / Program / Cluster | CFDA Number | Pass-through Entity Identifying Number | Passed-through to Subrecipients | Federal Expenditures |
|--|----------------|---|------------------------------------|-------------------------|
| U.S. DEPARTMENT OF EDUCATION (cont.) | | | | |
| Pass Through State of Virginia | | | | |
| Department of Education (cont.) | | | | |
| Twenty-First Century Community Learning Centers | 84.287 | | - | 4,101 |
| English Language Acquisition State Grants | 84.365 | | - | 522,922 |
| Career and Technical Education -- Basic Grants to States | 84.048 | | - | 262,508 |
| Education for Homeless Children & Youth (Stuart B McKinney) | 84.196 | | - | 28,846 |
| Supporting Effective Instruction State Grants | 84.367 | | - | 611,826 |
| Safe Routes to School | 84.205 | | - | 56,455 |
| Adult Education - Basic Grants to States | 84.002 | | - | 181,724 |
| Total | | | - | 9,122,024 |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | - | 9,471,402 |
| U.S. DEPARTMENT OF JUSTICE | | | | |
| Direct Payments | | | | |
| High Intensity Drug Trafficking Area (HIDTA) | 16.000 | | - | 256,171 |
| VOCA Victim Witness Grant | 16.575 | | - | 155,224 |
| Joint Terrorism Task Force | 16.579 | | - | 12,116 |
| DEA Task Force | 16.579 | | - | 37,626 |
| Metropolitan Area Fraud Task Force | 16.579 | | - | 1,829 |
| Electronic Crimes Task Force | 16.579 | | - | 2,888 |
| JAG Program Cluster: | | | | |
| 2016 Justice Assistance Grant | 16.738 | | - | 24,915 |
| 2013 Justice Assistance Grant | 16.738 | | - | 1,574 |
| Total JAG Program Cluster | | | - | 26,489 |
| Adult Drug Court Discretionary Grant Program | 16.585 | | - | 36,775 |
| 2013 COPS Hiring Grant | 16.710 | | - | 58,724 |
| ODJ- Seized Assets | 16.922 | | - | 298,672 |
| High Intensity Drug Trafficking Area (HIDTA) | | | - | |
| HIDTA Task Force | 95.001 | | - | 6,157 |
| TOTAL U.S. DEPARTMENT OF JUSTICE | | | - | 892,671 |
| U.S. DEPARTMENT OF THE TREASURY | | | | |
| Direct Payments | | | | |
| Treasury- Seized Assets | 21.000 | | - | 224,794 |
| TOTAL U.S. DEPARTMENT OF THE TREASURY | | | - | 224,794 |
| U.S. DEPARTMENT OF THE INTERIOR | | | | |
| Direct Payments | | | | |
| Air Force Junior Reserve Officer Training | 12.000 | | - | 134,138 |
| Language Grant Program -NSA Research Grant & Cooperative Agreement | 12.900 | | - | 63,367 |
| TOTAL U.S. DEPARTMENT OF THE INTERIOR | | | - | 197,505 |

See accompanying notes to Schedule of Federal Awards

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARD
FOR THE YEAR ENDED JUNE 30, 2047

Page 5 of 6

| Federal Granting Agency / Pass-Through Entity / Program / Cluster | CFDA Number | Pass-through Entity Identifying Number | Passed-through to Subrecipients | Federal Expenditures |
|---|----------------|---|------------------------------------|-------------------------|
| Direct Payments | | | | |
| AMERICORPS | 94.006 | | - | 98,465 |
| CORP. FOR NATIONAL & COMMUNITY SERVICE | | | - | 98,465 |
| U.S. DEPARTMENT OF COMMERCE | | | | |
| Direct Payments | | | | |
| Chesapeake Bay Studies | 11.457 | | - | 67,553 |
| U.S. DEPARTMENT OF COMMERCE | | | - | 67,553 |
| U.S. DEPARTMENT OF THE ENVIRONMENT | | | | |
| Pass-through State of Virginia | | | | |
| Department of Environmental Quality: | | | | |
| Congressionally Mandated Projects- Four Mile Run Restoration | 66.202 | XP-973615-01 | - | 1,143,567 |
| TOTAL U.S. DEPARTMENT OF THE ENVIRONMENT | | | - | 1,143,567 |
| U.S. DEPARTMENT OF TRANSPORTATION | | | | |
| Direct Payments | | | | |
| Federal Transit Cluster: | | | | |
| Federal Transit Capital Investment Grants | 20.500 | | - | 111,998 |
| Federal Transit - Formula Grants | 20.507 | | - | 314,656 |
| Total | | | - | 426,654 |
| Pass Through Payment | | | | |
| WMATA | 20.500 | DC-03-0039 | - | 139,031 |
| Total Federal Transit Cluster | | | - | 565,685 |
| Pass-through State of Virginia | | | | |
| Department of Motor Vehicle Administration: | | | | |
| Highway Safety Cluster: | | | | |
| Protection | 20.616 | | - | 3,604 |
| 2017 DMV Highway Safety Program Selective Enforcement - Speed | 20.600 | | - | 14,310 |
| 2017 DMV Highway Safety Program Selective Enforcement - Pedestrian/Bicycle | 20.600 | | - | 3,296 |
| 2016 DMV Highway Safety Program Selective Enforcement - Speed | 20.600 | | - | 2,713 |
| 2016 DMV Highway Safety Program Selective Enforcement - Pedestrian/Bicycle | 20.600 | | - | 874 |
| Total Highway Safety Cluster | | | - | 24,797 |
| Department of Motor Vehicle Administration: | | | | |
| 2017 DMV Highway Safety Program Selective Enforcement - Alcohol | 20.607 | | - | 19,866 |
| 2016 DMV Highway Safety Program Selective Enforcement - Alcohol | 20.607 | | - | 3,616 |
| 2016 DMV Highway Safety Program Selective Enforcement - Occupant Protection | 20.607 | | - | 911 |
| Total Department of Motor Vehicle Administration | | | - | 24,393 |

See accompanying notes to Schedule of Federal Awards

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARD
FOR THE YEAR ENDED JUNE 30, 2017

Page 6 of 6

| Federal Granting Agency / Pass-Through Entity / Program / Cluster | CFDA Number | Pass-through Entity Identifying Number | Passed-through to Subrecipients | Federal Expenditures |
|--|-------------|--|---------------------------------|----------------------|
| U.S. DEPARTMENT OF TRANSPORTATION (cont.) | | | | |
| Virginia Department of Transportation | | | | |
| Highway Planning and Construction-Safe Routes to School Quick start Mini-Grant Fall 2016 | 20.205 | | - | 836 |
| Highway Planning and Construction-Safe Routes to School Quick start Mini-Grant Spring 2017 | 20.205 | | - | 947 |
| Total Safe Routes | | | - | 1,783 |
| Federal Transit Administration: | | | | |
| Roadway Improvements | 20.205 | DTFH6116H00003 | - | 55,601 |
| Pass-through State of Virginia | | | | |
| Department of Rail and Public Transportation: | | | | |
| Highway Planning and Construction-CMAQ | 20.205 | T100 | - | 3,801,533 |
| Pass-through State of Virginia | | | | |
| Department of Transportation: | | | | |
| Highway Planning and Construction-Roadway Improvements | 20.205 | various | - | 977,043 |
| Total Highway Planning and Construction Cluster | | | - | 4,835,960 |
| TOTAL U.S. DEPARTMENT OF TRANSPORTATION | | | - | 5,450,835 |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | | | |
| Direct Payments | | | | |
| Disaster Grants - Public Assistance | 97.036 | | - | 84,700 |
| Direct Payments | | | | |
| District of Columbia Homeland Security Agency (DCHSEMA) | | | | |
| Rescue Team Respiratory Protection Equip. (VA 5%) UASI | 97.067 | EMW-2015-SS-00019 | 8,954 | 8,954 |
| Exercise and Training Program (2015) | 97.067 | 15UASI879-01 | 59,910 | 59,910 |
| Exercise and Training Program (2016) | 97.067 | 16UASI879-01 | 65,414 | 65,414 |
| Regional Planner Grant Program (2015) | 97.067 | 15UASI879-04 | 55,220 | 55,220 |
| Volunteer Management Grant (2015) | 97.067 | 15UASI879-03 | 121,965 | 121,965 |
| Volunteer Management Grant (2016) | 97.067 | 16UASI879-03 | 10,846 | 10,846 |
| National Incident Management System (NIMS) Grant (2016) | 97.067 | 16UASI879-02 | 65,088 | 65,088 |
| National Incident Management System (NIMS) Grant (2015) | 97.067 | 15UASI879-02 | 72,780 | 72,780 |
| Regional Planner Grant Program (2016) | 97.067 | 14UASI879-04 | 63,436 | 63,436 |
| Total | | | 523,613 | 523,613 |
| 2016 Local Emergency Management Performance Grant (LEMPG) | 97.073 | 16LEMPG | 68,015 | 68,015 |
| Urban Area Security Initiative (UASI) | 97.067 | | - | 107,640 |
| TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY | | | 591,628 | 783,968 |
| TOTAL FEDERAL ASSISTED PROGRAMS | | | 9,328,910 | 66,802,711 |

See accompanying notes to Schedule of Federal Awards

ARLINGTON COUNTY, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017

NOTE 1. BASIS OF PRESENTATION

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

All costs charged to Federal Awards are determined based on the applicable Federal grants and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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 minimis cost rate.

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2017

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

| | | | | |
|---|-------|-----|-------------|---------------|
| Material weakness(es) identified? | _____ | Yes | _____X_____ | No |
| Significant deficiency(ies) identified that are not considered to be material weaknesses? | _____ | Yes | _____X_____ | None reported |
| Noncompliance material to financial statements noted? | _____ | Yes | _____X_____ | No |

Federal Awards

Internal control over major programs:

| | | | | |
|---|-------|-----|-------------|---------------|
| Material weakness(es) identified? | _____ | Yes | _____X_____ | No |
| Significant deficiency(ies) identified that are not considered to be material weaknesses? | _____ | Yes | _____X_____ | None reported |

Type of auditor's report issued on compliance for major programs: Unmodified

| | | | | |
|---|-------|-----|-------------|----|
| Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of the Uniform Guidance? | _____ | Yes | _____X_____ | No |
|---|-------|-----|-------------|----|

| Identification of Major Programs | |
|---|----------------|
| Name of Federal Program or Cluster | CFDA Number(s) |
| Community Development Block Grants/Entitlement Grants | 14.218 |
| Home Investment Partnerships Program | 14.239 |
| Highway Planning and Construction Cluster | 20.205 |
| Title I Grants to Local Educational Agencies | 84.010 |
| Adoption Assistance | 93.659 |
| Medical Assistance Program | 93.778 |

| | |
|---|--------------------|
| Dollar threshold used to distinguish between type A and type B programs | <u>\$2,004,081</u> |
|---|--------------------|

| | | | | |
|--|-------------|-----|-------|----|
| Auditee qualified as low-risk auditee? | _____X_____ | Yes | _____ | No |
|--|-------------|-----|-------|----|

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2017

II. Financial Statement Findings

None noted

III. Federal Award Findings and Questioned Costs

None noted

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2017

IV. Schedule of Prior Year Findings and Questioned Costs

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

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