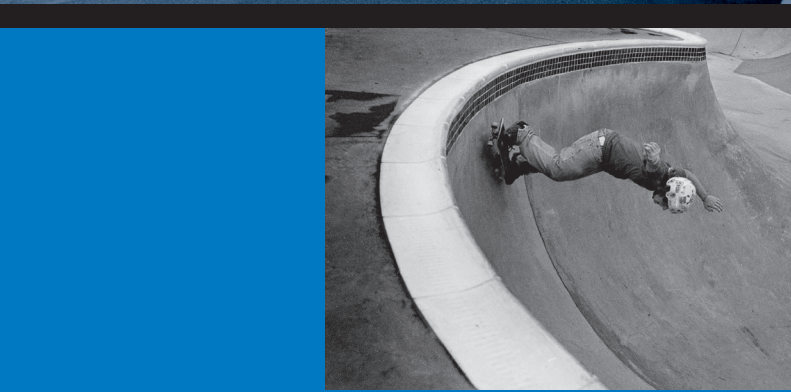
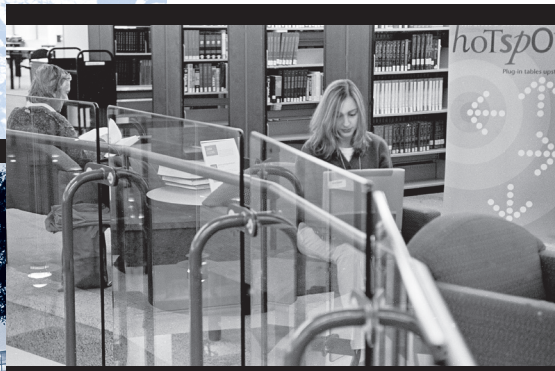




Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2006



ARLINGTON
VIRGINIA

ARLINGTON COUNTY, VIRGINIA

Comprehensive Annual Financial Report

FISCAL YEAR 2006

(July 1, 2005 - June 30, 2006)



DEPARTMENT OF MANAGEMENT AND FINANCE

**Mark J. Schwartz, Director
Barbara P. Liechti, Comptroller**



Vision

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

ARLINGTON COUNTY BOARD

Mission

High Quality Service

Leadership Philosophy

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

Principles of Government Service

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

ARLINGTON COUNTY, VIRGINIA
COMPREHENSIVE
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2006

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INTRODUCTION



DEPARTMENT OF
MANAGEMENT AND FINANCE

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October 13, 2006

Chairman Christopher Zimmerman and Members of the County Board:

Section 15.2-2511 of the Code of Virginia requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles ("GAAP") and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report ("CAFR") of Arlington County, Virginia ("the County") for the fiscal year ended June 30, 2006.

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

The County's financial statements have been audited by Clifton Gunderson LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Arlington County financial statements for the fiscal year ended June 30, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

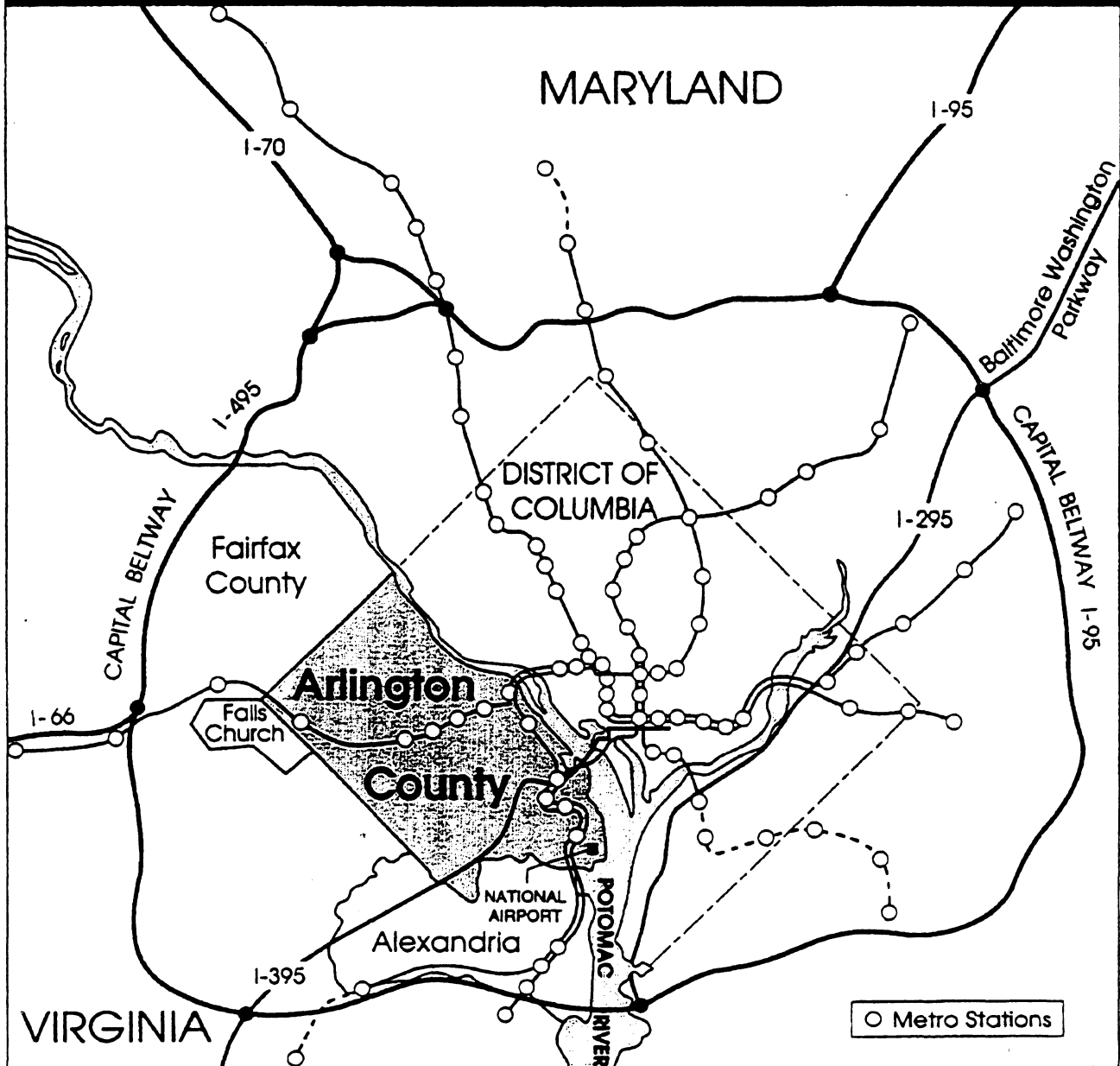
GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter or transmittal is designed to complement the MD&A and should be read in conjunction with it. Arlington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

Profile of the Government

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

The geographical area of the County is 25.7 square miles of which 4.6 square miles is under the control of the Federal Government. There are no cities or towns within the County giving Arlington County both city and county functions, and thereby establishing Arlington County as one of the few urban unitary forms of government in the United States. The Virginia Supreme Court held in 1923 that the County is a continuous, contiguous, homogeneous entity and therefore cannot be subdivided for the establishment of towns, nor can any part of the County be annexed by neighboring jurisdictions. The land in Arlington County is almost totally developed; there are no farms and few areas of vacant land. In addition to single

WASHINGTON METRO AREA MAP



family neighborhoods, there are sizable concentrations of high-rise commercial and office space, especially in the Rosslyn-Ballston and Jefferson Davis/Crystal City Metrorail subway corridors.

As required by Virginia Law, the County seeks to have real property in the County assessed annually at 100% of fair market value. The assessed value of taxable real property on January 1, 2006 was \$50.6 billion. The County government's budget for all funds for Fiscal Year 2006 totaled \$917.3 million, which included \$363.8 million for public primary and secondary education. The legislative and policy-making body of the County is the five-member County Board whose members are elected at-large for staggered four-year terms. The County Board appoints the County Manager who serves as the chief executive and administrative officer. It is the County Manager's responsibility to appoint the department heads. Arlington County was the first county in the United States to choose by referendum the Professional County Manager form of government in 1932.

Arlington County is also financially accountable for a legally separate school system ("Schools") which is reported separately within the County financial statements. The five-member School Board is elected by the citizens. The School Board appoints the Superintendent of Schools as the chief administrative officer for the County's public school system. The School Board has no taxing authority or authority to issue debt and receives its spending authority from the County Board. Additional information on this legally separate entity can be found in Note 1.1.A in the notes to the financial statements.

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

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

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

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

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

Factors Affecting Financial Condition

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

Local Economy

Arlington County is a financially secure community that enjoys a breadth of quality governmental and school services. Through deliberate long-range land use, transportation and service planning, the County has been transformed from a largely suburban bedroom community to one with a more urban center, while concurrent public and private conservation of and improvement to the County's residential neighborhoods has occurred. This transformation has permitted the County to

serve its citizens well, has made Arlington a sought-after place to live, work and do business, and has created a business and residential taxation level that is among the lowest in the Washington, D.C. metropolitan area.

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

Arlington has more private office space than downtown Los Angeles, Atlanta, or Seattle and is the epitome of smart growth and new urbanism, with over ninety percent (90%) of all new commercial and residential development located in the Metro corridors. Since 1960, some thirty-eight million (38M) square feet of office and commercial space has been built in the Rosslyn-Ballston or Jefferson Davis corridors, which also contain ninety percent (90%) of Arlington's 10,122 hotel rooms. This excludes federally owned office buildings such as the Pentagon, which is the headquarters of the U.S. Department of Defense. In addition, nearly 11,000 new residential units have been built in the Metro station areas. No community in America has had a stronger commitment to transit-oriented development. In July 2006, the County's office vacancy rate was 10.0%. The residential unemployment is very low, averaging 2.3% for 2006, below regional, state, and national averages. Arlington's per capita income and property wealth indicators are well above average.

In March 2006, the County's deep and diverse economy, strong financial management, a moderate and rapidly retired debt burden, and manageable capital needs were cited as reasons Standard and Poor's, Moody's, and Fitch's Investor Services reaffirmed the County's top AAA/Aaa/AAA ratings. The triple AAA/Aaa/AAA rating validates that Arlington's financial position is strong, with ample liquidity, sound general fund reserves, a competitive tax structure, and excellent financial planning. The continued growth of high wage jobs in the technology, communications and financial services sectors, high per-capita retail sales and strong operating reserves serve to establish Arlington County, as of June 30, 2006, as only one of 23 counties in the United States with top bond ratings from all three major bond-rating agencies.

Long-Term Financial Planning

The Arlington Vision adopted by the Arlington County Board in 2001, provides the overarching framework for our strategic and operational decision making. The vision provides the continuity necessary to execute both short and long-term policy and resource decisions. The annual budget serves as Arlington's annual operations plan. Multi-year strategies are incorporated into a Management Plan, which is updated annually. Six core themes are contained in the 2007 Management Plan that support the Board's vision. These include:

- Maintaining the level and quality of services Arlingtonians enjoy and expect
- Continuing to protect the most vulnerable
- Continuing our commitment to having world-class schools
- Ensuring competitiveness for public safety personnel
- Maintaining our capital infrastructure
- Providing tax relief by mitigating the burden on homeowners and targeting relief where it is most needed

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

The budget adopted by the County Board for fiscal year 2007 is a reflection of Arlington values. The Board sought to preserve the County's strong record of fiscal prudence, while maintaining a high quality of life for Arlingtonians and protecting the most vulnerable residents. Working within the confines imposed by Virginia law, and facing cutbacks in Federal aid, the Board crafted a budget that embodies the six important principles. The budget continues the commitment to a broad range of high quality services, including libraries, parks, public transportation, recycling, fire and police protection, and many more. Most programs have been maintained at about the same level and quality as the previous year, although the budget reflects the rising cost of providing basic government services (especially for energy, employee health insurance and other benefits, and construction materials).

Taxes and Fees

The budget is the single most important policy document that a governing body enacts annually. Obviously, the budget has to 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 2007 budget

seeks to address these different needs and interests in a manner that is prudent and sustainable. The Board also reduced the real estate tax rate by 6 cents, bringing it to 81.8 cents. For most homeowners this was not sufficient to offset the rise in assessed value, so most will have a higher bill than last year. The Board will continue to work for General Assembly action that would allow local governments like Arlington to offer a homestead exemption which will give us another essential tool to provide targeted tax relief to homeowners.

Arlington remains the best value for the dollar among local jurisdictions. A greater share of the tax burden is carried by the commercial sector, relative to homeowners, than any of its neighbors. This is the fiscal benefit of "smart growth." Arlington remains the only jurisdiction in Northern Virginia that does not charge a consumer utility tax. Because of the assessment method used for automobiles, it has one of the lowest personal property taxes, even with this year's increase. More households will receive significant targeted tax relief than ever before. Nonetheless, the County will continue to find ways to make the tax system fairer, to spread the burden more equitably. In recent years it has instituted programs that have attempted to target higher levels of tax relief to those in the community who need it most. In particular, elderly homeowners living on fixed incomes; persons with disabilities; and lower-income homeowners, for whom the rapid run up of assessments might genuinely impact their ability to stay in the county. This year, the County is enhancing its tax relief programs, by; raising the income eligibility threshold; substantially raising the asset limit for the senior and disabled relief programs; and providing greater relief for larger households. Its goal is to ensure that no one in Arlington can be forced out of their home because of their real estate tax bill.

Protecting the Most Vulnerable

The community is facing the impact of federal cutbacks in safety-net programs, including mental health, mental retardation, child and family services, and transitional housing, threatening the most vulnerable members of the community – just when housing, health, and energy costs are sky-rocketing. Arlington will not turn its back on those in greatest need and so, the Board acted with compassion and responsibility, replacing some lost federal money with local dollars, and boosting funding in a number of key areas. As a result of these actions, the fiscal year 2007 budget contains: provision of more than \$1 million for non-profit service providers, to help deal with the rising cost of salaries, benefits, and operations; approximately \$40 million for housing programs (an increase of almost 9%) including County funding to bring affordable housing programs to more than \$12 million, which is a greater commitment to the production of affordable housing than any other jurisdiction in the area; an increase of over \$1 million in rental assistance and supportive housing for low-income, disabled populations, a more than \$600,000 increase for transitional housing, supportive services, emergency shelter services, and residential services for special needs populations; and an increase in the County's "Living Wage" provision.

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. The County is proud of the continuing accomplishments of its students and schools. Achievement has been rising for all student groups, while the achievement gap has narrowed. SAT participation has increased, without a decline in average scores. SOL pass rates have increased, and more kids are taking advanced classes. Arlington's commitment to schools is especially significant given that this County gets less help than other jurisdictions under the state funding formula. In Prince William County, for instance, more than half the cost of schools is paid by the state, while Arlington pays 80 percent of the cost of educating our students.

Public Safety Competitiveness

Arlington County has a well-earned reputation in the area of public safety based on a long-standing commitment to recruit, train, and retain the highest caliber personnel. In recent years the County has done much to ensure that they are appropriately compensated. As recently as last December, the Board acted on recommendations from the County Manager to increase pay levels. However, the growth of neighboring communities, increasing competition from federal agencies, and pending retirements faced by all departments, have created an extremely competitive environment for recruiting and retaining firefighters, police officers, Sheriff's deputies, and emergency communications personnel. Even with the actions of recent years, the County faced a potential crisis in public safety recruitment, and even worse, a siphoning off of its best talent, including some only recently trained. To maintain the standards Arlingtonians have come to expect, the Board made a significant shift in the budget amounting to about \$10 million. This was a necessary measure, but it does push the growth in County expenditures higher than the Board desired, and adversely impacted the latitude for tax relief.

Capital Investment

An important element of fiscal prudence is maintaining a sufficient level of capital funding in the operating budget. This is funding to repair and renew physical plant and other infrastructure, apart from debt funding (e.g., bonds). The Board increased levels of funding for this "pay as you go" capital to over \$10 million, which will help maintain current facilities and prepare for the opening of new facilities over the next few years. It will also help to protect the County's triple-triple A bond rating, which saves taxpayer dollars on the overall capital program.

Cash Management Policies and Practices

The County pools substantially all cash and investments, including those held by the Schools, except for separate cash and investment accounts that are maintained in accordance with legal restrictions. Each Fund's equity share of the total pooled

cash and investments is included on the accompanying balance sheet under the caption "Equity in Pooled Cash and Investments." The Code of Virginia, Sections 2.2-4500 through 4517, and the investment policy of the County as revised by the County Finance Board in April 2004, authorize the County Treasurer to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, commercial paper with "prime quality" rating by at least two of the following: by Moody's Investors Service, Inc., rating of prime 1, by Standard & Poor's, Inc., rating of A-1, by Fitch Investor's Services, Inc., rating of F-1, by Duff and Phelps, Inc., rating of D-1, bankers' acceptances, repurchase agreements, Corporate notes that have been rated at least AA by Standard and Poor's and at least Aa by Moody's, mutual funds and the Virginia Local Government Investment Pool. The County's policy limits the amount that may be invested in commercial paper to a single issuer to 5% of the portfolio and limits overall investments in commercial paper to 35% of the total portfolio. The County's policy does not set a limit on the amount that may be invested in any single Federal Agency issuer. The Pension Trust Fund is also authorized to make investments as deemed appropriate by its Board of Trustees and in compliance with the U.S. Department of Labor regulations. It is required by County ordinance to maintain at least twenty-five percent of its portfolio in fixed income investments.

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

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

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

Risk Management and Reserves

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

In addition, the County has designated a General Fund balance self-insurance reserve of \$3.50 million as of June 30, 2006. The County maintains a General Fund operating reserve that totaled \$16.6 million as of June 30, 2006. Since its establishment in fiscal year (FY) 1986, this operating reserve has not been used, but has been increased to its current funding level which is greater than or equal to 2% of the General Fund budget.

Pension and other Post-employment Benefits

The County participates in two separate pension systems. The Virginia Retirement System (VRS) covers most School Board employees and some County employees affiliated with State agencies. VRS is administered by the State, which bills the County for a portion of the employer's share of contributions. The Arlington County Employee's Supplemental Retirement System ("the System") covers all other County employees. The Arlington County Code requires the System to have an actuarial valuation at least biennially. The last valuation was performed as of July 1, 2005. For the year ended June 30, 2006, the County's annual pension cost of \$16.3 million equaled 100% of the required contributions due.

In addition to the pension benefits described above, the County provides post-employment health care benefits to all permanent employees who meet the requirements under the County's or the State's pension plans. Eligibility is contingent upon the retiree participating in one of the County's current health plans at the time of retirement. The County Board considers and approves

these benefits annually as part of the Adopted Budget process. As of June 30, 2006, 1,313, and 1,438 retirees were both eligible and received benefits from the health and life plans, respectively. For full career employees, the County currently contributes 80% towards the cost of medical and dental health premiums and 100% of premiums for a fixed coverage for life and accidental death insurance. Funding for these benefits is currently made on a pay-as-you-go basis.

In anticipation of the required implementation of Governmental Accounting Standards Board Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* in FY 2008, the County has retained the services of an actuary and is evaluating program and funding alternatives..

Annual Disclosure

As required by the U.S. Securities and Exchange Commission Rule 15c2-12, the County has agreed, for the benefit of the owners of County bonds, to provide to each nationally recognized municipal securities information repository ("NRMSIR") and to any appropriate state information depository ("SID"), if any is hereafter created, certain financial information (the "Annual Report") not later than 270 days after the end of each of its fiscal years, commencing with the fiscal year ending June 20, 1996. The financial information which the County has agreed to annually provide includes "Debt Statement", "Total General Obligation Debt Service", "Five-Year Summary of General Fund Revenues and Expenditures", "General Fund Balance", "Principal Tax Revenues by Source", "Property Tax Levies and Collections", "Historical Assessed Valuation", "Local Sales Tax Revenue", "Business and Professional License Tax Revenues", "Description of County's Wastewater and Water Systems", "Debt Payable From or Secured By County's Wastewater and Water Systems", "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, Exhibits S-8, S-9, and G-2, Table D, Table E, Table F, Table I, Table G, Table C, Table T, Table V, Table W, and Exhibit D-1, D-2, and D-3. 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", "Evidence of Comprehensive General Liability Insurance". These are included in Table Q, Table U, and Table X.

DEPARTMENTAL ACCOMPLISHMENTS IN FY 2006

Some of the unique contributions of the County's departments and offices in FY 2006 alphabetical order follow:

COMMISSIONER OF REVENUE

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

Customer Service

The continuous re-engineering and improvement of internal processes, that includes full-time telephone and counter teams, newly implemented automated business license and business tangible tax return processes have resulted in immediate positive effects on faster response time, efficiency, accuracy, and assistance to taxpayers. For example, customers can now obtain information on their business accounts within 24 hours of processing. Meals Tax coupon books are a new concept of filing monthly meals tax returns. These are preprinted to allow the customer the ease of use and to eliminate confusion. The implementation of an open door policy allows customers to directly provide feedback to the Commissioner and her staff. This includes the accessibility to a Customer Advocate. Customers also can complete a short survey at the counter.

DMV Select office now operating in the CoR office provides a one stop service to customers who can take care of several transactions required by both the Commonwealth of Virginia and Arlington County such as registration, and titling, in addition to ordering special and personalized plates, transcripts, and others. DMV Select processed in its core services 13,425 transactions accounting for \$567,969 in collections for the State. Vehicle dealership and fleet transactions also increased by 22%.

Customers continue to successfully use the online access to our web site for vehicle registration, business tax forms, information on opening a new business in Arlington County, and public service announcements. The successful implementation of an action plan in the personal property tax division during the busiest time of the year, September-October, has provided better and faster service to customers. Employees from all divisions were cross-trained to ensure fast and effective service to customers. In the 2005 tax season, these efforts resulted in an average wait time on the phones of 3.1 minutes, and an average wait time at the counters of 8.3 minutes.

Taxpayer Outreach

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

Process and Technological Improvements

The new technology for electronic vehicle assessments and established electronic databases of information continues to create significant efficiencies in transaction processing, eliminating duplication of effort and multiple layers of approval. Efficiency gains have allowed staff more time to serve customers at the counter, on the phone, through e-mail and standard mail. The personal property enforcement program continues to have significant results in its goal of registering all vehicles garaged in Arlington County. During FY 2006, the Enforcement team continued its outreach to apartment and condominium management (existing buildings and new construction) to gain access to parking lots and underground garages; increased the number of field visits and follow-up on anonymous tips reporting vehicles with missing or expired decals; and arranged for the Police Department's Public Service Aides to accompany the Enforcement team on field visits and issue parking tickets and warnings to unregistered vehicles. As a result of these activities during FY 2006, the Enforcement Program registered over 3,066 previously unregistered vehicles, which accounted for more than \$953,000 in additional personal property tax assessments.

The Commissioner of Revenue started the process of 'paperless' files. All licenses and correspondence are recorded and kept in the County's electronic records management system. This puts customer information where it is needed: at the desktop, providing much quicker response to our customers. In addition, it eliminates several weeks of manual filing and re-filing of business license tax returns. Tax returns are now protected from loss or damage, even in the event of a catastrophe. The efficiencies gained using automation made a significant difference in the first six months of 2006: the Business Tax Division assessed more dollars that it did all year in 2005. Not only does that dramatically increase our ability to provide better and quicker customer service, but it also gives the County the opportunity to receive the funds earlier. The Business Tax Division is using further automation features to speed the paperless process of filing returns by bar coding of license returns to automate indexing and filing. Meals tax assessments are now automated which reduces staff hours, increases accuracy, and allows quicker assessments, which means quicker revenue to the County.

COMMUNITY PLANNING HOUSING AND DEVELOPMENT

Affordable Housing Ordinance

In December 2005, the County Board approved an amendment to the Zoning Ordinance requiring affordable units (on or off-site) or cash in any site plan project with an FAR greater than 1.0. In early 2006, parallel state legislation was enacted.

Committed Affordable Units

The County Board approved three site plan projects with Housing Reserve Fund contributions totaling \$948,000 and the County added 239 rental and 56 owner committed affordable units in FY 2006. The rental total is now 5,499 or 14% of the County's multi-family rental supply. The County released the third annual targets report in December which describes progress towards each affordable housing goal and target. In December, the County added the capacity to search for apartments in Spanish in its *Online Apartment Guide*.

Buckingham Villages and Gates of Ballston

The culmination of a major community process in FY 2006 was the County Board and Paradigm Corporation agreement to a Memorandum of Understanding (MOU) in July 2006 to renovate the Buckingham Villages. The MOU commits both parties to work with the community to achieve a number of objectives by March 2007. Objectives include preserving no fewer than 300 committed affordable units; allowing tenants to remain in the immediate neighborhood; and historic preservation of Village 3 and redevelopment of Villages 1 and 2 in a historically sensitive manner. Arlington Housing Corporation (AHC) completed renovations of one third of the units (or 144 of 464), on the Gates of Ballston project with the remaining units to be rehabilitated by the end of 2007.

Affordable Housing Initiative Funds (AHIF and AHIF Plus)

The County Board approved AHIF loans for the long-term preservation and redevelopment of three apartment complexes (229 total units/\$7,926,131 AHIF funds): The Shelton Apartments (94 units); RPJ Housing – Fort Myers Apartments I and II (23 units); and Courthouse Crossings Apartments (112 units).

10-Year Plan to End Homelessness

The County Board approved a 10-Year Plan, *A Passageway Home*, in April. The plan details implementation strategies and actions steps to be taken over the next five years.

Community Development Block Grant (CDBG) Program

Because the CDBG program continued to be threatened at the Federal level a review of the CDBG program was conducted by a steering committee composed of staff and citizens. Changes in the method of allocating CDBG and AHIF funds were

recommended and will be presented to the public for comment in September. More than 40 proposals for CDBG Program Development were reviewed and the recommended programs approved by the County Board in April. Neighborhood Strategic Plans for each of the eligible neighborhoods were completed. Program and contract monitoring was conducted for the approved subrecipients. Environmental reviews were completed for CDBG Entitlement activities as well as several EDI grants that were awarded to Arlington organizations. Performance measurement training was held for subrecipients in order to comply with the new HUD reporting requirements.

Administration of Community Services Block Grant (CSBG)

Arlington was awarded approximately \$300,000 CSBG funds to administer annually beginning in FY 2007. The grant's administrative and reporting requirements differ significantly from those of the CDBG program and are the responsibility of the Community Development unit.

Homeownership

Staff added three new Workforce Housing Initiative employers: Marymount University, AHC, Inc.; and the Ethiopian Community Development Council. Including Arlington County Government and Schools, George Mason University, and Virginia Hospital Center, there are over 11,000 Workforce Housing employees (6% of Arlington workforce). Staff worked with AHC, developer of two condominium projects, Arlington Oaks and Gatehouse on the marketing of seven condominium units. These units were marketed and sold to qualified Workforce Housing employees by lottery. The *Live Near Your Work Program* provided forgivable loans of \$4,700 to 46 County and School Board Employees.

Rent and Vacancy Survey

The County-wide average rent increased by roughly \$50 per month to \$1,480, an increase of 3% over 2005. Vacancy rates decreased slightly to 2.2%, reflecting a tight rental market. Since the 2005 rent survey the County lost 2,648 rental units, 2,231 units in nine projects converting to condominium and another 417 units to redevelopment.

Neighborhood Services Area Housing Education

Counseling and Inspection Program staff conducted systematic inspections, in the four Neighborhood Focus Areas of Buckingham, Columbia Heights West, Nauck and Pike Village Center. Pro-active inspections were conducted in Arlington View, Long Branch Creek and Radnor/Fort Myer the NSA Enhancement Areas. Twenty-six (26) tenant education workshops, two (2) special events and four (4) Clean-Up events were also held during the year. Staff provided technical assistance to eight (8) redevelopment and condominium conversion projects and monitored relocation at twelve (12) redevelopment and condominium conversion projects.

Inspection Services

Reviewed and issued permits for 13 million square feet of residential, commercial, retail, institutional space at an estimated value of \$982 million (self-reported). Conducted 48,793 inspections, provided service to nearly 22,000 customers at the counter and received nearly 65,000 phone calls

Tenant Based Rental Assistance Program for Katrina Evacuees

A new Tenant Based Rental Assistance Program administered by the Department of Human Services was funded with \$500,000 in HOME funds for Katrina evacuees. DHS assisted nine (9) clients.

Awards

The National Association of Counties (NACo) gave the County a 2006 Achievement Award for its Consolidated Planning process, recognizing the County for encouraging citizen participation and producing an easy-to-understand Citizen Summary of the plan.

The Washington Area Housing Partnership (WAHP) gave the County three Best Practices Awards in December for: the County's Creative Affordable Housing Tools; the Supportive Housing Plan; and honorable mention for the Monterrey/Sierra project.

HUMAN RESOURCES DEPARTMENT

During FY 2006, the Human Resources Department (HRD) developed our third annual strategic plan. Working with teams from the Departments of Technology Services and Management and Finance, it implemented the human resource (HR) functions of the new Oracle financial and HR system ("PRISM"). Major resources were devoted to working with the implementation consultants to define the needs of the County, examine gaps in the capabilities of the software, and assist in configuring the system to meet the County's requirements. The culmination of this intense effort was an almost flawless go-live payroll for approximately 4,000 employees; online employee time reporting; employee and manager self-service; and the first online open enrollment for employee benefits. Significant time and attention was paid to training timekeepers on time reporting including the development of "Timekeeper Parties" which allowed timekeepers to do actual work with the assistance of technical experts. Development of customized reports to provide information to HR and to departments began and continues in FY 2007.

HRD implemented the final phase of a compensation and performance management program linking pay to performance for all senior managers with the creation of the XMAP program (Extended Management Accountability Plan). All senior managers are now covered by performance management plans linking pay to performance. Working with an employee group, it developed options for a County-wide pay for performance/ performance management program. While the final decisions are pending the outcome of a consultant study of total compensation, a new performance management program was approved as a result of the group's work. HRD also developed a new performance management system for use in FY 2007 which included five common County-wide competencies for all employees defined based on the employee's role in the organization. In addition, departments can now further define and tailor specific expectations in terms of goals, objectives, skills, projects, or work elements which best meet the particular work environment.

In FY 2006, HRD worked with the Health Care Task Force (staffed by employees and key administrative staff) to develop recommendations to maintain the financial sustainability of the County health insurance program. This resulted in plan design changes in FY 2007 and laid the groundwork for additional plan changes in subsequent fiscal years. It developed and piloted a training program to educate employees on the Americans with Disability Act for the Human Rights Office to disseminate county-wide and developed "*Respect in the Work place: Taking Control of Workplace Violence*", a training program to educate employees and managers on how to avoid violence in the workplace, partnering with the Employee Assistance Program. Finalized and published the County-wide Driver Safety Policy with the consensus of the County's Safety Council.

HRD held the first job fair for Trades workers, providing the opportunity for applicants to apply for vacancies and for supervisors to meet and interview potential candidates; held its second annual Public Safety job fair attracting potential applicants for Police, Fire and the Sheriff's Office; participated in a year-long International County/City Management Association internship program for the first time resulting in the permanent hire of the selected intern; and with the assistance of the Legislative Liaison, initiated legislation that was passed by the state providing the authority for local governments to purchase liability insurance covering all participants in major construction projects. It completed a Memorandum of Understanding with the Arlington County Public Schools for Risk Management to provide risk management, claims administration, and safety support to the schools.

Awards

Marcy Foster, Human Resources Director, received the 2006 Human Resources Leadership Award for HR Professional Excellence in Government. The HR Leadership Awards of Greater Washington were created to recognize and celebrate the exemplary contributions of outstanding HR leaders who serve as business strategists, change drivers, and thought leaders in industry and government.

Jeanne Wardlaw, Compensation Division Chief, was honored as a Human Resources Rising Star by Human Resources Executive magazine, a national publication for HR professionals. The magazine recognized seven individuals from throughout the US who exhibited a commitment to excellence, to innovation, and to their companies' human capital.

Arlington received the Department of Defense's Above and Beyond Award for personnel policies and practices in support of employees who are members of the National Guard and Armed Forces Reserves. County Manager Ron Carlee accepted the award at a banquet at Oceana Naval Air Station in Virginia Beach.

HUMAN SERVICES

In FY2006, the Department of Human Services (DHS) continued to provide a wide range of services to maintain a healthy, stable and safe community.

Supportive Housing

DHS implemented many of the strategies from the Supportive Housing Plan adopted by the County Board in May 2005 and expanded affordable, community-based housing with support services for low-income persons with mental and/or physical disabilities. It was awarded a Washington Area Housing Partnership Best Practices Award for Affordable Housing for its Supportive Housing Plan. 21 DHS consumers were placed in permanent supportive housing units during the year; the total number of occupied units at June 30, 2006 was 29 and 22 supportive housing units were added to the development pipeline in 2006 and progress was made on 18 additional units in the planning phase. DHS hired a Supportive Housing Services Manager to oversee selection and referral of DHS consumers for permanent supportive housing and help coordinate and monitor support services received by consumers in supportive housing. The Volunteers of America, in partnership with DHS, was awarded a US Department of Housing and Urban Development grant of \$4.8 million to expand and rehabilitate an assisted living residence for older persons with mental disabilities. DHS implemented a Project Based Rental Assistance Program, funded with local dollars, to expand the financing tools available to support ongoing rental assistance costs.

Services to Children and Families

DHS initiated several service enhancements to increase prevention efforts in parent education, adoptions for older and disabled children and prevention services to youth in foster care. It launched a demonstration project that helped 20 foster youth in the Independent Living Program gain knowledge, skills and abilities towards successful entrepreneurship. The

project helped youth to establish mentoring relationships with successful adults in the community and develop experience, confidence and social skills by creating small businesses. Each youth received a stipend, extensive business training, and hands on work experience developing, running, and maintaining a small business. Strong partnerships with community business leaders and the Arlington Employment Center were key components of this program.

Parent education materials and resources are now more accessible to parents through an innovative on-line Parent Education Outreach Project. The outreach project consists of three major components: "Ask the Parent Education Expert," an on-line "Parenting Resource Request Library," and a "Home-Based Parenting Workshop." All three components are free to Arlington residents. This program recognizes the efficiency of the internet to provide important information conveniently and timely to parents. Successful adoption of disabled and older youth occurred through increased outreach to prospective foster and adoption parents. This year of 16 adoptions, 6 were of children age 9 and older, and 8 of the 16 have various disabilities. This success is the result of a team's effort to recruit, prepare, and select foster and adoptive parents and to provide the in-service training and ongoing professional development needed to meet the needs of Arlington's most vulnerable children.

Public Health Division

The Arlington County Public Health Division hosted a Pandemic Flu Summit in conjunction with the Office of Emergency Management on June 19, 2006. The summit was attended by more than 70 representatives of local government, civic organizations, community human services organizations, medical professionals, hospitals and military installations. The purpose was to communicate the importance of planning for pandemic influenza and that this was a community wide effort, not just a public health response. The summit was opened by remarks from Chris Zimmerman, Board Chair, Ron Carlee, County Manager, and Susanne Eisner, Director of DHS. Presentations were provided by Reuben Varghese, Arlington County Public Health Director, Robert Griffin, Director of the Office of Emergency Management, and William Kemetz of FDIC. Discipline or function specific break out sessions were used to brainstorm next steps the community and organizations could take to advance pandemic planning.

Awards

NOVA Regional Council named Arlington Nurse Donna Caruso "Public Health Nurse of the Year."

Arlington County's Communicable Disease Bureau was honored with the Virginia Department of Health's (VDH) Traveling Spittoon Award on March 31, 2006. The bureau also received a certificate of appreciation for their participation in the Healthy Roads Media Project.

MANAGEMENT AND FINANCE

In FY 2006, the Department of Management and Finance (DMF) successfully sold nearly \$151.3 million of General Obligation and Refunding Bonds at a true interest cost of 4.09 percent. It achieved reaffirmation of Arlington's triple-AAA/AAA/Aaa bond rating by Standard & Poor's, Fitch Ratings, and Moody's Investor Services. Arlington is one of just 23 counties in the United States to carry a triple-AAA/AAA/Aaa bond rating.

DMF successfully implemented the Purchasing, Payables, Public Sector Budgeting, and General Ledger financial modules for the County's Enterprise Resource Planning System, in conjunction with the Department of Technology Services, the Human Resources Department and other County departments. A major part of this undertaking was the conversion of nine months of detailed financial data in order to close the books properly at year-end and the training of departments' personnel in working with the new system.

It updated the Purchasing Resolution and Purchasing Manual and significantly revised standard contract terms and conditions in order to improve the effectiveness of procurement and contract activities. All contracting for County goods and services was conducted fairly and equitably and no procurement decisions were overturned in court.

DMF coordinated the work of consultants for the Committee on Program Performance, a County Board initiative to assure that departments' programs provide value commensurate with their costs. It successfully completed the Medical Care for Inmates Audit for the Sheriff's Department, and in the process of finishing the Post-County Board Approval Phase of the Site Plan Review Audit for the Department of Community Housing Planning and Development.

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, 2005.

The GFOA presented the Award for Distinguished Budget Presentation to Arlington County, Virginia for its FY 2006 budget. This award is the highest form of recognition in governmental budgeting.

PARKS, RECREATION, AND CULTURAL RESOURCES

The Department of Parks, Recreation and Cultural Resources (PRCR) continues to promote dynamic programs and attractive public spaces that: cultivate wellness and vitality throughout the community; offer healthy and fun recreation, sport and leisure choices; develop and protect natural and cultural resources and; provide opportunities for creative expression and intellectual growth.

Accreditation

In keeping with providing high quality programs and services, PRCR became one of only 60 agencies in the country and just the third in Virginia to receive National Agency Accreditation from the Commission for Accreditation of Park and Recreation Agencies (CAPRA), an independent body sanctioned by the National Recreation and Park Association, and the American Academy for Park and Recreation Administration. Staff and commissions contributed to the completion of the agency self-assessment report that comprehensively responds to each of the 155 accreditation standards. In addition, the Office of Senior Adult Programs was granted Senior Center Accreditation after completion of a year long accreditation process with staff and community members of the Langston Brown multipurpose senior center clustered with senior programs at Madison and Lee. This process resulted in the formulation of a long term planning group for senior adult programs.

Outdoor Spaces, Natural Resources

The Public Spaces Master Plan which is the primary planning document that identifies major public space needs of Arlington was adopted by the County Board in December 2005, and is one of the eight elements of Arlington County's Comprehensive Plan. The Four Mile Run Restoration Master Plan Project was adopted by the County Board in March 2006, and is a large scale project for environmental restoration and urban planning along the lower two-mile channel portion of Four Mile Run that forms the border between Arlington and the City of Alexandria between Shirlington Road and the Potomac River. The current project is a collaborative planning effort among Arlington, the City of Alexandria, the Northern Virginia Regional Commission, the US Environmental Protection Agency and the US Army Corps of Engineers to restore a more natural setting to this area, promote stream health, improve water quality, enhance riparian habitats, and expand opportunities for public recreation and interaction with this valuable resource.

New Construction/Development and Openings

PRCR celebrated the Grand Reopening of the 65.5 acre Barcroft Community Park, which included adding a fourth baseball/softball diamond, a new synthetic-turf field and a three level parking garage and the grand opening of the new 30,000-square-foot Walter Reed Community Center. The center offers a full range of recreation and leisure programs and services for all ages with a gym, game room, arts and movement rooms and also supports a multi-purpose senior center that provides a broad array of services. The building incorporates environmentally sensitive features - from a green roof to bamboo flooring for the basketball/volleyball court and dance studio and was designed to achieve silver LEED (Leadership in Energy and Environmental Design) certification. Mosaic Park added a climbing wall and is the first park in Arlington to do so. This exciting feature takes climbers up and across four dynamic panels rising more than nine feet.

The Fort Ethan Allen Park improvement project celebrated a ribbon cutting ceremony with presentations on historic artifacts uncovered during construction, the history of Fort Ethan Allen and displays highlighting the park's unique design features. Ft. Scott Park received a partial renovation that included a complete renovation of the tennis court and improvements to the picnic shelter. Lyon Village Playground received extensive improvements to the 1.5 acre park including the County's second "sprayground" offering kids a fun way to beat the heat in the summer. The free, public "sprayground" also features a 13-foot-high water wheel and dumping bucket that splashes kids with water. Penrose Park reopened after significant renovations that included extensive drainage improvements, new sidewalks, and new playground equipment. Synthetic turf athletic fields, the County's 5th and 6th, were installed at Washington-Lee High School Stadium and Barcroft Park.

Tributary A of the Donaldson Run stream at Zachary Taylor Park was a successful collaboration of staff from the Department of Environmental Services (DES) and PRCR as well as the local Civic Association. The newly renovated park showcases an engineered stream bed which was designed to protect the sanitary sewer, reduce sediment pollution, improve stream health, protect the trail, and provide step pool features for pedestrian accessibility. Donaldson Run Stream Restoration and Earth Day Celebration organized by PRCR, DES, and the Donaldson Run Civic Association, highlighted the many programs and practices that Arlington County operates to increase environmental awareness and stewardship.

Urban Forestry

PRCR Staff, the Virginia Cooperative Extension Unit, and members of the Urban Forestry Commission organized and presented an inter-jurisdictional conference entitled, "Clearing the Air with Virginia's Trees," held in Loudoun County. The conference brought together members of tree boards, urban foresters and arborists, landscape architects, planners and national experts to identify issues and explore solutions for protecting Virginia's urban forests. During the Neighborhood Day Tree Give-Away 650 free tree seedlings were distributed by PRCR for planting on private property. The tree give-away was done in conjunction with Neighborhood Day as a strategy to help increase Arlington's tree canopy coverage by encouraging residents to plant trees in their own yards. The Invasive Plant Control Program had volunteers contribute 1,834 hours of assistance. Their efforts included 29 invasive plant removal events in parklands at 35 locations, as well as public education efforts.

Youth

PRCR staff hosted a regional forum entitled "Successes and Benefits of Regionalism: Building a Network of Youth Service Providers." The committee comprised of representatives from Fairfax County, the District of Columbia, and Prince George's County. The event was designed to help youth service providers meet and connect with others in the field, share best practices about program, policy, and training; and to explore ways to collaborate and form connections across jurisdictions to support current initiatives like gang prevention. The Third Annual Skateboarding Championship Series was held at Powhatan Springs Park. The event drew 120 competitors and 200-300 spectators. Media coverage of this event was in "Concrete Wave" magazine and local TV stations. Powhatan Springs Park has become an important part of our regions' skateboarding community. Arlington Travel Soccer Club (ATSC) hosted the first Arlington Spring Invitational travel soccer tournament since 1987. The competition is a U.S. Youth Soccer sanctioned event affiliated with Virginia Youth Soccer Association (VYSA) for club level travel teams. Eighty teams – 70 local and 10 out-of-state – played on all five Arlington's synthetic turf fields. Virginia State Open Judo Championships were hosted at the Barcroft Sports and Fitness Center estimated 200 competitors participated in the event, representing over 30 Judo clubs from North Carolina to Connecticut.

Arts and Cultural Affairs

PRCR received \$20,000 in grant funding from the National Endowment for the Arts and \$8,000 from the Virginia Foundation for the Humanities to connect the "Hearabouts" traditional arts incubator program. Now entering its fourth year with Arlington Public Schools, it trains both teachers and traditional artists to work together in classroom settings to present workshops and residencies. The Sister City relationship between Arlington and San Miguel, El Salvador took steps forward this year with signings in both locations of an "International Friendship Agreement." This marks the first step in the development of formal sister cities ties between the two communities. PRCR initiated the Clarendon Post Office New Deal-era Murals Display in Central Library. The Department of Libraries, the U.S. Postal Service, and Keating Development displayed murals temporarily removed from the Clarendon Post Office while the facility is being renovated. Seven murals were exhibited to the public in Central Library with interpretive text written by an art historian specialist in murals of this era. The County Fair realized a 28% increase in cash sponsorships over the prior year. Sponsorships were sold out due to limited space. The Rosslyn Jazz Festival attracted more than 6,000 people to Gateway Park.

Awards

Arlington's Powhatan Springs Park, which includes a children's rain garden, continues to receive awards and recognition. 1) Two awards were received from the local landscape architect groups which recognized "superior professional accomplishment" and the unique way the project reflects and solves current issues in landscape architecture through innovative design excellence; 2) Virginia Recreation and Park Society (VRPS) "Best New Facility Award" recognized the facility's innovative design and construction; and 3) the Public Art project "Cultivus Loci: Suckahanna" designed and fabricated by Baltimore artist Jann Rosen-Queralt was recognized at the annual Americans for the Arts Public Art, as one of the most conceptually and visually compelling public artworks in the United States.

National Wildlife Federation (NWF) designated Arlington as the first county in Virginia and one of only two counties in the nation to become certified as a Community Wildlife Habitat. The designation is awarded to communities whose residents certify a significant proportion of their lands as habitats that are beneficial to people, plants and wildlife.

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

POLICE DEPARTMENT

During FY 2006, the Police Department continued to enhance our general readiness and inherent capacity to respond to emergencies; specifically, to maximize the use of existing staff to meet increasing demands for police presence at potential terrorist targets, as well as to meet staffing needs for traditional emergency responses, crime prevention, traffic enforcement, community oriented problem solving and effective case management and investigation.

The crime rate in Arlington continues to decline. At the close of calendar year 2005, serious crimes in Arlington County had dropped by 5 percent from 2004. In 2005, there were 4,851 index (serious crimes) reported in Arlington, 253 fewer than in 2004, with the most significant decreases seen in reported robberies, which dropped by 11.4 percent; and vehicle thefts, which dropped by 15 percent. The crime rate – the number of index crimes per 100,000 people – was 2,480 in 2005, down from 2,585 in 2004.

Computer Forensics and Investigative Advancements

The Computer Forensics Unit of the Criminal Investigations Division now possesses the technology to transfer video tape to digital media. This technology will allow investigators to enhance pictures of suspects, witnesses, vehicles, and tag numbers. Currently, with video technology, the investigator has to use a frame of video which does not have the best

capabilities for enhancement. This new digital technology has been put to use and assisted investigators in identifying witnesses in at least one high-profile investigation.

Arlington County has taken a very proactive and aggressive approach to identifying and prosecuting child molesters and those in possession of child pornography. The Police Department participates on the Virginia State Police Internet Crimes Against Children (ICAC) Task Force. In April 2006, the Special Victims Unit received additional staffing for the purpose of investigating sex crimes against children, via the internet. The SVU now has three detectives assigned to investigate these offenses. In November 2005, the Special Victims Unit (SVU) began an aggressive program toward monitoring sex offenders listed on the State Registry. SVU detectives have now met with each of the registered sex offenders living in Arlington to ensure compliance with the law. One SVU detective is assigned as the Registry Coordinator for the Police Department and receives and disseminates information to the Virginia State Police, the District Policing Teams, the Sheriff's Office, the Virginia Department of Corrections – Probation and Parole and other area sex crimes units. This proactive initiative has been recognized as a model in the region. Since its inception, dozens of entries have been updated or corrected in the Sex Offender Registry, and sex offenders have been aggressively arrested and prosecuted for failing to comply with the State's Registry laws.

In January 2006, the Operations Division conducted a selection process to select two officers for an Explosives Detection K-9 handler position. These positions were part of a pilot program to increase the number of Explosives Detection K-9 teams available without decreasing the number of officers available to respond to calls for service. The position was designated as a part-time position, with officers required to perform the duties of a K-9 explosives detection handler in addition to their regularly assigned duties. The K-9s used for this program are Labrador Retrievers donated by the public to the Police Department.

Community Policing & Outreach Initiatives

During May of 2006, thirteen Arlington residents graduated from the 15th session of the Arlington County Police Department Citizen's Police Academy. This program, which began in 1998, was launched to promote a better understanding and cooperation between the Police Department and the community through education. The Citizen's Police Academy offers an in-depth look into police training and operations, including defensive tactics, accident investigations, gang interdiction and K-9 capabilities. The District One Policing Team officers, in conjunction with the Buckingham Outreach Center, developed a 12 week Buckingham Citizens Safety Academy. This program, modeled from the Arlington Police Citizen's Academy, was created to provide a greater learning opportunity for Arlington's immigrant population. Approximately 75 residents from all areas of Arlington participated in the program which has received national recognition. District One Team officers have been asked to visit areas struck by Hurricane Katrina to demonstrate how to build positive relationships with the police in their communities. Members of the team, with the assistance of specialized units of the Police Department and a translator, provided education on "Gangs In Your Community", "Financial Crimes In Your Community", "Emergency Preparedness" and "Immigration Laws."

Fully implemented during FY 2006, the Gay Lesbian Liaison Team (GLLT) is a new unit within the Arlington County Police Department whose mission is to create partnerships, improve relations, and build trust and confidence between the Gay, Lesbian, Bisexual, and Transgender (GLBT) community and the Police Department. Through meetings and one-on-one consultations with residents and business owners in the GLBT community, these officers have regular contact to improve communications, enable problem solving of issues unique to the GLBT community, assist in crime investigations, and serve as the representative of the Arlington County Police Department at community events, civic meetings, government functions, and other related events.

Members of the Auxiliary Police Program are unpaid citizen volunteers, organized and trained for specific police activities. The Auxiliary Police are available to assist and supplement law enforcement officers in the performance of their duties and to provide community-based crime prevention initiatives to the residents of Arlington County. Auxiliary Officers volunteered a total of 6,822.5 hours of service in FY2006. The Smooth Operator Program is a public safety initiative, which aims to provide education, information and solutions for the problem of aggressive driving. For nearly ten years, Maryland, Virginia and Washington, D.C., have partnered through the Smooth Operator Program to combat aggressive driving. During the four enforcement waves of the 2005 Smooth Operator Program, Arlington Police Officers issued 8,269 citations and warnings.

Awards

In August 2005, the Arlington County Police Department received an award from the Virginia Chief's of Police Associations for Outstanding Impaired Driving Programs and Enforcement. This award was given as part of the annual Chief's Challenge program, which is coordinated by the Special Operations Section.

On March 26, 2006, the Arlington Police Department was accredited for the sixth time by the Commission on Accreditation for Law Enforcement Agencies, Inc. This re-accreditation represents the satisfactory completion of a continuous process of thorough, agency-wide self-evaluation, concluded by an exacting outside review by a team of independent assessors. It also represents the Police Department's on-going commitment to continue our quest for professional excellence. The Arlington Police Department is the longest accredited law enforcement agency in the United States.

During FY 2006, numerous Arlington Police Department sworn and civilian personnel were recognized by Federal, State and regional law enforcement agencies and service organizations, as well as by their peers, for demonstrated acts of valor and life-saving in the performance of their law enforcement duties, for their meritorious service, and outstanding accomplishments in their fields of expertise.

Arlington Public Schools (APS)

The Arlington Public Schools educate one of the nation's most diverse and sophisticated student populations - its 18,451 students come from over 120 countries and speak more than 90 different languages. APS operates more than 30 schools and programs and serves its students with a range of programs designed to meet individual student needs. Several of the programs are unique to Northern Virginia including one of the nation's most advanced electronic classroom installations, a Spanish-English partial immersion program at all grade levels, an International Baccalaureate Program, three countywide alternative schools offering education choice, and a Career Center providing advanced vocational and technical training.

The goal of the Arlington Public Schools is to teach all students a broad body of knowledge, effective communication skills, a rational system of thought, and use of their individual creativity. The education process in the Arlington Public Schools involves the cultivation of an inquiring mind, respect for learning, ethical behavior, an understanding of the rights and responsibilities of citizenship, an appreciation of our national culture as well as other cultures and the concept that each individual has merit.

Academic standards are high in the Arlington Schools. Data for the 2006 SAT tests released by the College Board show the combined scores of Arlington Public Schools Class of 2006 topped the state and the nation. Arlington students earned an average combined score of 1620, surpassing the state average combined score by 95 points and the national average combined score by 102 points. These are the highest average scores for Arlington seniors since 1992, which is the earliest date available for comparison of the re-centered scores for the SAT. The National Merit Scholarship Program has recognized 14 Arlington students as semifinalists in the 52nd annual National Merit Scholarship Competition. Semifinalists are the highest scoring entrants in each state and represent less than one percent of the nation's seniors. The number of Arlington students taking one or more Advanced Placement courses rose 10 percent in the 2005-06 school year. Since the 1997-98 school year, the number of these college level tests taken by Arlington students has nearly tripled from around 1,000 tests eight years ago to almost 3,000 this past spring. The high school graduation rate is 93 percent. Last year, 88 percent of graduates went on to post secondary education.

Arlington offers a wide variety of individualized education programs for all students, from the gifted to students with severe disabilities. Computers are used as teaching tools and information sources, and schools are beginning to be linked to the Internet through a range of resources, including the Global Schoolhouse project.

Awards

H-B Woodlawn, Yorktown, and Washington-Lee have made the "100 Top High Schools in America" list published in the May 8 issue of Newsweek Magazine. The schools ranked 13th, 47th, and 52nd respectively and Wakefield ranked 333rd, placing all four Arlington high schools in the top 1.25% of the high schools in the nation.

Arlington Traditional has earned the National Parent Teacher Association's "Parent Involvement School of Excellence." The National PTA certification recognizes schools that uphold the highest standards in parent involvement and seek input from parents, teachers, students, administrators and the community.

Students at Wakefield High School and the H-B Woodlawn Secondary Program received a total of six National Capital Area Cappies (Critics and Awards Program) at the seventh annual Cappies Gala at Washington D.C.'s John F. Kennedy Center for the Performing Arts.

Washington-Lee High School science teacher Margo Pierce was named Outstanding Educator of the Year by the American Institute of Aeronautics and Astronautics National Capital Section.

Three Arlington Public Schools students have been recognized by the National Hispanic Recognition Program (NHRP) a College Board program that provides national recognition of exceptional academic achievements of Hispanic high school seniors.

TREASURER'S OFFICE

Arlington's delinquent tax rate was lowered by the Treasurer's Office to 1.14%, the lowest in Arlington's history.

The Treasurer's Office implemented the Neighborhood Payment Program, giving taxpayers yet another alternative in how to pay their taxes. The program allows Arlington County tax payers to pay their car taxes and decal fees at their convenience, 24-hours a day, at any of sixteen 7-Eleven® stores in Arlington equipped with a Vcom® financial services kiosk. Payments can also be in person at more than 40 Global Express Financial Services locations throughout Northern Virginia. By offering nearly 60 additional local payment sites, the Arlington County Treasurer can better serve citizens.

The Treasurer's Office aggressively promoted the Bill Payer Notification Program, urging Arlington County citizens to sign up to receive email reminders of tax and utilities bills, and to view bills and online payment history. Over 3,500 new subscribers signed up for this free service in FY 2006.

The Treasurer's Office was successful in reinstating a popular program with the introduction of the iPark. The iPark is a long awaited replacement of the old Parkulator, which was phased out several years ago because the equipment was no longer available. iPark is a prepaid parking meter device. It can be used at any Arlington meter, and eliminates the need for coins. Nearly 1,000 iPark devices were put into operation in FY 2006.

OTHER ORGANIZATIONAL UNITS

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

County Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a certificate of Achievement for Excellence in Financial Reporting to Arlington County, Virginia for its CAFR for the fiscal year ended June 30, 2005. To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The department believes the FY 2006 CAFR continues to meet Certificate of Achievement program requirements, and has submitted it to GFOA to determine its eligibility for another certificate. The Certificate of Achievement has been awarded to the County for its annual financial report for each of the past 20 fiscal years.

The GFOA presented the Award for Distinguished Budget Presentation to Arlington County, Virginia for its FY 2006 budget. This award is the highest form of recognition in governmental budgeting. To be given an Award for Distinguished Budget Presentation, a governmental unit's budget document must be judged proficient in four areas: as a policy document, operating guide, financial plan, and communications document. An Award for Distinguished Budget Presentation is valid for a period of one year only. An Award for Distinguished Budget Presentation has been presented to the County for each of the past 20 fiscal years.

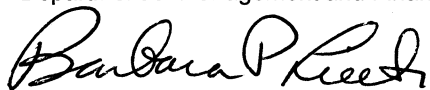
The County continues to maintain a strong financial position through responsible and progressive management of financial operations, by thorough bond official statement disclosure practice, and sound accounting and financial reporting practices. We strongly support the efforts of the Auditor of Public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

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

Respectfully submitted,



Mark Schwartz, Director
Department of Management and Finance



Barbara P. Liechti, Comptroller
Department of Management and Finance



Barbara Wiley, Accounting Manager
Department of Management and Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Arlington County,
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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



Carla E. Fudge

President

Jeffrey R. Emer

Executive Director

ORGANIZATION OF ARLINGTON COUNTY GOVERNMENT



ARLINGTON COUNTY, VIRGINIA

DIRECTORY OF OFFICIALS

June 30, 2006

COUNTY BOARD

Christopher E. Zimmerman, Chairman

Paul Ferguson, Vice Chairman

Barbara A. Favola

Jay Fisette

J. Walter Tejada

COUNTY SCHOOL BOARD

Mary Hughes-Hynes, Chair

Libby Garvey, Vice Chair

Ed Fendley

David M. Foster

Frank K. Wilson

FINANCE BOARD

Christopher E. Zimmerman, Chairman

Francis X. O'Leary, Jr.

Daniel Fiore

Richard Trodden

JUDICIAL

Circuit Court Judges:

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

General District Court Judges:

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

Juvenile and Domestic Relations:

George D. Varoutsos
Esther L. Wiggins Lyles

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

COUNTY OFFICIALS

Elective

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

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

Administrative – General County

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

Ron Carlee
Barbara M. Donnellan
Marsha Allgeier
Ken Chandler
Stephen MacIsaac
Toni Copeland
Susan Bell
Dinesh Tiwari
James H. Schwartz
Suzanne Eisner
Diane Kresh
Mark J. Schwartz
Marcy Foster
N. Douglas Scott
William Roper
Jack Belcher
Terry Holzheimer
Linda Lindberg
Robert P. Griffin, Jr.

Administrative - County School Board

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

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



FINANCIAL



Independent Auditor's Report

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

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



Independent Auditor's Report

The Honorable Members of the County Board
Arlington County, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Arlington County, Virginia (County), as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Arlington County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Gates Partnership, a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for that discretely presented component unit, is based solely on the reports of the other auditors.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Arlington County, Virginia, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2006 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Clifton Gunderson LLP

Calverton, Maryland
October 13, 2006



Management's Discussion and Analysis

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

Management's Discussion and Analysis

As management of Arlington County, Virginia ("the County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County and its component units-Schools and Gates Partnership for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page 1 of this report. All amounts, unless otherwise indicated, are expressed in millions of dollars.

Overview of the Financial Statements

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The government-wide financial statements include not only the County itself (known as the primary government), but also its component units, a legally separate school system ("Schools") for which the County is financially accountable and Gates Partnership for which the County can impose will and fiscal dependency. Financial information for these "component units-Schools and Gates Partnership" are reported in separate columns from the financial information presented for the primary government itself.

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

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

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

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

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

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

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

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

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

Proprietary funds. The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its water and sewer operations, its public parking garage operations and for the Trade Center, George Mason University, Enterprise Resource Planning and Emergency Communication Center Projects. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its fleet of vehicles, for its printing operation, and for its jail industries function. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer public parking garage operations and the Trade Center, George Mason University, Enterprise Resource Planning and Emergency Communications Projects. The water and sewer, public parking garage and Emergency Communication Center are considered to be major funds of the County. Conversely, the three internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found in Exhibits 6, 7, 8 and Exhibit D-1 through Exhibit E-3 of this report.

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

The basic fiduciary fund financial statements can be found in Exhibits 9, 10 and F-1 through Exhibit F-4 of this report.

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

Statement of Net Assets

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

Condensed Net Assets

Table A-1

Arlington County Net Assets (in millions of dollars)

	Primary Government					Component Units				Total		
	Governmental Activities		Business-type Activities		Total		Schools		Other		2006	2005
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005		
Current and other assets	\$590.4	\$537.1	\$97.6	\$113.1	\$688.0	\$650.2	\$101.3	\$94.1	\$0.4	\$-	\$789.7	\$744.3
Capital assets	409.6	377.4	432.5	391.6	842.0	769.0	286.8	273.3	88.5	-	1,217.3	1,042.3
Total assets	999.9	914.5	530.1	504.7	1,530.0	1,419.2	388.1	367.4	89.0	-	2,007.1	1,786.6
Long-term debt outstanding	634.2	604.5	161.8	159.8	796.0	764.3	33.0	25.5	61.5	-	890.6	789.8
Other liabilities	129.8	122.4	14.1	12.0	144.0	134.4	37.7	35.3	1.1	-	182.7	169.7
Total liabilities	764.1	726.9	175.9	171.8	940.0	898.7	70.7	60.8	62.6	-	1,073.2	959.5
Net assets:												
Invested in capital assets												
net of related debt	58.8	53.2	285.5	231.7	344.3	284.9	280.6	271.8	(5.6)	-	619.2	556.7
Restricted	146.3	156.0	22.5	-	168.8	156.0	6.0	25.8	-	-	174.7	181.8
Unrestricted	27.3	(21.6)	46.2	101.1	73.5	79.5	30.8	8.9	32.0	-	136.3	88.4
Total net assets	\$235.9	\$187.6	\$354.2	\$332.9	\$590.1	\$520.4	\$317.4	\$306.6	\$26.4	\$-	\$933.8	\$827.0

Note: Totals may not add due to rounding.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the primary government, assets exceeded liabilities by \$590.1 at the close of the most recent fiscal year. In the case of the Schools, assets exceeded liabilities by \$317.4 at the close of the most recent fiscal year and in the case of the Gates Partnership, assets exceeded liabilities by \$26.4.

By far the largest portion of the primary government's, Schools' and Gates Partnership's net assets (66.3%) reflects the investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The primary government, Schools and Gates Partnership use these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the primary government's, Schools' and Gates Partnership's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the primary government's, Schools' and Gates Partnership's net assets, (18.7%) represents resources that are subject to external restrictions on how they may be used. Any remaining net assets are classified as "Unrestricted net assets".

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

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

Statement of Changes in Net Assets

The following table (Table A-2) displays the changes in net assets for FY 2006 and FY 2005:

Changes in Net Assets

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

	Primary Government						Component Units				Total	
	Governmental Activities		Business-type Activities		Total		Schools		Other		2006	2005
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005		
Revenues												
Program revenue												
Charges for services	\$62.5	\$64.2	\$68.6	\$62.9	\$131.1	\$127.1	\$13.5	\$13.4	\$1.6	\$-	\$146.2	\$140.5
Operating grants and contributions	110.7	110.1	-	-	110.7	110.1	332.1	335.2	-	-	442.8	445.3
Capital grants and contributions	1.8	1.8	1.2	3.8	3.0	5.6	-	-	-	-	3.0	5.6
General revenue												
Property taxes	494.0	447.3	-	-	494.0	447.3	-	-	-	-	494.0	447.3
Other local taxes	161.9	143.3	-	-	161.9	143.3	16.5	15.4	-	-	178.3	158.7
Investment and interest earnings	11.8	4.4	4.6	0.7	16.4	5.1	1.6	0.5	0.7	-	18.6	5.6
Miscellaneous	27.7	37.4	-	-	27.7	37.4	-	-	-	-	27.7	37.4
Total revenues	870.3	808.5	74.4	67.3	944.7	875.9	363.7	364.6	2.3	-	1,310.7	1,240.5
Expenditures												
General government	144.4	135.7	-	-	144.4	135.7	-	-	-	-	144.4	135.7
Public safety	94.2	85.9	-	-	94.2	85.9	-	-	-	-	94.2	85.9
Environmental services	66.7	62.3	-	-	66.7	62.3	-	-	-	-	66.7	62.3
Health and welfare	104.6	95.1	-	-	104.6	95.1	-	-	-	-	104.6	95.1
Libraries	13.0	12.4	-	-	13.0	12.4	-	-	-	-	13.0	12.4
Parks, culture and recreation	34.4	31.0	-	-	34.4	31.0	-	-	-	-	34.4	31.0
Planning and community development	35.9	32.3	-	-	35.9	32.3	-	-	-	-	35.9	32.3
Education	310.8	309.6	-	-	310.8	309.6	352.9	335.0	-	-	663.7	644.6
Debt service:												
Interest and other charges	18.0	13.5	-	-	18.0	13.5	-	-	-	-	18.0	13.5
Water and sewer	-	-	47.3	49.2	47.3	49.2	-	-	-	-	47.3	49.2
Parking garage	-	-	5.7	5.5	5.7	5.5	-	-	-	-	5.7	5.5
Rental Properties	-	-	-	-	-	-	-	-	2.4	-	2.4	-
Total expenditures	822.0	777.8	53.1	54.7	875.0	832.5	352.9	335.0	2.4	-	1,230.4	1,167.5
Increase in net assets before sale of property and transfers:												
Sale of property	48.3	30.8	21.3	12.6	69.6	43.3	10.8	29.6	(0.2)	-	80.1	72.9
Transfers	-	-	-	-	-	-	-	-	-	-	-	-
Increase in net assets	\$48.3	\$30.8	\$21.3	\$12.6	\$69.7	\$43.3	\$10.8	\$29.6	(\$0.2)	\$-	\$80.2	\$72.9

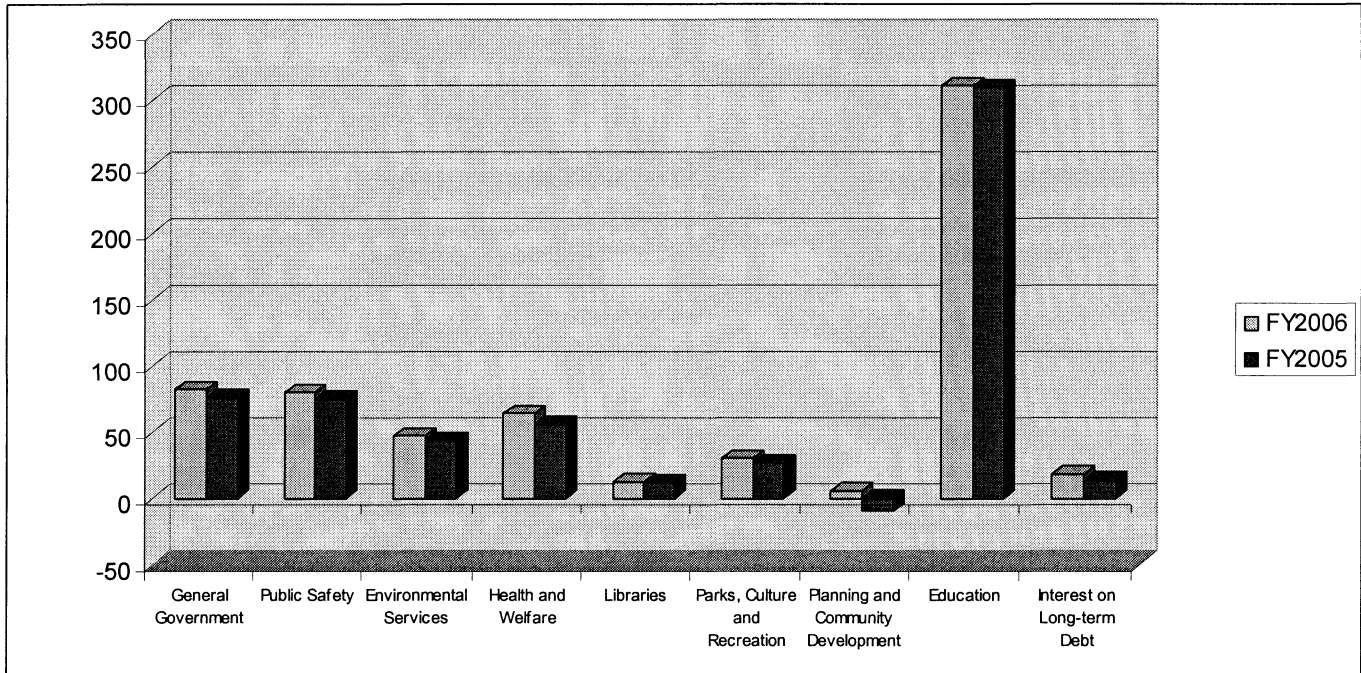
Note: Totals may not add due to rounding.

To summarize, the activities of the primary government and component units increased/(decreased) net assets as follows:

• Governmental activities	\$44.8	58.4%
• Business type activities	\$21.3	27.8%
• Component-unit Schools	\$10.8	14.1%
• Component-unit Other	(\$0.2)	(0.3%)
TOTAL	\$76.7	100.0%

The following (Chart A-3) displays the net costs of the governmental activities:

**Net Cost of Governmental Activities
For Fiscal Year 2006 and 2005
Chart A-3
Arlington County Cost of Activities
(in millions of dollars)**



Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the County's and Schools governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the County's and Schools financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$247.3, an increase of \$21.9 in comparison with the prior year. Approximately, 37.3% of this total amount (\$92.3) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$36.6), to build facilities from general obligation bond proceeds and PAYGO monies (\$114.9) for a variety of other restricted purposes (\$3.5).

The general fund is a major governmental fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$92.3 while total fund balance reached \$100.5. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. Unreserved fund balance represents 11.7% of total general fund expenditures, while total fund balance represents 12.8% of that same amount.

The fund balance of the County general fund increased by \$31.4 during the current fiscal year. Key factors in this increase are as follows:

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

The general capital projects fund is another major fund of the County. At the end of the current fiscal year, there was no unreserved fund balance of the general capital projects fund while total fund balance reached \$34.5. As a measure of the general capital project fund's liquidity, it may be useful to compare total fund balance to total expenditures. Total fund balance represents 103.2% of total general capital project fund expenditures.

The fund balance of the County general capital projects fund decreased by \$16.6 during the current fiscal year. The key factor in this decrease is the increased rate of capital project expenditures in keeping with the County's many strategic capital initiatives.

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

Unrestricted net assets of the Utilities Fund at the end of the year amounted to \$46.2. Restricted net assets of the Ballston Public Parking Garage amounted to (\$5.3), the Emergency Communications Center amounted to \$23.1 and the other non-major funds amounted to \$4.7. The total growth in net assets for the funds was \$19.8, (\$1.7) \$1.7 and \$5.0 respectively. Other factors concerning the finances of these funds have been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

The difference between the original budget and the final budget was \$46.8, which consisted of an increase of \$27.2 in the revenue budget due to increased federal grants, primarily for homeland security, and an increase of \$74.0 in the expenditure budget due to additional appropriations in the following:

- \$14.0 in increases allocated to the general government
- \$ 9.5 in increases allocated to public safety
- \$ 2.9 in increases allocated to the department of environmental services
- \$16.4 in increases allocated to the department of human services
- \$ 2.7 in increases allocated to the department of planning and community development
- \$ 1.1 in increases allocated to the department of parks, recreation, and community resources
- \$ 1.8 in increases allocated to the judicial administration
- \$0.4 in increases allocated to libraries
- \$25.2 increases in transfers out to the Schools

The difference between the final budget and actuals was \$80.4 which consisted of a \$15.0 favorable revenue variance and \$35.5 favorable expenditure variance. The favorable revenue variance primarily consisted of \$10.9 for other local taxes, \$9.0 for real estate taxes, \$2.3 for miscellaneous revenue and \$1.9 for personal property tax partially offset by (\$13.2) for federal grants. The favorable expenditure variance consisted of the following:

- \$11.4 favorable in department of human services
- \$ 3.8 favorable in public safety
- \$ 1.7 favorable in planning and community development
- \$ 2.8 favorable in general government primarily due to Technology Services
- \$ 0.1 favorable in department of environmental services
- \$ 0.5 favorable in judicial administration
- \$ 0.5 favorable in libraries
- \$17.0 favorable transfer out to the Schools

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

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its governmental, business type activities, and component units activities as of June 30, 2006 amounts to \$1,170.0 (net of accumulated depreciation). This investment in capital assets includes land, building and systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

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

- \$8.9 Parks and recreation center improvements
- \$1.5 Transportation and pedestrian initiatives
- \$0.7 Community conservation

- \$0.1 Facility renovation
- \$23.1 Schools improvements
- \$23.2 Utilities improvements

Other capital assets were constructed using bond funds.

Capital Assets

The following table (Table A-4) displays the capital assets:

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

	Primary Government						Component Units				Total	
	Governmental Activities		Business-type Activities		Total		Schools		Other			
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Land	\$91.3	\$84.4	\$1.8	\$1.8	\$93.1	\$86.2	\$4.7	\$4.7	\$15.5	\$-	\$113.3	\$90.9
Buildings	153.4	138.7	13.2	13.7	166.5	152.4	259.788	244.4	25.6	-	451.9	396.8
Equipment	22.6	15.5	0.8	0.9	23.4	16.4	22.285	24.3	0.1	-	45.8	40.7
Infrastructure	121.2	118.6	0.0	-	121.2	118.6	-	-	-	-	121.2	118.6
Plant -sewer system	-	-	214.1	210.7	214.1	210.7	-	-	-	-	214.1	210.7
Plant - water system	-	-	98.9	100.6	98.9	100.6	-	-	-	-	98.9	100.6
Construction in progress	-	-	103.7	63.8	103.7	63.8	-	-	-	-	103.7	63.8
Internal service funds	21.1	20.1	-	-	21.1	20.1	-	-	-	-	21.1	20.1
Total	\$409.6	\$377.4	\$432.5	\$391.5	\$842.0	\$768.9	\$286.8	\$273.4	\$41.2	\$-	\$1,170.0	\$1,042.3

Note: Totals may not add due to rounding

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

Long-term debt. At the end of the current fiscal year, the primary government and component units had total long-term liabilities outstanding of \$890.0. Of this amount, \$728.2 comprises bonds, notes payable and related accrued interest and capital leases backed by the full faith and credit of the government.

The remainder of the County's debt (\$161.7) represents bonds secured solely by specified revenue sources (i.e., revenue bonds) (\$100.3), workers compensation reserves (\$3.1) and accrued compensated absences (\$58.3).

Long-term Debt

The following table (Table A-5) reflects the long-term debt:

Long-term Debt Outstanding

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

	Primary Government						Component Units				Total	
	Governmental Activities		Business-type Activities		Total		Schools		Other			
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
General obligation bonds**	\$586.6	\$563.5	\$35.3	\$38.5	\$621.9	\$602.0	\$-	\$-	\$29.0	\$-	\$650.9	\$602.0
Revenue bonds	-	-	14.3	14.8	14.3	14.8	-	-	-	-	14.3	14.8
IDA Revenue Bonds	-	-	61.6	64.3	61.6	64.3	-	-	-	-	61.6	64.3
Mortgage payable	-	-	3.4	3.4	3.4	3.4	-	-	21.0	-	24.4	3.4
Note payable	-	-	32.3	24.9	32.3	24.9	-	-	8.0	-	40.3	24.9
Obligations under capital lease	14.4	10.5	-	-	14.4	10.5	6.2	1.5	-	-	20.6	12
Worker's compensation claims	3.1	2.7	-	-	3.1	2.7	-	-	-	-	3.1	2.7
Accrued compensated absences	30.1	27.8	1.4	1.4	31.5	29.2	26.8	24.0	-	-	58.3	53.2
Mortgage and bond interest payable	-	-	12.9	12.4	12.9	12.4	-	-	-	-	12.9	12.4
Development fee payable	-	-	-	-	-	-	-	-	3.5	-	3.5	-
Total	\$634.2	\$604.5	\$161.2	\$159.8	\$795.4	\$764.3	\$33.0	\$25.5	\$61.5	\$-	\$890.0	\$789.9

Note: Totals may not add due to rounding

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

The County's total debt increased by \$100.1 during the current fiscal year. The key factor in this increase was a \$61.3 general obligation bond issuance for the County and the Schools, \$61.5 Gates Partnership and lowered debt service on the remaining bonds. The County maintains a "AAA" rating from Standard & Poor's and Fitch Investor Services and a "Aaa" rating from Moody's Investor Service for general obligation debt.

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

Post-employment Benefits

In anticipation of the required implementation of Governmental Accounting Standards Board Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* in FY 2008, the County has retained the services of an actuary and is evaluating program and funding alternatives.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County is currently 2.3%, which is a decrease of 0.1% a year ago. This compares favorably to the Northern Virginia's average unemployment rate of 2.5% and the national average rate of 4.6%.
- The vacancy rate of the County's office buildings decreased from 12.6% to 10.0%.
- Inflationary trends in the region compare favorably to national indices.

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

Requests for Information

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



Basic Financial Statements

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

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

ARLINGTON COUNTY, VIRGINIA
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Primary Government			Component Units		Total Government
	Governmental Activities	Business-Type Activities	Total	Schools	Other	
ASSETS:						
Equity in pooled cash and investments	\$315,097,916	\$79,037,388	\$394,135,304	\$49,257,844	\$312,843	\$443,705,991
Receivables, net	251,048,534	14,656,338	265,704,872	2,840,755	5,473	268,551,100
Receivable from primary government	-	-	-	48,922,075	-	48,922,075
Receivable from other governments	4,384,749	-	4,384,749	-	-	4,384,749
Inventory	-	727,288	727,288	280,347	-	1,007,635
Other assets	19,832,317	3,203,893	23,036,210	-	1,973,627	25,009,837
Reserves held by bond trustee					34,292,610	34,292,610
Capital assets:						
Land	91,281,802	1,792,817	93,074,619	4,697,946	15,519,080	113,291,645
Depreciable, net	318,290,557	326,975,786	645,266,343	282,072,930	25,688,051	953,027,324
Construction in progress	-	103,685,810	103,685,810	-	11,172,458	114,858,268
Total capital assets, net	409,572,359	432,454,413	842,026,772	286,770,876	52,379,589	1,181,177,237
Total assets	999,935,875	530,079,320	1,530,015,195	388,071,897	88,964,142	2,007,051,234
LIABILITIES:						
Accounts payable	10,173,589	7,083,517	17,257,106	5,526,325	142,176	22,925,607
Unearned revenue	42,065,738	-	42,065,738	818,544	-	42,884,282
Due to component unit	48,922,075	-	48,922,075	-	-	48,922,075
Accrued liabilities	12,520,940	7,034,655	19,555,595	26,808,644	460,894	46,825,133
Other liabilities	16,158,618	-	16,158,618	4,521,579	448,838	21,129,035
Non-current liabilities:						
Development fee payable	-	-	-	-	3,507,142	3,507,142
Due within one year	49,372,481	22,693,535	72,066,016	3,984,063	14,584	76,064,663
Due in more than one year	584,867,109	139,064,773	723,931,882	29,053,443	58,000,000	810,985,325
Total liabilities	764,080,551	175,876,480	939,957,031	70,712,598	62,573,634	1,073,243,263
NET ASSETS:						
Invested in capital assets, net of related debt	62,305,816	285,517,682	347,823,498	280,567,468	(5,634,995)	622,755,971
Restricted for:						
Capital projects	143,283,542	22,473,812	165,757,354	5,968,595	-	171,725,949
Other projects	2,982,755	-	2,982,755	-	-	2,982,755
Unrestricted	27,283,211	46,211,348	73,494,559	30,823,237	32,025,503	136,343,299
Total net assets	\$235,855,324	\$354,202,842	\$590,058,166	\$317,359,300	\$26,390,508	\$933,807,974

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

ARLINGTON COUNTY, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

ASSETS	General Fund	General Capital Projects Fund	All Other Governmental Funds	Total Governmental Funds
Equity in pooled cash and investments	\$144,371,805	\$46,405,568	\$117,528,976	\$308,306,349
Receivables, net	232,714,267	-	17,442,506	250,156,773
Due from other funds	3,037,699	-	-	3,037,699
Receivables from other governments	3,048,606	137,922	1,198,221	4,384,749
Other assets	15,097,664	28,440	1,108,357	16,234,461
Totals assets	<u>\$398,270,042</u>	<u>\$46,571,930</u>	<u>\$137,278,060</u>	<u>\$582,120,032</u>
LIABILITIES				
Accounts Payable	\$6,216,169	\$1,644,980	\$2,031,924	\$9,893,073
Deferred revenue	229,682,563	8,663,838	8,963,944	247,310,345
Due to component unit	48,922,075	-	-	48,922,075
Accrued liabilities	12,520,940	-	-	12,520,940
Other liabilities	413,750	1,809,920	-	2,223,670
Long-term liabilities	-	-	13,934,948	13,934,948
Total liabilities	<u>297,755,498</u>	<u>12,118,738</u>	<u>24,930,816</u>	<u>334,805,052</u>
FUND BALANCES				
Reserved for:				
Encumbrances	4,087,643	7,497,719	24,929,427	36,514,789
Other purposes	4,000,000	26,955,473	83,900,924	114,856,397
Unreserved:				
Designated	92,426,901	-	-	92,426,901
Special Revenue:				
Section 8 Housing	-	-	2,982,755	2,982,755
Travel & Tourism	-	-	262,885	262,885
Special District Assessment	-	-	271,254	271,254
Total fund balances	<u>100,514,544</u>	<u>34,453,192</u>	<u>112,347,244</u>	<u>247,314,980</u>
Total liabilities and fund balance	<u>\$398,270,042</u>	<u>\$46,571,930</u>	<u>\$137,278,060</u>	<u>\$582,120,032</u>

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

ARLINGTON COUNTY, VIRGINIA
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
 NET ASSETS OF GOVERNMENTAL ACTIVITIES
 JUNE 30, 2006

Total governmental fund balances	\$247,314,980
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	388,460,656
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	205,244,607
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(628,783,429)
Internal service funds	23,618,510
Net assets of governmental activities	<hr style="border: 0.5px solid black;"/> <u><u>\$235,855,324</u></u>

ARLINGTON COUNTY, VIRGINIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for services (Includes Licenses, Permits & Fees)	Operating Grants and Contributions	Capital Grants & Contributions
Primary Government:				
Governmental Activities:				
General government	\$144,413,158	\$21,333,168	\$40,020,698	\$1,809,521
Public safety	94,152,505	9,281,843	5,709,023	-
Environmental services	66,712,584	14,997,675	4,763,246	-
Health & welfare	104,638,605	3,055,575	38,156,033	-
Libraries	13,002,989	491,462	212,748	-
Parks, recreation & culture	34,366,540	4,545,328	101,481	-
Planning & community development	35,865,238	8,758,924	21,723,333	-
Education	310,810,349	-	-	-
Interest and other charges	18,031,216	-	-	-
Total governmental activities	821,993,185	62,463,975	110,686,562	1,809,521
Business-type activities:				
Utilities	47,321,964	65,044,344	-	1,190,249
Ballston Public Parking Garage	5,732,832	3,586,806	-	-
Total business-type activities	53,054,796	68,631,150	-	1,190,249
Total Primary government	875,047,981	131,095,125	110,686,562	2,999,770
Component unit:				
Schools	352,921,809	13,503,776	332,115,611	-
Other	2,446,253	1,619,182	-	-
Total component units	355,368,062	15,122,958	332,115,611	-

General Revenues:

Property Taxes:
Real estate property taxes
Personal property taxes
Other Local taxes:
Business, professional occupancy license taxes
Other local taxes
Investment and interest earnings
Miscellaneous

Total general revenues

Change in net assets

Net assets, beginning

Net assets, ending

EXHIBIT 3

Governmental Activities	Business-Type Activities	Total	Component Unit Schools	Component Unit Other
(\$81,249,771)	\$-	(\$81,249,771)	\$-	\$-
(79,161,639)	-	(79,161,639)	-	-
(46,951,663)	-	(46,951,663)	-	-
(63,426,997)	-	(63,426,997)	-	-
(12,298,779)	-	(12,298,779)	-	-
(29,719,731)	-	(29,719,731)	-	-
(5,382,981)	-	(5,382,981)	-	-
(310,810,349)	-	(310,810,349)	-	-
(18,031,216)	-	(18,031,216)	-	-
<u>(647,033,127)</u>	<u>-</u>	<u>(647,033,127)</u>	<u>-</u>	<u>-</u>
-	18,912,629	18,912,629	-	-
-	(2,146,026)	(2,146,026)	-	-
-	16,766,603	16,766,603	-	-
<u>(647,033,127)</u>	<u>16,766,603</u>	<u>(630,266,524)</u>	<u>-</u>	<u>-</u>
-	-	-	(7,302,422)	-
-	-	-	-	(827,071)
-	-	-	<u>(7,302,422)</u>	<u>(827,071)</u>
412,474,942	-	412,474,942	-	-
81,498,687	-	81,498,687	-	-
52,568,059	-	52,568,059	-	-
109,293,301	-	109,293,301	16,479,189	-
11,792,758	4,581,345	16,374,103	1,583,330	667,079
27,701,528	-	27,701,528	-	-
<u>695,329,274</u>	<u>4,581,345</u>	<u>699,910,619</u>	<u>18,062,519</u>	<u>667,079</u>
<u>48,296,147</u>	<u>21,347,947.57</u>	<u>69,644,095</u>	<u>10,760,097</u>	<u>(159,992)</u>
<u>187,559,177</u>	<u>332,854,894</u>	<u>520,414,071</u>	<u>306,599,203</u>	<u>26,550,500</u>
<u>\$235,855,324</u>	<u>\$354,202,842</u>	<u>\$590,058,166</u>	<u>\$317,359,300</u>	<u>\$26,390,508</u>

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

ARLINGTON COUNTY, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	General Capital Projects Fund	All Other Governmental Funds	Total Governmental Funds
REVENUES:				
General property taxes:				
Real Estate property taxes	\$391,213,244	\$-	\$-	\$391,213,244
Personal property taxes	81,498,687	-	-	81,498,687
Other Local taxes:				
BPOL	52,568,059	-	-	52,568,059
Other local taxes	106,377,690	-	2,915,611	109,293,301
Fines and forfeitures	8,900,948	-	-	8,900,948
Licenses, permits and fees	14,692,442	-	-	14,692,442
Intergovernmental	90,952,930	2,761,706	18,781,446	112,496,082
Charges for services	36,978,694	1,891,892	-	38,870,586
Interest and rent	7,292,440	-	4,500,318	11,792,758
Miscellaneous revenues	7,629,485	560,371	-	8,189,856
Total revenues	798,104,619	5,213,969	26,197,375	829,515,963
EXPENDITURES:				
Current operating:				
General government	130,380,468	-	-	130,380,468
Public safety	88,875,217	-	-	88,875,217
Environmental services	55,122,531	-	-	55,122,531
Health and welfare	98,926,206	-	-	98,926,206
Libraries	12,034,671	-	-	12,034,671
Parks, recreation and culture	30,759,513	-	1,253,198	32,012,711
Planning and community development	15,135,596	-	18,779,116	33,914,712
Education	310,810,349	-	-	310,810,349
Debt service				
Principal	26,480,421	-	-	26,480,421
Interest and other charges	18,031,216	-	-	18,031,216
Capital outlay	-	33,389,963	38,639,479	72,029,442
Total expenditures	786,556,188	33,389,963	58,671,793	878,617,944
Excess(deficiency) of revenues over expenditures	11,548,431	(28,175,994)	(32,474,419)	(49,101,981)
OTHER FINANCING SOURCES(USES):				
Transfers in	6,462,562	11,416,003	247,000	18,125,565
Transfers out	(11,292,635)	-	(4,519,730)	(15,812,365)
Capital leases	5,581,901	195,000	-	5,776,901
Refunding bonds issued	39,169,607	-	47,686,633	86,856,240
Deferred cost of refunding	(153,812)	-	(1,255,373)	(1,409,185)
Payments to refunded bond escrow agent	(39,015,795)	-	(46,431,260)	(85,447,055)
Premium from sale of bonds	1,644,345	-	-	1,644,345
Issuance of sale of bonds	17,500,000	-	43,835,000	61,335,000
Total other financing sources and uses	19,896,173	11,611,003	39,562,270	71,069,446
Net change in fund balances	31,444,604	(16,564,990)	7,087,851	21,967,465
Fund balances, beginning	69,069,939	51,018,182	105,259,393	225,347,515
Fund balances, ending	\$100,514,544	\$34,453,192	\$112,347,244	\$247,314,980

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

ARLINGTON COUNTY, VIRGINIA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds		\$21,967,465
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	47,342,119	
Less: Depreciation expense	(16,136,241)	31,205,878
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
		21,261,698
Bond proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Add: Debt repayment-debt principal	128,880,224	
Deferred cost of refunding	1,409,185	
Less: Proceeds from bonds and capital leases	(153,968,141)	
Bond premium to be amortized	(2,227,008)	
Amortization other charges and bond issue costs	439,655	(25,466,085)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds such as compensated absences and workers compensation		
		(2,657,072)
Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue (expense) of the internal service funds is reported by governmental activities:		
Additional revenue for internal service	590,385	
Net operating gain internal service funds	1,393,877	1,984,262
Change in net assets of governmental activities		\$48,296,146

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

ARLINGTON COUNTY, VIRGINIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE- BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
General Property taxes:				
Real estate	\$382,188,576	\$382,188,576	\$391,213,244	\$9,024,668
Personal	79,562,023	79,562,023	81,498,687	1,936,664
Other Local taxes	148,018,324	148,018,324	158,945,749	10,927,425
Licenses, permits and fees	11,930,529	13,022,022	14,692,442	1,670,420
Charges for services	35,472,564	35,679,138	36,978,694	1,299,556
Fines and forfeitures	8,136,000	8,136,000	8,900,948	764,948
Grants:				
State grants	58,943,091	63,703,002	63,011,781	(691,221)
Federal grants	24,049,135	41,189,830	27,941,149	(13,248,681)
Use of money and property	6,271,209	6,271,209	7,292,440	1,021,231
Miscellaneous revenue	1,381,017	5,359,886	7,629,485	2,269,599
Total revenues	755,952,468	783,130,010	798,104,619	14,974,609
EXPENDITURES:				
General Government Administration				
County Board	807,006	820,429	818,879	1,550
County Manager	3,442,554	3,496,858	3,488,016	8,842
Financial Management	4,759,612	4,976,012	4,791,828	184,184
Civil Service	17,645	17,645	881	16,764
Human Resources	6,216,736	6,352,612	6,179,797	172,815
Technology Services	14,176,961	18,656,837	15,845,977	2,810,860
County Attorney	1,557,676	1,581,931	2,161,221	(579,290)
Commissioner of Revenue	4,123,505	4,318,944	4,294,495	24,449
Treasurer	5,249,024	5,447,218	5,251,429	195,789
Electoral Board	776,364	808,801	805,012	3,789
Total General Government	41,127,083	46,477,287	43,637,535	2,839,752
Judicial Administration				
Circuit Court	2,660,335	2,797,588	2,560,240	237,348
District Court	278,726	352,316	254,874	97,442
Juvenile & Domestic Relations Court	4,722,346	4,893,983	4,797,598	96,385
Commonwealth Attorney	3,392,751	3,533,873	3,198,777	335,096
Sheriff & Jail	26,181,495	27,481,240	27,728,132	(246,892)
Total Judicial Administration	37,235,653	39,059,000	38,539,621	519,379
Public Safety				
Police	42,397,773	47,167,480	44,892,324	2,275,156
Emergency Communications Center	8,296,553	10,869,512	7,792,755	3,076,757
Fire	32,506,597	34,650,061	36,190,138	(1,540,077)
Total Public Safety	83,200,923	92,687,053	88,875,217	3,811,836
Environmental Services	52,346,495	55,265,917	55,122,531	143,386
Health & Welfare	94,001,369	110,371,607	98,926,206	11,445,401
Libraries	12,133,329	12,537,110	12,034,671	502,439

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

ARLINGTON COUNTY, VIRGINIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE- BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Planning & Community Development				
Economic development	2,678,617	3,188,774	2,589,865	598,909
Community Planning, Housing & development	11,469,845	13,629,341	12,545,731	1,083,610
Total Planning & Community Development	14,148,462	16,818,115	15,135,596	1,682,519
Parks and Recreation	29,677,428	30,782,266	30,759,513	22,753
Non-Department				
Non-Departmental	34,767,100	43,278,499	27,998,534	15,279,965
Debt Service				
Principal payment	26,158,857	26,158,857	26,480,421	(321,564)
Interest payment	17,493,977	17,493,977	17,808,894	(314,917)
Other costs	150,000	150,000	222,322	(72,322)
Regionals/Contributions	7,031,426	7,160,945	7,204,777	(43,832)
METRO	13,000,000	13,000,000	13,000,000	-
Total Non-Departmental	98,601,360	107,242,278	92,714,948	14,527,330
Total expenditures	462,472,102	511,240,633	475,745,839	35,494,794
Excess of revenues over expenditures	293,480,366	271,889,377	322,358,780	50,469,403
OTHER FINANCING SOURCES (USES):				
Transfers in	752,166	752,166	6,462,562	5,710,396
Transfers out	(296,430,375)	(321,642,138)	(304,602,984)	17,039,154
Premium on bond sale	-	-	1,644,345	1,644,345
Capital leases	-	-	5,581,901	5,581,901
Total other financing sources/(uses)	(295,678,209)	(320,889,972)	(290,914,176)	29,975,796
Net change in fund balance	(2,197,843)	(49,000,595)	31,444,604	80,445,199
Fund Balance - beginning of year	69,069,939	69,069,939	69,069,939	-
Fund Balance - end of year	\$66,872,096	\$20,069,344	\$100,514,543	\$80,445,199

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

ARLINGTON COUNTY, VIRGINIA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2006

	Business-type activities - Enterprise Funds				Total	Component	Governmental
	Utilities	Ballston Public Parking Garage	Emergency Communications Center	Other Non-Major Funds		Unit - Other Gates Partnership	
ASSETS:							
Current assets:							
Equity in pooled cash and investments	\$36,568,737	\$13,459,658	\$23,806,819	\$5,202,174	\$79,037,388	\$312,843	\$6,791,567
Receivables, net	14,319,579	8,105	169,881	158,773	14,656,338	5,473	891,760
Inventory, at cost	727,288	-	-	-	727,288	-	718,027
Other current Assets	2,499,858	259,386	229,944	214,705	3,203,893	125,764	-
Total current assets	<u>54,115,463</u>	<u>13,727,149</u>	<u>24,206,644</u>	<u>5,575,652</u>	<u>97,624,908</u>	<u>444,080</u>	<u>8,401,354</u>
Non-current assets:							
Reserves held by bond trustee	-	-	-	-	-	34,292,610	-
Other non current assets	-	-	-	-	-	1,847,863	-
Capital assets:							
Land	1,792,817	-	-	-	1,792,817	15,519,080	-
Depreciable, net	313,813,276	13,162,510	-	-	326,975,786	25,688,051	21,111,703
Construction in progress	66,395,774	-	11,576,419	25,713,617	103,685,810	11,172,458	-
Total capital assets, net	<u>382,001,867</u>	<u>13,162,510</u>	<u>11,576,419</u>	<u>25,713,617</u>	<u>432,454,413</u>	<u>52,379,589</u>	<u>21,111,703</u>
Total non current assets						88,520,062	
Total assets	<u>436,117,329</u>	<u>26,889,659</u>	<u>35,783,063</u>	<u>31,289,269</u>	<u>530,079,320</u>	<u>88,964,142</u>	<u>29,513,057</u>
LIABILITIES:							
Current liabilities:							
Accounts payable	4,961,365	528,633	1,136,836	456,683	7,083,517	142,176	280,516
Accrued liabilities	1,064,299	5,536,928	-	433,429	7,034,656	460,894	-
Due to other funds	-	-	-	-	-	-	157,870
Other liabilities	-	-	-	-	-	448,838	-
Due within one year	4,312,377	15,195,616	804,198	2,381,344	22,693,535	14,584	910,210
Total current liabilities	<u>10,338,041</u>	<u>21,261,177</u>	<u>1,941,034</u>	<u>3,271,456</u>	<u>36,811,708</u>	<u>1,066,492</u>	<u>1,348,596</u>
Non-current liabilities:							
Development fee payable						3,507,142	
Due in more than one year	65,195,700	15,460,416	32,006,150	26,402,507	139,064,773	58,000,000	4,545,951
Total non current liabilities						61,507,142	
Total liabilities	<u>75,533,741</u>	<u>36,721,593</u>	<u>33,947,184</u>	<u>29,673,963</u>	<u>175,876,481</u>	<u>62,573,634</u>	<u>5,894,547</u>
NET ASSETS:							
Invested in capital assets, net of related debt	314,372,241	(4,567,169)	(21,233,929)	(3,053,461)	285,517,682	(5,634,995)	15,655,542
Restricted net assets	-	(5,264,765)	23,069,808	4,668,769	22,473,812	-	-
Unrestricted	46,211,348	-	-	-	46,211,348	32,025,503	7,962,968
Total net assets	<u>\$360,583,589</u>	<u>(\$9,831,934)</u>	<u>\$1,835,879</u>	<u>\$1,615,308</u>	<u>354,202,842</u>	<u>\$26,390,508</u>	<u>\$23,618,510</u>

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

ARLINGTON COUNTY, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Business-type activities-Enterprise Funds				Total Business-type Activities	Component Unit - Other	Governmental Activities
	Utilities	Ballston Public Parking Garage	Emergency Communications Center	Other Non-Major Funds		Gates Partnership	Internal Service Funds
OPERATING REVENUES:							
Water-sewer service charges	\$52,362,162	\$-	\$-	\$-	\$52,362,162	\$-	\$-
Water-service hook-up charges	6,468,463	-	-	-	6,468,463	-	-
Water-service connection charges	269,617	-	-	-	269,617	-	-
Sewage treatment service charges	4,690,483	-	-	-	4,690,483	-	-
Rent Revenue	-	-	-	-	-	1,607,787	-
Other charges for services	1,253,619	-	-	-	1,253,619	11,395	17,693,505
Parking charges	-	3,586,806	-	-	3,586,806	-	-
Total Operating revenues	65,044,344	3,586,806	-	-	68,631,150	1,619,182	17,693,505
OPERATING EXPENSES:							
Personnel services	11,811,854	-	-	-	11,811,854	232,714	4,018,286
Fringe benefits	2,935,231	-	-	-	2,935,231	-	1,048,199
Cost of store issuances	-	-	-	-	-	-	4,590,769
Contractual services	7,116,130	2,882,974	-	-	9,999,104	413,791	-
Purchases of water	7,093,766	-	-	-	7,093,766	-	-
Materials and supplies	4,001,464	80,485	-	-	4,081,949	110,800	777,760
Utilities	-	-	-	-	-	237,724	219,449
Outside services	-	-	-	-	-	-	1,663,818
Depreciation	5,431,471	503,698	-	-	5,935,169	391,309	3,981,347
Deferred rent	-	654,996	-	-	654,996	-	-
Equipment (Construction Contracts)	2,276,681	-	-	-	2,276,681	-	-
Real Estate Taxes	-	-	-	-	-	156,652	-
Miscellaneous	4,218,638	-	-	-	4,218,638	31,777	-
Total Operating expenses	44,885,235	4,122,153	-	-	49,007,388	1,574,767	16,299,628
Operating income (loss)	20,159,109	(535,347)	-	-	19,623,762	44,415	1,393,877
NON-OPERATING REVENUES(EXPENSES)							
Interest income and other income	843,375	483,562	1,734,164	1,520,244	4,581,345	667,079	-
Interest expense and fiscal charges	(2,436,729)	(1,610,679)	-	-	(4,047,408)	(871,486)	-
Interest payment on capital lease	-	-	-	-	-	-	(107,524)
Contributions from developers and other sources	827,240	-	-	-	827,240	-	-
State grant	363,009	-	-	-	363,009	-	-
Gain on disposal of assets	-	-	-	-	-	-	309,179
Total non-operating revenues(expenses)	(403,105)	(1,127,117)	1,734,164	1,520,244	1,724,186	(204,407)	201,655
Net Income(loss) before operating transfers	19,756,004	(1,662,464)	1,734,164	1,520,244	21,347,948	(159,992)	1,595,532
TRANSFERS:							
Transfers in	-	-	-	-	-	-	518,730
Transfers out	-	-	-	-	-	-	(130,000)
Total net transfers	-	-	-	-	-	-	388,730
Change in net assets	19,756,004	(1,662,464)	1,734,164	1,520,244	21,347,948	(159,992)	1,984,262
Net assets - beginning of year	340,827,585	(8,169,470)	101,715	95,064	332,854,894	26,550,500	21,634,248
Net assets - end of year	\$360,583,589	(\$9,831,934)	\$1,835,879	\$1,615,308	\$354,202,842	\$26,390,508	\$23,618,510

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, 2006

	Business-type activities - Enterprise Funds				Component	Governmental	
	Utilities	Ballston Public Parking Garage	Emergency Communications Center	Other Non-Major Funds	Total Business-type Activities		Unit - Other
CASH FLOWS FROM OPERATING ACTIVITIES:							
Cash received from customers	\$62,862,529	\$3,578,700	\$-	\$-	\$66,441,229	\$1,593,116	\$312,100
Cash received from interfund charges	-	-	-	-	-	-	17,278,594
Cash paid to suppliers	(23,941,164)	(2,509,376)	-	-	(26,450,540)	(603,661)	(7,398,528)
Cash paid to employees	(14,799,849)	-	-	-	(14,799,849)	-	(5,045,092)
Net cash flows from operating activities	24,121,516	1,069,324	-	-	25,190,840	989,455	5,147,074
CASH FLOWS FROM INVESTING ACTIVITIES:							
Interest received	871,453	483,562	1,449,753	1,361,472	4,166,240	667,079	-
Net deposits to escrows	-	-	-	-	-	(34,292,610)	-
Increase in deposits	-	-	-	-	-	(6,850)	-
Net investments in real estate	-	-	-	-	-	(48,862,964)	-
Net cash flows from investing activities	871,453	483,562	1,449,753	1,361,472	4,166,240	(82,495,345)	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:							
Transfer out to other funds	-	-	-	-	-	-	(130,000)
Temporary loan from General Fund	-	-	-	-	-	-	(101,560)
State grant	363,009	-	-	-	363,009	-	-
Payment of temporary loan	-	-	-	-	-	-	(72,000)
Transfers in	-	-	-	-	-	-	518,730
Net cash flows from non-capital financing activities	363,009	-	-	-	363,009	-	215,170
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Principal payments - bonds	(3,074,680)	(500,000)	(\$590,000)	(\$2,455,000)	(3,574,680)	-	-
Payments to bonds redeemed	(3,957,945)	-	-	-	(3,957,945)	-	-
Proceeds of bond refunding	3,113,760	-	-	-	3,113,760	-	-
Proceeds from bonds	-	-	-	-	-	21,000,000	-
Proceeds of mortgage payable	-	-	-	-	-	29,000,000	-
Proceeds of VRA loan payable	7,364,605	-	-	-	7,364,605	-	-
Proceeds of notes payable	-	-	-	-	-	8,014,584	-
Contributions from other sources	-	-	-	-	-	26,550,500	-
Interest and other loan expenses paid	(2,585,276)	(518,955)	(87,566)	(85,127)	(3,276,924)	(2,746,351)	-
Purchases of property	(22,173,406)	-	(5,892,305)	(17,505,086)	(45,570,797)	-	(4,975,427)
Proceeds from sale of equipment	-	-	-	-	-	-	198,093
Net cash flows from capital and related financing activities	(21,312,942)	(1,018,955)	(6,569,871)	(20,045,213)	(45,901,981)	81,818,733	(4,777,334)
Net increase(decrease) in cash and cash equivalents	4,887,221	533,931	(5,120,118)	(18,093,741)	(17,792,707)	312,843	2,257,598
Cash and cash equivalents at beginning of year	31,681,516	12,925,727	28,926,937	52,222,852	96,830,095	-	4,533,969
Cash and cash equivalents at end of year	\$36,568,737	\$13,459,658	\$23,806,819	\$5,202,174	\$79,037,388	\$312,843	\$6,791,567
Reconciliation of operating income to net cash flow from operations:							
Operating Income/(loss)	\$20,159,109	(\$535,347)	\$-	\$-	\$19,623,762	\$44,415	\$1,393,877
Adjustments to reconcile operating income/(loss) to net cash provided by operating activities:							
Depreciation	5,431,471	503,698	-	-	5,935,169	357,457	3,981,346
Amortization	-	-	-	-	-	33,852	-
(Increase)Decrease in accounts receivable	(2,181,815)	(8,105)	-	-	(2,189,920)	(6,222)	(102,810)
(Increase)Decrease in inventories	111,096	-	-	-	111,096	-	(101,363)
Increase (Decrease) in prepaid expenses	-	-	-	-	-	(19,844)	-
Increase(Decrease) in vouchers payable	691,869	454,082	-	-	1,145,951	236,130	(45,368)
Increase(Decrease) in compensated absences	(52,765)	-	-	-	(52,765)	-	21,392
Increase(Decrease) in contract retainage	(37,449)	-	-	-	(37,449)	-	-
Increase(Decrease) in other accrued liabilities	-	654,996	-	-	654,996	343,667	-
Net cash flows from operations	\$24,121,516	\$1,069,324	\$-	\$-	\$25,190,840	\$989,455	\$5,147,074

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

ARLINGTON COUNTY, VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	Pension Trust	All Other Private Purpose Trust Funds	Total Agency Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Equity in pooled cash and investments	\$75,880,869	\$17,233,298	\$14,724,702
Contributions receivable:			
Employer	137,415	-	-
Employee	10,736	-	-
Accrued interest and other receivables	5,030,370	185,639	-
Bond issuance costs	-	399,996	-
Construction in progress	-	18,246,591	-
Receivable from other government	-	16,630,437	2,931,240
Investments, at fair value			
Foreign, Municipal and U.S. Government Obligations, including Fixed Instruments in Pooled Funds	61,642,672	-	-
Corporate Fixed Income Obligations	173,539,668	-	-
Domestic and Foreign Equities, including Equities in Pooled Funds	786,907,805	7,754,555	-
Other investments	175,598,132	-	-
Real estate funds	26,556,491	-	-
Total assets	<u>1,305,304,158</u>	<u>60,450,516</u>	<u>17,655,942</u>
LIABILITIES:			
Accounts payable and accrued liabilities	5,895,410	52,911,388	14,747,507
Due to primary government	-	-	2,908,435
Total liabilities	<u>5,895,410</u>	<u>52,911,388</u>	<u>17,655,942</u>
NET ASSETS	<u><u>\$1,299,408,748</u></u>	<u><u>\$7,539,128</u></u>	<u><u>\$-</u></u>

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

ARLINGTON COUNTY, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Pension Trust	All Other Private Purpose Trust Funds
	<u> </u>	<u> </u>
ADDITIONS:		
Contributions and Revenues:		
Employer contributions	\$16,340,847	\$-
Employee contributions	8,848,814	-
Other contributions	63,996	16,735,000
Shared revenues	-	1,480,109
Private donations	-	45,548
	<u>25,253,657</u>	<u>18,260,657</u>
Investment earnings:		
Interest and other	27,950,621	1,527,996
Securities lending	368,271	-
Commissions recapture, gross	28,215	-
Net change in fair value of investments	<u>111,410,095</u>	<u>(5,199)</u>
	<u>139,757,202</u>	<u>1,522,797</u>
Less investment expenses	6,145,479	1,527,051
	<u>133,611,723</u>	<u>(4,254)</u>
	<u>158,865,380</u>	<u>18,256,403</u>
DEDUCTIONS:		
Administrative expenses	718,219	19,578,397
Retirees pension expense	<u>56,796,331</u>	<u>-</u>
	<u>57,514,550</u>	<u>19,578,397</u>
	<u>101,350,830</u>	<u>(1,321,994)</u>
Net assets - Beginning of the year	<u>1,198,057,918</u>	<u>8,861,122</u>
Net assets - End of the year	<u><u>\$1,299,408,748</u></u>	<u><u>\$7,539,128</u></u>

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

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1. Summary of Significant Accounting Policies

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

I. Accounting Policies

A. The Financial Reporting Entity

Arlington County, Virginia (the "County") is a jurisdiction of the Commonwealth of Virginia and is governed by a five-member County Board. As required by GAAP, these financial statements present the County (primary government) and its component 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. As discretely presented component units, the Schools and the Gates Partnership are reported in separate columns in the combined financial statements, to emphasize that they are legally separate from the County.

Discretely Presented Component Units

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

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

Debt (Series 2005) 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 fiscal dependency mandate the inclusion as a discrete component unit.

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.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

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

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

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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

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

D. Funds

The Funds used by the County and 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 following are the County's and the Schools' Governmental Fund Types.

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

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

The **Capital Projects Funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). These activities include the General Capital Projects Fund that provides funding for Transportation Infrastructure Capital Asset Preservation Program (CAPP), Information Technology CAPP, Parks & Recreation CAPP, Neighborhood Conservation (NC) Program, and Neighborhood Traffic Calming (NTC) Programs.

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

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

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

portion of the cost of operating of these funds. The Gates Partnership component units are considered enterprise fund because they have established charges to recover the total cost of operations of these funds.

The government reports the following major proprietary funds:

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

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

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

Additionally, the government reports the following fund types:

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

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

The *Private-purpose Trust Funds* are used to account for resources legally held in trust to provide for capital costs of repairs to the waste-to-energy plant and other solid waste purposes, resources used for the construction of IDA Skating facilities on the eighth level of the Ballston Public Parking Garage, resources used for the construction of IDA affordable housing through the Affordable Housing Investment Fund Plus (AHIF+) program and funds set aside for various social service programs.

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

The *Agency Funds* account for assets held by the County as an agent for individuals, private organizations, other governmental units and/ or funds. The assets include in Agency funds are for Special Welfare Programs in Department of Human Services, Friends of Library donations, Parks and Receptions donations, Commission Funds reserved for Canteen and Inmates.

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utilities Fund, of the Ballston Public Parking Garage Fund, the Emergency Communications Center, the IDA Revenue Bond funds, of the government's internal service funds and of the Gates Partnership component unit are charges to customers for sales and services. The Utilities Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

E. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General and Special Revenue Funds. All appropriations are legally controlled at the

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

departmental level. The School Board prepares a separate operations budget for approval by the County Board. The proposed budget includes a recommended program of County and School capital expenditures to be financed from current operations. The County Board also approves a separate six-year Capital Improvement Program. The Budget presentation displayed in Exhibit 5 is formatted differently than the governmental fund statements, but the overall ending balance is identical.

F. Equity in Pooled Cash and Investments

The County pools substantially all cash and investments, including those held by the Schools, except for separate cash and investment accounts that are maintained in accordance with legal restrictions. Each Fund's equity share of the total pooled cash and investments is included on the accompanying balance sheet under the caption "Equity in Pooled Cash and Investments." The Code of Virginia, Sections 2.2-4500 through 4517, and the investment policy of the County as revised by the County Finance Board in April 2004, authorize the County Treasurer to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, commercial paper with "prime quality" rating by at least two of the following: by Moody's Investors Service, Inc., rating of prime 1, by Standard & Poor's, Inc., rating of A-1, by Fitch Investor's Services, Inc., rating of F-1, by Duff and Phelps, Inc., rating of D-1, bankers' acceptances, repurchase agreements, Corporate notes that have been rated at least AA by Standard and Poor's and at least Aa by Moody's, mutual funds and the Virginia Local Government Investment Pool (a 2a-like pool). The County's policy limits the amount that may be invested in commercial paper to a single issuer to 5% of the portfolio and limits overall investments in commercial paper to 35% of the total portfolio. The County's policy does not set a limit on the amount that may be invested in any single Federal Agency issuer.

The Pension Trust Fund is also authorized to make investments as deemed appropriate by its Board of Trustees and in compliance with the U.S. Department of Labor regulations. It is required by County ordinance to maintain at least twenty-five percent of its portfolio in fixed income investments.

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

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

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

G. Receivables and Payables

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

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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

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

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

H. Inventories and Prepaid Items

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

I. Capital Assets

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

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

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

J. Compensated Absences

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

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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

K. Arbitrage Rebate Liability

The U.S. Treasury has issued regulations on calculating the rebate due the Federal government on arbitrage profits and determining compliance with the arbitrage rebate provisions of the Tax Reform Act of 1986. Arbitrage profits arise when the County temporarily invests the proceeds of tax exempt debt in securities with higher yields. The County treats the estimated rebate payable as a reduction of available financial resources in the fund that earned the arbitrage profit. Accordingly, interest earnings are reduced by the amount of the increase in the estimated rebate payable and a liability is reported in the appropriate fund. At June 30, 2006, there was no arbitrage rebate liability.

L. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

M. Fund Equity

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

N. Comparative data/reclassifications

Comparative total data for the prior year have been presented in the accompanying combining 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 have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand. Certain FY 2005 amounts have been reclassified to conform to the FY 2006 presentation.

O. Cash and Cash Equivalents

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

P. Use of Estimates

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

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

II. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(628,783,429) difference as follows:

General obligation bonds - general government	\$(334,961,302)
General obligation bonds - Schools	(241,942,853)
Compensated absences - general government	(29,553,699)
Worker’s compensation - general government	(3,121,595)
Capital leases - general government	(9,547,302)
Bond issue costs and deferred amount on refunding, net	2,655,631
Current year Bond premium to be amortized - County	(7,641,705)
Current year Bond premium to be amortized – Schools	(4,670,604)
	<u>\$(628,783,429)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and changes in *net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.” The details of this \$31,205,878 difference are as follows:

Capital acquisitions	\$47,342,119
Depreciation expense	(16,136,241)
Net adjustment to increase <i>net changes in fund balances</i> total governmental funds to arrive at changes in net <i>assets of governmental activities</i>	<u>\$31,205,878</u>

Another element of the reconciliation states that “Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds”. The details of this difference are as follows:

Deferred property tax revenue 6/30/06	\$205,244,607
Deferred property tax revenue 6/30/05	(183,982,909)
Net adjustment to increase net changes in fund balances – total governmental funds arrive at changes in net assets of governmental activities	<u>\$21,261,698</u>

Another element of that reconciliation states that “Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets” The details of this \$(25,466,085) difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds - County	\$(43,835,000)
Issuance of general obligation bonds – Schools	(17,500,000)

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

Capital lease financing – General Government	<u>(5,776,901)</u>
	<u>(67,111,901)</u>
Principal repayments:	
General obligation debt – County	23,619,549
General obligation debt – Schools	16,322,363
Capital leases	<u>3,491,257</u>
Total principal repayments	<u>43,433,169</u>
Bond premium to be amortized	<u>(2,227,008)</u>
Other charges and bond issue costs	<u>439,655</u>
Net adjustment to decrease <i>net changes in fund balances</i> - total governmental funds to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$(25,466,085)</u></u>
<p>Another element of that reconciliation states that “some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds such as compensated absences and worker’s compensation”. The detail of this \$(2,657,072) difference are as follows:</p>	
Compensated absences	\$(2,283,960)
Worker’s compensation	<u>(373,112)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of government activities	<u><u>\$(2,657,072)</u></u>
<p>Another element of that reconciliation states that “Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue (expense) of the internal service funds is reported by governmental activities.”</p>	
Additional revenue – internal service funds	\$590,385
Net operating income – internal service funds	<u>1,393,877</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$1,984,262</u></u>

NOTE 2. Legal Compliance

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

Supplemental appropriations may be approved by the County Board subsequent to the adoption of the original budget. In FY 2006 such appropriation amendments totaled \$13,541,331 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 2006 for the following departments: the Fire Department; the County

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Attorney; and the Sheriff's Department. The County Board will re-appropriate funds to increase these budgets in the annual closeout package in November of FY 2007. Management will ensure these departments develop better budget estimates in future years.

The Ballston Parking Garage (an Enterprise Fund) commenced operations in 1986 and has generated sufficient positive cash flow since inception to meet its operating and revenue bond debt service requirements. However, when considering limited liabilities (deferred ground rent and a deferred mortgage payable) and depreciation, the garage has negative net assets of \$(9,831,934) at June 30, 2006. 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), incurred a positive change in net assets of \$136,047 in FY 2006, resulting in ending net assets of \$(49,102).

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 \$155,191,825 and the bank balance was \$163,996,336. Of the bank balance, \$809,418 was covered by Federal depository insurance. The bank balances exceeding those covered by Federal insurance are protected under the provisions of the Virginia Security for Public Deposits Act ("the Act").

B. Custodial Credit Risks Investments

No specific disclosure is necessary for custodial credit risks since the County requires that all investments be clearly marked as to ownership and to be registered in the name of the County. In FY 2005, the Section 8 Housing Program was carried in an overnight repurchase agreement, the collateral for which was held in the investment company's counterparty, not in the name of the County, which necessitated a disclosure for investment custodial credit risk. In FY 2006, the Section 8 Housing Program was carried in a demand deposit account at Commerce Bank and its balance is included in the Custodial Credit Risk Deposit disclosure above.

C. Investment Policy

In accordance with State statutes, the County's investment policy permits it to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, commercial paper, bankers' acceptances, repurchase agreements, corporate notes, mutual funds and the Virginia Local Government Investment Pool (a 2a-like pool).

D. Credit Risk

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

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E. Concentrations of Credit Risk

The County's policy limits the amount that may be invested in commercial paper to a single issuer to 5% of the portfolio and limits overall investments in commercial paper to 35% of the total portfolio. The County's policy does not set a limit on the amount that may be invested in any single Federal Agency issuer.

F. Interest Rate Risk

As of June 30, 2006, the County had the following investments and maturities:

	<u>Investment Maturity (in years)</u>		
	<u>Fair Value</u>	<u>Less than one year</u>	<u>1-3 years</u>
Commercial Paper	\$45,887,325	\$45,887,325	\$-
Federal Agency Bonds/Notes	26,663,906	17,056,555	9,607,351
Total	<u>72,551,231</u>	<u>\$62,943,880</u>	<u>\$9,607,351</u>
Investment not subject to Interest Rate Risk:			
Virginia LGIP	18,838		
Virginia State Non-Arbitrage Program	180,364,003		
James Monroe T-Fund	402,622		
Commonwealth Investment Fund	1		
Total	<u>180,785,464</u>		
Total Investments	<u>\$253,336,695</u>		

Investment Portfolio

As of June 30, 2006

	S&P Rating	PAR	Interest Rate	Maturity Date	Market	% of Portfolio
Commercial Paper						
Charta LLC	A-1	\$3,600,000	5.09%	07/21/06	\$3,574,040	
Charta Corp	A-1	1,437,000	5.09%	07/24/06	1,426,029	
Maximillian	A-1	1,800,000	5.10%	07/24/06	1,786,230	
BTM Capital Corp.	A-1	5,000,000	5.09%	07/25/06	4,961,115	
Bunge Asset Funding	A-1	7,000,000	5.08%	07/25/06	6,945,666	
Galaxy Funding	A-1+	2,225,000	5.09%	07/25/06	2,207,696	
Ciesco LLC	A-1+	5,000,000	5.08%	07/26/06	4,960,485	
Davis Square III	A-1+	7,000,000	5.08%	07/31/06	6,939,744	
Delaware Group	P-1	3,200,000	5.09%	07/31/06	3,172,400	
New Center Asset	A-1	5,000,000	5.08%	07/31/06	4,956,960	
Theta Corp	A-1+	5,000,000	5.08%	07/31/06	4,956,960	
		<u>46,262,000</u>			45,887,325	18.11%
Federal Agency Bonds/Notes						
FHLB Bonds	AAA	1,785,000	4.00%	07/19/06	1,783,893	
FHLB Bonds	AAA	4,000,000	5.00%	09/29/06	3,995,000	
FHLB Bonds	AAA	4,000,000	5.15%	11/09/06	3,995,000	
FHLB Bonds	AAA	3,125,000	4.95%	12/15/06	3,112,313	
FHLB Bonds	AAA	4,190,000	5.00%	02/09/07	4,170,349	
FHLB Bonds	AAA	3,015,000	4.25%	08/08/07	2,971,674	
FHLB Bonds	AAA	4,685,000	5.02%	09/14/07	4,646,958	
FHLB Bonds	AAA	2,005,000	5.00%	01/28/08	1,988,719	
		<u>26,805,000</u>			26,663,906	10.53%
Virginia State Non-Arbitrage Program (SNAP)	AAAAm	180,364,003			180,364,003	71.20%

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Commonwealth Investment Fund	Cash			
State Treasurer's Local Government	Acct.	1	1	0.00%
Investment Pool	AAAm	<u>18,838</u>	<u>18,838</u>	<u>0.01%</u>
Total Securities		<u>\$253,852,464</u>	<u>\$253,336,695</u>	<u>100.00%</u>

SunTrust Bank, as trustee for holders of bonds for the Ballston Public Parking Garage, is authorized to invest in all investment instruments for the County Treasurer. As of June 30, 2006 the Trustee Bank had \$16,506,807 in a U.S. government money market fund consisting of securities approved for direct investment. The Trustee Bank is also the trustee for the Alexandria/Arlington Waste Disposal Trust Fund and Arlington Solid Waste Authority. Investments in the amount of \$7,926,753 in U.S. government securities and agency obligations at fair value were held by the Trustee Bank at June 30, 2006.

U.S. Bank Trust National Association, as the trustee for the Industrial Development Authority (IDA) of Arlington County, Virginia Lease Revenue Bonds, is granted and assigned a security interest in the investment instruments by the IDA of Arlington County for the Arlington County Treasurer. As of June 30, 2006, the U.S. Bank Trust National Association had \$37,822,259 in the Trustee Bank.

Wells Fargo Bank, as the trustee for the Industrial Development Authority (IDA) of Arlington County, Virginia, is authorized to invest in all investments for the IDA Taxable Economic Development Revenue Bonds (Skating Facility Project). As of June 30, 2006, the Trustee Bank had \$16,906,180 in a U.S. government money market fund.

The County has invested bond proceeds subject to rebate of arbitrage earnings in the Virginia State Non-Arbitrage Program ("SNAP"). SNAP is designed to assist local governments in complying with the arbitrage rebate requirements of the Tax Reform Act of 1986. These programs provide comprehensive investment management, accounting and arbitrage rebate calculation services for proceeds of general obligation and revenue tax-exempt financing of Virginia counties, cities and towns. As of June 30, 2006, the County had \$180,364,003 in the SNAP short-term investment.

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

A. Legal Provisions

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

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

- Common stock, preferred stock, convertible securities, warrants and similar rights of U.S. and non-U.S. companies.
- Private equity. The System invests in private equity through an experienced fund-of-funds manager to maximize diversification by vintage year and investment type. The commitment to private equity totals \$58 million, representing 4.4% of assets, of which \$22.4 million has been funded as of June 30, 2006
- Open and closed end commingled real estate funds and real estate investment trust securities. The System has a commitment to fund a real estate partnership for \$25 million of which \$13.7 million has been funded as of June 30, 2006.
- Fixed income obligations of the U.S. government and its agencies, mortgage-backed securities, corporate bonds and asset backed securities; and fixed income obligations of non-U.S. governments, companies, and supernational organizations in both developed and emerging markets. Limits on concentration, credit quality, and duration are governed by the investment manager contract with each manager.

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- Commingled funds or separate account structures are permitted.
- Futures contracts. The System invests in a portfolio of managed futures contracts to enhance return and diversify risk. Some market risk accrues from these investments. The credit risk of these investments results from the credit worthiness of the counterparties to the contracts. The System maintains cash investments and rebalances monthly to insure that unintended leverage does not arise. As of June 30, 2006, the System's managed futures portfolio was valued at \$53.5 million, including \$5.5 million in a futures account, \$40.3 million in a Vanguard institutional money market fund, and \$7.7 million in the custodian's Short-Term Investment Fund (STIF).
- Foreign currency forwards. The System invests in a portfolio of foreign currency forward contracts to add value and diversify risk. Market risk accrues from these investments due to fluctuations in currency rates among ten major national currencies of developed nations in the Morgan Stanley Capital International World and Citigroup World Government Bond Indices. Credit risk of these investments results from the credit worthiness of the counterparties to the contracts. The currency program is operated as an absolute return strategy with a maximum notional exposure of \$100 million. As of June 30, 2006, the System was long a total of \$35.2 million in two currencies, short a total of \$48.5 million in seven currencies, and neutral in one currency.

B. Investment Restrictions

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

Fixed income investments must be at least 20% of 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) at that time.

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

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

- Invest more than 10% of the market value of each manager's portfolio in the securities of any one issuer, with the exception of the U.S. government and its agencies.
- Hold more than 5% of the outstanding shares of a single company in any manager's portfolio.
- Hold unlisted equity securities that exceed 20% of the portfolio, exclusive of holdings in banks, utilities, and insurance companies.
- Use leverage of any sort for any purpose
- Effect short sales of securities.
- Pledge or hypothecate securities.

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

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C. Cash and Cash Equivalents

As of June 30, 2006 the System had cash and cash equivalents of \$75,880,869. Cash deposits in bank accounts totaled \$293,325. This amount was insured by the Federal Deposit Insurance Corporation up to \$100,000 for each System participant. Cash equivalents of \$40,352,575 are invested in a Vanguard institutional money market fund and \$35,234,853 is invested in the custodian's Short-Term Investment Fund (STIF). These accounts are uninsured and uncollateralized.

D. Investments and Risk

The System's investments are recorded at fair value. The following table presents the fair value of investments by type as of June 30, 2006:

Investment Type	Fair Value (in \$000s)
U.S. Treasury	\$25,485
U.S. Agency	5,034
Mortgage Backed Government Pass-Through	581
Corporate Bonds	116,898
Corporate Asset Backed	743
Private Placements	8,735
Municipal Bonds	1,361
Yankee Bonds	3,769
Supernationals	4,304
Non-U.S. Developed Government/Sovereign	17,839
Non-U.S. Developed Corporate	65,346
Non-U.S. Emerging Government/Sovereign	18,804
Non-U.S. Emerging Corporate	16,088
Convertible Securities	67,138
U.S. Equity	340,948
Non-U.S. Equity	160,008
Alternative Investments	54,311
Real Estate	26,556
Commingled Equity Funds	291,335
Commingled US Fixed Income	3,985
Currency Forwards	(105)
Commingled Money Market	66,027
Short Term	5,488
Cash	4,017
Total	<u>\$1,304,695*</u>

* This total does not include contributions receivable, accrued expenses, and disbursement checking account cash.

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

Custodial Credit Risk

In the event of the failure of a counterparty, 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.

Interest Rate Risk

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

The System had the following fixed income investments and maturities as of June 30, 2006:

Investment Type:	Fair Value (\$000s)	Investment Maturities (in years)			
		Under 1	1-5	6-10	Over 10
U.S. Treasury	\$25,485	\$-	\$17,154	\$-	\$8,331
U.S. Government Agency	5,034	-	5,034	-	-
Mortgage Backed Govt Pass Through	581	-	-	-	581
Corporate Bonds	116,898	1,041	15,187	21,934	78,736
Corporate Asset Backed	743	-	-	-	743
Private Placement	8,735	-	3,566	922	4,247
Municipal Bonds	1,361	-	-	-	1,361
Yankee Bonds	3,769	-	-	258	3,511
Supernational	4,304	-	-	-	4,304
Non-U.S. Developed Govt/Sovereign	17,839	267	17,572	-	-
Non-U.S. Developed Corporate	65,346	2,489	47,689	3,509	11,659
Non-U.S. Emerging Govt /Sovereign	18,804	-	3,097	6,260	9,447
Non-U.S. Emerging Corporate	16,088	-	8,582	1,090	6,416
Convertible Securities	67,138	-	23,747	6,673	36,718
Short Term	5,488	5,488	-	-	-
Total	\$357,613	\$9,285	\$141,628	\$40,646	\$166,054

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Interest rate sensitivity of a fixed income portfolio is best measured by effective duration. The effective duration of the fixed income portfolio at June 30, 2006 is shown below:

Investment Type:	Fair Value (in thousands)	Effective Duration (years)
U.S. Treasury	\$25,485	5.49
U.S. Government Agency	5,034	0.98
Mortgage Backed Govt Pass Through	581	4.72
Corporate Bonds	116,898	8.01
Corporate Asset Backed	743	0.56
Private Placements	8,735	7.36
Municipal Bonds	1,361	7.10
Yankee Bonds	3,769	9.14
Supernationals	4,304	8.11
Non-U.S. Developed Govt/Sovereign	17,839	1.57
Non-U.S. Developed Corporate	65,346	4.97
Non-U.S. Emerging Govt /Sovereign	18,804	7.27
Non-U.S. Emerging Corporate	16,088	5.34
Convertible Securities	67,138	4.62
Short Term	5,488	-
Total	\$357,613	5.99

Concentration of Credit Risk

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

The System's credit quality distribution for fixed income investments at June 30, 2006 is shown below:

Fixed Income Distribution by Credit Quality (\$000s)

Investment Type	<u>Credit Quality</u>							
	AAA	AA	A	BBB	BB	B	Below B	Not Rated
U.S. Government	\$25,485	\$-	\$-	\$-	\$-	\$-	\$-	\$-
U.S. Government Agency	5,615	-	-	-	-	-	-	-
Corporate bonds	5,101	4,204	16,664	43,600	17,212	25,767	1,139	3,953
Private placements	-	-	2,181	3,671	366	1,458	376	682
Municipal bonds	-	-	-	1,361	-	-	-	-
International obligations	20,875	9,448	15,204	23,538	16,953	4,045	-	36,087
Convertible securities	-	-	5,409	12,386	10,965	8,356	3,900	26,122
Total	\$57,076	\$13,652	\$39,458	\$84,556	\$45,496	\$39,626	\$5,417	\$66,844

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Foreign Currency Risk

Foreign investments include equity and fixed income securities, including convertible bonds, currency forward exchange contracts, and cash. The System's exposure to foreign currency risk at June 30, 2006 was as follows:

Foreign Currency Exposure in U.S. Dollars (\$000s)

Currency	Equity	Fixed Income & Convertible	Currency Forwards	Cash	Total
Australian Dollar	\$3,777	\$1,330	\$(2,984)	\$33	\$2,156
Brazilian Real	-	4,505	-	-	4,505
British Pound	26,966	4,977	24,653	233	56,829
Canadian Dollar	8,814	13,795	(4,581)	19	18,047
Danish Krone	2,021	-	-	-	2,021
Euro	36,287	39,739	(726)	1,352	76,652
Hong Kong Dollar	2,751	275	-	-	3,026
Japanese Yen	26,372	9,448	(12,313)	454	23,961
Mexican Peso	-	5,910	-	-	5,910
New Zealand Dollar	-	7,805	10,389	1	18,195
Norwegian Krone	2,610	4,451	(13,848)	21	(6,766)
Singapore Dollar	-	1,291	-	-	1,291
South African Rand	-	3,097	-	-	3,097
Swedish Krona	-	1,737	(5,326)	1	(3,588)
Swiss Franc	13,121	5,915	(9,116)	473	10,393
Total	\$122,719	\$104,275	\$(13,852)	\$2,587	\$215,729

E. Securities Lending

The System engages in securities lending transactions through the Bank of New York (BoNY). In accordance with the contract, BoNY may lend any securities held in the Fund. Maturity matched collateral of cash, cash equivalents or irrevocable letters of credit are held at the minimum rate of 102% for domestic securities and 105% for international. The collateral is maintained by BoNY and all securities on loan are callable at any time. The System does not have the ability to invest, pledge or sell the collateral. All securities on loan are carried at fair value and no collateral received for securities on loan is listed as an asset of the Fund.

The System did not impose any restrictions during the period on the amounts of securities lending BoNY did on its behalf. BoNY indemnifies the System by agreeing to purchase replacement securities, or to remit the cash collateral held, in the event the borrower becomes insolvent and fails to return the securities. Credit risk is mitigated both by the collateral and by the credit of BoNY. There were no such failures by any borrower during the fiscal year nor were there any losses during the year resulting from a default of the borrower or lending agent.

The following table details the net income from securities lending for the fiscal year ending June 30, 2006

Gross Income from Securities Lending	\$5,526,377
Less Expenses	5,004,650
Less Bank Fees	153,456
Net Income from Securities Lending	<u>\$368,271</u>

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The following table presents the fair value of underlying securities and the value of the collateral pledged as of June 30, 2006:

Type of Securities Lent	Fair Value	Value of Cash Collateral
Corporate Fixed Income	\$68,095,407	\$69,331,372
U.S. Equity	31,442,837	32,632,793
Non-U.S. Governments	2,160,000	2,470,000
Non-U.S. Equity	2,829,279	2,893,072
Total	<u>\$104,527,523</u>	<u>\$107,327,237</u>

F. Commission Recapture Program

The System participates in a commission recapture program with Frank Russell Company. This program allows the System to recapture a portion of the commissions paid to broker/dealers with which the System has entered into an agreement. All trades are placed subject to the requirement for best execution. Earnings credited to commission recapture income for the fiscal year ending June 30, 2006 were \$28,215.

NOTE 4. Receivables, net

Receivables at June 30, 2006 are summarized below.

	Governmental Activities	Business-type Activities
Real estate taxes	\$206,795,876	\$-
Personal property taxes	5,223,326	-
Omitted business licenses tax	4,738,814	-
Omitted meals tax	835,202	-
Accounts receivable	18,000,824	14,542,927
Interest	816,809	333,411
Total	<u>236,410,850</u>	<u>14,876,338</u>
Less: Allowance for uncollectible accounts	<u>(3,696,583)</u>	<u>(220,000)</u>
Net receivables	<u>\$232,714,267</u>	<u>\$14,656,338</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 \$205,244,607, has also been recorded as deferred revenue since these revenues are not considered to be available to finance current year expenditures.

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

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

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NOTE 5. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental and Internal Services activities:				
Capital assets, not being depreciated:				
Land	<u>\$84,409,616</u>	<u>\$6,872,186</u>	<u>\$-</u>	<u>\$91,281,802</u>
Capital assets, being depreciated:				
Infrastructure	344,707,356	11,214,075	-	355,921,431
Buildings	184,039,253	19,259,281	-	203,298,534
Furniture, fixtures and equipment	<u>71,439,726</u>	<u>14,975,423</u>	<u>1,919,757</u>	<u>84,495,392</u>
Total capital assets being depreciated	<u>600,186,335</u>	<u>45,448,779</u>	<u>1,919,757</u>	<u>643,715,357</u>
Less accumulated depreciation for:				
Infrastructure	226,122,360	8,618,374	-	234,740,734
Buildings	45,324,578	4,600,633	-	49,925,211
Furniture, fixtures and equipment	<u>35,780,027</u>	<u>4,978,828</u>	<u>1,919,757</u>	<u>38,839,098</u>
Total accumulated depreciation	<u>307,226,965</u>	<u>18,197,835</u>	<u>1,919,757</u>	<u>323,505,040</u>
Total capital assets, being depreciated, net	<u>292,959,370</u>	<u>27,250,944</u>	<u>-</u>	<u>320,210,317</u>
Governmental activities capital assets, net	<u>\$377,368,986</u>	<u>\$34,123,130</u>	<u>\$1,919,757</u>	<u>\$409,572,359</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$1,792,817	\$-	\$-	\$1,792,817
Construction in progress	<u>63,842,074</u>	<u>43,413,728</u>	<u>3,569,992</u>	<u>103,685,810</u>
Total capital assets, not being depreciated	<u>65,634,891</u>	<u>43,413,728</u>	<u>3,569,992</u>	<u>105,478,627</u>
Capital assets, being depreciated:				
Sewer system	269,402,447	20,301,625	13,310,816	276,393,256
Water system	125,460,492	2,994,867	2,993,576	125,461,783
Parking garage	22,328,345	-	-	22,328,345
Furniture and fixtures and equipment	<u>1,872,910</u>	<u>-</u>	<u>-</u>	<u>1,872,910</u>
Total capital assets being depreciated	<u>419,064,194</u>	<u>23,296,492</u>	<u>16,304,392</u>	<u>426,056,294</u>
Less accumulated depreciation for:				
Sewer system	58,710,991	3,592,032	-	62,303,023
Water system	24,841,481	1,672,806	-	26,514,287
Parking garage	8,667,435	498,399	-	9,165,834
Furniture and fixtures and equipment	<u>930,731</u>	<u>166,632</u>	<u>-</u>	<u>1,097,363</u>
Total accumulated depreciation	<u>93,150,637</u>	<u>5,929,869</u>	<u>-</u>	<u>99,080,507</u>
Total capital assets, being depreciated, net	<u>325,913,558</u>	<u>17,366,623</u>	<u>-</u>	<u>326,975,787</u>
Business-type activities capital assets, net	<u>\$391,548,449</u>	<u>\$43,413,728</u>	<u>\$-</u>	<u>\$432,454,413</u>

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

Discretely presented component units

Schools:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	<u>\$4,697,946</u>	<u>\$-</u>	<u>\$-</u>	<u>\$4,697,946</u>
Capital assets, being depreciated:				
Buildings	316,795,552	23,117,455	-	339,913,007
Furniture, fixtures and equipment	<u>53,706,200</u>	<u>2,699,859</u>	<u>-</u>	<u>56,406,059</u>
Total capital assets being depreciated	<u>370,501,752</u>	<u>25,817,314</u>	<u>-</u>	<u>396,319,066</u>
Less accumulated depreciation for:				
Buildings	72,434,117	7,690,921	-	80,125,038
Furniture, fixtures and equipment	29,415,794	4,705,304	-	34,121,098
Total accumulated depreciation	<u>101,849,911</u>	<u>12,396,225</u>	<u>-</u>	<u>114,246,136</u>
Total capital assets, being depreciated, net	<u>268,651,841</u>	<u>13,421,089</u>	<u>-</u>	<u>282,072,930</u>
Schools capital assets, net	<u>\$273,349,787</u>	<u>\$13,421,089</u>	<u>\$-</u>	<u>\$286,770,876</u>

Gates Partnership:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	<u>\$-</u>	<u>\$15,519,080</u>	<u>\$-</u>	<u>\$15,519,080</u>
Construction in progress	<u>-</u>	<u>11,172,458</u>	<u>-</u>	<u>11,172,458</u>
Total capital assets, not being depreciated	<u>-</u>	<u>26,691,538</u>	<u>-</u>	<u>26,691,538</u>
Capital assets, being depreciated:				
Buildings	-	25,900,000	-	25,900,000
Land improvements	-	39,395	-	39,395
Furniture, fixtures and equipment	<u>-</u>	<u>106,113</u>	<u>-</u>	<u>103,113</u>
Total capital assets being depreciated	<u>-</u>	<u>26,045,508</u>	<u>-</u>	<u>26,045,508</u>
Less accumulated depreciation	<u>-</u>	<u>357,457</u>	<u>-</u>	<u>357,457</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>25,688,051</u>	<u>-</u>	<u>25,688,051</u>
Gates Partnership capital assets, net	<u>\$-</u>	<u>\$52,379,589</u>	<u>\$-</u>	<u>\$52,379,589</u>

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

FUNCTION AND ACTIVITY

	<u>Depreciation Expense</u>
Primary government:	
Government activities:	
General government	\$6,535,035
Public safety	166,433
Public works, including depreciation of infrastructure assets	8,621,834
Health and welfare	23,552
Libraries	276,253
Parks, recreation and culture	512,907

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

Planning and community development	<u>228</u>
Total Depreciation Expense – Governmental Activities	16,136,241
Internal Service	<u>2,061,593</u>
Total Depreciation Expense- Governmental and Internal Service Activities	<u>\$18,197,835</u>
Business-type activities:	
Utilities	\$5,431,470
Ballston Public Parking Garage	<u>498,399</u>
Total Depreciation Expense- Business-type Activities	<u>\$5,929,869</u>
Component unit – Schools	\$12,396,224
Component unit –Gates Partnership	<u>357,457</u>
Total Depreciation Expense – Component units	<u>\$12,753,681</u>

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 6. Risk Management

The County is exposed to various risks of loss relative to property, liability, revenue and personnel. The systematic identification and analysis of exposures to risk, implementation of risk control and loss mitigation techniques, and utilization of appropriate risk financing alternatives encompasses the management of these risks. It is the general philosophy of the County to retain risks internally up to economically prudent retention levels and account for necessary claim settlements in the General Fund. For excess exposure levels, specialized exposures and where commercial insurance is available at cost-effective premiums, the County will transfer some risk to commercial insurance carriers through the purchase of insurance policies, while maintaining the integrity of the County's strategic self-insurance objectives. The major self-insurance programs are workers' compensation, employees' health insurance, and the self-insured retention portion of general, automobile, and public officials' liability. For each major self-insurance program the County uses the professional services of a third-party administrator to adjudicate claims and recommend appropriate reserves for outstanding claims. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. The amount of settlement did not exceed the insurance coverage for each of the last three years. At June 30, 2006 the current portion of these liabilities was \$3.299 million which represent an estimate of health insurance claims that have been incurred but not reported of \$2.987 million, and are included in the accrued payroll liabilities and the current portion of workers' compensation of \$.312 million. The non-current portion was \$3.122 million which represent an estimate of workers' compensation claims which are included in the long-term liabilities based on a history of such claims. These liabilities are the County's best estimate based on available information.

Changes in the reported liabilities since July 1, 2004 resulted from the following:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year- End
2004 – 2005				
Current	\$2,612,000	\$32,088,045	\$31,550,197	\$3,149,848
Long Term	3,168,567	1,354,177	2,049,109	2,473,635
2005 – 2006				
Current	3,149,848	35,469,467	29,111,049	3,299,000
Long Term	2,473,635	3,183,232	2,535,272	3,121,595

In addition, the County has designated a General Fund balance self-insurance reserve of \$3,500,000 as of June 30, 2006. The County maintains a General Fund operating reserve that totaled \$16,600,000 as of June 30, 2006. Since its establishment in FY 1986, this operating reserve has not been used, but has been increased to its current funding level which is greater than or equal to 2% of the General Fund budget.

NOTE 7. Operating Leases

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

<u>Fiscal Year</u>	<u>Amount</u>
2007	\$11,048,225
2008	11,335,582
2009	11,630,116
2010	11,124,195
2011	7,372,410
2012-2016	39,720,608
2017-2019	20,258,320
	<u>\$112,489,456</u>

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

In FY 2003, the County renewed and amended the operating lease agreement of the Court House Plaza to include the ninth floor premises. Total square feet of office space under the new 15 year agreement is 208,433. As part of the Court House Plaza lease agreement, the County receives 50% of the net cash flow generated by office and residential buildings located in the Court House area, subject to a minimum of \$150,000 annually. During the fiscal year ended June 30, 2006 the County received \$926,377 under these lease agreements. The County has also entered into a 45-year lease agreement for approximately 4.41 acres of land for the construction and operation of the Ballston Public Parking Garage. Cumulative lease payments are payable only when the garage attains certain cash flow targets which have not occurred since the inception of the lease. This liability amount of \$5,536,928 is accrued in the Fund 540, Ballston Public Parking Garage Fund, as of June 30, 2006. In FY 2000, the County entered into a long term operating lease agreement for 145,777 square feet of office space and additional garage space to consolidate the operations of its Department of Human Services at 3033 Clarendon Boulevard.

NOTE 8. Capital Leases

The annual future minimum lease payments as of June 30, 2006 are as follows:

General Government:

Year Ending June 30,	Technology Services	Environmental Services	Fire	Parks & Recreation	Libraries	Circuit Courts	Criminal Justice Justice Academy	Electoral Board	Total General Government
2007	\$2,951,872	\$757,265	\$127,179	\$87,309	\$15,374	\$15,104	\$196,134	\$130,105	\$4,380,341
2008	2,871,459	503,806	127,179	87,309	230,747	30,208	196,139	130,104	4,176,951
2009	2,109,608	350,116	127,179	87,309	230,747	30,208	-	-	2,935,167
2010	2,051,633	336,615	127,179	87,309	179,105	30,208	-	-	2,812,048
2011	1,884,959	210,029	127,179	87,309	127,462	30,208	-	-	2,467,145
2012	1,718,285	114,108	-	43,654	63,731	15,104	-	-	1,954,882
2013	859,142	15,956	-	-	-	-	-	-	875,098
Total Minimum Lease Payments	14,446,958	2,287,894	635,895	480,199	947,165	151,038	392,273	260,209	19,601,631
Less Imputed Interest	(1,556,319)	(169,405)	(52,864)	(46,658)	(85,479)	(15,110)	(124,183)	(6,624)	(2,056,642)
Amount Deferred Present Value of Minimum Payments	(7,000,000)	(136,000)	-	-	(861,686)	-	-	-	(7,997,686)
	\$5,890,639	\$1,982,489	\$583,031	\$433,541	\$-	\$135,928	\$268,090	\$253,585	\$9,547,302

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

Internal Service Funds:

<u>Year Ending June 30,</u>	<u>Internal Service Fund - Auto Equipment</u>
2007	\$986,302
2008	1,167,767
2009	996,102
2010	824,437
2011	362,931
2012	362,931
2013	362,931
2014	221,708
2015	80,485
2016	80,485
2017	40,242
	<hr/>
Total Minimum Lease Payments	5,486,321
Less Imputed Interest	(595,567)
Present Value of Minimum Lease Payments	<hr/> <u>\$4,890,754</u>

Component Unit – Schools:

<u>Year Ending June 30,</u>	<u>Component Unit – School Operations</u>
2007	\$1,528,456
2008	1,657,392
2009	1,278,996
2010	1,278,996
2011	1,014,135
2012	704,122
2013	649,868
2014	640,766
2015	640,766
2016	640,766
2017	320,383
	<hr/>
Total Minimum Lease Payments	10,354,647
Less Imputed Interest	(1,466,762)
Amount Deferred	(2,684,476)
Present Value of Minimum Lease Payments	<hr/> <u>\$6,203,409</u>

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 9. Long-Term Debt

A. General Obligation Bonds

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

ARLINGTON COUNTY, VIRGINIA
GENERAL OBLIGATIONS BONDS

FISCAL YEAR	P	I	P	I	P	I	P	I
2007	24,725,302	15,184,897	16,252,318	10,785,023	3,487,380	1,486,755	44,465,000	27,456,675
2008	25,225,075	14,614,417	17,320,116	10,192,780	3,769,811	1,495,837	46,315,002	26,303,034
2009	25,921,407	13,446,499	17,282,486	9,436,495	3,756,108	1,333,373	46,960,001	24,216,367
2010	25,498,375	11,945,068	16,626,759	8,795,930	3,554,868	1,184,404	45,680,002	21,925,402
2011	25,453,679	10,712,124	16,611,298	7,973,182	3,540,023	988,977	45,605,000	19,674,283
2012	25,203,502	9,349,517	16,432,620	7,116,454	3,123,878	984,763	44,760,000	17,450,734
2013	21,952,068	8,118,138	15,213,315	6,322,064	2,724,617	819,432	39,890,000	15,259,634
2014	20,512,094	7,098,708	15,201,241	5,591,266	2,706,667	678,018	38,420,002	13,367,992
2015	19,729,641	6,040,918	13,754,779	4,862,658	1,005,580	398,399	34,490,000	11,301,975
2016	17,130,044	5,181,348	12,398,323	4,181,723	1,046,633	305,199	30,575,000	9,668,270
2017	17,070,334	4,404,284	12,353,297	3,626,155	1,041,368	255,614	30,464,999	8,286,053
2018	14,803,222	3,618,519	11,364,284	3,138,297	967,493	195,548	27,134,999	6,952,364
2019	13,966,233	2,971,143	10,602,016	2,638,661	661,751	105,366	25,230,000	5,715,170
2020	12,197,377	2,334,427	8,720,253	2,138,676	437,369	97,622	21,354,999	4,570,725
2021	11,442,050	1,812,861	8,105,646	1,765,848	397,305	79,079	19,945,001	3,657,788
2022	9,469,834	1,374,215	6,485,166	1,470,664	310,000	56,188	16,265,000	2,901,067
2023	8,386,064	939,625	5,428,936	1,208,299	310,000	40,688	14,125,000	2,188,612
2024	6,690,000	666,855	5,465,000	960,776	310,000	28,288	12,465,000	1,655,919
2025	5,015,000	378,710	5,305,000	701,323	310,000	15,500	10,630,000	1,095,533
2026	2,285,000	145,669	3,475,000	458,888			5,760,000	604,557
2027	2,285,000	48,556	3,650,000	327,144			5,935,000	375,700
2028			2,775,000	180,875			2,775,000	180,875
2029			1,120,000	53,200			1,120,000	53,200
	<u>334,961,301</u>	<u>120,386,498</u>	<u>241,942,853</u>	<u>93,926,381</u>	<u>33,460,851</u>	<u>10,549,050</u>	<u>610,365,005</u>	<u>224,861,929</u>

B. Advance Refunding

On March 21, 2006 the County issued \$89.970 million in Refunding Bonds with an average interest rate of 4.099 percent. The bonds were issued to advance refund \$89.405 million of outstanding 1998 Series, 2001 Series, 2002 Series, 2004 Series and 2005 Series ("Old Bonds") with an average interest rate of 4.985 percent. The net proceeds of \$95.289 million were used to purchase U.S. government securities. These Securities were deposited in an irrevocable trust with an escrow agent to provide for all future

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

debt service payments on the Old Bonds. As a result, the Old Bonds are considered to be defeased and the liabilities for those bonds have been removed from the Statement of Net Assets.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$565 million. The difference reported in the accompanying financial statements as a deduction from bonds payable is being charged to operations through year 2026 using the effective interest method. The County completed the advance refunding to reduce its total debt service payments over the next 20 years by \$5.630 million and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$2.943 million.

Refunding Bonds

	<u>Total Refunding Bonds</u>	<u>Percent of Allocations</u>	<u>Savings from Refunding</u>	<u>Present Value of Savings from Refunding</u>
General Government	\$47,686,633	53.00%	\$2,984,195	\$1,559,985
Schools	<u>39,169,607</u>	<u>43.54%</u>	<u>2,451,205</u>	<u>1,281,366</u>
Total	86,856,240	96.54%	5,435,400	2,841,351
Utilities	<u>3,113,760</u>	<u>3.46%</u>	<u>194,857</u>	<u>101,861</u>
Grand Total	<u>\$89,970,000</u>	<u>100%</u>	<u>\$5,630,257</u>	<u>\$2,943,212</u>

C. Revenue Bonds – Ballston Public Parking Garage

Revenue Bonds of \$22,300,000 were issued by the County in 1984 to provide for the acquisition and construction of a public parking garage facility. The bonds were issued in the form of Variable Rate Revenue Bonds to mature on August 1, 2017, and are subject to redemption as a whole or in part, at any time, at the principal amount thereof, plus accrued interest at the County's discretion. The bonds are not general obligations of the County and are payable solely from gross revenues arising from the operations of the garage facilities, an irrevocable direct pay letter of credit in the initial principal amount of \$25,648,055 and other funds which may be available to the project. 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, 2006, \$14,300,000 is outstanding under these revenue bonds.

The interest rate on the bonds is determined weekly, using a Variable Interest Index, calculated under the terms of the bond issuance agreements. The rate may be converted to a fixed interest rate at the discretion of the County during the term of the bonds. The initial interest rate was 6.9%, at no time can exceed 15%, and averaged approximately 3.08% in FY 2006. Interest is payable quarterly prior to conversion to a fixed interest rate, and on June 1 and December 1 of each year thereafter until maturity, purchase or earlier redemption. On September 26, 2004, a new Letter of Credit (LOC) was issued by Bank of America to support the garage activities. The LOC is valid for a term of five years. This replaced the prior LOC issued by Citibank, N.A. which expired in September 2004. Interest on drawings is payable at an interest rate publicly announced by the bank. When interest is due to the bondholders, the direct pay letter of credit pays the bondholders by drawing down on the letter of credit and then immediately seeking reimbursement from garage revenues.

Using a usual and customary direct-pay letter of credit mechanism, during FY 2006, the County drew from the letter of credit \$430,834 to pay bondholders for the interest accrued on the revenue bonds. The letter of credit drawdowns were immediately repaid by the County from garage revenues held in trust at the time of the drawdowns. The fees associated with the letter of credit were \$41,225 in FY 2006. Also in FY 2006, \$500,000 of bond principal was repaid from garage revenues in accordance with the terms of the letter of credit agreement.

D. Mortgage Debt

The County entered into an agreement (the "Agreement") dated August 1, 1984, for the purchase of an existing parking garage facility at a total purchase price of \$3,929,679. An initial payment of \$500,000 was made on October 22, 1986, with the remaining balance of \$3,429,679 payable annually with 8% interest per annum beginning in FY 1988. Principal and interest are payable solely

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

from revenues derived from garage operations, at \$275,000 and \$375,000 for the first 10 years and the next 17 years, respectively. In any year that there is not sufficient cash flow, payments under the note shall be deferred; however, the note shall be due and payable in full, 45 years from the date of the note. At June 30, 2006, all payments have been deferred. The long-term portion of this mortgage payable at June 30, 2006 was \$1,660,416.

E. Virginia Resources Authority Note Payable

In June 2004, the County entered into a Financing Agreement with the Virginia Resources Authority (VRA). VRA agreed to issue \$100,000,000 Wastewater System Revenue Bonds, Series 2004 (VRA Bonds) and lend the proceeds to the County for the acquisition and improvements to the County's water pollution control plant and wastewater system. The VRA Bonds are secured by a pledge of County sewer revenues. At June 30, 2006, VRA had provided a loan of VRA bond proceeds in the amount of \$32,298,455 to the County. Interest will be charged at a rate of 3.10%.

F. IDA Lease Revenue Bonds

On August 1, 2004, the Industrial Development Authority of Arlington County, Virginia (the "Authority") and U.S. Bank Trust National Association, (the "Trustee"), made an agreement to finance the acquisition, construction, improvement, furnishing and equipping of various capital projects, including the Emergency Communication Center, the Trade Center Project, the George Mason Center Project, and the Enterprise Resource Planning Project. The Authority issued 20 year Lease Revenue Bonds in the amount of \$60,540,000 to finance these projects. At June 30, 2006, \$58,085,000 is outstanding under these lease revenue bonds.

G. Changes in Long-Term Liabilities

During the year ended June 30, 2006, the following changes occurred in liabilities reported in the County and Schools Long-term Obligations.

	<u>Balance July 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30</u>	<u>Due in one Year</u>
Primary Government					
Compensated absences ***	\$27,269,739	\$47,399,991	(\$45,116,031)	\$29,553,699	\$2,955,370
Workers' compensation	2,748,483	2,908,384	(2,535,272)	3,121,595	312,160
General obligation bonds- County	313,573,886	91,521,633	(70,134,217)	334,961,302	24,725,302
General obligation bonds- Schools	240,611,404	56,669,607	(55,338,158)	241,942,853	16,252,318
Capital leases	7,261,658	5,776,901	(3,491,257)	9,547,302	3,736,575
Deferred cost on refunding-County	521,018	(1,255,373)	(58,270)	(792,625)	(4,498)
Deferred cost on refunding-Schools	(1,868,260)	(153,812)	159,066	(1,863,006)	(166,756)
Bond premium to be amortized- County	6,318,833	1,644,345	(321,473)	7,641,705	403,690
Bond premium to be amortized- Schools	4,306,918	582,663	(218,977)	4,670,604	248,110
Total General Government	<u>600,743,679</u>	<u>205,094,339</u>	<u>(177,054,589)</u>	<u>628,783,429</u>	<u>48,462,271</u>
Internal Service					
Compensated absences	544,014	319,477	(298,084)	565,407	56,541
Capital leases	3,218,066	2,370,000	(697,312)	4,890,754	853,669
Total Internal Services	<u>3,762,080</u>	<u>2,689,477</u>	<u>(995,396)</u>	<u>5,456,161</u>	<u>910,210</u>
Total Governmental Activities	<u>604,505,759</u>	<u>207,783,816</u>	<u>(178,049,985)</u>	<u>634,239,590</u>	<u>49,372,480</u>

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

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

Component Unit: Schools

Compensated absences	24,000,526	2,833,571	-	26,834,097	2,683,410
Capital lease	<u>1,527,903</u>	<u>5,470,548</u>	<u>(795,041)</u>	<u>6,203,410</u>	<u>1,300,653</u>
Total Component Unit-Schools	<u>25,528,429</u>	<u>8,304,119</u>	<u>(795,041)</u>	<u>33,037,507</u>	<u>3,984,063</u>

Business -type Activities

Compensated absences – Utilities	1,393,979	1,265,787	(1,320,162)	1,339,604	133,960
Compensated absences- IDA					
Revenue Bond	-	27,638	(10,866)	16,772	1,677
General obligation bonds	37,379,715	3,113,760	(7,032,624)	33,460,851	3,487,341
Bond and mortgage interest	581,769	-	(581,769)	-	-
Revenue bonds	14,800,000	-	(500,000)	14,300,000	500,000
Bond and mortgage payable	11,834,627	1,091,726	-	12,926,353	-
Long-term notes payable	3,429,679	-	-	3,429,679	1,769,263
VRA loan payable	24,933,850	7,364,605	-	32,298,455	-
Deferred cost of refunding	611,984	844,185	(82,815)	1,373,354	125,024
Bond premiums to be amortized - Utilities	524,171	-	(27,205)	496,966	27,205
Bond premiums to be amortized - IDA Revenue Bond	3,806,292	-	(313,865)	3,492,427	313,865
IDA Revenue Bond	<u>60,540,000</u>	<u>-</u>	<u>(2,455,000)</u>	<u>58,085,000</u>	<u>2,870,000</u>
Total Business-type Activities	<u>159,836,066</u>	<u>13,707,701</u>	<u>(12,324,306)</u>	<u>161,219,461</u>	<u>9,228,335</u>
Grand Total	<u>\$789,870,254</u>	<u>\$229,795,636</u>	<u>(\$191,169,332)</u>	<u>\$828,496,558</u>	<u>\$62,584,878</u>

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

Virginia state law provides that a school board is a separate legal entity and school boards hold title to all school assets. However, whether separately elected or appointed by the governing body, Virginia's local school boards do not have the power to levy and collect taxes or issue debt. Purchases of school equipment, buildings or improvements (capital assets) to be funded by debt financing require the local government to issue the debt. Accordingly, in the government-wide financial statements, the "school debt" is reflected in Exhibit 1 "Statement of Net Assets" in the governmental activities column of the primary government. The net effect of this on the entries to the Exhibit 1 governmental activities for "Non-current liabilities" and "Invested in capital assets, net of related debt" is \$241,942,853 for the Primary Government and the Schools. The effect on the Statement of Activities includes \$1.2 million which represents the net of school bond proceeds less principal payments on school bonds. This election has no effect on the combined total of the overall government.

NOTE 11. Interfund Receivables and Payables

The County has numerous transactions among Funds and Component Units to finance operations, provide services, and construct assets. Activity between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans). The amounts of such transactions not received or paid at June 30, 2006 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	\$3,037,699	\$-
Drug Task Force	-	3,037,699
	<u>\$3,037,699</u>	<u>\$3,037,699</u>

Due to/from primary government and component units:

	<u>Primary Government</u>	<u>Component Unit</u>
General Fund	\$308,593	\$49,230,668
School Funds:		
Operating		
Primary Government	42,231,075	-
Other School Funds	928,594	1,414,518
Cafeteria		
Other School Funds	219,218	294,102
Community Activities		
Primary Government	1,186,673	-
Other School Funds	-	201,178
School – Special & In-Service		
Other School Funds	301	432,290
Pay-As-You-Go	5,812,920	-
Other School Funds	1,195,000	-
School Capital Bond		
Other Schools Funds	-	1,025
School Debt Service		
CSA	-	308,593
Primary Government	<u>\$51,882,374</u>	<u>\$51,882,374</u>

Interfund transfers:

Transfer	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Internal Service Fund</u>	<u>Capital Projects Fund</u>	<u>Component Unit</u>	<u>Total Transfer Out</u>
From General Fund	\$-	\$247,000	\$518,730	\$10,526,905	\$293,310,349	\$304,602,984
Special Revenue	19,412	-	-	-	-	19,412
Internal Service Fund	130,000	-	-	-	-	130,000
Capital Project Funds	4,500,318	-	-	-	-	4,500,318
Trust & Agency Fund	229,500	-	-	889,098	-	1,118,598
Component Unit	1,583,332	-	-	-	-	1,583,332
Total						
Transfer In	<u>\$6,462,562</u>	<u>\$247,000</u>	<u>\$518,730</u>	<u>\$11,416,003</u>	<u>\$293,310,349</u>	<u>\$311,954,644</u>

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NOTE 12. Reservations and Designations of Fund Balances

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

- a. **General Fund** - Four Mile Run - \$500,000 reserved by the County Board related to the Four Mile Run Maintenance Agreement with U.S. Army Corps of Engineers.
- b. **General Fund** - Designated for Operating Reserve - \$16,600,000 designated by the County Board in its "General Fund Operating Reserve" resolution to protect the County's financial position in the event of major "severe unforeseen financial problems" that could cause "severe financial hardship". The amount designated for these purposes was increased from \$15,200,000 to \$16,600,000 during FY 2006.
- c. **General Fund** - Designated for Self-insurance - \$3,500,000 designated by the County Board related to the County's self-insurance program for workers' compensation, general liability and automobile liability where purchased insurance coverage is insufficient to pay claims which may become due.
- d. **General Fund** - Designated for FY 2007 Budget - \$7,283,814 designated by the County Board at the time of the adoption of the FY 2007 budget to be one of the elements that financed the FY 2007 Adopted General Fund budget.
- e. **General Fund** - Designated for Incomplete Projects - \$42,035,863 designated by the County Board to fund in FY 2007 projects approved by the County Board in FY 2006 but not yet completed at the close of FY 2006.
- f. **General Fund** - Designated for Schools - \$26,507,224 designated by the County Board at the time of the reappropriation to the FY 2006 budget to be one of the elements which is planned to finance part of the FY 2007 Adopted School Fund budgets.
- g. **School Funds** - Construction funds - \$5,968,595 reserved for project construction expenditures and encumbrances.
- h. **Special Revenue Funds** - Section 8 Housing - \$2,982,755 reserve equivalent to the net difference between earned Section 8 Housing administrative revenues and actual administrative expenditures since inception of the program.
- i. **Capital Projects Funds** - Construction funds - \$110,856,397 reserved for project construction expenditures and encumbrances. Of these funds, \$83,900,924 is reserved in construction bond funds and represents bond proceeds.
- j. **Trust Fund** - Reserved for Trusts - \$7,450,365 reserved to be held by the Alexandria/Arlington Waste Disposal Trust fund for future plant expenditures and cover any shortfalls should they occur.
- k. **Trust Fund** - Net Assets Held in Trust for Pension Benefits - \$1,299,408,748 reserved to fund the Arlington County Employee's Supplemental Retirement System.

NOTE 13. Commitments and Contingencies

A. Washington Metropolitan Area Transit Authority

The County and other local participating jurisdictions entered into a series of Capital Contributions Agreements with the Washington Metropolitan Area Transit Authority ("WMATA") agreeing to share in the cost of a regional rapid transit rail system.

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

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

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

In addition, the County shares the costs of capital expenditures for the WMATA bus system as well as operating costs for WMATA's combined bus and rail system. State aid and Northern Virginia Transportation Commission funds have been utilized to help finance these costs. During FY 2006, the County paid \$13.0 million from its General Fund to subsidize WMATA's bus and rail operating costs.

B. Construction Commitments

As of June 30, 2006 contractual commitments were outstanding in the following funds for the amounts indicated:

Capital Projects Funds	\$39,261,815
Utilities Fund	<u>18,531,398</u>
	<u>\$57,793,213</u>

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

C. Waste-to-Energy Facility

Arlington Solid Waste Authority

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

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

On October 22, 1985, the Facility was sold by the Authorities to a private company ("the Corporation") pursuant to a Conditional Sale and Security Agreement. The sale involved the transfer of construction-in-progress together with marketable securities and other assets. The Corporation assumed the obligation to provide funds adequate to pay the current liabilities and the outstanding revenue bonds payable as of October 22, 1985. This Agreement requires the

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Authorities to transfer full title to the Facility only when principal and interest on the outstanding revenue bonds or any subsequent refinancing revenue bonds have been paid in full. The Agreement also entitles the Authorities to repossess the Facility if revenue bond debt service payments are not made.

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

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

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

Since Acceptance testing on each unit was completed in November 2000, the Operating Lease agreement between the ASWA and the Corporation took effect in January 2001. Since in essence the lease is a capital lease, the capital assets completed and covered by the lease and the promissory note are removed from the County records and are now considered a part of the plant. In FY 2006 they have been recorded in the same manner, as is the rest of the plant.

Alexandria/Arlington Waste Disposal Trust Fund

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

The Trust Fund derives its revenue from the following sources: a portion of the annual property tax assessment by the City of Alexandria, interest on invested funds and a portion of special revenues generated on contract waste. Revenues of \$1,813,151 were collected and project-related expenditures of \$2,780,938 are incurred in FY 2006.

Expenditures such as capital costs of repairs, replacement/changes to the facility, and waste recycling programs/activities which benefit the two jurisdictions are eligible for reimbursement through the Trust. In FY 2006, the Trust has been used to pay consulting fees to an engineering firm for operations and maintenance audits of the facility and for oversight of any remaining capital issues.

The Trust also has been used to subsidize the difference between the contractual tipping fee paid by haulers under special contracts and the standard tipping fee and to cover deficiencies arising in the "income-available-for-debt-service" calculations mandated by the Facility Agreement between the Corporation, the jurisdictions, and the Authorities. In June

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2001, the City of Alexandria, with the concurrence of Arlington County took responsibility for the investment of Trust fund monies.

D. Arlington Regional Jail

On June 22, 1994, the County and the Treasury Board of the Commonwealth of Virginia signed a regional jail financing agreement. In this agreement, the Commonwealth agreed to provide, subject to appropriation by the General Assembly, reimbursement of certain debt service costs of the new Arlington Regional Jail, totaling \$35,400,000 through the year 2013. In FY 2006 \$1.8 million was received from the Commonwealth. The Arlington Regional Jail's assets and debt are recorded in the financial statements of the County.

E. Industrial Development Authority Ice Skating Facility

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

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

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

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

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

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

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

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

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

F. Industrial Development Authority Affordable Housing Project

1. AHC Limited Partnership-10 (“AHC-10”) and AHC Limited Partnership-11 (“AHC-11”) (collectively the “Gates Partnership”)

Debt (Series 2005) 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.

2. Arlington Partnership for Affordable Housing – Courthouse Crossings (“APAH-CC”)

The County has established the Affordable Housing Investment Fund (“AHIF”) program for the purpose of providing funds for affordable housing and programs and services that contribute to the delivery of housing services for low and moderate income households within the County. The IDA determined to assist the County in its expansion of the AHIF program and to obtain financing for such expansion (“AHIF Plus”) by entering into a Credit Facility, dated as of June 1, 2006 between the IDA and SunTrust Bank (the “Bank”). The County, the IDA, the Bank, and APAH-CC, a Virginia corporation, entered into an agreement in order to facilitate the acquisition and rehabilitation of a 112 unit multi-family apartment complex for rental to individuals and families of low-income known as the Courthouse Crossings. As part of this agreement, the IDA, with the consent of the County and the Bank, borrowed \$16,735,000 (the “AHIF Plus Program Loan”) from the Bank under the Credit Facility Agreement and loaned the funds to APAH-CC. APAH-CC agreed to use the proceeds to acquire and develop the property and to repay the AHIF Plus Program Loan as provided in a Promissory Note. At June 30, 2006, the IDA carried a receivable representing the Promissory Note from APAH-CC in the amount of \$16,630,437, cash in the amount of \$104,563, and a note payable to the Bank in the amount of \$16,735,000. As “credit support” for the project, the County has agreed to consider appropriating funds should a shortfall in revenues affect the payments of the Bank loan.

G. Litigation

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

NOTE 14. Joint Ventures

A. Northern Virginia Criminal Justice Academy

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

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County maintains an equity interest only in the land and building of the Academy, which is reflected in the County's General Capital Leases. The County does not maintain an equity interest in the Academy's operations.

In addition, the County pays the Northern Virginia Criminal Justice Academy for operating costs based on the pro-rata share of officers trained. In FY 2006, the County paid \$608,189 for capital and operating costs. Financial statements for the Academy may be obtained from the Northern Virginia Criminal Justice Academy, 45299 Research Place, Ashburn, Virginia, 22011-2600.

B. Peumansend Creek Regional Jail Authority

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

The regional jail is currently designed with the capacity for 336 prisoners. The County is guaranteed a minimum of 60 beds. Current cost projections anticipate a total project cost of approximately \$27 million with 50% of the eligible construction cost (\$23.8 million) to be reimbursed by the Commonwealth. The Authority issued \$10.22 million in revenue bonds and \$12 million in grant anticipation notes in March 1997. The County has no equity in the jail and is not responsible for repayment of the bonds or notes. The County's portion of the project costs includes approximately \$3.8 million over the 20-year period of debt (1997-2017). In FY 2006, the County paid \$ 826,282 for capital and operating costs. Financial statements may be obtained from the Peumansend Creek Regional Jail Authority, P. O. Box 1460, Bowling Green, Virginia, 22427.

NOTE 15. Deferred Compensation Plan

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

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

NOTE 16. Employee Retirement Systems

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

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

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

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A. Arlington County Employees' Retirement System

Plan Description and Provisions

The System is a single employer public employee retirement pension plan. The System provides retirement benefits as well as disability benefits. Membership is required of all employees except certain employees hired prior to February 8, 1981, seasonal or temporary employees, employees hired at age 62 or older (52 for uniformed employees) and elected officials who do not elect to participate within 60 days of assuming office.

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

At July 1, 2005, the date of the most recent actuarial valuation, System membership consisted of the following:

	<u>General</u>	<u>Uniformed</u>	<u>School</u>	<u>Total</u>
Current Employees:				
Vested	1,737	536	179	2,452
Non-Vested	1,075	304	-	1,379
Total	2,812	840	179	3,831
Retirees and Beneficiaries	1,591	639	1,306	3,536

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

Funding Policy

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

Contributions totaling \$25,253,657 (\$16,340,847 of Employer contributions, \$8,848,814 of Employee contributions, and \$63,996 other contributions) were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed as of July 1, 2005. Member contributions are established by Arlington County Code, and are deducted from the members' salaries. For FY 2006, the member contribution rates varied up to 6.62% of their salary depending on the chapter of the plan they were covered under.

Annual Pension Cost

Net pension obligation represents the difference between the annual pension costs and the actuarially required contributions. The County had no unfunded pension obligation at June 30, 2005. Three-year trend information is presented below.

Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC) (in million)</u>	<u>Percentage of APC Contributed</u>
2004	9.0	100.0%
2005	13.9	100.0%
2006	16.3	100.0%

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The Arlington County Code requires the System to have an actuarial valuation at least biannually. The annual required contribution for the current year was determined as part of the July 1, 2005 actuarial valuation.

Actuarial Assumptions

The information presented below are the significant actuarial assumptions.

Valuation date	07/01/05
Actuarial cost method	Entry Age Normal
Remaining amortization period	6.2 years
Asset valuation method	5 year, smoothed
Actuarial assumptions	
Assumed inflation rate	4.5%
Investment rate of return	8.0%
Projected salary increases	4.5%
Cost of living adjustments	
Chapter 21	1.5%
Chapter 46	100% CPI-U increase to a maximum of 3% plus ½ CPI-U increase for next 9% (max 7 ½% increase for 12% increase in CPI-U)

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Three-Year Trend Information

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

Schedule of Funding Progress (\$ in millions)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Unfunded Actuarial Accrued Liabilities (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a)/c]</u>
7/1/03	1,171.5	969.8	(174.7)	117.5%	203.8	(85.7)%
7/1/04	1,179.0	1,103.3	(75.7)	106.9%	222.1	(34.1)%
7/1/05	1,189.3	1,156.9	(32.4)	102.8%	225.8	(14.3)%

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

B. Virginia Retirement System (VRS)

Plan Description

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

Funding Policy

Retirement benefits are funded by employer contributions and by investment earnings. In accordance with State statute, the County is required to contribute at an actuarially determined rate. VRS changed rates for both employee and employer contributions in FY 2002. State statute may be amended only by the Commonwealth of Virginia General Assembly. In FY 2006, the contribution rate was 11.62%. The County's contributions to the VRS for the years ended June 30, 2006, 2005 and 2004 were \$23.3 million, \$22.3 million and \$15.9 million respectively, which were equal to the required contributions for each year.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

Schedule of Funding Progress (\$ in millions)

Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age (b)	Unfunded Actuarial Accrued Liabilities (UAAL (b-a))	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
Virginia Retirement System (VRS)						
2004	\$39,691	\$43,958	\$4,267	90.3%	\$11,510	37.1%
2003	39,243	40,698	1,455	96.4%	10,885	13.4%
2002	38,957	38,265	(692)	101.8%	10,669	(6.5%)
State Police Officers' Retirement System (SPORS)						
2004	\$510	\$656	\$146	77.8%	\$82	178.0%
2003	509	616	107	82.6%	79	135.4%
2002	508	595	87	85.4%	81	107.4%
Virginia Law Officers' Retirement System (VaLORS)						
2004	\$508	\$927	\$418	54.9%	\$298	140.3%
2003	458	854	396	53.6%	292	135.6%
2002	418	806	388	51.9%	306	126.8%
Judicial Retirement System (JRS)						
2004	\$285	\$366	\$81	78.0%	\$48	168.8%
2003	282	348	66	81.0%	48	137.5%
2002	281	352	71	79.8%	48	147.9%

NOTE 17. Post-Employment Benefits

In addition to the pension benefits described in Note 16, the County provides post-employment health care benefits to all permanent employees who meet the requirements under the County's or the State's pension plans. Eligibility is contingent upon the retiree participating in one of the County's current health plans at the time of retirement. The County Board considers and approves these benefits annually as part of the Adopted Budget process. As of June 30, 2006, 1,313, and 1,438 retirees were both eligible and received benefits from the health and life plans, respectively. For full career employees, the County currently contributes 80% towards the cost of medical and dental health premiums and 100% of premiums for a fixed coverage for life and accidental death insurance. Funding for these benefits is made on a pay-as-you-go basis. During the year, County expenditures of \$6,492,318 were recognized for post-employment health care benefits.

NOTE 18. Subsequent Events

On July 10, 2006, the County Board authorized the County Manager to sign a Cooperation Agreement with the Northern Virginia Criminal Justice Academy to finance the acquisition and construction of an Emergency Vehicle Operations Center. Lease Revenue bonds will be issued by the Loudoun Industrial Development Authority in the fall of 2006.



OTHER SUPPLEMENTARY INFORMATION

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



Combined Financial Statements - Overview

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

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

ARLINGTON COUNTY, VIRGINIA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

ASSETS	SPECIAL REVENUE FUNDS							CAPITAL PROJECTS FUNDS					Total Non-Major Governmental Funds
	Travel & Tourism Promotion	Special Assessment District	Community Development Grants	Section 8 Housing Program	Street and Highway Bond Fund	Neighborhood Conservation Bond Fund	Public Recreation Bond Fund	Fire Station Bond Fund	Library Bond Fund	Transit Facilities Bond Fund			
Equity in pooled cash and investments	\$232,243	\$271,254	\$1,547,912	\$4,935,813	\$10,492,744	\$20,860,920	\$40,480,522	\$17,468,452	\$3,017,327	\$18,221,789		\$117,528,976	
Receivables, net	75,040	-	17,367,466	-	-	-	-	-	-	-	-	17,442,506	
Receivables from other governments	-	-	1,119,463	78,758	-	-	-	-	-	-	-	1,198,221	
Prepaid	-	-	-	1,108,357	-	-	-	-	-	-	-	1,108,357	
Total assets	\$307,283	\$271,254	\$20,034,841	\$6,122,928	\$10,492,744	\$20,860,920	\$40,480,522	\$17,468,452	\$3,017,327	\$18,221,789		\$137,278,060	
LIABILITIES AND FUND BALANCES													
LIABILITIES													
Accounts Payable	\$44,398	\$-	\$210,740	\$65,382	\$156,813	\$303,316	\$1,245,840	\$2,314	\$3,121	\$-		\$2,031,924	
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	0	
Deferred Revenue	-	-	5,889,153	3,074,791	-	-	-	-	-	-	-	8,963,944	
Long-term liabilities	-	-	13,934,948	-	-	-	-	-	-	-	-	13,934,948	
Total liabilities	44,398	-	20,034,841	3,140,173	156,813	303,316	1,245,840	2,314	3,121	-		24,930,816	
FUND BALANCES													
Reserved for encumbrances	0	-	-	-	3,340,561	3,367,205	15,171,544	1,320,279	1,729,838	-		\$24,929,427	
Reserved for construction	-	-	-	-	6,995,371	17,190,399	24,063,138	16,145,869	1,284,368	18,221,789		83,900,924	
Unreserved-special revenue	262,885	271,254	-	2,982,755	-	-	-	-	-	-		3,516,894	
Total fund balances	262,885	271,254	-	2,982,755	10,335,931	20,557,604	39,234,682	17,466,138	3,014,206	18,221,789		112,347,244	
Total liabilities and fund balances	\$307,283	\$271,254	\$20,034,841	\$6,122,928	\$10,492,744	\$20,860,920	\$40,480,522	\$17,468,452	\$3,017,327	\$18,221,789		\$137,278,060	

ARLINGTON COUNTY, VIRGINIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006

	CAPITAL PROJECTS FUNDS											Total Non-Major Governmental Funds
	SPECIAL REVENUE FUNDS					CAPITAL PROJECTS FUNDS						
	Travel & Tourism Promotion	Special Assessment District	Community Development Grants	Section 8 Housing Program	Street and Highway Bond Fund	Neighborhood Conservation Bond Fund	Higher Educ. & University Bond Fund	Public Recreation Bond Fund	Fire Station Bond Fund	Library Bond Fund	Transit Facilities Bond Fund	
REVENUES:												
Other local taxes	\$974,434	\$1,941,177	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$2,915,611
Intergovernmental	-	-	2,320,255	16,461,191	331,886	948,733	5,397	1,833,216	553,816	210,937	616,333	18,781,446
Interest income	-	-	-	-	-	-	-	-	-	-	-	4,500,318
Total revenues	974,434	1,941,177	2,320,255	16,461,191	331,886	948,733	5,397	1,833,216	553,816	210,937	616,333	26,197,375
EXPENDITURES:												
Planning and community development	-	1,761,447	2,320,255	14,697,414	-	-	-	-	-	-	-	18,779,116
Parks recreation and culture	1,253,198	-	-	-	6,416,751	5,555,175	-	19,236,184	985,016	709,355	5,736,998	1,253,198
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	38,639,479
Total expenditures	1,253,198	1,761,447	2,320,255	14,697,414	6,416,751	5,555,175	-	19,236,184	985,016	709,355	5,736,998	58,671,793
Revenues over (under) expenditures	(278,764)	179,730	-	1,763,777	(6,084,866)	(4,606,442)	5,397	(17,402,968)	(431,200)	(498,418)	(5,120,665)	(32,474,419)
OTHER FINANCING SOURCES(USES):												
Proceeds from sale of bonds	-	-	-	-	9,251,218	5,690,578	-	13,600,000	6,690,455	-	8,602,749	43,835,000
Proceeds of refunding bonds	-	-	-	-	6,167,233	4,964,155	2,028,391	17,209,390	2,638,292	1,920,866	12,758,305	47,686,632
Payments to refunded bond escrow agent	-	-	-	-	(6,004,878)	(4,833,471)	(1,974,993)	(16,756,345)	(2,568,838)	(1,870,298)	(12,422,437)	(46,431,260)
Deferred cost of refunding	-	-	-	-	(162,355)	(130,684)	(53,398)	(453,045)	(69,454)	(50,568)	(335,868)	(1,255,372)
Transfers in	247,000	-	-	-	(331,886)	(948,733)	-	(1,833,216)	(553,816)	(210,937)	-	247,000
Transfers out	-	(19,412)	-	-	-	-	(5,397)	-	-	-	(616,333)	(4,519,730)
Total Other financing sources (uses)	247,000	(19,412)	-	-	8,919,332	4,741,845	(5,397)	11,766,784	6,136,639	(210,937)	7,986,416	39,562,270
Net change in fund balances	(31,764)	160,318	-	1,763,777	2,834,466	135,403	-	(5,636,184)	5,705,439	(709,355)	2,865,751	7,087,851
FUND BALANCE, beginning of year	294,649	110,936	-	1,218,978	7,501,465	20,422,201	-	44,870,866	11,760,699	3,723,561	15,356,038	105,259,393
FUND BALANCE, end of year	\$262,885	\$271,254	\$-	\$2,982,755	\$10,335,931	\$20,557,604	\$-	\$39,234,682	\$17,466,138	\$3,014,206	\$18,221,789	\$112,347,244



General Fund

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

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

ARLINGTON COUNTY, VIRGINIA
GENERAL FUND
BALANCE SHEET
JUNE 30, 2006
(WITH COMPARATIVE TOTALS FOR 2005)

	2006	2005
ASSETS		
Equity in pooled cash and investments	\$144,110,503	\$119,856,868
Petty cash	6,045	6,195
Cash with fiscal agents	255,257	255,257
Receivables(net, where applicable, of allowance for uncollectibles):		
Taxes	213,896,634	192,464,465
Accounts	18,000,824	10,735,217
Accrued interest	816,809	446,723
Due from other governments	3,048,606	5,454,785
Temporary Loan To Fund	3,037,699	2,630,169
Due from component unit	308,593	2,892,407
Other assets	15,097,664	15,128,133
	<u>\$398,578,635</u>	<u>\$349,870,219</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accrued payroll liabilities	\$12,520,940	\$16,839,782
Vouchers payable	6,216,169	9,681,841
Current maturities of interest payable	267,305	267,305
Other current liabilities	146,445	84,544
Deferred revenue	229,682,563	208,928,470
Due to component unit	49,230,668	44,998,338
	<u>298,064,091</u>	<u>280,800,280</u>
FUND BALANCE:		
Reserved -		
For Encumbrances	4,087,643	4,293,596
For Self Insurance	3,500,000	3,500,000
For Four Mile Run	500,000	500,000
Unreserved -		
Designated for operating reserve	16,600,000	15,200,000
Designated for FY 2007 budget	7,283,814	2,197,843
Designated for FY 2007 School budget	26,507,224	20,310,166
Designated for debt service of E-911		
Communications Center	784,601	869,344
Designated for capital improvement	-	4,218,132
Designated for public safety pay enhancements	-	1,514,323
Designated for incomplete projects:		
Other post employment benefits, capital improvements/ other incomplete projects	18,167,247	-
AHIF	22,574,258	12,368,764
Excess Recordation Tax for Housing	509,757	-
Recommended items	-	4,097,771
	<u>100,514,544</u>	<u>69,069,939</u>
Total Fund Balance	<u>100,514,544</u>	<u>69,069,939</u>
Total Liabilities and Fund Balance	<u>\$398,578,635</u>	<u>\$349,870,219</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, 2006
(WITH COMPARATIVE TOTALS FOR 2005)

	2006		VARIANCE OVER (UNDER)	2005 ACTUALS
	BUDGET	ACTUAL		
REVENUES:				
Taxes	\$609,768,923	\$631,657,680	\$21,888,757	\$573,679,827
Licenses and permits	13,022,022	14,692,442	1,670,420	12,504,677
From the Commonwealth of Virginia	63,703,002	63,011,781	(691,221)	59,426,395
From the federal government	41,189,830	27,941,149	(13,248,681)	24,743,726
Charges for services	35,679,138	36,978,694	1,299,556	34,495,625
Fines and forfeitures	8,136,000	8,900,948	764,948	8,427,464
Use of money and property	6,271,209	7,292,440	1,021,231	2,605,403
Miscellaneous revenues	5,359,886	7,629,485	2,269,599	11,733,637
Total Revenues	783,130,010	798,104,619	14,974,609	727,616,754
EXPENDITURES:				
Current:				
General government	46,477,287	43,637,535	2,839,752	37,518,944
Judicial administration	39,059,000	38,539,621	519,379	36,035,607
Public safety	92,687,053	88,875,217	3,811,836	82,055,248
Environmental services	55,265,917	55,122,531	143,386	51,312,988
Health and welfare	110,371,607	98,926,206	11,445,401	91,439,050
Parks and recreation	30,782,266	30,759,513	22,753	28,531,608
Libraries	12,537,110	12,034,671	502,439	11,779,451
Planning and community development	16,818,115	15,135,596	1,682,519	13,595,934
Non-departmental	43,278,499	27,998,534	15,279,965	35,591,400
Contributions to regional agencies	20,160,945	20,204,777	(43,832)	18,595,865
Debt service:				
Principal	26,158,857	26,480,421	(321,564)	22,805,993
Interest on serial bonds	17,493,977	17,808,894	(314,917)	13,287,924
Other costs	150,000	222,322	(72,322)	216,738
Total Expenditures	511,240,633	475,745,838	35,494,795	442,766,750
Revenues over Expenditures	271,889,377	322,358,781	50,469,404	284,850,004
OTHER FINANCING SOURCES(USES):				
Transfers in	752,166	4,879,230	4,127,064	4,940,021
Transfers from component unit	-	1,583,332	1,583,332	543,705
Transfers out	(11,292,635)	(11,292,635)	-	(18,264,116)
Transfers to component unit	(310,349,503)	(293,310,349)	17,039,154	(273,354,436)
Proceeds from capital lease	-	5,581,901	5,581,901	3,962,112
Premium on sale of bonds	-	1,644,345	1,644,345	4,217,116
Total Other Financing Sources(Uses)	(320,889,972)	(290,914,176)	29,975,796	(277,955,598)
Revenues Over (Under) Expenditures and Other Sources(Uses)	(49,000,595)	31,444,605	80,445,200	6,894,406
FUND BALANCE, beginning of year	69,069,939	69,069,939	-	62,175,533
FUND BALANCE, end of year	\$20,069,344	\$100,514,544	\$80,445,200	\$69,069,939



Special Revenue Funds

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

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

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

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

ARLINGTON COUNTY, VIRGINIA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2006
(WITH COMPARATIVE TOTALS FOR 2005)

	Travel & Tourism Promotion	Special Assessment District	Community Dev. Grants	Section 8 Housing Program	Totals	
					June 30, 2006	June 30, 2005
ASSETS						
Equity in pooled cash and investments	\$232,243	\$271,254	\$1,547,912	\$4,935,813	\$6,987,222	\$4,039,562
Receivable from other government	-	-	1,119,463	78,758	1,198,221	776,682
Long-term receivables	75,040	-	17,367,466	-	17,442,506	18,359,460
Prepaid Expenses	-	-	-	1,108,357	1,108,357	-
Total Assets	\$307,283	\$271,254	\$20,034,841	\$6,122,928	\$26,736,306	\$23,175,704
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Vouchers payable	44,398	-	210,740	65,382	320,520	159,497
Deferred Revenues	-	-	5,889,153	3,074,791	8,963,944	7,550,757
Long-term liabilities	-	-	13,934,948	-	13,934,948	13,757,477
Total Liabilities	44,398	-	20,034,841	3,140,173	23,219,412	21,467,731
FUND BALANCES						
Reserved for encumbrances	-	-	-	-	-	53,706
Unreserved- special revenue	262,885	271,254	-	2,982,755	3,516,894	1,654,267
Total Fund Balances	262,885	271,254	-	2,982,755	3,516,894	1,707,973
Total Liabilities and Fund Balances	\$307,283	\$271,254	\$20,034,841	\$6,122,928	\$26,736,306	\$23,175,704

ARLINGTON COUNTY, VIRGINIA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2006
(WITH COMPARATIVE TOTALS FOR 2005)

	Travel & Tourism Promotion	Special Assessment District	Community Dev. Grants	Section 8 Housing Program	Totals	
					June 30, 2006	June 30, 2005
REVENUES:						
Other local taxes	\$974,434	\$1,941,177	\$-	\$-	\$2,915,611	\$1,868,652
From the federal government	-	-	2,320,255	16,461,191	18,781,446	16,613,991
Total revenues	974,434	1,941,177	2,320,255	16,461,191	21,697,057	18,482,643
EXPENDITURES:						
Current -						
Community development	-	1,761,447	2,320,255	-	4,081,702	3,035,133
Housing program	-	-	-	14,697,414	14,697,414	14,302,549
Travel and tourism	1,253,198	-	-	-	1,253,198	1,050,466
Total expenditures	1,253,198	1,761,447	2,320,255	14,697,414	20,032,314	18,388,148
Revenues over (under) expenditures	(278,764)	179,730	-	1,763,777	1,664,743	94,495
OTHER FINANCING SOURCES(USES):						
Transfers out	-	(19,412)	-	-	(19,412)	(9,958)
Transfers in	247,000	-	-	-	247,000	247,000
Total other financing sources(uses)	247,000	(19,412)	-	-	227,588	237,042
Revenues and other financing sources (uses) over expenditures	(31,764)	160,318	-	1,763,777	1,892,331	331,537
FUND BALANCES, beginning of year	294,649	110,936	-	1,218,978	1,624,563	1,376,436
FUND BALANCES, end of year	\$262,885	\$271,254	\$-	\$2,982,755	\$3,516,894	\$1,707,973

ARLINGTON COUNTY, VIRGINIA
SPECIAL REVENUE FUNDS
TRAVEL AND TOURISM PROMOTION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Other local taxes	\$857,750	\$974,434	\$116,684
Revenue from federal government	78,000	-	(78,000)
	<u>935,750</u>	<u>974,434</u>	<u>38,684</u>
EXPENDITURES:			
Travel and tourism promotion	1,413,652	1,253,198	160,454
Revenues over(under) expenditures	(477,902)	(278,764)	199,138
OTHER FINANCING SOURCES:			
Operating transfers in	247,000	247,000	-
Revenues and other financing sources over (under) expenditures	(230,902)	(31,764)	199,138
FUND BALANCE, beginning of year	294,649	294,649	-
FUND BALANCE, end of year	<u>\$63,747</u>	<u>\$262,885</u>	<u>\$199,138</u>

ARLINGTON COUNTY, VIRGINIA
SPECIAL REVENUE FUNDS
SPECIAL ASSESSMENT DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Other local taxes	<u>\$1,945,751</u>	<u>\$1,941,177</u>	<u>(\$4,574)</u>
Total revenue	<u>1,945,751</u>	<u>1,941,177</u>	<u>(4,574)</u>
EXPENDITURES:			
Special real estate tax assessments	<u>1,902,193</u>	<u>1,761,447</u>	<u>140,746</u>
Revenues over(under) expenditures	<u>43,558</u>	<u>179,730</u>	<u>136,172</u>
OTHER FINANCING SOURCES(USES):			
Transfers out	<u>-</u>	<u>(19,412)</u>	<u>(19,412)</u>
Total other financing sources(uses)	<u>-</u>	<u>(19,412)</u>	<u>(19,412)</u>
Revenues and other financing sources(uses)	43,558	160,318	116,760
FUND BALANCE, beginning of year	<u>110,936</u>	<u>110,936</u>	<u>-</u>
FUND BALANCE, end of year	<u><u>\$154,494</u></u>	<u><u>\$271,254</u></u>	<u><u>\$116,760</u></u>

ARLINGTON COUNTY, VIRGINIA
SPECIAL REVENUE FUNDS
COMMUNITY DEVELOPMENT GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
From the federal government	<u>\$5,903,276</u>	<u>\$2,320,255</u>	<u>(\$3,583,021)</u>
Total Revenues	<u>5,903,276</u>	<u>2,320,255</u>	<u>(3,583,021)</u>
EXPENDITURES:			
Community development	<u>5,903,276</u>	<u>2,320,255</u>	<u>3,583,021</u>
Revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, end of year	<u><u>\$-</u></u>	<u><u>\$-</u></u>	<u><u>\$-</u></u>

ARLINGTON COUNTY, VIRGINIA
SPECIAL REVENUE FUNDS
SECTION 8 HOUSING PROGRAM
SCHEDULE OF REVENUES, EXPENDITURE AND CHANGES IN FUND BALANCE
BUDGET(GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
From the federal government	<u>\$14,493,245</u>	<u>\$16,461,191</u>	<u>\$1,967,946</u>
EXPENDITURES:			
Housing program	<u>14,493,245</u>	<u>14,697,414</u>	<u>(204,169)</u>
Revenues over expenditures	<u>-</u>	<u>1,763,777</u>	<u>1,763,777</u>
FUND BALANCE, beginning of year	<u>1,218,978</u>	<u>1,218,978</u>	<u>-</u>
FUND BALANCE, end of year	<u><u>\$1,218,978</u></u>	<u><u>\$2,982,755</u></u>	<u><u>\$1,763,777</u></u>



Capital Projects Funds

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

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

ARLINGTON COUNTY, VIRGINIA
 CAPITAL PROJECTS FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2006
 (WITH COMPARATIVE TOTALS FOR 2005)

	General Capital Projects Fund	Street and Highway Bond Fund	Neighborhood Conservation Bond Fund	Public Recreation Bond Fund	Fire Station Bond Fund	Library Bond Fund	Transit Facilities Bond Fund	Totals	
								June 30, 2006	June 30, 2005
ASSETS:									
Equity in pooled cash and investments	\$46,405,568	\$10,492,744	\$20,860,920	\$40,480,522	\$17,468,452	\$3,017,327	\$18,221,789	\$156,947,322	\$159,073,724
Due from other government	137,922	-	-	-	-	-	-	137,922	1,918,531
Accounts receivable - other	28,440	-	-	-	-	-	-	28,440	206,456
Total Assets	\$46,571,930	\$10,492,744	\$20,860,920	\$40,480,522	\$17,468,452	\$3,017,327	\$18,221,789	\$157,113,684	\$161,198,711
LIABILITIES AND FUND BALANCES									
LIABILITIES:									
Vouchers payable	\$1,644,980	\$156,813	\$303,316	\$1,245,840	\$2,314	\$3,121	\$-	\$3,356,384	\$4,796,132
Contracts payable-retainage	942,161	-	-	-	-	-	-	942,161	892,476
Deferred Revenue	8,663,838	-	-	-	-	-	-	8,663,838	-
Other liabilities	867,759	-	-	-	-	-	-	867,759	857,091
Total Liabilities	12,118,738	156,813	303,316	1,245,840	2,314	3,121	-	\$13,830,142	\$6,545,699
FUND BALANCES:									
Reserved for encumbrances	7,497,719	3,340,561	3,367,205	15,171,544	1,320,279	1,729,838	-	32,427,146	38,078,876
Reserved for construction	26,955,473	6,995,371	17,190,399	24,063,138	16,145,859	1,284,368	18,221,789	110,856,397	116,574,136
Total Fund Balances	34,453,192	10,335,931	20,557,604	39,234,682	17,466,138	3,014,206	18,221,789	143,283,542	154,653,012
Total Liabilities and Fund Balances	\$46,571,930	\$10,492,744	\$20,860,920	\$40,480,522	\$17,468,452	\$3,017,327	\$18,221,789	\$157,113,684	\$161,198,711

ARLINGTON COUNTY, VIRGINIA
CAPITAL PROJECT FUNDS
COMBINING STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2006
(WITH COMPARATIVE TOTALS FOR 2005)

	General Capital Projects Fund	Street and Highway Bond Fund	Neighborhood Conservation Bond Fund	Higher Educ. & University Bond Fund	Public Recreation Bond Fund	Fire Station Bond Fund	Library Bond Fund	Transit Facilities Bond Fund	Totals	
									June 30, 2006	June 30, 2005
REVENUES:										
From the Commonwealth of Virginia	\$376,713	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$376,713	\$4,967,005
From the federal government	2,384,993	-	-	-	-	-	-	-	2,384,993	\$6,131,466
Charges for services	1,891,892	-	-	-	-	-	-	-	1,891,892	8,801,302
Use of money and property	-	331,886	948,733	5,397	1,833,216	553,816	210,937	616,333	4,500,318	1,814,836
Miscellaneous revenue	560,371	-	-	-	-	-	-	-	560,371	5,450
Total Revenues	5,213,969	331,886	948,733	5,397	1,833,216	553,816	210,937	616,333	9,714,287	21,720,059
EXPENDITURES-Capital outlay	33,389,963	6,416,751	5,555,175	-	19,236,184	985,016	709,355	5,736,998	72,029,442	68,448,528
Revenues Over/(Under) Expenditures	(28,175,994)	(6,084,866)	(4,606,442)	5,397	(17,402,968)	(431,200)	(498,418)	(5,120,665)	(62,315,155)	(46,728,469)
OTHER FINANCING SOURCES/(USES):										
Proceeds from Lease Purchase	195,000	-	-	-	-	-	-	-	195,000	-
Proceeds from sale of bonds	-	9,251,218	5,690,578	-	13,600,000	6,690,455	-	8,602,749	43,835,000	52,295,000
Proceeds of refunding bonds	-	6,167,233	4,964,155	2,028,391	17,209,390	2,638,292	1,920,866	12,758,305	47,686,632	44,489,382
Payments to refunded bond escrow agent	-	(6,004,878)	(4,833,471)	(1,974,993)	(16,756,345)	(2,568,838)	(1,870,298)	(12,422,437)	(46,431,260)	(44,617,343)
Deferred cost of refunding	-	(162,355)	(130,684)	(53,398)	(453,045)	(69,454)	(50,568)	(335,868)	(1,255,372)	127,961
Transfers in	11,416,003	-	-	-	-	-	-	-	11,416,003	17,587,502
Transfers out	-	(331,886)	(948,733)	(5,397)	(1,833,216)	(553,816)	(210,937)	(616,333)	(4,500,318)	(1,814,836)
Total Other Financing Sources/(Uses)	11,611,003	8,919,332	4,741,845	(5,397)	11,766,784	6,136,639	(210,937)	7,986,416	50,945,685	68,067,666
Revenues and Other Financing Sources (Uses) Over/(Under) Expenditures	(16,564,990)	2,834,466	135,403	-	(5,636,184)	5,705,439	(709,355)	2,865,751	(11,369,470)	21,339,197
FUND BALANCE, beginning of year	51,018,182	7,501,465	20,422,201	-	44,870,866	11,760,699	3,723,561	15,356,038	154,653,012	133,313,815
FUND BALANCE, end of year	\$34,453,192	\$10,335,931	\$20,557,604	\$-	\$39,234,682	\$17,466,138	\$3,014,206	\$18,221,789	\$143,283,542	\$154,653,012



Enterprise Funds

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

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

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

ARLINGTON COUNTY, VIRGINIA
ENTERPRISE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2006

ASSETS

	IDA REVENUE BOND FUNDS							Totals	
	Utilities	Ballston Public Parking Garage	Trade Center	George Mason	ERP	Emergency Comm. Center	Total IDA Revenue Bonds	June 30, 2006	June 30, 2005
CURRENT ASSETS:									
Equity in pooled cash and investments	\$36,543,516	\$13,459,658	\$1,673,986	\$196,828	\$3,331,360	\$23,806,819	\$29,008,993	\$79,012,167	\$96,830,095
Cash with fiscal agents	25,221	-	-	-	-	-	-	25,221	25,221
Accounts receivable:									
Water-sewer charges	2,187,228	-	-	-	-	-	-	2,187,228	2,914,062
Estimated unbilled service charges	7,707,692	-	-	-	-	-	-	7,707,692	6,799,723
Other	4,419,903	8,105	-	-	-	-	-	4,428,008	2,419,224
Interest receivable	4,757	-	96,756	18,306	43,711	169,881	\$328,654	333,411	32,836
Prepaid expenses	2,447,864	187,880	-	-	-	-	-	2,635,744	2,635,744
Inventories	727,288	-	-	-	-	-	-	727,288	838,384
Total current assets	54,063,469	13,655,643	1,770,742	215,134	3,375,071	23,976,700	29,337,647	97,056,759	112,495,289
CAPITAL ASSETS:									
Land	1,792,817	-	-	-	-	-	-	1,792,817	1,792,817
Sewer system	276,393,256	-	-	-	-	-	-	276,393,256	269,402,447
Water system	125,461,782	-	-	-	-	-	-	125,461,782	125,460,492
Furniture and fixtures	1,872,910	-	-	-	-	-	-	1,872,910	1,872,910
Parking garage	-	22,315,886	-	-	-	-	-	22,315,886	22,315,887
Garage equipment	-	12,458	-	-	-	-	-	12,458	12,458
Construction in progress	66,395,774	-	17,017,493	3,483,903	5,212,221	11,576,419	37,290,036	103,685,810	63,842,074
Less accumulated depreciation	(89,914,672)	(9,165,834)	-	-	-	-	-	(99,080,506)	(93,150,636)
Total capital assets (net of accumulated depreciation)	382,001,867	13,162,510	17,017,493	3,483,903	5,212,221	11,576,419	37,290,036	492,454,413	391,548,449
Deferred bond issuance costs	51,994	71,506	133,279	26,002	55,424	229,944	444,649	568,149	604,482
Total noncurrent assets	382,053,861	13,234,016	17,150,772	3,509,905	5,267,645	11,806,363	37,734,685	493,022,562	392,152,931
Total assets	\$436,117,329	\$26,889,659	\$18,921,514	\$3,725,039	\$8,642,716	\$35,783,063	\$67,072,332	\$530,079,320	\$504,648,220

ARLINGTON COUNTY, VIRGINIA
ENTERPRISE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2006

LIABILITIES AND EQUITY

	IDA REVENUE BOND FUNDS							Totals	
	Utilities	Ballston Public Parking Garage	Trade Center	George Mason	ERP	Emergency Comm. Center	Total IDA Revenue Bonds	June 30, 2006	June 30, 2005
CURRENT LIABILITIES:									
Payable from current assets:									
General obligation bonds payable	\$3,487,380	\$-	\$-	\$-	\$-	\$-	\$-	\$3,487,380	\$3,074,680
Bond and mortgage interest payable	538,848	12,926,353	-	-	-	-	-	13,465,201	12,416,396
Vouchers payable	4,961,365	528,633	3,627	957	452,099	1,136,836	1,593,519	7,083,517	6,244,205
Contracts payable-retainage	344,988	-	248,966	184,463	-	-	433,429	778,417	382,437
Revenue bonds payable-current	-	500,000	-	-	-	-	-	500,000	500,000
Mortgage /notes payable	-	1,769,263	-	-	-	-	-	1,769,263	1,545,034
Other accrued liabilities	719,311	5,536,928	-	-	-	-	-	6,256,239	5,330,618
Total current liabilities	10,051,892	21,261,177	252,593	185,420	452,099	1,136,836	2,026,948	33,340,017	29,493,370
LONG-TERM LIABILITIES:									
Compensated absences	1,339,603	-	-	-	16,772	-	16,772	1,356,375	1,393,979
General obligation bonds payable	2,222,875	-	-	-	-	-	-	2,222,875	2,379,142
Revenue bonds payable	-	13,800,000	17,704,528	3,357,126	7,705,423	32,810,348	61,577,425	75,377,425	78,646,291
VRA Loan payable	32,298,455	-	-	-	-	-	-	32,298,455	24,933,850
Mortgage payable	-	1,660,416	-	-	-	-	-	1,660,416	1,884,645
Bonds payable	29,620,916	-	-	-	-	-	-	29,620,916	33,062,049
Total long-term liabilities	65,481,849	15,460,416	17,704,528	3,357,126	7,722,195	32,810,348	61,594,197	142,536,462	142,299,956
Total liabilities	75,533,741	36,721,593	17,957,121	3,542,546	8,174,294	33,947,184	63,621,145	175,876,479	171,793,326
NET ASSETS:									
Invested in capital assets, net of related debt	314,372,241	(4,567,169)	(687,035)	126,777	(2,493,202)	(21,233,929)	(24,287,389)	285,517,683	245,522,758
Restricted net assets	-	(5,264,765)	1,651,428	55,716	2,961,624	23,069,808	27,738,576	22,473,811	47,191,676
Unrestricted	46,211,348	-	-	-	-	-	-	46,211,348	40,140,460
Total net assets	360,583,589	(9,831,934)	964,393	182,493	468,422	1,835,879	3,451,187	354,202,842	332,854,894
Total liabilities and net assets	\$436,117,329	\$26,889,659	\$18,921,514	\$3,725,039	\$8,642,716	\$35,783,063	\$67,072,332	\$530,079,320	\$504,648,220

ARLINGTON COUNTY, VIRGINIA
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006
(WITH COMPARATIVE TOTALS FOR 2005)

	IDA REVENUE BOND FUNDS						Totals		
	Utilities	Ballston Public Parking Garage	Trade Center	George Mason	ERP	Emergency Comm. Center	Total IDA Revenue Bonds	June 30, 2006	June 30, 2005
OPERATING REVENUES:									
Water-sewer service charges	\$52,362,162	\$-	\$-	\$-	\$-	\$-	\$-	\$52,362,162	\$44,779,175
Water-service hook-up charges	6,468,463	-	-	-	-	-	-	6,468,463	4,539,968
Water-service connection charges	269,617	-	-	-	-	-	-	269,617	547,212
Sewage treatment service charges	4,690,483	-	-	-	-	-	-	4,690,483	7,867,530
Other	1,253,619	-	-	-	-	-	-	1,253,619	1,380,820
Parking charges	-	3,586,806	-	-	-	-	-	3,586,806	3,765,054
Total Operating Revenues	65,044,344	3,586,806	-	-	-	-	-	68,631,150	62,879,759
OPERATING EXPENSES:									
Personnel services	11,811,854	-	-	-	-	-	-	11,811,854	11,272,856
Fringe benefits	2,935,231	-	-	-	-	-	-	2,935,231	2,546,841
Contractual services	7,116,130	2,882,974	-	-	-	-	-	9,999,104	11,615,509
Purchases of water	7,093,766	-	-	-	-	-	-	7,093,766	6,794,242
Materials and supplies	4,001,464	80,485	-	-	-	-	-	4,081,949	3,922,096
Deferred rent	-	654,996	-	-	-	-	-	654,996	405,000
Depreciation	5,431,471	503,698	-	-	-	-	-	5,935,169	5,804,299
Equipment (Construction Contracts)	2,276,681	-	-	-	-	-	-	2,276,681	6,098,234
Miscellaneous	4,218,638	-	-	-	-	-	-	4,218,638	2,746,512
Total Operating Expenses	44,885,235	4,122,153	-	-	-	-	-	49,007,388	51,205,589
Operating Income	20,159,109	(535,347)	-	-	-	-	-	19,623,762	11,674,171
NON-OPERATING REVENUES(EXPENSES):									
Interest income and other income	843,375	483,562	906,461	171,532	442,251	1,734,164	3,254,408	4,581,345	661,071
Interest expense and fiscal charges	(2,436,729)	(1,610,679)	-	-	-	-	-	(4,047,408)	(3,515,830)
Contributions from developers and other sources	827,240	-	-	-	-	-	-	827,240	3,773,550
Federal & State grant	363,009	-	-	-	-	-	-	363,009	-
Total Non-Operating Revenues(Expenses)	(403,105)	(1,127,117)	906,461	171,532	442,251	1,734,164	3,254,408	1,724,186	918,791
Change in net assets	19,756,004	(1,662,464)	906,461	171,532	442,251	1,734,164	3,254,408	21,347,948	12,592,962
Net assets, beginning of year	340,827,585	(8,169,470)	57,932	10,961	26,171	101,715	196,779	332,854,894	320,261,931
Net assets, end of year	\$360,583,589	(\$9,831,934)	\$964,393	\$182,493	\$468,422	\$1,835,879	\$3,451,187	\$354,202,842	\$332,854,894

ARLINGTON COUNTY, VIRGINIA
 ENTERPRISE FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2006
 (WITH COMPARATIVE TOTALS FOR 2005)

	IDA REVENUE BOND FUNDS						Total IDA Revenue Bonds	June 30 2006	June 30 2005
	Ballston Public Parking Garage	Trade Center	George Mason	ERP	Emergency Comm. Center	Utilities			
CASH FLOWS FROM OPERATING ACTIVITIES:									
Cash received from customers	\$3,578,700	\$-	\$-	\$-	\$-	\$-	\$66,441,229	\$60,772,373	
Cash paid to suppliers	(2,509,376)	-	-	-	-	-	(26,450,540)	(31,685,135)	
Cash paid to employees	-	-	-	-	-	-	(14,799,849)	(13,715,239)	
Net cash flows from operating activities	1,069,324	-	-	-	-	-	25,190,840	15,371,998	
CASH FLOWS FROM INVESTING ACTIVITIES:									
Interest received	483,562	809,705	153,227	398,540	1,449,753	2,811,225	4,166,240	624,252	
Net cash flows from investing activities	483,562	809,705	153,227	398,540	1,449,753	2,811,225	4,166,240	624,252	
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:									
State grant	-	-	-	-	-	-	363,009	-	
Net cash flows from non-capital financing activities	-	-	-	-	-	-	363,009	-	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:									
Principal payments - bonds	(500,000)	(895,000)	(165,000)	(805,000)	(590,000)	(2,455,000)	(6,029,680)	(3,630,952)	
Payments to bonds redeemed	-	-	-	-	-	-	(3,957,945)	(2,798,890)	
Proceeds of bond refunding	3,113,760	-	-	-	-	-	3,113,760	2,916,798	
Deferred Cost of Refunding	844,185	-	-	-	-	-	844,185	-	
Proceeds from bonds	-	-	-	-	-	-	-	70,359,779	
Payment of Suntrust notes payable	7,364,605	-	-	-	-	-	7,364,605	(6,200,000)	
Proceeds of VRA loan	-	-	-	-	-	-	-	16,184,083	
Contributions from other sources	-	-	-	-	-	-	-	3,773,550	
Interest and other loan expenses paid	(2,585,276)	(33,750)	(6,377)	(45,000)	(87,566)	(172,693)	(3,276,924)	(2,443,446)	
Purchases of property	(22,173,406)	(12,812,942)	(1,718,117)	(2,974,027)	(5,892,305)	(23,397,391)	(45,570,797)	(38,948,072)	
Net cash flows from capital and related financing activities	(20,468,757)	(13,741,692)	(1,889,494)	(3,824,027)	(6,569,871)	(26,025,084)	(47,512,796)	39,212,850	
Net increase(decrease) in cash and cash equivalents	4,887,221	(2,931,987)	(1,736,267)	(3,425,487)	(5,120,118)	(23,213,859)	(17,792,707)	55,209,100	
Cash and cash equivalents at beginning of year	31,681,516	14,605,973	1,933,095	6,756,847	28,926,937	52,222,852	96,830,095	41,646,216	
Cash and cash equivalents at end of year	\$36,568,737	\$1,673,986	\$196,828	\$3,331,360	\$23,806,819	\$29,008,993	\$79,037,388	\$96,855,316	
Reconciliation of operating income to net cash flow from operations:									
Operating Income	\$20,159,109	\$-	\$-	\$-	\$-	\$-	\$19,623,762	\$11,674,171	
Adjustments to reconcile operating income to net cash provided by operating activities:									
Depreciation	5,431,471	-	-	-	-	-	5,935,169	5,804,299	
(Increase)/Decrease in accounts receivable	(2,181,815)	-	-	-	-	-	(2,189,920)	(2,107,386)	
(Increase)/Decrease in inventories	111,096	-	-	-	-	-	111,096	10,260	
Increase/(Decrease) in vouchers payable	691,869	-	-	-	-	-	1,145,951	(903,883)	
Increase/(Decrease) in compensated absences	(52,765)	-	-	-	-	-	(52,765)	104,458	
Increase/(Decrease) in contract retainage	(37,449)	-	-	-	-	-	(37,449)	343,813	
Increase/(Decrease) in prepaid expenses	-	-	-	-	-	-	-	-	
Increase/(Decrease) in other accrued liabilities	654,996	-	-	-	-	-	654,996	446,266	
Net cash flows from operations	\$24,121,516	\$-	\$-	\$-	\$-	\$-	\$25,190,840	\$15,371,998	



Internal Service Funds

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

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

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

ARLINGTON COUNTY, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2006
(WITH COMPARATIVE TOTALS FOR 2005)

	Totals				
	Automotive Equipment	Printing	Jail Industries	June 30 2006	June 30 2005
ASSETS					
CURRENT ASSETS:					
Equity in pooled cash and investments	\$6,624,351	\$29,332	\$137,884	\$6,791,567	\$4,533,969
Accounts receivable	891,760	-	-	891,760	788,949
Inventories	611,358	106,669	-	718,027	616,663
Total Current Assets	8,127,469	136,001	137,884	8,401,354	5,939,581
CAPITAL ASSETS:					
Equipment and other capital assets	42,409,798	276,060	-	42,685,858	39,626,767
Less-allowance for depreciation	(21,305,078)	(269,077)	-	(21,574,155)	(19,512,561)
Net Capital Assets	21,104,720	6,983	-	21,111,703	20,114,206
Total Assets	\$29,232,189	\$142,984	\$137,884	\$29,513,057	\$26,053,787
LIABILITIES AND NET ASSETS:					
CURRENT LIABILITIES:					
Vouchers payable	\$175,371	\$92,365	\$12,780	\$280,516	\$483,899
Capital lease - current portion	853,669	-	-	853,669	697,312
Due to primary government	157,870	-	-	157,870	173,560
Total Current Liabilities	1,186,910	92,365	12,780	1,292,055	1,354,771
LONG-TERM LIABILITIES					
Compensated absences	446,446	99,721	19,240	565,407	544,013
Capital lease	4,037,085	-	-	4,037,085	2,520,755
Total Long-Term Liabilities	4,483,531	99,721	19,240	4,602,492	3,064,768
Total liabilities	5,670,441	192,086	32,020	5,894,547	4,419,539
Net assets	23,561,748	(49,102)	105,864	23,618,510	21,634,248
Total Liabilities and Net Assets	\$29,232,189	\$142,984	\$137,884	\$29,513,057	\$26,053,787

ARLINGTON COUNTY, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006
(WITH COMPARATIVE TOTALS FOR 2005)

	Totals				
	Automotive Equipment	Printing	Jail Industries	June 30 2006	June 30 2005
OPERATING REVENUES:					
Charges for services	\$15,752,232	\$1,786,962	\$154,311	\$17,693,505	\$16,085,610
OPERATING EXPENSES:					
Cost of store issuances	4,149,731	441,038	-	4,590,769	3,706,350
Personnel services	3,360,736	492,254	165,296	4,018,286	3,801,788
Fringe benefits	871,453	123,616	53,130	1,048,199	935,319
Material and supplies	586,497	191,263	-	777,760	503,108
Utilities	213,623	5,617	209	219,449	99,449
Outside services	1,110,352	551,469	1,997	1,663,818	1,394,896
Depreciation	3,967,377	13,970	-	3,981,347	3,682,446
Insurance and other	-	-	-	-	562,638
Total Operating Expenses	14,259,769	1,819,227	220,632	16,299,628	14,685,994
Operating Income (Loss)	1,492,463	(32,265)	(66,321)	1,393,877	1,399,616
NON-OPERATING REVENUES (EXPENSES):					
Interest payment on capital lease	(107,524)	-	-	(107,524)	(54,192)
Gain/(Loss) on disposal of assets	309,179	-	-	309,179	73,714
Total Non-operating Revenues (Expenses)	201,655	-	-	201,655	19,522
Income Before Transfers	1,694,118	(32,265)	(66,321)	1,595,532	1,419,138
TRANSFERS IN (OUT):					
Transfers in	350,418	168,312	-	518,730	337,113
Transfers out	(130,000)	-	-	(130,000)	(130,000)
Total Operating Transfers	220,418	168,312	-	388,730	207,113
Change in Net Assets	1,914,536	136,047	(66,321)	1,984,262	1,626,251
Net Assets, beginning of year	21,647,212	(185,149)	172,185	21,634,248	20,007,997
Net Assets, end of year	\$23,561,748	(\$49,102)	\$105,864	\$23,618,510	\$21,634,248

ARLINGTON COUNTY, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006
(WITH COMPARATIVE TOTALS FOR 2005)

	Totals				
	Automotive Equipment	Printing	Jail Industries	June 30, 2006	June 30, 2005
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$134,547	\$23,242	\$154,311	\$312,100	\$463,175
Cash received from interfund charges	15,514,686	1,763,908	-	17,278,594	17,822,616
Cash paid to suppliers	(6,188,281)	(1,211,083)	836	(7,398,528)	(6,140,037)
Cash paid to employees	(4,217,535)	(613,487)	(214,070)	(5,045,092)	(4,694,579)
Net cash provided (used) by operating activities	<u>5,243,417</u>	<u>(37,420)</u>	<u>(58,923)</u>	<u>5,147,074</u>	<u>7,451,175</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Payment of temporary loan	-	-	(72,000)	(72,000)	(122,245)
Temporary loan from general fund	-	(101,560)	-	(101,560)	101,560
Operating transfers in	350,418	168,312	-	518,730	337,114
Operating transfers out	(130,000)	-	-	(130,000)	(130,000)
Net cash provided by financing activities	<u>220,418</u>	<u>66,752</u>	<u>(72,000)</u>	<u>215,170</u>	<u>186,429</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from capital lease	2,370,000	-	-	2,370,000	1,936,484
Principal payment on capital lease	(697,312)	-	-	(697,312)	(339,982)
Payment of interest on capital lease	-	-	-	-	(54,192)
Purchases of equipment and other fixed assets	(4,975,427)	-	-	(4,975,427)	(6,058,579)
Proceeds from sale of equipment	198,093	-	-	198,093	321,533
Net cash used by capital and related financing activities	<u>(3,104,646)</u>	<u>-</u>	<u>-</u>	<u>(3,104,646)</u>	<u>(4,194,736)</u>
Net increase (decrease) in cash and cash equivalents	<u>2,359,189</u>	<u>29,332</u>	<u>(130,923)</u>	<u>2,257,598</u>	<u>3,442,868</u>
Cash and cash equivalents at beginning of year	<u>4,265,162</u>	<u>-</u>	<u>268,807</u>	<u>4,533,969</u>	<u>1,091,101</u>
Cash and cash equivalents at end of period	<u>\$6,624,351</u>	<u>\$29,332</u>	<u>\$137,884</u>	<u>\$6,791,567</u>	<u>\$4,533,969</u>
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income (loss)	\$1,492,463	(\$32,265)	(\$66,321)	\$1,393,877	\$1,399,615
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	3,967,376	13,970	-	3,981,346	3,682,446
(Increase)Decrease in accounts receivable	(102,998)	188	-	(102,810)	2,200,181
(Increase)Decrease in inventories	(32,745)	(68,618)	-	(101,363)	(24,125)
Increase(Decrease) in vouchers payable	(95,332)	46,922	3,042	(45,368)	150,530
Increase(Decrease) in compensated absences	14,653	2,383	4,356	21,392	42,528
Net cash provided (used) by operating activities	<u>\$5,243,417</u>	<u>(37,420)</u>	<u>(58,923)</u>	<u>\$5,147,074</u>	<u>\$7,451,175</u>



Fiduciary Funds

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

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

Private Purpose Trust Funds:

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

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

IDA – Affordable Housing Investment Fund (AHIF+) – to account for affordable housing projects financed by loans obtained by the Arlington Industrial Development Authority.

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

Agency Funds:

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

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

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

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

ARLINGTON COUNTY, VIRGINIA
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2006

	Private Purpose Trust					Agency Funds				Total Fiduciary Funds		
	Pension Trust	Alex/Arlington Waste Disposal Trust	IDA - Ballston Skating Facility	IDA - Affordable Housing Investment Fund (AHLIF+)	Other Private Purpose Trusts	Total Private Purpose Trust	Commonwealth of Virginia	Urban Area Security Initiative	Drug Task Force Grant		Other Agency Funds	Total Agency Funds
ASSETS												
Equity in pooled cash and investments	\$75,880,869	\$172,198	\$16,906,180	\$104,563	\$50,357	\$17,233,298	\$-	\$-	\$-	\$14,724,702	\$14,724,702	\$107,838,869
Contributions Receivable:												
Employer	137,415	-	-	-	-	-	-	-	-	-	-	137,415
Employee	10,736	-	-	-	-	-	-	-	-	-	-	10,736
Accrued Interest and Other Receivables	5,030,370	-	185,639	-	-	185,639	-	-	-	-	-	5,216,009
Deferred Bond Issuance Costs	-	-	399,996	-	-	399,996	-	-	-	-	-	399,996
Construction in progress	-	-	18,246,591	-	-	18,246,591	-	-	-	-	-	18,246,591
Receivable from other government	-	-	-	16,630,437	-	16,630,437	24,059	-	2,907,181	-	2,931,240	19,561,677
Investments, at fair value:												
Foreign, Municipal and U.S. Government	61,642,672	-	-	-	-	-	-	-	-	-	-	61,642,672
Obligations, including Fixed												
Instruments in Pooled Funds	173,539,668	-	-	-	-	-	-	-	-	-	-	173,539,668
Corporate Fixed Income Obligations	786,907,805	7,754,555	-	-	-	7,754,555	-	-	-	-	-	794,662,360
Domestic and Foreign Equities, including												
Equities in Pooled Funds	175,598,132	-	-	-	-	-	-	-	-	-	-	175,598,132
Other Investments	26,556,491	-	-	-	-	-	-	-	-	-	-	26,556,491
Real Estate Funds												
Total assets	<u>1,305,304,158</u>	<u>7,926,753</u>	<u>95,738,406</u>	<u>16,735,000</u>	<u>50,357</u>	<u>60,450,516</u>	<u>24,059</u>	<u>-</u>	<u>2,907,181</u>	<u>14,724,702</u>	<u>17,655,942</u>	<u>1,383,410,616</u>
LIABILITIES												
Accounts payable and												
accrued liabilities	5,895,410	476,388	35,700,000	16,735,000	-	52,911,388	22,805	-	-	14,724,702	14,747,507	73,554,305
Due to primary government	-	-	-	-	-	-	1,254	-	2,907,181	-	2,908,435	2,908,435
Total liabilities	<u>5,895,410</u>	<u>476,388</u>	<u>35,700,000</u>	<u>16,735,000</u>	<u>-</u>	<u>52,911,388</u>	<u>24,059</u>	<u>-</u>	<u>2,907,181</u>	<u>14,724,702</u>	<u>17,655,942</u>	<u>76,462,740</u>
NET ASSETS	<u>\$1,299,408,748</u>	<u>\$7,450,365</u>	<u>\$38,406</u>	<u>\$-</u>	<u>\$50,357</u>	<u>\$7,639,128</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$1,306,947,876</u>

ARLINGTON COUNTY, VIRGINIA
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2006

	Private Purpose Trusts						
	Pension Trust	Alex/Arlington Waste Disposal Trust	IDA - Ballston Skating Facility	IDA Affordable Housing Investment Fund (AHIF+)	Other Private Purpose Trusts	Private Purpose Trusts	Total
ADDITIONS							
Contributions and Revenues							
Employer/ Employee contributions	\$25,189,661	\$-	\$-	\$-	\$-	\$-	\$-
Revenue from Commonwealth of Virginia	-	-	-	-	-	-	-
Revenue from government/ other	-	-	-	16,735,000	-	-	16,735,000
Shared revenues	-	1,480,109	-	-	-	-	1,480,109
Private donations- Others	63,996	-	-	-	45,548	-	45,548
Total contributions	25,253,657	1,480,109	-	16,735,000	45,548	-	18,260,657
Investment earnings:							
Interest and other	27,950,621	338,241	1,189,755	-	-	-	1,527,996
Securities lending	368,271	-	-	-	-	-	-
Commissions recapture	28,215	-	-	-	-	-	-
Net change in fair value of investments	111,410,095	(5,199)	-	-	-	-	(5,199)
Total investment earnings	139,757,202	333,042	1,189,755	-	-	-	1,522,797
Less investment expenses	6,145,479	-	1,527,051	-	-	-	1,527,051
Net investment earnings	133,611,723	333,042	(337,296)	-	-	-	(4,254)
Total additions	158,865,380	1,813,151	(337,296)	16,735,000	45,548	-	18,256,403
DEDUCTIONS							
Administrative expenses/ other	718,219	2,780,938	25,004	16,735,000	37,455	-	19,578,397
Retirees pension expense	56,796,331	-	-	-	-	-	-
Total deductions	57,514,550	2,780,938	25,004	16,735,000	37,455	-	19,578,397
Change in net assets	101,350,830	(967,787)	(362,300)	-	8,093	-	(1,321,994)
Net assets- Beginning of the year	1,198,057,918	8,418,152	400,706	-	42,264	-	8,861,122
Net assets- Ending of the year	\$1,299,408,748	\$7,450,365	\$38,406	\$-	\$50,357	-	\$7,539,128

ARLINGTON COUNTY, VIRGINIA
PENSION TRUST FUND
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006
(WITH COMPARATIVE TOTALS FOR 2005)

	<u>2006</u>	<u>2005</u>
ADDITIONS:		
Member contributions	\$8,848,814	\$8,152,479
Employer contributions	16,340,847	13,853,234
Other contributions	63,996	8,115
Investment income:		
Interest and dividends	27,950,621	25,847,581
Net appreciation (depreciation) in fair value	111,410,095	77,905,641
Commission recapture	28,215	49,373
Securities lending	368,271	476,828
Class action recovery	-	86,518
Investment expense	<u>(6,145,479)</u>	<u>(6,065,100)</u>
 Total Additions	 <u>158,865,380</u>	 <u>120,314,669</u>
DEDUCTIONS:		
Members' benefits	55,315,766	52,300,938
Refund of members' contributions	1,480,565	1,756,269
Administrative expenses	493,153	448,134
Pension Gold	-	188,484
Other consulting expenses	<u>225,066</u>	<u>522,438</u>
 Total Deductions	 <u>57,514,550</u>	 <u>55,216,263</u>
 Net Increase	 101,350,830	 65,098,406
 Net Assets Held in Trust for Plan Benefits, beginning of year	 <u>1,198,057,918</u>	 <u>1,132,959,512</u>
 Net Assets Held in Trust for Plan Benefits, end of year:		
Undesignated	<u>\$1,299,408,748</u>	<u>\$1,198,057,918</u>

ARLINGTON COUNTY, VIRGINIA
ALL AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2006

	Balance JULY 1, 2005	Additions	Deductions	Balance June 30, 2006
<u>Commonwealth of Virginia</u>				
ASSETS:				
Cash	\$18,425	\$1,254	\$19,679	\$-
Receivable from other government	-	24,059	-	24,059
Total Assets	<u>\$18,425</u>	<u>\$25,313</u>	<u>\$19,679</u>	<u>\$24,059</u>
LIABILITIES:				
Due to other government	\$18,425	\$5,634	\$-	\$24,059
Total Liabilities	<u>\$18,425</u>	<u>\$5,634</u>	<u>\$-</u>	<u>\$24,059</u>
<u>Urban Area Security Initiative</u>				
ASSETS:				
Cash & cash equivalents	\$-	\$11,494,109	\$11,494,109	\$-
Due from other government	1,289,450	-	1,289,450	-
Total Assets	<u>\$1,289,450</u>	<u>\$11,494,109</u>	<u>\$12,783,559</u>	<u>\$-</u>
LIABILITIES:				
Vouchers payable	\$-	\$1,421,077	\$1,421,077	\$-
Due to primary government	1,289,450	1,289,450	2,578,900	-
Total Liabilities	<u>\$1,289,450</u>	<u>\$2,710,527</u>	<u>\$3,999,977</u>	<u>\$-</u>
<u>Drug Task Force Fund</u>				
ASSETS:				
Cash & cash equivalents	\$-	\$-	\$-	\$-
Due from other government	1,167,115	1,740,066	-	2,907,181
Total Assets	<u>\$1,167,115</u>	<u>\$1,740,066</u>	<u>\$-</u>	<u>\$2,907,181</u>
LIABILITIES:				
Vouchers payable	\$110,117	\$-	\$110,117	\$-
Due to primary government	1,167,159	1,870,540	20,357	3,017,342
Deferred revenue	(110,161)	-	-	(110,161)
Total Liabilities	<u>\$1,167,115</u>	<u>\$1,870,540</u>	<u>\$130,474</u>	<u>\$2,907,181</u>
<u>Other Agency Fund</u>				
ASSETS:				
Cash & cash equivalents	\$15,581,569	\$-	\$856,867	\$14,724,702
Total Assets	<u>\$15,581,569</u>	<u>\$-</u>	<u>\$856,867</u>	<u>\$14,724,702</u>
LIABILITIES:				
Vouchers payable	\$523,482	\$-	\$503,429	\$20,053
Deferred revenue	15,058,087	-	353,438	14,704,649
Total Liabilities	<u>\$15,581,569</u>	<u>\$-</u>	<u>\$856,867</u>	<u>\$14,724,702</u>
<u>Total All Agency Funds</u>				
ASSETS:				
Cash	\$15,599,994	\$11,495,363	\$12,370,655	\$14,724,702
Receivable from other government	2,456,565	1,764,125	1,289,450	2,931,240
Total Assets	<u>\$18,056,559</u>	<u>\$13,259,488</u>	<u>\$13,660,105</u>	<u>\$17,655,942</u>
LIABILITIES:				
Due to primary government	\$2,456,609	\$3,159,990	\$2,599,257	\$3,017,342
Due to other government	18,425	5,634	-	24,059
Vouchers Payable	633,599	1,421,077	2,034,623	20,053
Deferred revenue	14,947,926	-	353,438	14,594,488
Total Liabilities	<u>\$18,056,559</u>	<u>\$4,586,701</u>	<u>\$4,987,318</u>	<u>\$17,655,942</u>



Discretely Presented Component Unit – Schools

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

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

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

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

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

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

ARLINGTON COUNTY, VIRGINIA
 COMBINING BALANCE SHEET
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 JUNE 30, 2006
 (WITH COMPARATIVE TOTALS FOR 2005)

	Governmental Funds										Totals	
	School Operating Fund	School Cafeteria Fund	School Community Activities Fund	School Special Grants Fund	School Capital Projects Bond Fund	School Capital Projects (Pay-as-you-go Fund)	School Debt Service Fund	School Comprehensive Services Act	June 30, 2006	June 30, 2005		
ASSETS												
Equity in pooled cash and investments	\$3,288,448	\$-	\$-	\$-	\$45,968,575	\$-	\$-	\$-	\$49,257,023	\$48,686,978		
Petty cash	200	546	75	-	-	-	-	-	821	438		
Accounts receivable	33,360	240,260	56,772	1,874,296	-	327,474	-	308,593	2,840,755	3,885,454		
Due from other funds	928,594	219,218	-	301	-	1,195,000	-	-	2,343,113	5,653,276		
Due from primary government	42,231,075	-	1,186,673	-	-	5,812,920	-	-	49,230,668	44,998,338		
Inventories	-	280,347	-	-	-	-	-	-	280,347	245,548		
Total Assets	\$46,481,677	\$740,371	\$1,243,520	\$1,874,597	\$45,968,575	\$7,335,394	\$-	\$308,593	\$103,952,727	\$103,470,032		
LIABILITIES AND FUND BALANCES												
LIABILITIES												
Accrued salaries payable	\$25,848,252	\$283,449	\$546,353	\$125,148	\$5,442	\$-	\$-	\$-	\$26,808,644	\$26,398,935		
Vouchers payable	1,899,928	-	16,250	-	3,610,147	-	-	-	5,526,325	6,904,790		
Other liabilities	4,521,579	-	-	-	-	-	-	-	4,521,579	2,170,585		
Deferred revenue	450,652	-	367,892	-	-	-	-	-	818,544	672,196		
Due to other funds	1,414,518	294,102	201,178	432,290	1,025	-	-	-	2,343,113	5,653,276		
Due to primary government	-	-	-	-	-	-	-	308,593	308,593	2,892,407		
Total Liabilities	34,134,929	577,551	1,131,673	557,438	3,616,614	-	-	308,593	40,326,798	44,692,189		
FUND EQUITY AND OTHER CREDITS												
Reserved for encumbrances	8,346,748	162,820	111,847	401,142	36,383,366	7,335,394	-	-	52,741,317	27,466,610		
Reserved for construction	-	-	-	-	5,968,595	-	-	-	5,968,595	25,841,460		
Unreserved	4,000,000	-	-	916,017	-	-	-	-	4,916,017	5,469,773		
Total Fund Equity and Other Credits	12,346,748	162,820	111,847	1,317,159	42,351,961	7,335,394	-	-	63,625,929	59,777,843		
Total Liabilities, Fund Equity and Other Credits	\$46,481,677	\$740,371	\$1,243,520	\$1,874,597	\$45,968,575	\$7,335,394	\$-	\$308,593	\$103,952,727	\$103,470,032		

ARLINGTON COUNTY, VIRGINIA
Reconciliation of the Fund Balances of Component Unit - Schools
to Net Assets of Component Unit - Schools
JUNE 30, 2006

Total-component unit-Schools fund balances	\$63,625,929
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	286,770,876
Long-term liabilities, including capital leases, are not due and payable in the current period and therefore are not reported in the funds	(33,037,506)
Net assets of component unit-Schools	<hr/> <u><u>\$317,359,299</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, 2006
 (WITH COMPARATIVE TOTALS FOR 2005)

	Governmental Funds							Totals		
	School Operating Fund	School Catehera 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, 2006	June 30, 2005
REVENUES:										
Sales tax	\$16,479,190	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$16,479,190	\$15,409,432
State/local government	22,127,379	73,330	-	1,288,869	-	594,373	-	1,560,448	25,664,399	26,245,816
Federal	66,825	2,891,367	-	10,588,364	-	-	-	-	13,546,556	14,447,771
Charges for services	2,251,825	2,696,035	4,479,314	4,076,602	-	-	-	-	13,503,776	13,442,199
Use of money and property	-	-	-	-	1,583,331	-	-	-	1,583,331	543,705
Total revenues	40,925,219	5,660,732	4,479,314	15,953,835	1,583,331	594,373	-	1,560,448	70,777,252	70,088,923
EXPENDITURES:										
Current -										
Parks and recreation	-	-	11,490,390	-	-	-	-	-	11,490,390	12,311,529
Education	288,680,008	5,509,090	-	16,166,662	-	11,463,799	-	3,131,637	313,487,397	295,791,800
Capital projects	-	-	-	-	17,347,100	-	-	-	28,810,899	40,515,446
Debt service -	-	-	-	-	-	-	16,322,363	-	16,322,363	14,548,056
Principal	-	-	-	-	-	-	10,515,683	-	10,515,683	9,600,537
Interest	-	-	-	-	-	-	-	-	-	(1,286,544)
Other	-	-	-	-	-	-	-	-	-	-
Total expenditures	288,680,008	5,509,090	11,490,390	16,166,662	17,347,100	11,463,799	26,838,046	3,131,637	380,626,732	371,480,824
Excess (deficiency) of revenues over expenditures	(247,754,789)	151,642	(7,011,076)	(212,827)	(15,763,769)	(10,869,426)	(26,838,046)	(1,551,189)	(309,849,480)	(301,391,901)
Other financing sources(uses):										
Transfers in	247,842,237	-	7,101,351	-	-	9,977,526	26,838,046	1,551,189	293,310,349	273,354,436
Transfers out	-	-	-	-	(1,583,331)	-	-	-	(1,583,331)	(543,705)
Proceeds of refunding bonds	-	-	-	-	-	-	-	-	-	\$33,598,820
Payments to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	(\$32,208,767)
Deferred cost of refunding	-	-	-	-	-	-	-	-	-	(\$1,390,053)
Proceeds from sale of bonds	-	-	-	-	17,500,000	-	-	-	17,500,000	36,230,000
Proceeds from leases	5,470,548	-	-	-	-	-	-	-	5,470,548	1,743,357
Total other financing sources(uses)	253,312,785	-	7,101,351	-	15,916,669	9,977,526	26,838,046	1,551,189	314,697,566	310,784,088
Excess (deficiency) of Revenues and other sources over expenditures and other uses	5,557,996	151,642	90,275	(212,827)	152,900	(891,900)	-	-	4,848,086	9,392,187
FUND BALANCES, beginning of year	6,788,752	11,178	21,572	1,529,986	42,198,061	8,227,294	-	-	58,777,843	49,385,656
FUND BALANCES, end of year	\$12,346,748	\$162,820	\$111,847	\$1,317,159	\$42,351,961	\$7,335,394	\$-	\$-	\$63,625,929	\$58,777,843

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, 2006

Net change in fund balances - component unit-Schools \$4,848,086

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	25,817,314	
Less Depreciation expense	<u>(12,396,224)</u>	13,421,090

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

-

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

Add: Repayment of capital leases	795,041	
Less Proceeds from capital leases	<u>(5,470,548)</u>	(4,675,507)

Some expenses reported in the Statement of Activities do not
 require the use of current financial resources and therefore
 are not reported as expenditures in governmental funds
 such as compensated absences and workers compensation

(2,833,575)

Change in net assets of component unit-Schools \$10,760,094

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, 2006

	School Operating Fund			School Cafeteria Fund			School Community Activities Fund		
	Budget	Actual	Variance- Positive (Negative)	Budget	Actual	Variance- Positive (Negative)	Budget	Actual	Variance- Positive (Negative)
REVENUES:									
Sales tax	\$17,013,207	\$16,479,190	(\$534,017)	\$-	\$-	\$-	\$-	\$-	\$-
Intergovernmental									
State	22,727,532	22,127,379	(600,153)	72,170	73,330	1,160	-	-	-
Federal	-	66,825	66,825	3,244,625	2,891,367	(353,258)	-	-	-
Charges for services	1,598,043	2,251,825	653,782	2,282,069	2,696,035	413,966	4,701,388	4,479,314	(222,074)
Use of money and property	-	-	-	-	-	-	-	-	-
Total revenues	41,338,782	40,925,219	(413,563)	5,598,864	5,660,732	61,868	4,701,388	4,479,314	(222,074)
EXPENDITURES:									
Education	294,061,081	288,680,008	5,381,073	5,598,864	5,509,090	89,774	-	-	-
Parks & recreation	-	-	-	-	-	-	12,107,443	11,490,390	617,053
Capital projects	-	-	-	-	-	-	-	-	-
Debt service:									
Principal retirement	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total expenditures	294,061,081	288,680,008	5,381,073	5,598,864	5,509,090	89,774	12,107,443	11,490,390	617,053
Excess (deficiency) of revenues over expenditures	(252,722,299)	(247,754,789)	4,967,510	-	151,642	151,642	(7,406,055)	(7,011,076)	394,979
Other financing sources(uses):									
Transfers in	249,933,547	247,842,237	(2,091,310)	-	-	-	8,796,777	7,101,351	(1,695,426)
Transfers out	-	-	-	-	-	-	-	-	-
Proceeds of refunding bonds	-	-	-	-	-	-	-	-	-
Payments to refunded bond escrow agent	-	-	-	-	-	-	-	-	-
Deferred cost of refunding	-	-	-	-	-	-	-	-	-
Proceeds from sale of bonds	-	-	-	-	-	-	-	-	-
Proceeds from capital leases	-	5,470,548	5,470,548	-	-	-	-	-	-
Total other financing sources(uses)	249,933,547	253,312,785	3,379,238	-	-	-	8,796,777	7,101,351	(1,695,426)
Excess (deficiency) of Revenues and other sources over expenditures and other uses	(2,788,752)	5,557,996	8,346,748	-	151,642	151,642	1,390,722	90,275	(1,300,447)
FUND BALANCES, beginning of year	6,788,752	6,788,752	-	11,178	11,178	-	21,572	21,572	-
FUND BALANCES, end of year	\$4,000,000	\$12,346,748	\$8,346,748	\$11,178	\$162,820	\$151,642	\$1,412,294	\$111,847	(\$1,300,447)

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, 2006

	School Special Grants Fund		School Debt Service Fund		School Capital Projects Bond Fund		Variance- Positive (Negative)
	Budget	Actual	Budget	Actual	Budget	Actual	
REVENUES:							
Sales tax	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Intergovernmental	1,606,266	1,288,869	(317,397)	-	-	-	-
State	13,239,031	10,588,364	(2,650,667)	-	-	-	-
Federal	6,238,020	4,076,602	(2,161,418)	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Use of money and property	-	-	-	-	1,583,331	1,583,331	1,583,331
Total revenues	21,083,317	15,953,835	(5,129,482)	-	1,583,331	1,583,331	1,583,331
EXPENDITURES:							
Education	21,083,317	16,166,662	4,916,655	-	-	-	-
Parks & recreation	-	-	-	-	-	-	-
Capital projects	-	-	-	-	59,699,061	17,347,100	42,351,961
Debt service:							
Principal retirement	-	-	16,112,388	16,322,363	-	-	(209,975)
Interest and fiscal charges	-	-	11,263,018	10,515,683	-	-	747,335
Other	-	-	-	-	-	-	-
Total expenditures	21,083,317	16,166,662	4,916,655	27,375,406	59,699,061	17,347,100	42,351,961
Excess (deficiency) of revenues over expenditures	-	(212,827)	(212,827)	(27,375,406)	(59,699,061)	(15,763,769)	43,935,292
Other financing sources(uses):							
Transfers in	-	-	-	27,375,406	-	-	-
Transfers out	-	-	-	-	-	(1,583,331)	(1,583,331)
Proceeds of refunding bonds	-	-	-	-	-	-	-
Payments to refunded bond escrow agent	-	-	-	-	-	-	-
Deferred cost of refunding	-	-	-	-	-	-	-
Proceeds of capital lease	-	-	-	-	-	-	-
Proceeds of capital lease	-	-	-	-	17,500,000	17,500,000	-
Total other financing sources(uses)	-	-	(537,360)	27,375,406	17,500,000	15,916,669	(1,583,331)
Excess (deficiency) of Revenues and other sources over expenditures and other uses	-	(212,827)	(212,827)	-	(42,199,061)	152,900	42,351,961
FUND BALANCES, beginning of year	1,529,986	1,529,986	-	-	42,199,061	42,199,061	-
FUND BALANCES, end of year	\$1,529,986	\$1,317,159	(\$212,827)	\$-	\$-	\$42,351,961	\$42,351,961

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, 2006

	School Capital Projects (Pay-as-you-go) Fund		School Comprehensive Services Act		Totals		Variance- Positive (Negative)
	Budget	Actual	Budget	Actual	Budget	Actual	
REVENUES:							
Sales tax	\$-	\$-	\$-	\$-	\$17,013,207	\$16,479,190	(\$534,017)
Intergovernmental							
State	608,074	594,373	1,842,500	1,580,448	26,856,542	25,664,399	(1,192,143)
Federal	-	-	-	-	16,483,656	13,546,556	(2,937,100)
Charges for services	-	-	-	-	14,819,520	13,503,776	(1,315,744)
Use of money and property	-	-	-	-	-	1,583,331	1,583,331
Total revenues	608,074	594,373	1,842,500	1,580,448	75,172,925	70,777,252	(4,395,673)
EXPENDITURES:							
Education	-	-	3,750,000	3,131,637	324,493,262	313,487,397	11,005,865
Parks & recreation	-	-	-	-	12,107,443	11,490,390	617,053
Capital projects	32,583,933	11,463,799	-	-	92,282,994	28,810,899	63,472,095
Debt service:							
Principal retirement	-	-	-	-	16,112,388	16,322,363	(209,975)
Interest and fiscal charges	-	-	-	-	11,263,018	10,515,683	747,335
Other	-	-	-	-	-	-	-
Total expenditures	32,583,933	11,463,799	3,750,000	3,131,637	456,259,105	380,626,732	75,632,373
Excess (deficiency) of revenues over expenditures	(31,975,859)	(10,869,426)	(1,907,500)	(1,551,189)	(381,086,180)	(309,849,480)	71,236,700
Other financing sources(uses):							
Transfers in	23,748,564	9,977,526	1,907,500	1,551,189	311,761,794	293,310,349	(18,451,445)
Transfers out	-	-	-	-	-	(1,583,331)	(1,583,331)
Proceeds of refunding bonds	-	-	-	-	-	-	-
Payments to refunded bond escrow agent	-	-	-	-	-	-	-
Deferred cost of refunding	-	-	-	-	-	-	-
Proceeds from capital lease	-	-	-	-	17,500,000	17,500,000	-
Proceeds from capital lease	-	-	-	-	-	5,470,548	5,470,548
Total other financing sources(uses)	23,748,564	9,977,526	1,907,500	1,551,189	329,261,794	314,697,566	(14,564,228)
Excess (deficiency) of Revenues and other sources over expenditures and other use:	(8,227,295)	(891,900)	-	-	(51,824,386)	4,848,086	56,672,472
FUND BALANCES, beginning of year	8,227,294	8,227,294	-	-	58,777,843	58,777,843	-
FUND BALANCES, end of year	(\$1)	\$7,335,394	\$-	\$-	\$6,953,457	\$63,625,929	\$56,672,472



Supplemental Schedules

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

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF TREASURER'S ACCOUNTABILITY TO THE COUNTY- ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Governmental Funds			Proprietary Funds			Fiduciary Fund	Component Units	Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	Schools		
BALANCE, beginning of year	\$155,626,431	\$916,258	\$177,062,560	\$51,251,624	\$2,183,974	\$31,101,045	\$73,329,411	\$491,471,303	
Receipts (net):									
Taxes	631,657,680	2,915,611	-	-	-	-	16,479,190	651,052,481	
Licenses and permits	14,692,442	-	-	-	-	-	-	14,692,442	
Fines and forfeitures	8,900,948	-	-	-	-	-	-	8,900,948	
Revenue from use of money and property	7,292,440	-	4,500,318	4,581,345	-	-	1,583,331	17,957,434	
Charges for services	36,978,694	-	1,891,892	68,631,150	17,693,505	1,813,151	13,503,776	140,512,168	
Miscellaneous	7,629,485	-	560,371	827,240	-	2,454,628	-	11,471,724	
Intergovernmental	90,952,930	18,781,446	2,761,706	363,009	-	5,611,902	39,210,955	157,681,948	
Proceeds from indebtedness	5,581,901	-	43,835,000	7,364,605	-	-	17,500,000	74,281,506	
Proceeds from sale of land	-	-	-	-	309,179	-	-	309,179	
Total Receipts	803,686,520	21,697,057	53,549,286	81,767,349	18,002,684	9,879,681	88,277,252	1,076,859,829	
Total Receipts and Balance	959,312,951	22,613,315	230,611,846	133,018,973	20,186,658	40,980,726	161,606,663	1,568,331,132	
Disbursements (net):									
Warrants(checks)issued	462,744,542	15,853,681	80,580,210	39,091,957	13,812,422	9,755,866	377,238,611	999,077,289	
Retirement of indebtedness	26,480,421	-	-	6,029,680	-	-	16,322,363	48,832,464	
Interest and other debt costs	18,031,216	-	-	4,047,408	107,524	-	10,515,683	32,701,831	
Total Disbursements	507,256,179	15,853,681	80,580,210	49,169,045	13,919,946	9,755,866	404,076,657	1,080,611,584	
Interfund Transfers:									
Transfers in	6,462,562	247,000	11,416,003	-	518,730	-	293,310,349	311,954,644	
Transfers out	(304,602,984)	(19,412)	(4,500,318)	-	(130,000)	(1,118,598)	(1,583,332)	(311,954,644)	
BALANCE, end of year	\$153,916,350	\$6,987,222	\$156,947,321	\$83,849,928	\$6,655,442	\$30,106,262	\$49,257,023	\$487,719,548	

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF TREASURER'S ACCOUNTABILITY
JUNE 30, 2006

Assets Held by the Treasurer	
Cash on Hand	<u>\$29,027</u>
Cash in Banks:	
Checking	
BB & T	10,012,570
Burke & Herbert	85,465
James Monroe Bank	4,197,906
Wachovia Bank	754,742
SunTrust	118,253
Bank of America	92,673,060
United Bank	212,136
United Bank	23,953
Virginia Commerce Bank	<u>8,538</u>
Total Checking Account	<u>108,086,623</u>
Savings:	
Wachovia Bank	<u>4,900</u>
Total Savings Account	<u>4,900</u>
Certificates of Deposit:	
James Monroe Bank	16,500,000
BB&T	8,000,000
Virginia Commerce Bank	<u>5,500,000</u>
Total Certificates of Deposit	<u>30,000,000</u>
Held with Trustee:	
Federal Agency Bonds & Municipal Securities	26,663,906
Commercial Paper	45,887,325
Capital Reserve Fund	<u>1</u>
Total Held with Trustee	<u>72,551,232</u>
Cash and Investments with Trustees:	
SunTrust, Ballston Garage Accounts	16,506,807
SunTrust, (Ballston Parking Garage)	59,147
SunTrust Solid Waste	7,926,753
Wells Fargo - IDA Ballston Skating Facility	16,906,180
U.S. Bank - IDA Lease Revenue Bonds (County)	<u>37,822,259</u>
Total Cash and Investments with Trustee	<u>79,221,146</u>
State Treasurer's Local Government Investment Pool	18,838
James Monroe T-Fund	402,622
James Monroe Money Market	17,041,157
Virginia Commerce Money Market	180,364,003
State Non Arbitrage Investment Program (SNAP)	0
Commonwealth Cash Reserve (Cap. Res. Fund)	<u>0</u>
Total Cash & Investment Balances, June 30, 2006	<u><u>\$487,719,548</u></u>

ARLINGTON COUNTY, VIRGINIA
 COMBINED SCHEDULE OF INVESTMENTS - ALL FUNDS
 JUNE 30, 2006

	INTEREST RATE	MATURITY DATE	COST
Certificates of Deposit :			
BB&T	5.00%	07/10/06	\$4,000,000
BB&T	4.40%	10/24/06	3,000,000
BB&T	5.36%	12/20/06	1,000,000
James Monroe Bank	5.27%	07/31/06	5,000,000
James Monroe Bank	5.37%	07/31/07	5,000,000
James Monroe Bank	5.00%	09/30/06	5,000,000
James Monroe Bank	5.00%	01/08/07	500,000
James Monroe Bank	5.00%	01/10/07	1,000,000
Va Comm	4.00%	09/17/06	1,000,000
Va Comm	5.25%	12/31/06	500,000
Va Comm	5.25%	12/31/06	1,000,000
Va Comm	5.00%	01/04/07	500,000
Va Comm	5.00%	01/10/07	500,000
Va Comm	5.00%	01/21/07	500,000
Va Comm	5.00%	03/15/07	1,500,000
TOTAL CERTIFICATES OF DEPOSIT			<u>30,000,000</u>
Federal Agency Bonds & Municipal Securities :			
FHLB	4.00%	07/19/05	1,783,893
FHLB	5.00%	09/29/06	3,995,000
FHLB	5.15%	11/09/06	3,995,000
FHLB	4.95%	12/15/06	3,112,313
FHLB	5.00%	02/09/07	4,170,349
FHLB	4.25%	08/08/07	2,971,674
FHLB	5.02%	09/14/07	4,646,958
FHLB	5.00%	01/28/08	1,988,719
Commercial Paper			
Charta LLC	5.09%	07/21/06	3,574,040
Charta LLC	5.09%	07/24/06	1,426,029
Maximilian Cap	5.10%	07/24/06	1,786,230
BTM Capital Corp	5.09%	07/25/06	4,961,115
Bunge Asset Fdg	5.08%	07/25/06	6,945,666
Galaxy Funding	5.09%	07/25/06	2,207,696
Ciesco LLC	5.08%	07/26/06	4,960,485
Davis Square III	5.08%	07/31/06	6,939,744
Delaware Group	5.09%	07/31/06	3,172,400
Theta Corp	5.08%	07/31/06	4,956,960
New Center Asset	5.08%	07/31/06	4,956,960
TOTAL US TREASURY/AGENCY SECURITIES AND FIXED INCOME SECURITIES			<u>72,551,231</u>
Virginia State Non-Arbitrage Program (SNAP)			180,364,003
James Monroe T-Fund			402,622
Cap Reserve			1
James Monroe Money Market			17,041,157
State Treasurer's Local Government Investment Pool			18,838
TOTAL			<u><u>\$300,377,852</u></u>

ARLINGTON COUNTY, VIRGINIA
 COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
 JUNE 30, 2006

EXHIBIT S-3
 Page 1 of 9

	Amount Authorized and Sold	Date of Bonds	Bonds Outstanding: (Relates to total amount authorized and sold)		Payments: (Relates to total amount authorized and sold)		
			Interest Rate- %	Principal	Annual Amount	Maturity Date	
General Obligation Debt: Serviced by General Fund:							
G.O. Public Improvement (\$11,000,000)		01/17/87					
Central Library	3,462,000		5.90	550,000	550,000		
Community Conservation	1,440,000						
Local & Regional Parks	4,170,000			<u>\$550,000</u>			
Street & Highway	1,928,000						
	<u>\$11,000,000</u>						
G.O. Refunding (\$42,075,000)		11/15/93					
Police & Jail	17,449,353		4.70	1,311,181	1,311,181	06/01/07	
Local & Regional Parks	1,299,365		4.80	4,538,961	4,538,961	06/01/08	
Community Conservation	467,340		4.75	4,468,719	4,468,720	06/01/09	
Streets & Highways	3,754,697		5.00	3,227,780	3,227,780	06/01/10	
Fire Station	814,316		6.00	3,214,400	3,214,401	06/01/11	
Central Library	4,361,839		6.00	3,201,021	3,201,021	06/01/12	
	<u>\$28,146,910</u>			<u>\$19,962,062</u>			
G.O. Public Improvement (\$25,955,000)		10/15/96					
Street & Highway	6,237,000		5.00	1,036,545	1,036,545	12/01/06	
Community & Conservation	3,097,200						
Community & Conservation (DPW)	1,155,800			<u>\$1,036,545</u>			
Local & Regional Parks	9,365,000						
	<u>\$19,855,000</u>						
G.O. Public Improvement (\$34,200,000)		06/01/97					
Street & Highway	5,900,000		5.00	1,203,333	1,203,333	06/01/07	
Community & Conservation	2,700,000						
Community & Conservation (DPW)	3,800,000			<u>\$1,203,333</u>			
Local & Regional Parks	8,200,000						
Metrorail	2,200,000						
	<u>\$22,800,000</u>						
G.O. Public Improvement & Refunding (\$54,740,000)		05/01/98					
Street & Highway	3,630,000		4.75	5,913,290	5,913,290	10/01/06	
Community Conservation	2,215,000		4.75	4,690,731	4,690,731	10/01/07	
Local & Regional Parks	4,000,000		5.00	4,667,915	4,667,915	10/01/08	
Metro Rail	4,800,000		5.00	4,649,571	4,649,571	10/01/09	
	<u>\$14,645,000</u>		5.00	4,620,299	4,620,299	10/01/10	
			5.00	3,529,285	3,529,285	10/01/11	
			5.00	3,496,378	3,496,378	10/01/12	
			5.00	2,064,286	2,064,286	10/01/13	
			5.00	2,041,393	2,041,393	10/01/14	
				<u>\$35,673,148</u>			
G.O. Public Improvement (\$79,750,000)		06/17/99					
Street & Highway	15,807,000		5.00	5,700,000	1,900,000	06/01/06-09	
Central Library	300,000						
Community Conservation	6,423,000			<u>\$5,700,000</u>			
Local & Regional Parks	10,760,000						
Metro Rail	3,100,000						
	<u>\$36,390,000</u>						

ARLINGTON COUNTY, VIRGINIA
 COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
 JUNE 30, 2006

	Amount Authorized and Sold	Date of Bonds	Bonds Outstanding: (Relates to total amount authorized and sold)		Payments: (Relates to total amount authorized and sold)	
			Interest Rate- %	Principal	Annual Amount	Maturity Date
G.O. Public Improvement (\$90,325,000)						
		06/18/01				
Street & Highway	8,222,000		4.50	5,119,196	2,559,598	02/01/07-08
Central Library	1,001,000		4.70	15,341,574	2,556,929	02/01/09-14
Community Conservation	5,558,000					
Community Conservation-DPW	5,265,000			\$20,460,770		
Local & Regional Parks	16,294,000					
Metro Rail	11,476,000					
Fire Station	400,000					
	\$48,216,000					
G.O. Public Improvement (\$39,545,000)						
		06/11/02				
Central Library	5,800,000		3.20	1,025,189	1,025,189	02/01/07
Local & Regional Parks	5,330,000		3.40	1,025,189	1,025,189	02/01/08
Metro Rail	5,983,500		3.60	1,025,189	1,025,189	02/01/09
Fire Station	1,800,000		3.80	1,025,189	1,025,189	02/01/10
Higher Education/University	719,000		4.00	2,050,378	1,025,189	02/01/11-12
	\$19,632,500		4.10	1,025,189	1,025,189	02/01/13
			4.25	1,025,189	1,025,189	02/01/14
				\$8,201,512		
G.O. Public Improvement (\$75,000,000)						
		05/01/03				
Local & Regional Parks	17,768,000		5.00	1,755,000	1,755,000	01/15/07
Street, Highway	7,182,000		4.00	3,510,000	1,755,000	01/15/08-09
Higher Education/University	281,000		5.00	8,775,000	1,755,000	01/15/10-14
Central Library	880,388		4.00	8,775,000	1,755,000	01/15/15-19
Fire Station	1,000,000		4.125	1,755,000	1,755,000	01/15/20
Metrorail	15,210		4.20	1,755,000	1,755,000	01/15/21
Community Conservation	6,355,000		4.30	1,750,000	1,750,000	01/15/22
General Capital Projects	118,402		4.375	1,750,000	1,750,000	01/15/23
	\$33,600,000					
				\$29,825,000		
G.O. Public Improvement Refunding (\$65,775,000)						
		05/01/03				
Street & Highway	3,223,616		5.00	3,683,770	3,683,770	01/15/07
Community Conservation	1,746,416		4.00	1,395,033	1,395,033	01/15/08
Higher Education	562,909		4.00	1,390,215	1,390,215	01/15/09
Parks & Recreation	3,648,420		5.00	1,371,741	1,371,741	01/15/10
Libraries	522,701		5.00	1,368,086	1,368,086	01/15/11
Jail	4,573,199		5.00	1,363,073	1,363,073	01/15/12
Metrorail	3,204,385		5.00	1,357,104	1,357,104	01/15/13
	\$17,481,646		5.00	1,351,177	1,351,177	01/15/14
			4.00	540,109	540,109	01/15/15
				\$13,820,308		
G.O. Public Improvement (\$60,070,000)						
		05/12/04				
Fire Station	2,760,000		5.00	16,750,000	1,675,000	06/30/07-15
Higher Education	3,000,000					
Community Conservation	3,010,000			\$16,750,000		
Parks and Recreation	12,267,000					
Metrorail	11,033,000					
	\$32,070,000					

ARLINGTON COUNTY, VIRGINIA
 COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
 JUNE 30, 2006

	Amount Authorized and Sold	Date of Bonds	Bonds Outstanding: (Relates to total amount authorized and sold)		Payments: (Relates to total amount authorized and sold)	
			Interest Rate- %	Principal	Annual Amount	Maturity Date
G.O. Public Improvement Refunding (\$81,005,000)		08/19/04				
Street & Highway	14,619,000		3.00	22,394	22,394	11/1/06
Neighborhood Conservation	9,027,730		5.00	2,030,561	2,030,561	11/1/07
Libraries	1,056,200		5.00	2,027,437	2,027,437	11/1/08
Fire Station	282,150		5.00	4,212,164	4,212,164	11/1/09
Higher Education	113,500		5.00	4,213,774	4,213,774	11/1/10
Parks and Recreation	15,694,000		5.00	4,211,734	4,211,734	11/1/11
Metrorail	3,696,802		5.00	4,210,567	4,210,567	11/1/12
	<u>44,489,382</u>		5.00	4,209,126	4,209,126	11/1/13
			5.00	5,278,940	5,278,940	11/1/14
			3.80	5,242,418	5,242,418	11/1/15
			3.90	5,175,718	5,175,718	11/1/16
			4.00	1,834,330	1,834,330	11/1/17
			4.10	1,797,825	1,797,825	11/1/18
				<u>\$44,466,988</u>		
G.O. Public Improvement (\$94,525,000)		06/01/05				
Parks and Recreation	29,810,850		4.00	2,090,000	2,090,000	5/15/07
Neighborhood Conservation	13,030,962		4.00	2,735,000	2,735,000	5/15/08
Higher Education	1,000,000		5.00	8,205,000	2,735,000	5/15/09-11
Fire Station	2,935,000		5.00	21,840,000	2,730,000	5/15/12-19
Metrorail	5,518,188		4.00	5,460,000	2,730,000	5/15/22-23
	<u>\$52,295,000</u>		4.13	2,730,000	2,730,000	5/15/24
			5.00	2,730,000	2,730,000	5/15/25
				<u>\$45,790,000</u>		
G.O. Public Improvement (\$61,335,000)		3/21/2006				
Street & Highway	9,251,218		4.00	920,000	920,000	08/01/07
Parks and Recreation	13,600,000		4.00	1,720,000	1,720,000	08/01/08
Neighborhood Conservation	5,690,578		5.00	9,160,000	2,290,000	8/1/2009-12
Fire Station	6,690,455		5.00	13,740,000	2,290,000	8/1/13-18
Metrorail	8,602,749		4.00	2,290,000	2,290,000	08/01/19
	<u>\$43,835,000</u>		5.00	4,580,000	2,290,000	8/1/20-21
			4.20	6,855,000	2,285,000	8/1/22-24
			4.25	4,570,000	2,285,000	8/1/25-26
				<u>\$43,835,000</u>		
G.O. Public Improvement Refunding (\$89,970,000)		3/21/2006				
Street & Highway	6,167,233		4.00	866,269	866,269	08/01/11
Neighborhood Conservation	4,964,155		4.00	855,900	855,900	08/01/12
Parks and Recreation	17,209,390		5.00	855,386	855,386	08/01/13
Libraries	1,920,866		5.00	3,419,214	3,419,214	08/01/14
Higher Education	2,028,391		5.00	5,112,625	5,112,625	08/01/15
Fire Station	2,638,292		5.00	5,119,616	5,119,616	08/01/16
Metrorail	12,758,305		5.00	6,193,893	6,193,893	08/01/17
	<u>\$47,686,632</u>		5.00	5,393,407	5,393,407	08/01/18
			4.00	8,152,377	8,152,377	08/01/19
			5.00	7,397,050	7,397,050	08/01/20
			5.00	2,699,834	2,699,834	08/01/21
			4.20	1,621,064	1,621,064	08/01/22
				<u>\$47,686,635</u>		
SUBTOTAL:				<u>\$334,961,301</u>		

ARLINGTON COUNTY, VIRGINIA
 COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
 JUNE 30, 2006

EXHIBIT S-3
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Amount Authorized and Sold	Date of Bonds	Bonds Outstanding: (Relates to total amount authorized and sold)		Payments: (Relates to total amount authorized and sold)	
		Interest Rate- %	Principal	Annual Amount	Maturity Date
FY 2003 Deferred cost/premium of bond refunding (net)			\$343,920		
FY 2004 Bond premium to be amortized			\$1,991,101		
FY 2005 Deferred cost/premium of bond refunding (net)			\$118,828		
FY 2005 Bond premium to be amortized			\$4,006,260		
FY2005 IDA Revenue Bonds amortized			\$3,492,427		
FY 2006 Deferred cost/premium of bond refunding (net)			(\$1,255,373)		
FY 2006 Bond premium to be amortized			\$1,644,345		
Total GO Bonds Serviced by General Fund:			\$345,302,809		
IDA Revenue Bonds (\$60,540,000)	08/01/04				
Trade Center Bond	17,825,000	3.00	2,870,000	2,870,000	8/1/06
George Mason Center Bond	3,375,000	3.0/5.0	3,035,000	3,035,000	8/1/07
Emergency Communication Center Bond	31,290,000	3.0/5.0	5,060,000	5,060,000	8/1/08
Enterprise Resource Planning Bond	8,050,000	3.25/5.0	5,220,000	5,220,000	8/1/09
	<u>\$60,540,000</u>	3.5/5.0	5,385,000	5,385,000	8/1/10
		3.75/5.0	5,570,000	5,570,000	8/1/11
		4.0/5.0	5,760,000	5,760,000	8/1/12
		5.00	5,890,000	5,890,000	8/1/13
		5.00	6,255,000	6,255,000	8/1/14
		4.00	1,305,000	1,305,000	8/1/15
		5.00	9,135,000	1,305,000	8/1/16-22
		5.00	1,300,000	1,300,000	8/1/23
		4.625	1,300,000	1,300,000	8/1/24
Total IDA Revenue Bonds Services by General Fund			\$58,085,000		
Compensated Absences			\$29,570,471		
Estimated Liability for Workers' Comp Claims & Other Judgments Serviced by General Fund-Capital Leases			\$3,121,595		
			\$9,547,302		
Total General Obligation Debt Serviced by General Fund:			\$445,627,177		
Due in one year			(\$35,314,140)		
Total Long Term Liabilities -General Fund			\$410,313,037		

ARLINGTON COUNTY, VIRGINIA
 COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
 JUNE 30, 2006

	Amount Authorized and Sold	Date of Bonds	Bonds Outstanding: (Relates to total amount authorized and sold)		Payments: (Relates to total amount authorized and sold)		
			Interest Rate- %	Principal	Annual Amount	Maturity Date	
<u>Serviced by School Operating Fund:</u>							
School share of Refunding \$42,075,000 School Improvements	<u>\$10,573,454</u>	11/15/93	4.80	492,548	492,548	06/01/07	
			4.75	1,705,071	1,705,071	06/01/08	
			5.00	1,678,684	1,678,684	06/01/09	
			6.00	1,212,523	1,212,523	06/01/10	
			6.00	1,207,497	1,207,497	06/01/11	
			6.00	1,202,469	1,202,471	06/01/12	
				<u>\$7,498,792</u>			
School share of \$25,955,000 School Improvements	<u>\$6,100,000</u>	10/15/96	5.00	318,455	318,455	12/01/06	
				<u>\$318,455</u>			
School share of \$34,200,000 School Improvements	<u>\$10,000,000</u>	06/01/97	5.00	527,778	527,778	06/01/07	
				<u>\$527,778</u>			
School share of \$87,740,000 Refunding bonds School Improvements	<u>\$13,560,000</u>	05/01/98	4.75	1,935,703	1,935,703	10/01/06	
			4.75	914,114	914,114	10/01/07	
			5.00	908,429	908,429	10/01/08	
			5.00	907,303	907,303	10/01/09	
			5.00	904,017	904,017	10/01/10	
			5.00	27,116	27,116	10/01/11	
			5.00	29,053	29,053	10/01/12	
			5.00	27,116	27,116	10/01/13	
			5.00	29,046	29,046	10/01/14	
				<u>\$5,681,897</u>			
School share of \$79,750,000 School Improvements	<u>\$39,360,000</u>	06/17/99	5.00	6,180,000	2,060,000	06/01/07-09	
				<u>\$6,180,000</u>			
School share of \$90,325,000 School Improvements	<u>\$39,605,000</u>	06/18/01	4.50	4,204,948	2,102,474	02/01/07-08	
			4.50	10,501,409	2,100,282	02/01/09-13	
			4.70	2,100,281	2,100,281	02/01/14	
				<u>\$16,806,638</u>			
School share of \$39,545,000 School Improvements	<u>\$19,912,500</u>	06/11/02	3.20	1,039,811	1,039,811	02/01/07	
			3.40	1,039,811	1,039,811	02/01/08	
			3.60	1,039,811	1,039,811	02/01/09	
			3.80	1,039,811	1,039,811	02/01/10	
			4.00	2,079,622	1,039,811	02/01/11-12	
			4.10	1,039,811	1,039,811	02/01/13	
			4.25	1,039,811	1,039,811	02/01/14	
				<u>\$8,318,488</u>			

ARLINGTON COUNTY, VIRGINIA
 COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
 JUNE 30, 2006

EXHIBIT S-3
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Amount Authorized and Sold	Date of Bonds	Bonds Outstanding: (Relates to total amount authorized and sold)		Payments: (Relates to total amount authorized and sold)	
		Interest Rate- %	Principal	Annual Amount	Maturity Date
School share of \$75,000,000	05/01/03				
School Improvements					
<u>\$41,400,000</u>		5.00	1,655,000	1,655,000	01/15/07
		4.00	3,320,000	1,660,000	01/15/08-09
		5.00	1,660,000	1,660,000	01/15/10
		5.00	6,620,000	1,655,000	01/15/11-14
		4.00	8,275,000	1,655,000	01/15/15-19
		4.125	1,655,000	1,655,000	01/15/20
		4.20	1,655,000	1,655,000	01/15/21
		4.30	1,655,000	1,655,000	01/15/22
		4.375	1,655,000	1,655,000	01/15/23
		4.50	8,275,000	1,655,000	01/15/24-28
			<u>\$36,425,000</u>		
School share of Refunding \$65,775.00	05/01/03				
School Improvements					
<u>\$28,877,529</u>		5.00	3,174,357	3,174,357	01/15/07
		4.00	2,907,843	2,907,843	01/15/08
		4.00	2,897,025	2,897,025	01/15/09
		5.00	2,860,054	2,860,054	01/15/10
		5.00	2,854,466	2,854,466	01/15/11
		5.00	2,845,483	2,845,483	01/15/12
		5.00	2,834,914	2,834,914	01/15/13
		5.00	2,824,535	2,824,535	01/15/14
		4.00	1,384,891	1,384,891	01/15/15
			<u>\$24,583,568</u>		
School share of \$60,070,000	05/12/04				
School Improvements					
<u>\$28,000,000</u>		5.00	10,080,000	1,120,000	05/15/07-15
		4.75	1,120,000	1,120,000	05/15/24
			3,360,000	1,120,000	5/15/27-29
			<u>\$14,560,000</u>		
School share of \$81,005,000 refunding bonds	08/19/04				
School Improvements					
<u>\$33,598,820</u>		3.00	16,191	16,191	11/01/06
		5.00	1,125,803	1,125,803	11/01/07
		5.00	1,133,256	1,133,256	11/01/08
		5.00	3,041,785	3,041,785	11/01/09
		5.00	3,045,227	3,045,227	11/01/10
		5.00	3,047,385	3,047,385	11/01/11
		5.00	3,048,842	3,048,842	11/01/12
		5.00	3,050,562	3,050,562	11/01/13
		5.00	4,082,829	4,082,829	11/01/14
		3.80	4,056,045	4,056,045	11/01/15
		3.90	4,006,108	4,006,108	11/01/16
		4.00	1,984,040	1,984,040	11/01/17
		4.10	1,944,557	1,944,557	11/01/18
			<u>\$33,582,630</u>		
School share of \$94,525,000	06/01/05				
School Improvements					
<u>\$36,230,000</u>		4.00	3,620,000	1,810,000	5/15/07-08
		5.00	19,910,000	1,810,000	5/15/09-19
		5.00	1,815,000	1,815,000	5/15/22
		4.00	1,815,000	1,815,000	5/15/23
		4.13	1,815,000	1,815,000	5/15/24
		5.00	1,815,000	1,815,000	5/15/25
			<u>\$30,790,000</u>		

ARLINGTON COUNTY, VIRGINIA
 COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
 JUNE 30, 2006

	Amount Authorized and Sold	Date of Bonds	Bonds Outstanding: (Relates to total amount authorized and sold)		Payments: (Relates to total amount authorized and sold)	
			Interest Rate- %	Principal	Annual Amount	Maturity Date
School share of \$61,335,000		3/21/2006				
School Improvements	\$17,500,000		4.00	5,250,000	875,000	8/1/07-12
			5.00	5,250,000	875,000	8/1/13-18
			4.00	875,000	875,000	08/01/19
			5.00	1,750,000	875,000	8/1/20-21
			4.20	2,625,000	875,000	8/1/22-24
			4.25	1,750,000	875,000	8/1/25-26
				\$17,500,000		
School share of \$89,970,000 Refunding Bond		3/21/2006				
School Improvements	\$39,169,607		4.00	710,073	710,073	08/01/11
			4.00	700,415	700,415	08/01/12
			5.00	698,935	698,935	08/01/13
			5.00	2,798,007	2,798,007	08/01/14
			5.00	4,002,280	4,002,280	08/01/15
			5.00	4,007,190	4,007,190	08/01/16
			5.00	5,040,244	5,040,244	08/01/17
			5.00	4,317,460	4,317,460	08/01/18
			4.00	6,190,254	6,190,254	08/01/19
			5.00	5,575,647	5,575,647	08/01/20
			5.00	2,140,166	2,140,166	08/01/21
			4.20	1,083,936	1,083,936	08/01/22
			4.20	960,000	960,000	08/01/24
			4.25	945,000	945,000	08/01/25
				\$39,169,607		
SUB TOTAL				\$241,942,853		
FY 2003 deferred cost/premium of bond refunding				(\$418,431)		
FY 2004 bond premium to be amortized				\$1,307,134		
FY 2005 deferred cost/premium of bond refunding				(\$1,290,764)		
FY 2005 bond premium to be amortized				\$2,780,808		
FY 2006 deferred cost/premium of bond refunding				(\$153,812)		
FY 2006 bond premium to be amortized				\$582,663		
Total Serial Bonds Serviced by School Operating Fund:				\$244,750,451		
Compensated Absences				\$26,834,097		
Capital Leases Serviced by Schools				\$6,203,410		
Total General Obligation Debt Serviced by School Operating Fund:				\$277,787,958		
Due in one year				(\$20,317,735)		
Total Long Term Liabilities - Schools				\$257,470,223		
Total General Obligation Debt Serviced by General Fund and School Operating Fund:				\$667,783,260		

ARLINGTON COUNTY, VIRGINIA
 COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
 JUNE 30, 2006

	Amount Authorized and Sold	Date of Bonds	Bonds Outstanding: (Relates to total amount authorized and sold)		Payments: (Relates to total amount authorized and sold)		
			Interest Rate- %	Principal	Annual Amount	Maturity Date	
Serviced by Utilities Fund:							
Sewer share of Refunding \$42,075,000		11/15/93					
Sewage	<u>\$3,354,635</u>		4.75	156,271	156,271	06/01/07	
			5.00	540,969	540,969	06/01/08	
			6.00	532,597	532,597	06/01/09	
			6.00	384,698	384,698	06/01/10	
			6.00	383,103	383,103	06/01/11	
			6.00	381,508	381,508	06/01/12	
				<u>\$2,379,146</u>			
Water share of \$34,200,000		06/01/97					
Public Improvement Bonds	<u>\$1,400,000</u>		5.00	73,889	73,889	06/01/07	
				<u>\$73,889</u>			
Water/AWT share Refunding \$87,740,000		05/01/98					
Water share	1,800,000			596,006	596,006	10/01/06	
Advanced Water Treatment	<u>5,000,000</u>			575,156	575,156	10/01/07	
	<u>\$6,800,000</u>			573,656	573,656	10/01/08	
				568,126	568,126	10/01/09	
				565,685	565,685	10/01/10	
				13,598	13,598	10/01/11	
				14,569	14,569	10/01/12	
				13,598	13,598	10/01/13	
				14,570	14,570	10/01/14	
				<u>\$2,934,964</u>			
Water share	500,000	06/15/99	5.00	615,000	205,000	06/01/07-09	
Advanced Water Treatment	<u>3,500,000</u>						
	<u>\$4,000,000</u>			<u>\$615,000</u>			
Water share of \$99,815,000		06/18/01					
Water share	<u>\$2,504,000</u>		4.50	265,856	132,928	02/01/07-08	
			4.50	663,945	132,789	02/01/09-13	
			4.70	132,791	132,791	02/01/14	
				<u>\$1,062,592</u>			
Water/Sewer share of Refunding \$65,775,000		05/01/03					
Water/Sewer share	<u>\$19,415,825</u>		5.00	2,081,872	2,081,872	01/15/07	
			4.00	1,902,125	1,902,125	01/15/08	
			4.00	1,897,760	1,897,760	01/15/09	
			5.00	1,868,204	1,868,204	01/15/10	
			5.00	1,857,448	1,857,448	01/15/11	
			5.00	1,846,444	1,846,444	01/15/12	
			5.00	1,832,982	1,832,982	01/15/13	
			5.00	1,819,288	1,819,288	01/15/14	
				<u>\$15,106,123</u>			
Water/sewer share of \$81,005,000 refunding bonds		08/19/04					
Water/sewer share	<u>\$2,916,798</u>		3.00	1,415	1,415	11/01/06	
			5.00	98,636	98,636	11/01/07	
			5.00	99,307	99,307	11/01/08	
			5.00	286,051	286,051	11/01/09	
			5.00	285,999	285,999	11/01/10	
			5.00	285,881	285,881	11/01/11	
			5.00	285,591	285,591	11/01/12	
			5.00	285,312	285,312	11/01/13	
			5.00	298,232	298,232	11/01/14	
			3.80	296,537	296,537	11/01/15	
			3.90	293,174	293,174	11/01/16	
			4.00	201,630	201,630	11/01/17	
			4.10	197,612	197,612	11/01/18	
				<u>\$2,915,377</u>			

ARLINGTON COUNTY, VIRGINIA
 COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
 JUNE 30, 2006

EXHIBIT S-3
 Page 9 of 9

	Amount Authorized and Sold	Date of Bonds	Bonds Outstanding: (Relates to total amount authorized and sold)		Payments: (Relates to total amount authorized and sold)	
			Interest Rate- %	Principal	Annual Amount	Maturity Date
Water share of \$94,525,000		06/01/05				
Public Improvement bonds	<u>\$6,000,000</u>		4.00	240,000	240,000	5/15/07
			4.00	315,000	315,000	5/15/08
			5.00	3,465,000	315,000	5/15/09-19
			5.00	310,000	310,000	5/15/22
			4.00	310,000	310,000	5/15/23
			4.13	310,000	310,000	5/15/24
			5.00	310,000	310,000	5/15/25
				<u>\$5,260,000</u>		
Water/Swer/Plant share of \$89,970,000		3/21/2006				
Refunding bonds				148,658	148,658	8/1/11
Water share	1,211,244			143,685	143,685	8/1/12
Sewer share	487,761			140,680	140,680	8/1/13
Advanced Water Treatment	<u>1,414,755</u>			377,779	377,779	8/1/14
	<u>\$3,113,760</u>			435,096	435,096	8/1/15
				433,194	433,194	8/1/16
				450,863	450,863	8/1/17
				149,133	149,133	8/1/18
				437,369	437,369	8/1/19
				397,303	397,303	8/1/20
				<u>\$3,113,760</u>		
SUBTOTAL:				<u>\$33,460,851</u>		
FY2003 deferred cost/premium of bond refunding				<u>\$638,655</u>		
FY 2005 deferred amount on refunding				<u>(\$109,486)</u>		
FY2005 bond premium to be amortized				<u>\$496,966</u>		
FY2006 deferred cost/premium of bond refunding				<u>\$844,185</u>		
Compensated Absences				<u>\$1,339,604</u>		
VRA Loans payable				<u>\$32,298,455</u>		
Total Long Term Obligations serviced by Utilities Fund:				<u>\$68,969,230</u>		
Compensated Absences - Internal Service funds				<u>\$565,407</u>		
Serviced by Auto Equipment Fund-Capital Leases				<u>\$4,890,754</u>		
SUBTOTAL:				<u>\$74,425,391</u>		
Revenue Bonds-Serviced by Ballston Public Garage Fund				<u>\$14,300,000</u>		
Bond and mortgage interest payable				<u>\$12,926,353</u>		
Mortgage Payable-Ballston Public Garage Fund				<u>\$3,429,679</u>		
Total Business-type Activities Obligations:				<u>\$105,081,423</u>		
Due in one year				<u>(\$6,953,043)</u>		
Total Business-type Activities long Term Obligations:				<u>\$98,128,380</u>		
TOTAL LONG TERM OBLIGATIONS:				<u>\$765,911,640</u>		

ARLINGTON COUNTY, VIRGINIA
 SCHEDULE OF DELINQUENT PROPERTY TAXES RECEIVABLE
 JUNE 30, 2006

FISCAL YEAR	REAL ESTATE	PERSONAL PROPERTY	TOTAL
2006	\$104,522	\$1,729,027	\$1,833,549
2005	79,173	888,220	967,393
2004	29,221	892,759	921,980
2003	19,215	885,323	904,538
2002	9,078	827,998	837,076
2001	2,065	-	2,065
2000	1,454	-	1,454
1999	1,333	-	1,333
1998	1,221	-	1,221
1997	523	-	523
1996	516	-	516
1995	499	-	499
TOTAL	<u><u>\$248,820</u></u>	<u><u>\$5,223,327</u></u>	<u><u>\$5,472,147</u></u>

NOTES:

The amounts of delinquent real and personal property taxes receivable at June 30, 2005 are presented on the basis of the County's fiscal years during which such taxes became due.

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

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

The amounts of delinquent taxes include the original levy and subsequent adjustment for penalties. The penalty balances for real and personal property taxes totaled \$20,027 and \$767,916.

ARLINGTON COUNTY, VIRGINIA
 SCHEDULE OF GENERAL FIXED ASSETS - BY SOURCE
 JUNE 30, 2006

PER GASB 34
Primary Government

General Capital Assets:

Land	\$91,281,802
Infrastructure	355,921,432
Buildings	203,298,536
Furniture, fixtures and equipment	<u>41,809,538</u>
Total General Capital Assets	<u>\$692,311,308</u>

Investment in General Capital Assets by Source:

General obligation bonds/ leases	\$631,142,579
Federal grants	14,160,578
State literary loans	1,664,496
Donated assets	5,795,926
General fund revenues	<u>39,547,729</u>
Total Investment in General Capital Assets	<u>\$692,311,308</u>

Internal Services Fund

Auto Equipment Fund	\$42,409,798
Printing Fund	<u>276,061</u>
Total Internal Services Fund	<u>\$42,685,859</u>

Investment in Internal Services Fund by Source:

General Fund revenues	<u>\$42,685,859</u>
-----------------------	---------------------

Component Unit: School Board

School Capital Assets:

Land	\$4,697,946
Buildings	339,913,007
Furniture, fixtures and equipment	<u>56,406,059</u>
Total school capital assets	<u>\$401,017,012</u>

Investment in School Capital Assets by Source:

General obligation bonds	\$280,603,827
Federal grants	7,970,594
State literary loans	484,498
General fund revenues	<u>111,958,093</u>
Total investment in school capital assets	<u>\$401,017,012</u>

ARLINGTON COUNTY, VIRGINIA
 SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS- BY FUNCTION AND ACTIVITY
 FOR THE YEAR ENDED JUNE 30, 2006

Primary Government

FUNCTION AND ACTIVITY:	General Capital Assets			
	FY 2006 Beginning Balance	Additions	Deletions	FY 2006 Ending Balance
Primary Government:				
General Government	121,259,382	\$17,882,340	\$-	\$139,141,722
Public Safety	22,655,789	583,342	-	23,239,131
Public Works	382,207,928	12,117,002	-	394,324,930
Health and Public Welfare	29,375,468	150,061	-	29,525,529
Libraries	9,962,235	49,920	-	10,012,155
Parks and Recreation	65,850,120	15,785,026	-	81,635,146
Planning and Community Development	13,658,267	774,428	-	14,432,695
Total primary government	644,969,189	47,342,119	-	\$692,311,308
Internal Services Fund				
Auto Equipment Fund	39,350,707	4,978,845	(1,919,753)	42,409,799
Printing Fund	276,061	-	-	276,061
Total Internal Services Fund	39,626,768	4,978,845	(1,919,753)	42,685,860
Component Unit - Schools	375,199,698	25,817,314	-	401,017,012
Total Capital Assets	\$1,059,795,655	\$78,138,278	(\$1,919,753)	\$1,136,014,180

ARLINGTON COUNTY, VIRGINIA
 SCHEDULE OF GENERAL CAPITAL ASSETS - BY FUNCTION AND ACTIVITY
 JUNE 30, 2006

Per GASB 34

Primary Government

FUNCTION AND ACTIVITY:	Total	Land	Infrastructure	Buildings	Equipment
General Government:					
Control-					
Legislative	\$51,208	\$-	\$-	\$-	\$51,208
Executive	214,926	-	-	-	214,926
Judicial	1,130,274	-	-	-	1,130,274
Total Control	1,396,408	-	-	-	1,396,408
Staff Agencies-					
Elections	120,906	-	-	-	120,906
Management and Finance	209,227	-	-	-	209,227
Office of Support Services	92,718,888	11,780,043	-	78,913,488	2,025,357
Real Estate Assessment	45,717	-	-	-	45,717
Civil Service	704	-	-	-	704
Personnel Department	146,253	-	-	-	146,253
Office of County Attorney	34,067	-	-	-	34,067
Commissioner of the Revenue	42,503	-	-	-	42,503
Treasurer	730,199	-	-	-	730,199
Department of Technology Services	14,598,718	-	-	-	14,598,718
General government buildings	29,586,427	3,997,113	-	23,150,008	2,439,306
Other	2,842,639	2,818,480	-	-	24,159
Total Staff Agencies	141,076,248	18,595,636	-	102,063,496	20,417,116
Total General Government	142,472,656	18,595,636	-	102,063,496	21,813,524
Public Safety:					
Police protection	16,082,026	-	-	7,984,640	8,097,386
Fire protection	5,809,121	429,296	-	4,207,331	1,172,494
Emergency communication	806,623	-	-	-	806,623
Total Public Safety	22,697,770	429,296	-	12,191,971	10,076,503
Public Works	392,438,195	17,255,861	355,921,432	16,334,843	2,926,059
Environmental Services	244,290	-	-	-	244,290
Health	29,036,763	43,862	-	26,752,103	2,240,798
Public Welfare	355,650	225,235	-	130,415	-
Libraries	9,781,888	133,552	-	9,000,472	647,864
Recreation	80,924,974	54,595,728	-	22,576,261	3,752,985
Community Development	14,359,122	2,632	-	14,248,975	107,515
Total General Capital Assets	\$692,311,308	\$91,281,802	\$355,921,432	\$203,298,536	\$41,809,538
Internal Services Fund					
Auto Equipment Fund	\$42,409,799	\$-	\$-	\$-	\$42,409,799
Printing Fund	276,061	-	-	-	276,061
Total Internal Services Fund	\$42,685,860	\$-	\$-	\$-	\$42,685,860
Component Unit: School Board					
Schools	\$401,017,012	\$4,697,946	\$-	\$339,913,007	\$56,406,059
GRAND TOTALS	\$1,136,014,179	\$95,979,748	\$355,921,432	\$543,211,543	\$140,901,457

ARLINGTON COUNTY, VIRGINIA
GENERAL AND SPECIAL REVENUE FUNDS
DETAIL SCHEDULE OF REVENUES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

EXHIBIT S-8
Page 1 of 2

	2006		VARIANCE POSITIVE (NEGATIVE)	2005 ACTUALS
	BUDGET	ACTUAL		
GENERAL FUND				
General Property taxes:				
Real estate	\$382,188,576	\$391,213,244	\$9,024,668	\$354,179,286
Personal	79,562,023	81,498,687	1,936,664	78,051,224
Total General Property Taxes	<u>461,750,599</u>	<u>472,711,931</u>	<u>10,961,332</u>	<u>432,230,510</u>
Other Local Taxes	148,018,324	158,945,749	10,927,425	141,449,317
Total taxes	<u>609,768,923</u>	<u>631,657,680</u>	<u>21,888,757</u>	<u>573,679,827</u>
License, permits and fees	13,022,022	14,692,442	1,670,420	12,504,677
Fines and forfeitures	8,136,000	8,900,948	764,948	8,427,464
Charges for Services	35,679,138	36,978,694	1,299,556	34,495,625
Grants:				
State grants	63,703,002	63,011,781	(691,221)	59,426,395
Federal grants	41,189,830	27,941,149	(13,248,681)	24,743,726
Total grants	<u>104,892,832</u>	<u>90,952,930</u>	<u>(13,939,902)</u>	<u>84,170,121</u>
Use of money and property	6,271,209	7,292,440	1,021,231	2,605,403
Miscellaneous revenue	5,359,886	14,855,731	9,495,845	19,912,865
GRAND TOTALS FOR GENERAL FUND	<u><u>\$783,130,010</u></u>	<u><u>\$805,330,865</u></u>	<u><u>\$22,200,855</u></u>	<u><u>\$735,795,982</u></u>
GENERAL FUND TRANSFERS FROM OTHER FUNDS:				
Special Assessment District	\$-	\$19,412	\$19,412	\$-
Automotive Equipment Fund	-	130,000	130,000	-
Street & Highway Bond Fund	-	331,886	331,886	318,741
Neighborhood Conservation Bond Fund	-	948,733	948,733	383,163
Higher Education Bond Fund	-	5,397	5,397	3,278
Public Recreation Bond Fund	-	1,833,216	1,833,216	572,165
Fire Facilities Bond Fund	-	553,816	553,816	135,277
Library Bond Fund	-	210,937	210,937	120,386
Transit Facilities Bond Fund	-	616,333	616,333	281,827
School Capital Improvement Bond Fund	-	1,583,332	1,583,332	543,705
Trust & Agency Fund	752,166	229,500	(522,666)	3,125,186
Total transfers	<u>\$752,166</u>	<u>\$6,462,562</u>	<u>\$5,710,396</u>	<u>\$5,483,726</u>
GRAND TOTALS	<u><u>\$783,882,176</u></u>	<u><u>\$811,793,427</u></u>	<u><u>\$27,911,251</u></u>	<u><u>\$741,279,708</u></u>

ARLINGTON COUNTY, VIRGINIA
GENERAL AND SPECIAL REVENUE FUNDS
DETAIL SCHEDULE OF REVENUES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

EXHIBIT S-8
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SPECIAL REVENUE FUNDS:

Travel & Tourism Fund	<u>935,750</u>	<u>974,434</u>	<u>38,684</u>	<u>1,205,922</u>
Special Assessment District	<u>1,945,751</u>	<u>1,941,176</u>	<u>(4,575)</u>	<u>995,783</u>
Community Development Block Grant Fund	<u>5,903,276</u>	<u>2,320,255</u>	<u>(3,583,021)</u>	<u>2,069,122</u>
Section 8 Housing	<u>14,493,245</u>	<u>16,461,191</u>	<u>1,967,946</u>	<u>14,393,007</u>
 Total Special Revenue Funds	 <u>\$23,278,022</u>	 <u>\$21,697,056</u>	 <u>(\$1,580,966)</u>	 <u>\$18,663,834</u>

BREAKDOWN OF REVENUE BY FUNCTION:

	Charges for services	Operating grants/Contributions		Capital Grants
	Includes licenses & fees	State	Federal	Contributions
General government	\$21,333,168	\$37,723,103	\$2,297,595	\$1,809,521
Public safety	9,281,843	1,364,024	4,344,999	-
Public works	-	-	-	-
Environmental services	14,997,675	4,528,680	234,566	-
Health & welfare	3,055,575	17,309,578	20,846,455	-
Libraries	491,462	212,748	-	-
Planning & community development	6,867,032	20,000	160,181	-
Parks & recreation	<u>4,545,328</u>	<u>44,127</u>	<u>57,354</u>	<u>-</u>
 Total General Fund	 <u>\$60,572,083</u>	 <u>\$61,202,260</u>	 <u>\$27,941,150</u>	 <u>\$1,809,521</u>

ARLINGTON COUNTY, VIRGINIA
GENERAL AND SPECIAL REVENUE FUNDS
DETAIL SCHEDULE OF EXPENDITURES-BUDGET(GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	2006		VARIANCE OVER (UNDER)	2005 ACTUALS
	BUDGET	ACTUAL		
General Government Administration:				
County Board	\$820,429	\$818,879	\$1,550	\$770,927
County Manager	3,496,858	3,488,016	8,842	3,319,541
Financial Management	4,976,012	4,791,828	184,184	4,308,946
Civil Service	17,645	881	16,764	1,385
Human Resources	6,352,612	6,179,797	172,815	5,571,340
Technology Services	18,656,837	15,845,977	2,810,860	12,325,444
County Attorney	1,581,931	2,161,221	(579,290)	1,515,159
Commissioner of Revenue	4,318,944	4,294,495	24,449	3,929,746
Treasurer	5,447,218	5,251,429	195,789	4,911,124
Electoral Board	808,801	805,012	3,789	865,332
Total General Government	46,477,287	43,637,535	2,839,752	37,518,944
Judicial Administration:				
Circuit Court	2,797,588	2,560,240	237,348	2,573,776
District Court	352,316	254,874	97,442	209,198
Juvenile & Domestic Relations Court	4,893,983	4,797,598	96,385	4,492,660
Commonwealth Attorney	3,533,873	3,198,777	335,096	3,177,103
Sheriff & Jail	27,481,240	27,728,132	(246,892)	25,582,870
Total Judicial Administration	39,059,000	38,539,621	519,379	36,035,607
Public Safety:				
Police	47,167,480	44,892,324	2,275,156	41,233,056
Emergency Communications Center	10,869,512	7,792,755	3,076,757	8,473,176
Fire	34,650,061	36,190,138	(1,540,077)	32,349,016
Total Public Safety	92,687,053	88,875,217	3,811,836	82,055,248
Department of Environmental Services				
DES-Environmental Services	55,265,917	55,122,531	143,386	51,312,988
Total Public Works	55,265,917	55,122,531	143,386	51,312,988
Health & Welfare:				
Human Services	110,371,607	98,926,206	11,445,401	91,439,050
Libraries:	12,537,110	12,034,671	502,439	11,779,451
Planning & Community Development:				
Economic Development	3,188,774	2,589,865	598,909	2,578,193
Community Planning Housing & Development	13,629,341	12,545,731	1,083,610	11,017,741
Total Planning & Community Development	16,818,115	15,135,596	1,682,519	13,595,934
Parks & Recreation:	30,782,266	30,759,513	22,753	28,531,608

ARLINGTON COUNTY, VIRGINIA
GENERAL AND SPECIAL REVENUE FUNDS
DETAIL SCHEDULE OF EXPENDITURES-BUDGET(GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	2006		VARIANCE OVER (UNDER)	2005 ACTUALS
	BUDGET	ACTUAL		
Non-Departmental:				
Non-Departmental	43,278,499	27,998,534	15,279,965	35,591,400
Debt Service				
Principal payment	26,158,857	26,480,421	(321,564)	22,805,993
Interest payment	17,493,977	17,808,894	(314,917)	13,287,924
Other costs	150,000	222,322	(72,322)	216,738
Regionals/Contributions	7,160,945	7,204,777	(43,832)	6,795,865
METRO	13,000,000	13,000,000	-	11,800,000
Total Non-Departmental	<u>107,242,278</u>	<u>92,714,948</u>	<u>14,527,330</u>	<u>90,497,920</u>
Total Expenditures before transfers-out	<u>511,240,633</u>	<u>475,745,838</u>	<u>35,494,794</u>	<u>442,766,750</u>
Transfers -Out				
Travel & Tourism	247,000	247,000	-	247,000
Auto Equipment Fund	350,418	350,418	-	192,459
Printing Fund	168,312	168,312	-	144,655
General Capital Projects Fund	10,526,905	10,526,905	-	17,587,502
Trust & Agency	-	-	-	92,500
Schools:				
General Operating	249,933,547	247,842,237	2,091,310	229,653,042
Community Activities/Cable TV	8,796,780	7,101,352	1,695,428	8,039,091
Special Grants Fund	-	-	-	857,656
Pay-As-You-Go	23,748,564	9,977,526	13,771,038	10,312,197
Debt Service	25,963,112	26,838,046	(874,934)	22,862,049
Comprehensive Services Act	1,907,500	1,551,188	356,312	1,630,401
Total Transfers-Out	<u>321,642,138</u>	<u>304,602,984</u>	<u>17,039,154</u>	<u>291,618,552</u>
GRAND TOTALS EXPENDITURES	<u>\$832,882,771</u>	<u>780,348,823</u>	<u>\$52,533,948</u>	<u>\$734,385,302</u>
SPECIAL REVENUE FUNDS:				
Travel & Tourism Promotion	<u>1,413,652</u>	<u>1,253,198</u>	<u>160,454</u>	<u>1,050,465</u>
Special Assessment District	<u>1,902,193</u>	<u>1,761,447</u>	<u>140,746</u>	<u>975,969</u>
Community Development Block Grant	<u>5,903,276</u>	<u>2,320,255</u>	<u>3,583,021</u>	<u>2,069,122</u>
Section 8 Housing	<u>14,493,245</u>	<u>14,697,414</u>	<u>(204,169)</u>	<u>14,302,549</u>
Total Special Revenue Funds	<u>23,712,366</u>	<u>20,032,314</u>	<u>3,680,052</u>	<u>18,398,105</u>
TOTAL GENERAL AND SPECIAL REVENUE FUNDS	<u>\$856,595,137</u>	<u>\$800,381,137</u>	<u>\$56,214,000</u>	<u>\$752,783,407</u>

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF CAPITAL OUTLAYS AND CAPITAL PROJECTS
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2006

EXHIBIT S-10

FUND AND FUNCTION	AMOUNT
GENERAL FUND:	
Capital Outlays:	
General Government	\$17,882,340
Public Safety	583,342
Public Works	12,117,002
Health & Public Welfare	150,061
Libraries	49,920
Parks & Recreation	15,785,026
Planning & Community development	774,428
Total General Fund	\$47,342,119
CAPITAL PROJECTS FUNDS:	
General Capital Projects Fund:	
Public Works:	
Transportation Projects	7,891,072
Government Facilities	13,624,052
Cultural & Recreation - Community Affairs:	
Government Facilities	1,684,588
Parks	1,014,020
Public Safety	2,442,272
Contributions to Regional Agencies	1,069,950
Total General Capital Projects Funds	27,725,954
Street & Highway Bond Fund:	
Capital Projects - Public Works/Transportation/ Street & Highway Improvements	6,416,751
Neighborhood Conservation Bond Fund:	
Neighborhood Capital Projects	5,555,175
Higher Education Bond Fund:	
University Capital Projects	-
Public Recreation Bond Fund:	
Capital Projects Parks & Recreation facilities	19,236,184
Fire Station Bond Fund:	
Fire Station Facilities	985,016
Library Bond Fund:	
Public Library Facilities	709,355
Transit Facilities Bond Fund:	
Capital Projects - Transit Facilities	5,736,998
SCHOOL BOARD:	
School Capital Projects Bond Fund	17,347,100
Capital Projects - Education Facilities	11,463,799
TOTAL CAPITAL PROJECTS FUNDS	95,176,332
GRAND TOTAL	\$142,518,451



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 D, Table E, and Table F).

Revenue Capacity

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

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 J and Table K).

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 L and Table M).

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 N and Table O).

Other

These schedules contain information needed for NRMSIRs and other disclosures. (Tables P - X).

TABLE A

ARLINGTON COUNTY, VIRGINIA
NET ASSETS BY COMPONENT

Last Fiscal Year

	Fiscal Year
	<u>2006</u>
Governmental Activities	
Invested in capital assets, net of related debt	\$ 622,739,198
Restricted for:	
Capital projects	171,742,721
Other projects	2,982,755
Unrestricted	136,343,298
Total governmental activities net assets	<u>\$ 933,807,972</u>
Business-Type Activities	
Invested in capital assets, net of related debt	\$ 285,500,910
Restricted for:	
Capital projects	22,490,584
Other projects	-
Unrestricted	46,211,348
Total business-type activities net assets	<u>\$ 354,202,842</u>
Primary government	
Invested in capital assets, net of related debt	\$ 62,305,816
Restricted for:	
Capital projects	143,283,542
Other projects	2,982,755
Unrestricted	27,283,210
Total primary government activities net assets	<u>\$ 235,855,323</u>
Schools Component Unit	
Invested in capital assets, net of related debt	\$ (5,634,995)
Restricted for:	
Capital projects	-
Other projects	-
Unrestricted	32,025,503
Total schools component unit activities net assets	<u>\$ 26,390,508</u>

ARLINGTON COUNTY, VIRGINIA
CHANGES IN NET ASSETS
LAST FISCAL YEAR

	Fiscal Year 2006
Expenses	
Primary government:	
Governmental activities:	
General government	\$ 144,413,158
Public safety	94,152,505
Environmental services	66,712,584
Health & welfare	104,638,605
Libraries	13,002,989
Parks, recreation & culture	34,366,540
Planning & community development	35,865,238
Education	310,810,349
Interest and other charges	18,031,216
Total governmental activities expenses	<u>\$ 821,993,184</u>
Business-type activities:	
Utilities	47,321,964
Ballston Public Parking Garage	5,732,832
Total business-type activities expenses	<u>53,054,796</u>
Total primary government expenses	<u><u>\$ 875,047,980</u></u>
Component units:	
Schools	352,921,809
Other	2,446,253
Total component-units expenses	<u><u>\$ 355,368,062</u></u>
Program Revenues	
Primary government:	
Governmental activities:	
Charges for services	\$ 62,463,975
Operating grants and contributions	110,686,562
Capital grants and contributions	1,809,521
Total governmental activities program revenues	174,960,058
Business-type activities:	
Charges for services	68,631,150
Operating grants and contributions	-
Capital grants and contributions	1,190,249
Total business-type activities program revenues	69,821,399
Total primary government program revenues	<u><u>\$ 244,781,457</u></u>
Component units:	
Charges for services	\$ 15,122,958
Operating grants and contributions	332,115,611
Capital grants and contributions	-
Total component-units program revenues	<u><u>\$ 347,238,569</u></u>

ARLINGTON COUNTY, VIRGINIA
CHANGES IN NET ASSETS
LAST FISCAL YEAR

Net (Expense) Revenue	
Primary government:	
Governmental activities	\$ (647,033,126)
Business-type activities	16,766,603
Total primary government net expense	<u><u>(630,266,523)</u></u>
Component units:	
Component unit activities	\$ (8,129,493)
Total component-unit net expense	<u><u>\$ (8,129,493)</u></u>
General Revenues and Changes in Net Assets	
Governmental activities:	
Property Taxes:	
Real estate property taxes	\$ 412,474,942
Personal property taxes	81,498,687
Other Local taxes:	
Business, professional occupancy license taxes	52,568,059
Other local taxes	109,293,301
Investment and interest earnings	11,792,758
Miscellaneous	27,701,527
Total governmental activities	695,329,274
Business-type activities:	
Investment and interest earnings	4,581,344
Total business-type activities	4,581,344
Total primary government	<u><u>\$ 699,910,618</u></u>
Component units:	
Other Local taxes:	
Other local taxes	\$ 16,479,189
Investment and interest earnings	2,250,409
Total component-units	<u><u>\$ 18,729,598</u></u>
Changes in Net Assets	
Primary government:	
Governmental activities	\$ 48,296,148
Business-type activities	21,347,947
Total primary government net expense	<u><u>\$ 69,644,095</u></u>
Component units:	
Component unit activities	\$ 10,600,105
Total component-unit net expense	<u><u>\$ 10,600,105</u></u>

TABLE C

ARLINGTON COUNTY, VIRGINIA
FUND BALANCES, GOVERNMENTAL FUNDS AND OTHER COMPONENT UNIT
LAST TEN FISCAL YEARS

	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund Balance:									
Reserved for									
Encumbrances	\$ 2,267,661	\$ 3,832,468	\$ 6,424,347	\$ 4,649,576	\$ 4,237,700	\$ 3,517,687	\$ 4,037,272	\$ 4,293,596	\$ 4,087,643
Woodbury Park	200,000	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Four Mile Run	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Unreserved									
Designated for Self Insurance	2,600,000	2,600,000	3,000,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
Designated for Operating Reserve	8,600,000	10,100,000	11,500,000	12,500,000	12,600,000	13,400,000	14,400,000	15,200,000	16,600,000
Designated for Subsequent Years Budget	10,480,398	4,467,409	13,865,438	37,190,442	37,113,244	29,590,931	26,701,595	29,109,808	34,575,639
Designated for Incomplete Projects	8,832,315	6,896,081	7,459,447	7,705,538	5,750,871	8,692,680	13,036,688	16,466,535	41,251,262
Total General Fund Balance	\$ 33,480,374	\$ 28,395,958	\$ 42,749,232	\$ 66,045,556	\$ 63,701,815	\$ 59,201,298	\$ 62,175,555	\$ 89,069,939	\$ 100,514,544
General Fund Balance as Percent of General Fund Expenditures and Other Financing Uses	7.23%	5.80%	8.42%	12.21%	10.39%	8.88%	9.14%	9.41%	12.88%
All Other Governmental Funds									
Special revenue funds									
Reserved	-	-	-	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-	-	-	3,516,894 (2)
Capital Project funds									
Reserved	-	-	-	-	-	-	-	-	32,427,146 (2)
Unreserved	-	-	-	-	-	-	-	-	110,856,397.00 (2)
Total all other governmental funds	-	-	-	-	-	-	-	-	146,800,437 (2)
Component Unit- Schools									
Reserved	-	-	-	-	-	-	-	-	58709912 (2)
Unreserved	-	-	-	-	-	-	-	-	4916017 (2)
Total Component Unit- Schools	-	-	-	-	-	-	-	-	63625929 (2)
Total all Other Governmental Funds	-	-	-	-	-	-	-	-	210,426,366 (2)

(1) Woodbury Park obligation satisfied in FY 1999.

(2) Required by Implementation of GASB44 in Fiscal Year 2006

TABLE D

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

Fiscal Year	General Government	Public Safety	Public Environmental Services	Health & Welfare	Culture/ Recreation (2)	Education	Non-Departmental	Debt Service(3)	Contributions to Regional Agencies			Total
									Transit	Other	Total	
1997	52,295,069	56,264,061	24,295,803	62,353,877	52,778,277	175,477,281	16,534,672	34,312,104	6,800,000	10,435,437	491,546,581	
1998	52,507,401	55,803,956	24,741,982	58,758,808	58,283,472	185,114,708	16,915,459	36,696,621	8,925,000	3,968,888	501,716,295	
1999	55,582,978	59,558,807	26,345,066	61,248,081	60,501,139	198,435,631	21,126,245	38,127,637	6,667,076	4,741,372	532,334,032	
2000	54,228,208	59,726,299	26,470,488	63,957,515	62,628,500	212,818,415	22,582,602	43,977,853	7,020,365	4,738,554	558,148,799	
2001	65,602,564	58,605,311	28,956,294	66,893,055	64,609,246	225,705,274	24,125,346	46,015,005	9,331,780	5,031,548	594,875,423	
2002	77,764,679	64,110,185	32,244,012	78,421,925	70,343,780	239,520,885	26,888,560	49,181,927	9,669,124	5,514,061	653,659,138	
2003	78,823,839	70,738,944	35,263,026	85,636,626	75,834,775	260,566,240	38,196,161	52,520,484	10,010,200	5,996,099	713,586,394	
2004	79,761,708	76,414,954	38,991,550	88,197,009	82,167,460	280,654,517	25,299,164	56,920,473	11,050,500	6,342,024	745,799,359	
2005	73,554,551	82,055,248	51,312,988	91,439,050	84,606,670	295,791,800	35,591,400	60,459,248	11,800,000	6,795,865	793,406,820	
2006	82,177,157	88,875,217	55,122,531	98,926,206	89,452,484	313,487,397	27,998,534	71,349,683	13,000,000	7,204,777	847,593,986	

NOTES:

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

TABLE E

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

Fiscal Year	Taxes	Licenses and Permits	Inter Governmental Revenue	Charges for Services	Fines and Forfeitures	Miscellaneous Revenues	Total
1995	292,045,127	38,579,603	92,148,882	19,256,773	7,133,621	9,502,084	458,666,090
1996	302,040,849	38,320,489	99,232,946	22,235,236	7,071,879	9,363,927	478,265,326
1997	319,453,873	39,125,537	105,780,935	23,622,491	8,447,673	6,770,717	503,201,226
1998	331,868,850	40,362,470	99,433,931	25,051,214	8,522,820	8,737,739	513,977,024
1999	346,548,301	41,242,844	108,118,048	26,199,338	8,716,479	11,119,497	541,944,507
2000	369,262,476	48,065,489	113,747,563	29,761,955	8,264,814	13,199,742	582,302,039
2001	401,300,500	52,458,599	118,445,842	31,390,069	8,687,912	14,358,977	626,641,899
2002	427,671,852	57,199,326	131,178,526	33,374,694	9,199,674	18,782,613	677,406,685
2003	465,032,899	54,319,921	136,280,607	36,163,036	8,882,272	21,083,036	721,761,771
2004	505,225,405	56,334,983	139,452,624	38,314,445	9,357,346	12,186,207	760,871,010
2005	590,957,911	12,504,677 (2)	141,477,699	47,937,824	8,427,464	18,844,857	820,150,430
2006	651,052,481	14,692,442	148,945,331	50,482,470	8,900,948	22,087,157	896,160,829

NOTES:

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

(2) BPOL reclassified from Licenses and Permits to Taxes.

TABLE F

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

Fiscal Year	General Property (1)	Local Sales	Local Cigarette	Transient (2)	Bank Stock	Recordation	Car Rental	Commercia Utility	Short Term		Estate Taxes	Total
									Meals	Rental		
1997	243,077,055	23,928,258	667,810	12,531,316	1,244,670	1,108,127	4,591,434	6,921,431	14,731,340	56,867	59,726	308,918,034
1998	253,253,825	24,758,041	637,912	13,355,887	1,166,413	1,273,248	4,134,543	7,349,992	15,566,447	54,838	69,441	321,620,587
1999	265,296,810	25,835,931	613,199	13,998,663	1,421,760	1,847,738	4,571,080	6,359,817	15,546,488	56,356	59,978	335,607,820
2000	283,488,904	26,747,767	594,342	15,035,762	1,208,122	1,444,117	4,642,029	6,930,552	16,919,947	60,311	65,471	357,137,324
2001	308,487,574	29,398,278	662,578	15,954,344	1,165,841	1,781,317	5,102,470	7,249,558	17,995,106	65,278	69,243	387,931,587
2002	338,979,390	26,993,321	554,424	13,328,856	1,196,542	2,298,390	4,268,185	7,159,253	19,102,649	48,064	68,101	413,997,175
2003	371,634,386	27,752,102	642,660	14,615,818	1,049,928	3,781,826	4,285,596	7,609,033	20,045,524	56,520	69,917	451,543,310
2004	405,226,269	34,058,784	691,269	15,745,665	1,269,547	3,619,361	4,687,693	7,632,495	21,928,701	38,885	68,152	494,966,821
2005	432,318,650	35,455,512	1,925,743	18,109,804	1,480,360	7,089,601	4,486,018	7,802,051	23,844,071	67,756	75,672	532,655,237
2006	472,800,506	33,115,455	2,971,784	19,486,597	1,714,466	7,809,210	5,416,995	9,944,398	25,734,571	69,128	69,773	579,132,883

NOTES:

(1) Includes Sidewalk Assessments

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

TABLE G

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	Personal Property Tax Rate
	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value		
1997	18,545,587,900	18,545,587,900	1,359,844,756	1,359,844,756	826,704,180	826,704,180	20,732,136,836	20,732,136,836	.96/986	4.40
1998	19,049,629,300	19,049,629,300	1,362,069,818	1,362,069,818	878,118,532	878,118,532	21,289,817,650	21,289,817,650	.986/998	4.40
1999	19,987,442,600	19,987,442,600	1,444,383,443	1,444,383,443	927,234,534	927,234,534	22,359,060,577	22,359,060,577	.998/998	4.40
2000	21,366,860,900	21,366,860,900	1,562,454,963	1,562,454,963	914,769,846	914,769,846	23,844,085,709	23,844,085,709	.998/1,023	4.40
2001	23,509,214,100	23,509,214,100	1,701,074,975	1,701,074,975	865,677,147	865,677,147	26,075,966,222	26,075,966,222	1,023/1,023	4.40
2002	27,188,419,400	27,188,419,400	1,825,845,935	1,825,845,935	849,211,626	849,211,626	29,863,476,961	29,863,476,961	1,023/993	4.40
2003	31,680,369,900	31,680,369,900	1,848,433,415	1,848,433,415	908,256,294	908,256,294	34,437,059,609	34,437,059,609	.993/978	4.40
2004	35,563,288,500	35,563,288,500	1,732,447,799	1,732,447,799	766,769,599	766,769,599	38,062,505,888	38,062,505,888	.978/958	4.40
2005	42,275,421,900	42,275,421,900	1,759,391,742	1,759,391,742	682,583,199	682,583,199	44,717,396,841	44,717,396,841	.958/878	4.40
2006	50,632,673,900	50,632,673,900	1,833,540,112	1,833,540,112	724,577,345	724,577,345	53,190,791,357	53,190,791,357	.878/818	5.00

NOTE:

(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

TABLE H

ARLINGTON COUNTY, VIRGINIA
PRINCIPAL TAXPAYERS (1)
JUNE 30, 2006

Taxpayer/ Type of Business	2005 Assessed Valuation	Percentage of Total Assessed Valuation	2006 Assessed Valuation	Percentage of Total Assessed Valuation
Charles E. Smith Interests Office buildings, apartment, hotel, land	\$3,448,069,900	8.16%	\$4,137,476,200	8.17%
Cafritz Interests Apartments, warehouses, land	711,867,900	1.68%	824,754,600	1.63%
Arland Towers Company Office buildings, land	563,183,400	1.33%	750,390,300	1.48%
Albrittain Interests Apartments, general commercial	501,266,100	1.19%	624,664,500	1.23%
Crystal holdings Office buildings	515,966,100	1.22%	589,040,900	1.16%
Fashion Centre Associates Mixed use retail, hotel	448,300,600	1.06%	495,365,800	0.98%
Paradigm Managed Properties Apartments , general commercial	374,206,700	0.89%	364,978,800	0.72%
Avalon Properties Apartments, land	226,441,600	0.54%	318,453,800	0.63%
Caruthers Interests Retail,office,buildings,apartments,hotel	229,670,100	0.54%	240,613,400	0.48%
JBG/TRIZECHAHN Office building, land	-	-	318,453,800	0.63%
Ballston Common Assoc Office, retail	-	-	240,613,400	0.48%
2111 & 2039 Wilson Blvd. Inc. Office buildings, land	196,957,900	0.47%	240,081,900	0.47%
Total	<u>\$7,215,930,300</u>	<u>17.08%</u>	<u>\$9,144,887,400</u>	<u>18.06%</u>

NOTE:

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

TABLE I

ARLINGTON COUNTY, VIRGINIA
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
1997	242,045,913	2,076,421	239,969,492	99.14%	1,472,963	241,442,455	99.75%	1,278,402	755,524	3,991,193	1.65%
1998	256,629,325	1,973,283	254,656,042	99.23%	1,781,706	256,437,748	99.93%	709,475	765,452	4,275,180	1.67%
1999	263,965,348	1,999,162	261,966,186	99.24%	1,876,592	263,842,778	99.95%	663,641	813,860	4,321,567	1.64%
2000	283,767,875	2,968,825	280,799,050	98.95%	2,420,898	283,219,948	99.81%	820,752	797,274	4,753,609	1.68%
2001	309,676,367	2,962,538	306,713,829	99.04%	2,756,158	309,469,987	99.93%	568,475	798,198	5,002,218	1.62%
2002	335,968,016	3,624,563	332,343,453	98.92%	3,151,222	335,494,675	99.86%	1,149,446	839,328	5,409,628	1.61%
2003	373,883,498	3,443,379	370,440,119	99.08%	3,193,196	373,633,315	99.93%	1,712,034	688,928	5,569,351	1.49%
2004	406,389,307	3,305,311	403,083,996	99.19%	3,172,229	406,256,225	99.97%	1,194,439	750,170	5,664,046	1.39%
2005	435,567,836	2,953,943	432,613,894	99.32%	3,139,508	435,753,402	100.04%	1,003,191	874,009	5,413,308	1.24%
2006	479,686,828	3,152,135	476,534,693	99.34%	3,077,161	479,611,854	99.98%	1,176,489	882,123	5,472,146	1.14%

NOTES:

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

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

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

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

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

TABLE J

ARLINGTON COUNTY, VIRGINIA
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (2)	Net Bonded Debt (3)	Percentage of		Net Bonded Debt per Capita
				Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita	
1997	186,400	20,732,136,836	323,712,875	1.56%	1,737	
1998	187,100	21,289,817,650	334,926,746	1.57%	1,790	
1999	188,100	22,359,060,577	388,737,364	1.74%	2,067	
2000	189,000	23,844,085,709	387,860,653	1.73%	2,052	
2001	190,848	26,075,966,222	425,075,792	1.63%	2,227	
2002	193,639	29,863,476,961	435,059,318	1.35%	2,285	
2003	196,837	34,437,059,609	441,873,629	1.28%	2,245	
2004	198,739	38,062,505,888	467,794,521	1.23%	2,354	
2005	198,267	44,717,396,841	563,463,803	1.26%	2,842	
2006	200,226	53,190,791,357	590,053,260	1.11%	2,947	

NOTES:

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

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

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Total	Coverage
				Principal	Interest			
1997	3,665,118	1,772,917	1,893,201	1,000,000	876,352	1,876,352	1.009	
1998	3,771,522	1,793,090	1,978,432	1,000,000	921,358	1,921,358	1.030	
1999	3,941,202	2,072,851	1,868,351	1,000,000	739,784	1,739,784	1.074	
2000	4,509,638	1,952,953	2,556,685	1,000,000	810,400	1,810,400	1.412	
2001	4,732,975	3,583,026	1,149,949	500,000	829,929	1,329,929	0.865	
2002	4,407,342	2,186,610	2,220,732	500,000	514,255	1,014,255	2.190	
2003	4,140,918	2,176,060	1,964,858	500,000	343,091	843,091	2.331	
2004	4,080,739	2,543,137	1,537,602	500,000	290,122	790,122	1.946	
2005	3,926,304	3,583,873	342,431	500,000	410,044	910,044	0.376	
2006	4,070,368	3,618,455	451,913	500,000	518,955	1,018,955	0.444	

NOTES:

(1) Includes operating and non-operating revenues

(2) Includes operating expenses, excluding depreciation.

ARLINGTON COUNTY, VIRGINIA
PLEGGED -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			Total	Coverage
				Principal	Interest			
1997	39,590,983	27,187,448	12,403,535	3,575,815	2,586,177	6,161,992	2.01	
1998	40,360,537	26,813,364	13,547,173	4,007,999	2,425,547	6,433,546	2.11	
1999	43,152,479	27,759,811	15,392,668	2,941,870	2,629,714	5,571,584	2.76	
2000	46,895,562	27,244,943	19,650,619	3,429,539	2,614,425	6,043,964	3.25	
2001	47,233,296	30,192,015	17,041,281	3,797,788	2,588,040	6,385,828	2.67	
2002	45,972,198	25,693,545	16,076,065	3,597,275	2,101,071	5,698,346	2.82	
2003	45,309,573	32,842,773	7,905,318	3,636,691	2,095,078	5,731,769	1.38	
2004	49,679,885	35,094,277	9,481,925	3,742,624	1,482,369	5,224,993	1.81	
2005	59,114,705	41,817,417	17,297,289	3,130,952	2,033,402	5,164,354	3.35	
2006	65,044,344	39,453,764	25,590,580	3,074,680	2,585,276	5,659,956	4.52	

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 L

ARLINGTON COUNTY, VIRGINIA
DEMOGRAPHIC STATISTICS
Last Ten Fiscal Years

Fiscal Year	Population (1)	Per Capita Income (2)	School Enrollment (3)	Unemployment Rate (4)
1997	184,768	40,830	17,589	2.5%
1998	186,693	43,554	18,126	1.7%
1999	183,716	45,703	18,265	1.6%
2000	189,453	49,536	18,334	1.1%
2001	189,983	53,830	18,484	2.1%
2002	193,754	55,148	18,469	2.7%
2003	196,925	56,400	18,333	2.3%
2004	198,739	57,851	17,961	2.6%
2005	198,267	59,010	17,600	2.5%
2006	200,226	60,595	18,411	2.3%

NOTES:

- (1) Population figures for 1996-1999 are estimates from the U.S. Census Bureau. The 2000 population figure is from the 2000 census. The 2000 population figure is a revised (by Arlington County) Census figure. The 2001-2005 population figures are estimates from the Arlington County Planning Division.
- (2) Source - U.S. Department of Commerce, Bureau of Economic Analysis, Regional Accounts Data. (<http://www.bea.doc.gov/bea/regional/reis>) . Figures for 2001-2005 are estimates from the Arlington County Planning Division.
- (3) Source - Arlington County School Board, Office of Planning, Management and Budget K-12 only. Enrollment for 20005 is preliminary.
- (4) Source - Virginia Employment Commission-- Figures for 1996-2004 are annual averages. The 2005 and 2006 figures are for July. Due to revised VEC methodology, figures are not comparable to figures from previous years (<http://www.velma.vec.state.va.us>).

TABLE M

ARLINGTON COUNTY, VIRGINIA
Principal Employers
June 30, 2006

<u>Employers</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Department of Defense	40,947	1	26.57%
Arlington County Government & Schools	7,280	2	4.72%
State Department	4,138	3	2.69%
Drug Enforcement Administration	2,090	4	1.36%
National Science Foundation	1,996	5	1.30%
Virginia Hospital Center	1,991	6	1.29%
Verizon	1,850	7	1.20%
Transportation Security Administration	1,719	8	1.12%
SAIC	1,689	9	1.10%
Marriott International, Inc.	1,680	10	1.09%
US Airways	1,466	11	0.95%
Environmental Protection Agency	1,397	12	0.91%
Lockheed Martin Group	1,300	13	0.84%
CACI	1,085	14	0.70%
US Marshales Service	1,080	15	0.70%
Hecht Company	1,027	16	0.67%
SRA Intenational, Inc.	910	17	0.59%
Federal Supply Service	905	18	0.59%
United States Postal Service - OIG	876	19	0.57%
Booz Allen Hamilton	870	20	0.56%
Total	<u><u>76,296</u></u>		49.52%

Source: Arlington Economic Development

ARLINGTON COUNTY, VIRGINIA
 OPERATING INDICATORS BY FUNCTION-PROGRAM
 JUNE 30, 2006

TABLE N

Form of Government	County Manager Plan
Date of Adoption	January 1, 1932
Area (square miles)	26
Lane Miles	1,158
Number of Street Lights	14,753
<u>Fire Protection:</u>	
Number of Stations	10
Training Academy	1
Number of Employees	305
<u>Police Protection:</u>	
Number of Employees: Police Department	476
Number of Employees: Sheriff/ Jail and Courts	273
<u>Education:</u>	
Attendance Centers	34
Number of Classrooms	1,720
Number of Teachers	1,946
Number of Students	18,411
<u>County Water System:</u>	
Number of consumer service locations	36,603
Average daily consumption (gallons)	26,900,000
Miles of water mains	525
<u>County Sewer System:</u>	
Miles of sanitary sewers	470
Average gallons per day treated	25,600,000
System capacity under construction (gallons per day)	10,000,000
<u>Building Permits:</u>	
Construction Permits	3,948
Plumbing, Electrical & Mechanical Permits	7,806
Fire Permits	1,058
Elevator Permits	88
<u>Recreation and Culture:</u>	
Number of Parks and Playgrounds	212
Number of Libraries	7
Number of Items (Print and Audiovisual)	579,729
Number of Community Centers	14
Number of Nature Centers	2
Numer of Historical Districts	29
<u>Employees:</u>	
General Government	3,714
School System	3,577

ARLINGTON COUNTY, VIRGINIA
CAPITAL ASSET STATISTICS BY FUNCTION/ PROGRAM
JUNE 30, 2006

TABLE O

Primary Government

FUNCTION AND ACTIVITY:	<u>Total</u>
General Government:	
Control-	
Legislative	\$51,208
Executive	214,926
Judicial	<u>1,130,274</u>
Total Control	<u>1,396,408</u>
Staff Agencies-	
Elections	120,906
Management and Finance	209,227
Office of Support Services	92,718,888
Real Estate Assessment	45,717
Civil Service	704
Personnel Department	146,253
Office of County Attorney	34,067
Commissioner of the Revenue	42,503
Treasurer	730,199
Department of Technology Services	14,598,718
General government buildings	29,586,427
Other	<u>2,842,639</u>
Total Staff Agencies	<u>141,076,248</u>
Total General Government	<u>142,472,656</u>
Public Safety:	
Police protection	16,082,026
Fire protection	5,809,121
Emergency communication	<u>806,623</u>
Total Public Safety	<u>22,697,770</u>
Public Works	
Public Works	392,438,195
Environmental Services	244,290
Health	29,036,763
Public Welfare	355,650
Libraries	9,781,888
Recreation	80,924,974
Community Development	<u>14,359,122</u>
Total General Capital Assets	<u>\$692,311,308</u>
Internal Services Fund	
Auto Equipment Fund	\$42,409,799
Printing Fund	<u>276,061</u>
Total Internal Services Fund	<u>\$42,685,860</u>
Component Unit: School Board	
Schools	<u>\$401,017,012</u>
GRAND TOTALS	<u>\$1,136,014,179</u>

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
1997	18,345,435	15,966,669	34,312,104	491,546,581	6.98%
1998	20,258,251	16,188,256	36,446,507	500,546,672	7.28%
1999	21,939,381	16,188,256	38,127,637	532,334,032	7.16%
2000	24,661,711	19,316,142	43,977,853	558,148,799	7.88%
2001	26,820,862	19,194,143	46,015,005	594,875,423	7.74%
2002	29,561,475	19,620,452	49,181,927	653,659,138	7.52%
2003	32,622,059	19,898,425	52,520,484	713,586,394	7.36%
2004	36,142,375	20,778,098	56,920,473	745,799,359	7.63%
2005	37,354,049	23,105,199	60,459,248	793,406,820	7.62%
2006	42,802,784	28,546,899	71,349,683	847,593,986	8.42%

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
JUNE 30, 2006

Type of Coverage & Insurance Comp Policy Number	Period From	Period To	Summary of Coverage & Limits	Premiums
PROPERTY POLICIES				
Property Lexington Insurance Company	7/10/2005	7/11/2006	All Risk Package Policy coverage on real and personal property, valuable papers and records Inland Marine equipments, extra expense and business interruptions, Theatrical Equipment Floater, Fine Arts, Property Floater, EDP, Votting Machines and off premises power failures \$50,000 deductible. TIV \$636 million subject program limits of \$500 million also include flood, earthquakes, boiler & match. Garage keepers liability, physical damage on County vehicles while garaged.	\$ 248,074 Premium is based on primary policy limits of \$25,000,000 includes TR/A
1A				
Excess Property Landmark American Ins. Co.	7/1/2005	7/11/2006	All risks excess property policy covering \$475,000,000 excess of \$25,000,000. All terms and conditions and coverage is the same as underlying primary policy	\$86,722 Includes TR/A
1B				
Crime Policy Zurich American Ins. Co.	7/1/2005	7/11/2006	Public Employee Dishonesty, Forgery or Alteration Theft, Disappearance and Destruction and Computer Fraud. Faithful performance of duty a covered cause of loss. Volunteer workers includes as employees. Limit: \$ 1 million Deductible: \$25,000	\$ 13,717 Excludes TR/A
2				
Fine Arts Policy Ace Fire Underwriters Ins. Co.	7/1/2005	7/11/2006	Museum Collection and Temporary Loans Policy Limits: \$772,000 on AC premises, \$250,000 on any other location \$1,000 deductibles/ \$2,500 per outdoor sculpture Legal liability \$250,000 any one loss	\$ 2,200 Excludes TR/A
3				
Performing Arts Package Business Policy Lexington Insurance Co.	7/1/2005	7/11/2006	Package Ins. Policy for Performing Arts Group DBA at Rosslyn Theater includes \$1/2 million GL, \$650,000 Property	\$4,091-GL \$2,257-Property Surplus Tax \$142.83 Total \$6,526.83 Includes TR/A
4				

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF INSURANCE
JUNE 30, 2006

Type of Coverage & Insurance Comp Policy Number	Period From	Period To	Summary of Coverage & Limits	Premiums
<u>Woodmont School Project</u> Package Business Policy Twin City Fire Insurance Company 5	7/1/2005	7/1/2006	Lee Arts Center & Mini Gallery	Property- \$128 GL- \$222 Total - \$350 Includes TRIA
<u>Woodmont School Workers Comp.</u> Workers's Compensation 6	7/1/2005	7/1/2006	Virginia Statutory Benefits for Remunerated Non-County Employee of Project. Policy Indemnifies Clients in the event of injury.	\$ 2,043
<u>General Liability, Public Officials Liab</u> <u>Law Enforcements Liab, Auto Liability</u> Covers Arlington County employees and Officials conducting County business 7	Continuous		Self Insured for Liability Exposures. AL, POL, LEL, GL- Primary \$1,000,000	
<u>Excess Liability Policy</u> Genesis Insurance Co. 8	7/1/2005	7/1/2006	YXB300839D County Board Resolution Excess Public Entity Liability Policy, Excess of \$1,000,000 self-insured retention \$10/20 million limits excess of SIR	\$ 422,900 Excludes TRIA
<u>Constitutional Officers Business Auto</u> Twin City Fire Insurance company 9	7/1/2005	7/1/2006	42UENDE 2638 Covers Liability, Uninsured Motorists&Medical Payments. \$1,000,000 each occurrence for Liability, \$1,000,000 for medical payments.	\$ 42,800
<u>Constitutional Officers Commercial</u> Package Policy Twin City Insurance Company 10	7/1/2005	7/1/2006	42JUNBF6895 Business Personal Property of Const. Officers \$1/3 million- General Liability	\$ 14,852

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF INSURANCE
JUNE 30, 2006

Type of Coverage & Insurance Comp Policy Number	Period From	Period To	Summary of Coverage & Limits	Premiums
Constitutional Officers Liability Plan				
<u>Virginia Risk Coverage</u>				
Commonwealth of Virginia (SIR) Clerk of Court Sheriff	Virginia Risk Virginia Risk Virginia Risk	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 Public Entity. Limits: \$1 million per loss, \$1 million aggregate Limits: \$1 million per loss, \$1 million aggregate Limits: \$1 million per loss, \$1 million aggregate	
Commissioner of Revenue Commonwealth's Attorney Registra of Voters Arlington County Treasurer	Virginia Risk Virginia Risk Virginia Risk Virginia Risk	Continuous Continuous Continuous Continuous	Limits: \$1 million per loss, \$1 million aggregate Limits: \$1 million per loss, \$1 million aggregate Limits: \$1 million per loss, \$1 million aggregate Limits: \$1 million per loss, \$1 million aggregate	
11				
HIDTA Task Force Business Auto	42JENU6236K3	7/1/2005	7/1/2006 \$1,000,000 per occurrence-AL&UM covering auto used in task force operations.	\$ 10,997
Twin City Fire Insurance Company				
12				
HIDTA Task Force				
Commercial Package Policy Twin City Fire Insurance Company	42JUNBE848K3	7/1/2005	7/1/2006 Liability coverage \$1million/2 million Business Personal Property - Deduction \$250	GL \$8,530 Property: \$6,322 (Includes TRIA)
13				
Professional Liability (Employed Physicia				
Evanston Insurance Co.	MM810697	7/1/2005	7/1/2006 Professional Liability Insurance, DHS Employed Physicians \$2/6 million limits. \$100,000 ded each claim.	\$202,137 Surplus Tax 4,548 Total \$ 206,685
14				
Professional Liability (Clinics)				
Evanston Insurance Co.	SM835642	7/1/2005	7/1/2006 Professional Liability covering DHS Medical Clinics \$2/6 million limits; \$1,000 Ded each claim; Retro date 7/1/89	\$ 40,219 Surplus Tax \$904.93 Total \$41,123.93
15				
Professional Liability (Emergency Medical Services)				
Evanston Insurance Co.	SM835641	7/1/2005	7/1/2006 Professional Liability for EMS \$2/6 million limits \$5,000 Ded each claim	\$ 83,490 Surplus tax \$1,878 Total \$ 85,368.53
16				

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF INSURANCE
JUNE 30, 2006

Type of Coverage & Insurance Comp Policy Number	Period From	Period To	Summary of Coverage & Limits	Premiums
VIS Volunteer Liability Policy CIMA Companies	7/1/2005	7/1/2006	Excess Volunteer Liability coverage, 1/3 million Covers excess liability of volunteers- excess of their own ins.	\$ 2,675 Membership fee \$135 Total \$ 2,809.50 (Excludes TRIA)
17				
Group Accident Coverage National Union Fire Ins. National Union Fire Ins. National Union Fire Ins. National Union Fire Ins. Chesapeake Life Insurance Co.	SRG0009105405 SRG0009105406 SRG0009105435 SRG0009105404 ZCH05-0313	7/1/2005 7/1/2005 7/1/2005 7/1/2005 7/1/2005	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	\$ 6,300 \$ 12,750 \$ 7,500 \$ 650 \$ 600
18				
Personal Services Contractors Hartford Underwriters Ins. Co.	42WEE4632	7/1/2005	Va Statutory W/C limits for contracted cook and contracted printer for community services program	\$ 1,005
19				
Personal Services Contractors Commercial Package Policy Twin City Fire Insurance Co.	42UENBE1845K3	7/1/2005	General Liability and Property Policy for cook and printer Community Service GL limit \$1 million	\$ 350
20				
Tenant User Liability Insurance Policy Clarendon America Ins. Co.	EGL00185101	7/1/2005	Provides liability insurance for individuals and groups using Arlington facilities & properties. General liabilities \$1,000,000 per occ	\$ 5,000 (Excludes TRIA)
21				
County Board Surety Bond	P. Ferguson B. Favola J. Fissitte C. Zimmerman W. Tejada	Continuous until Cancelled	Bond limit \$2,500	
22				

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF INSURANCE
JUNE 30, 2006

Type of Coverage & Insurance Comp Policy Number	Period From	Period To	Summary of Coverage & Limits	Premiums
Fire and Rescue Auto Physical Damage IS/ American Alternative Insurance Corporation 23	7/1/2005	7/1/2006	Provides comprehensive and collision coverage on vehicles owned or operated by ACFD \$1,000 Ded per unit.	\$ 36,220 (Includes TRIA)
Portable Equipment Policy Hartford Fire Insurance Company 24	7/1/2005	7/1/2006	Inland Marine policy covering portable fire equipment	\$ 7,222 (Includes TRIA)
Fiduciary Liability Policy-Arlington Co. Employee's Suppl. Retirement Sys 2 National Union/Alton Agency 25	6/23/2003	6/23/2008	Fiduciary Liab to \$10 million ERISA Fidelity Bond D&O, Trustees liability to \$3 million These policies handled by the Retirement Board. Risk Management is not involved in the purchase of these policies	\$ 32,052 \$ 750 \$ 30,010
VDOT Permit Bond Travelers 26	Continuous		Virginia Highways permit bond for facilities located on the VDOT right of Limit \$100,000	150
Worker's Compensation 27	Continuous		Arlington County is self-insured to statutory limits	
EXCESS LIABILITY-BALLSTON GARAGE AXIS SPECIALTY INS. ST. PAUL 28	2/10/2005 2/10/2005	7/1/2006 7/1/2006	Excess liability coverage required by Federated Department Stores, Inc regarding IceSkating rinks at Ballston Garage. Exp date to be extended to 7/1/06	\$ 76,687 \$ 37,500
Total Premium FY06	Excludes continuous bonds or Fiduciary Liability Coverage			\$ 1,393,085

TABLE R

ARLINGTON COUNTY, VIRGINIA
SALARIES AND SURETY BONDS
OF PRINCIPAL OFFICIALS
JUNE 30, 2006

Official Title	Annual Salary Range Minimum	Maximum	Bond (1)
County Board:			
Chairman	-	32,474	2,500
Vice Chairman	-	29,521	2,500
Members	-	29,521	2,500
Clerk	51,213	87,662	20,000
County Manager	-	199,000	20,000
Commissioner of the Revenue	78,740	130,187	30,000
Commonwealth's Attorney	94,679	156,542	-
Sheriff	78,740	130,187	30,000
Treasurer	78,740	130,187	1,000,000
County Attorney		174,283	20,000
Director of Community Housing, Planning & Development	59,833	175,256	20,000
Director of Economic Development	59,833	175,256	20,000
Director of Environmental Services	59,833	175,256	20,000
Fire Chief	59,833	175,256	20,000
Director of Human Services	59,833	175,256	20,000
Director of Libraries	59,833	175,256	20,000
Director of Management and Finance	59,833	175,256	20,000
Director of Human Resources	59,833	175,256	20,000
Chief of Police	59,833	175,256	20,000
Director of Public Works	59,833	175,256	20,000
Director of Park, Recreation and Community Resources	59,833	175,256	20,000
Director, Office of Technology and Information Services	59,833	175,256	20,000
Director, Office of Support Services	59,833	175,256	20,000
Clerk of the Circuit Courts	78,740	130,187	25,000

NOTE:

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

TABLE S

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

Fiscal Year	Residential Construction (1)			Commercial Construction (1)			Miscellaneous Construction (1)			Bank Deposits (2) (thousands)	Real Property Value (3)		
	Valuation		Permits	Valuation		Permits	Valuation		Permits		Residential	Commercial	Non-Taxable
	Permits	Valuation	Permits	Valuation	Permits	Valuation	Permits	Valuation	Permits		Residential	Commercial	Non-Taxable
1997	135	14,351,706	18	68,341,798	5,806	124,621,332	N/A	9,431,041,500	9,114,546,400	2,898,523,300			
1998	139	16,751,130	20	128,865,279	5,796	245,736,406	N/A	9,432,953,000	9,616,676,300	3,051,485,400			
1999	218	21,379,776	14	122,135,417	5,414	161,905,110	N/A	9,732,182,800	10,255,259,800	3,054,099,600			
2000	165	61,047,327	48	254,556,487	9,245	489,227,649	N/A	10,351,328,800	11,015,532,100	3,063,878,000			
2001	309	46,686,600	47	197,959,044	10,343	451,924,246	N/A	11,517,298,400	11,991,915,700	3,222,980,000			
2002	195	28,942,000	74	216,085,000	11,102	314,256,000	N/A	14,036,270,900	13,152,148,500	3,595,700,600			
2003	206	45,190,520	63	245,828,500	10,813	342,302,448	N/A	16,904,168,300	14,776,201,600	4,177,897,400			
2004	251	62,734,000	33	269,927,000	12,069	552,693,906	N/A	19,819,949,800	15,743,338,700	4,611,780,600			
2005	245	65,578,000	58	471,549,000	12,810	410,999,470	N/A	24,807,985,800	17,467,436,100	5,254,797,800			
2006	309	116,622,000	28	170,648,000	12,570	731,419,504	N/A	30,490,616,900	20,142,057,000	6,446,120,900			

NOTES:

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

TABLE T

ARLINGTON COUNTY, VIRGINIA
BUSINESS AND PROFESSIONAL LICENSE TAX REVENUES
Fiscal Years 1997 - 2006

Fiscal Year	Revenues	Percent Change
1997	35,145,120	1.66%
1998	35,879,079	2.09%
1999	35,883,073	0.01%
2000	41,018,179	14.31%
2001	41,749,809	1.78%
2002	45,661,097	9.37%
2003	43,206,157	-5.38%
2004	45,090,463	4.37%
2005	45,699,044	1.35%
2006	52,568,059	15.23%

ARLINGTON COUNTY, VIRGINIA
CERTIFICATE OF NO DEFAULT
June 30, 2006

Pursuant to Section 10.3 of the Financing Agreement between Virginia Resources Authority and Arlington County, I hereby certify that, during the fiscal year ended June 30, 2006, 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 Agreement.



Barbara Donnellan
Deputy County Manager
September 15, 2006

TABLE V

ARLINGTON COUNTY, VIRGINIA
LARGEST USERS OF THE WATER & SEWER SYSTEM
For the twelve months ending June 30, 2006

WATER Customer / Type of Business	Monthly Average Consumption In Thousands of Gallons	SEWER Customer / Type of Business	Monthly Average Consumption In Thousands of Gallons
Ft. Myer Military	10,163	Pentagon Military	13,223
5th Crystal Park - 1601 S. Crystal Drive Apartments	5,945	Ft. Myer Military	9,357
Arlington County Detention Center Jail & detention facility	3,499	Reagan National Airport Aviation	7,592
Pentagon City Mall Retail	3,403	5th Crystal Park - 1601 S. Crystal Drive Apartments	5,945
Marriott Crystal City Hotel	3,388	Arlington County Detention Center Jail & detention facility	3,499
Carlton Condominiums Residential	3,311	Pentagon City Mall Retail	3,403
Dittmar Company - 4001 N. 9th Apartments	2,942	Marriott Crystal City Hotel	3,338
Cafriz Company Apartments	2,894	Carlton Condominiums Residential	3,311
Archstone Communities - 1600 S. Eads Residential	2,693	Dittmar Company - 4001 N. 9th Apartments	2,942
Equistar Ballston - 950 N. Stafford St. Residential	2,524	Archstone Communities - 1600 S. Eads Residential	2,693

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, 2006

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, nine pumping stations, two ejector stations, one meter station and the Plant. The Plant has a rated capacity of 30 million gallons per day (MGD). Current flows average 29.3 MGD.

Plant Upgrade & Expansion

In April 2001, County staff and an external engineering team were assembled to update the 1988 Master Plan to address 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 elimination of wet weather bypasses, increased redundancy, expansion of capacity to handle flows to approximately 2015-2020 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 between \$500 and \$525 million, based on construction bids received in summer 2006. County ratepayers' share totals 83 percent; Inter-Jurisdictional Partners' share totals 17 percent. Financing to date for the County's share of MP01 has been provided by \$100 million in Wastewater System & Water System Revenue bonds to the Virginia Water Facilities Revolving Fund Program (the "VWFRF") which is administered by the Virginia Resources Authority ("VRA"). The County anticipates that it will fund additional portions of the MP01 through future borrowings, including but not limited to wastewater and water revenue bonds issued to the VWFRF, general obligation bonds of the County, grant funding, and revenue bonds issued to VRA under a program separate from the VWFRF.

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 XX. 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 at Dalecarlia, which also serves the District of Columbia, the City of Falls Church, the Pentagon, and Reagan National Airport, is 160 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 26.9 MGD to approximately 36,600 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.

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 2002 through 2007 are shown in the following table. The typical residential customer pays \$53.33 per month, assuming average consumption of 8,000 gallons. Historically, rate increases have been effective on May 1 of the previous fiscal year.

**FY 2002 – FY 2007 Wastewater & Water Rates
Per 1,000 Gallons of Metered Water Usage**

Fiscal Year	Water	Wastewater	Total	Percent Change
2002	\$ 2.07	\$ 2.51	\$ 4.58	3%
2003	2.10	2.60	4.70	3%
2004	2.38	2.92	5.30	13%
2005	2.47	3.73	6.20	17%
2006	3.02	4.11	7.13	15%
2007	3.21	4.79	8.00	12%

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, 2006, general obligation debt outstanding attributable to the Utilities Fund totaled \$33,460,851. As of June 30, 2006, Wastewater System and Water System Revenue Bonds issued through the VWFRF to the VRA totaled \$32,298,455. The following table shows future debt service on these obligations.

Fiscal Year Ended June 30	GENERAL OBLIGATION DEBT			VRA BONDS			TOTAL		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
	2007 (1)	\$ 3,487,380	\$ 1,486,755	\$ 4,974,135	\$ 3,674,856	\$ 1,443,135	\$ 5,117,991	\$ 7,162,236	\$ 2,929,890
2008	3,769,811	1,495,840	5,265,651	3,789,659	2,956,935	6,746,595	7,559,470	4,452,775	12,012,246
2009	3,756,108	1,333,373	5,089,481	3,908,049	2,838,546	6,746,595	7,664,157	4,171,919	11,836,076
2010	3,554,868	1,184,404	4,739,272	4,030,138	2,716,517	6,746,655	7,585,006	3,900,921	11,485,927
2011	3,540,023	988,977	4,529,000	4,156,040	2,590,555	6,746,595	7,696,063	3,579,532	11,275,595
2012	3,123,878	984,763	4,108,641	4,285,876	2,460,719	6,746,595	7,409,754	3,445,482	10,855,236
2013	2,724,617	819,432	3,544,049	4,419,768	2,326,827	6,746,595	7,144,385	3,146,259	10,290,644
2014	2,706,667	678,018	3,384,685	4,557,843	2,188,752	6,746,595	7,264,510	2,866,770	10,131,280
2015	1,005,580	398,399	1,403,979	4,700,231	2,046,364	6,746,595	5,705,811	2,444,763	8,150,574
2016	1,046,633	305,199	1,351,832	4,847,067	1,899,528	6,746,595	5,893,700	2,204,727	8,098,427
2017	1,041,368	255,614	1,296,982	4,998,491	1,748,104	6,746,595	6,039,859	2,003,718	8,043,577
2018	967,493	195,548	1,163,041	5,154,645	1,591,950	6,746,595	6,122,138	1,787,498	7,909,636
2019	661,751	105,366	767,117	5,315,677	1,430,918	6,746,595	5,977,428	1,536,284	7,513,712
2020	437,369	97,622	534,991	5,481,740	1,264,855	6,746,595	5,919,109	1,362,477	7,281,586
2021	397,305	79,079	476,384	5,652,991	1,093,604	6,746,595	6,050,296	1,172,683	7,222,979
2022	310,000	56,188	366,188	5,829,592	917,003	6,746,595	6,139,592	973,191	7,112,783
2023	310,000	40,688	350,688	6,011,710	734,885	6,746,595	6,321,710	775,573	7,097,283
2024	310,000	28,288	338,288	6,199,517	547,078	6,746,595	6,509,517	575,366	7,084,883
2025	310,000	15,500	325,500	6,393,192	353,403	6,746,595	6,703,192	368,903	7,072,095
2026	-	-	-	6,592,917	153,678	6,746,595	6,592,917	153,678	6,746,595
	\$ 33,460,851	\$ 10,549,053	\$ 44,009,904	\$ 100,000,000	\$ 33,303,356	\$ 133,303,355	\$ 133,460,851	\$ 43,852,409	\$ 177,313,259

(1) FY 2007 interest on VRA bonds is estimated based on anticipated construction draws.

Historical debt service coverage can be found in Exhibit X in the Statistical Section, and additional information on debt attributable to the Utilities Fund can be found in Exhibit S, the Combined Statement 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 Exhibit XI in the Statistical Section. Required certificates from the County and its independent engineer can be found in 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.



ARLINGTON COUNTY, VIRGINIA
CERTIFICATE OF CONSULTING ENGINEER
October 24, 2006

Pursuant to Section 5.2 of the Financing Agreement dated as of June 28, 2005 between the Virginia Resources Authority and Arlington County, the undersigned certifies as follows:

1. I am a representative of the Consulting Engineer to the County for the project financed through the Virginia Resources Authority.
2. For the fiscal year ended on June 30, 2006, the County satisfied the Rate Covenant, based on my inquiry of the person or persons who manage the system and those persons directly responsible for gathering the information.
3. For the fiscal year that will end on June 30, 2007, the projected Net Revenues will satisfy the Rate Covenant, based on my inquiry of the person or persons who manage the system and those persons directly responsible for gathering the information.

Dated: 10/24/06

By: Ray H. Herby
Professional Engineer, VA # 7431
Representative of Earth Tech



FEDERALLY ASSISTED PROGRAMS

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

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

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



Independent Auditor's Report

The Honorable Members of the County Board
Arlington County, Virginia

We have audited the basic financial statements of Arlington County, Virginia (County) as of and for the year ended June 30, 2006, and have issued our report thereon dated October 13, 2006. These financial statements are the responsibility of the County. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Clifton Gunderson LLP

Calverton, Maryland
October 13, 2006



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

The Honorable Members of the County Board
Arlington County, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component 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, 2006, which collectively comprise Arlington County, Virginia's basic financial statements, and have issued our report thereon dated October 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications of Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. We did not audit the financial statements of the Gates Partnership, a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for that discretely presented component unit, is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over financial reporting that we have reported to management of the County in a separate letter dated October 13, 2006.

Compliance and Other Matters

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

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

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

Clifton Henderson LLP

Calverton, Maryland
October 13, 2006

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

The Honorable Members of the County Board
Arlington, Virginia

Compliance

We have audited the compliance of Arlington County, Virginia (the County) with the types of compliance requirements described in *the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2006, and have issued our report thereon dated October 13, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County basic financial statements. We did not audit the financial statements of the Gates Partnership, a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for that discretely presented component unit, is based solely on the reports of the other auditors. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Clifton Gunderson LLP

Calverton, Maryland
October 13, 2006

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

DEPARTMENT OR FEDERAL PROGRAM	Federal Catalogue Number	Expenditures
Department of Health and Human Services		
Pass Through Payments:		
Department of Social Services:		
Refugee Programs - Indo-Chinese Refugee Relief (765/452-04)	93.566	\$24,079
Social Services Block Grant		
(Purchased Services) (765/453-01)	93.667	1,428,841
(Medical Assistance)	93.778	796,433
(Child Care Purchased Services)	93.596	1,500,483
(View Purchased Services)	93.558	892,024
Child Care Development Block Grant (102-586)	93.575	1,296,482
FAMIS Outreach Grant	93.767	16,676
ILP Education & Training Vouchers	93.599	26,945
Family Preservation	93.556	67,508
Independent Living	93.674	23,383
Caring Education	93.995	279,754
Foster Care & Adoptions (765/453-01)		
Foster Care	93.658	2,230,315
Adoption Incentive	93.603	9,200
Adoption	93.659	338,104
Fuel Assistance Program(765/452-06)	93.568	28,241
		<u>8,958,468</u>
Department of Health Services:		
Medical Reserve Group	93.008	42,296
Immunization Grant	93.268	55,667
Refugee Grant	93.576	18,111
TB Outreach Grant	93.116	118,360
Rape Grant (Victims of Violence)	16.582	29,905
Rape Prevention and Education	93.136	27,560
Hazardous Mitigation Grant C6 Fire Station Security		
Total Department of Health Services		<u>291,899</u>
Department of Mental Health and Mental Retardation		
Alcohol and Drug Abuse and Mental Health Services		
Block Grant(790/445-01/455-02)		
Homeless-Mental Path	93.150	52,086
Mental Health -Seriously mentally III	93.958	29,000
SA HIV Aids FBG	93.959	87,573
SA Treatment FBG	93.959	181,693
SA SARPOS FBG	93.959	97,806
SA Primary Prevention	93.959	162,580
HHS Mental Health (Schools)	93.243	108,375
		<u>719,113</u>
Department for the Aging		
Older Americans Act		
Title III-B-Area Plan	93.044	173,597
Title III-C-Nutrition	93.045	139,725
Title III-D-Disease Prevention	93.046	2,000
Title III-E- National Family Caregiver Support	93.052	67,319
Title VII-Elder Abuse Prevention	93.041	1,845
Senior Medicare Patrol Project	93.048	4,000
Health Insurance Counseling & Assistance	93.779	45,880
		<u>434,366</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>\$10,403,846</u>

See accompanying notes to Schedule of Federal Awards.

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Federal Catalogue Number</u>	<u>Expenditures</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Direct Federal Payments		
Community Development Grants		
Twenty-third Entitlement(B97UC51002)	14.218	\$1,680
Twenty-fourth Entitlement(B98UC51002)	14.218	1,813
Twenty-fifth Entitlement(B99UC51002)	14.218	13,727
Twenty-seventh Entitlement(B00UC51002)	14.218	6,216
Twenty-eighth Entitlement(B01UC51002)	14.218	64,531
Twenty-ninth Entitlement(B03UCS51002)	14.218	80,365
Thirtieth Entitlement(B04UC51002)	14.218	7,576
Thirty-first Entitlement (B05UC51002)	14.218	<u>2,050,440</u>
Total Community Development Grants		<u>2,226,348</u>
Section 8 Housing Assistance-		
New Construction(VAO28NCOO04)	14.182	123,533
Substantial Rehab(VAO28SBOO3)	14.182	640,816
Moderate Rehab(VAO28MROO1-005)	14.856	310,468
Voucher Program(VAO28VO015-023)	14.855	<u>12,048,144</u>
Total Section 8 Housing Assistance		<u>13,122,961</u>
HUD-Federal Emergency Shelter Grant	14.231	82,227
HUD-Transitional Housing Grant	14.235	100,112
HUD-Adopt-A-Family	14.235	217,425
HUD-Shelter Plus Care (Milestone I and II)	14.235	89,652
HUD-HOPWA	14.240	<u>124,283</u>
Total HUD Grant		<u>613,699</u>
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		<u><u>\$15,963,008</u></u>

See accompanying notes to Schedule of Federal Awards.

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

	Federal Catalogue Number	Expenditures
DEPARTMENT OF EDUCATION		
Pass Through Payments:		
Department of Education		
Title I- Delinquent Children	84.013	148,262
Elementary and Secondary Education Act-		
Title I (197/171/01)	84.010	2,499,063
Public Law 94-142 Handicapped Program		
(197/171-02)	84.027	3,742,260
Adult Basic Education(197/192-02)	84.002	225,953
Learning and Library Resources-		
Title V (Elementary & Secondary Education Act)		
(197/171/01)	84.298	55,340
Pre-School Incentive	84.173	168,287
Title III, Part A (NCLB) Emergency Immigration		
(197/171-06)	84.365	567,957
Title IIEESA,Teacher Education		
(197/560-11)	84.281	53,073
Title IV Drug-Free Schools (NCLB)		
(197/171-05)	84.186	64,134
Vocational Education Act - Carl D Perkins PL-101-392	84.048	291,948
Education for Homeless Children & Youth (Stuart B McKinney)	84.196	64,827
ESL/Civics Grant	84.002	71,298
Title II, Part A Class Size Reduction (NCLB)	83.367	558,246
Title II, Part A Add-on (NCLB)	84.367	125,602
Title II, Part D Ed Tech (NCLB)	84.318	60,553
Even Start	84.213	211,157
Parent/Teen/Infant	10.555	19,975
Title 1 Reading First	84.357	220,262
Total State Pass Through Payments		9,148,197
Total Department of Education		\$9,148,197

See accompanying notes to Schedule of Federal Awards.

ARLINGTON COUNTY, VIRGINIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2006

	Federal Catalogue Number	Expenditures
DEPARTMENT OF LABOR		
Pass Through Payments:		
Department of Social Services		
Work Investment Act		
WIA-Admin. Fund	17.258	61,383
WIA-Adult	17.258	145,721
WIA-Youth	17.259	150,539
WIA-Dislocated	17.260	158,814
WIA-Rapid Response	17.260	320,834
National Emergency Grant (BRAC)	17.260	98,508
National Emergency Grant	17.260	18,061
 Total Department of Social Services		953,860
Department for the Aging		
Senior Community Services Employment		
Program-Title V, OAA(163/455-04)		
(197/560-11)	17.235	\$ 145,551
Total Department of Labor		\$1,099,411

See accompanying notes to Schedule of Federal Awards.

ARLINGTON COUNTY, VIRGINIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2006

	Federal Catalogue Number	Expenditures
DEPARTMENT OF AGRICULTURE		
Pass Through Payments:		
Department of Education-		
National School Lunch Program		
(197/457-02)	10.555	2,138,592
National School Breakfast Program	10.553	554,051
Sub total		2,692,642
Dept. Agriculture and Consumer Services		
USDA Donated Commodities	10.555	198,725
WIC Grant	10.577	412,147
Administrative Matching Grants for Food Stamps	10.561	1,907,321
Sub total		2,518,193
Department for the Aging		
Older Americans Act Title III USDA		
(163/457-02)	10.570	48,734
Total Pass Through Payments		5,259,569
Total Department of Agriculture		\$5,259,569
DEPARTMENT OF JUSTICE		
Direct Federal Payments:		
Seized Assets	16.000	\$364,618
Metropolitan Area Task Force (MATF)	16.579	1,192,475
High Intensity Drug Trafficking Area (HIDTA)	16.000	4,419,427
High Intensity Drug Residential Treatment	16.000	136,030
2004 Local Law Enforcement Block Grant	16.529	3,221
COPS Technology 2003 Grant	16.710	45,579
State & Local Law Emergency Preparedness Grant	16.580	1,100,781
Law Enforcement Tribute Grant	16.580	6,615
Congressional Mandated Grant (Moran Grant)	16.580	151,180
FY05 Justice Assistance Grant	16.580	43,055
Total Department of Justice		\$7,462,981

See accompanying notes to Schedule of Federal Awards.

ARLINGTON COUNTY, VIRGINIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2006

	Federal Catalogue Number	Expenditures
OTHER FEDERAL ASSISTANCE		
Direct Federal Payments:		
Air Force Junior Reserve Officer Training	12.000	\$48,145
Gear up Program	84.334	293,237
Adventure of the American Mind	84.244	568,076
Physical Educators for Progress	84.215F	113,667
Arlington Gang Grant		30,356
Elementary Foreign Language		470
Total Direct Federal Payments		1,053,951
Pass Through Payments:		
Department of Fire Programs		
Urban Area Security Initiative (USAI)	97.008	10,221,393
FEMA Reimbursement for Emergency Preparedness	97.004	428,209
Dept. of Defense-Pentagon Force Protection Agency	12.000	123,081
National Medical Response Team (NMRT)	97.000	311,138
Total State Pass Through Payments		11,083,821
Office of Emergency Management		
Disaster Voucher Program (Previously KDHAP)	97.088	10,314
DHS State Homeland Security Grant	97.039	137,452
Hazardous Mitigation C1 Secure Trades Center	97.039	385,590
Hazardous Mitigation C3 Courthouse Blast Windows	97.039	100,826
Hazardous Mitigation C7 Locks at Water Pumping Station	97.039	15,040
Hazardous Mitigation S8 Water Reservoir Security	97.039	33,353
Hazardous Mitigation C6 Fire Station Security	97.039	34,804
UASI 5 D	97.067	21,562
Metropolitian Medical Response System	97.071	410,009
Total State Pass Through Payments		1,148,950
Total Other Federal Assistance		\$13,286,722
TOTAL FEDERALLY ASSISTED PROGRAMS		\$62,623,734

See accompanying notes to Schedule of Federal Awards.

ARLINGTON COUNTY, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2006

NOTE 1. BASIS OF PRESENTATION

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

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

NOTE 2. FEDERAL COGNIZANT AGENCY

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

**ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

I. Summary of Auditor's Results:

The type of report issued on the financial statements:	Unqualified opinion
Reportable conditions and/ or material weaknesses in internal control disclosed by the audit of the financial statements:	None reported
Non-compliance which is material to the financial statements:	None
Reportable conditions in internal control over major programs:	None reported
Material weaknesses in internal control over major programs:	None
Type of report issued on compliance for major programs:	Unqualified opinion
Any audit findings which are required to be reported under section 510(a) of OMB Circular A-133	None
Major programs:	DHHS – Foster Care (CFDA #93.658)
	DOE- Elementary and Secondary Act- Title 1 (CFDA #84.010)
	DOFP- Urban Area Security Initiative (CFDA #97.008)
Dollar threshold used to distinguish between Type A and Type B programs:	1,878,712
Auditee qualified as a low-risk auditee under section 530 of OMB Circular A-133	Yes
II. Findings relating to the Financial Statement Reported in Accordance with <i>Government Auditing Standards</i>:	None
III. Findings and Questioned Costs relating to Federal Awards:	None