



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2007



ARLINGTON COUNTY, VIRGINIA

Comprehensive Annual Financial Report

FISCAL YEAR 2007

(July 1, 2006 - June 30, 2007)



DEPARTMENT OF MANAGEMENT AND FINANCE

**Mark J. Schwartz, Director
Barbara P. Liechti, Comptroller
Barbara A. Wiley, Accounting Manager**

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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, 2007

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INTRODUCTION



DEPARTMENT OF
MANAGEMENT AND FINANCE

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October 31, 2007

Chairman Paul Ferguson and Members of the County Board:

Section 15.2-2511 of the Code of Virginia requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles ("GAAP") and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (the "CAFR") of Arlington County, Virginia (the "County") for the fiscal year ended June 30, 2007.

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, 2007, 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, 2007, 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.

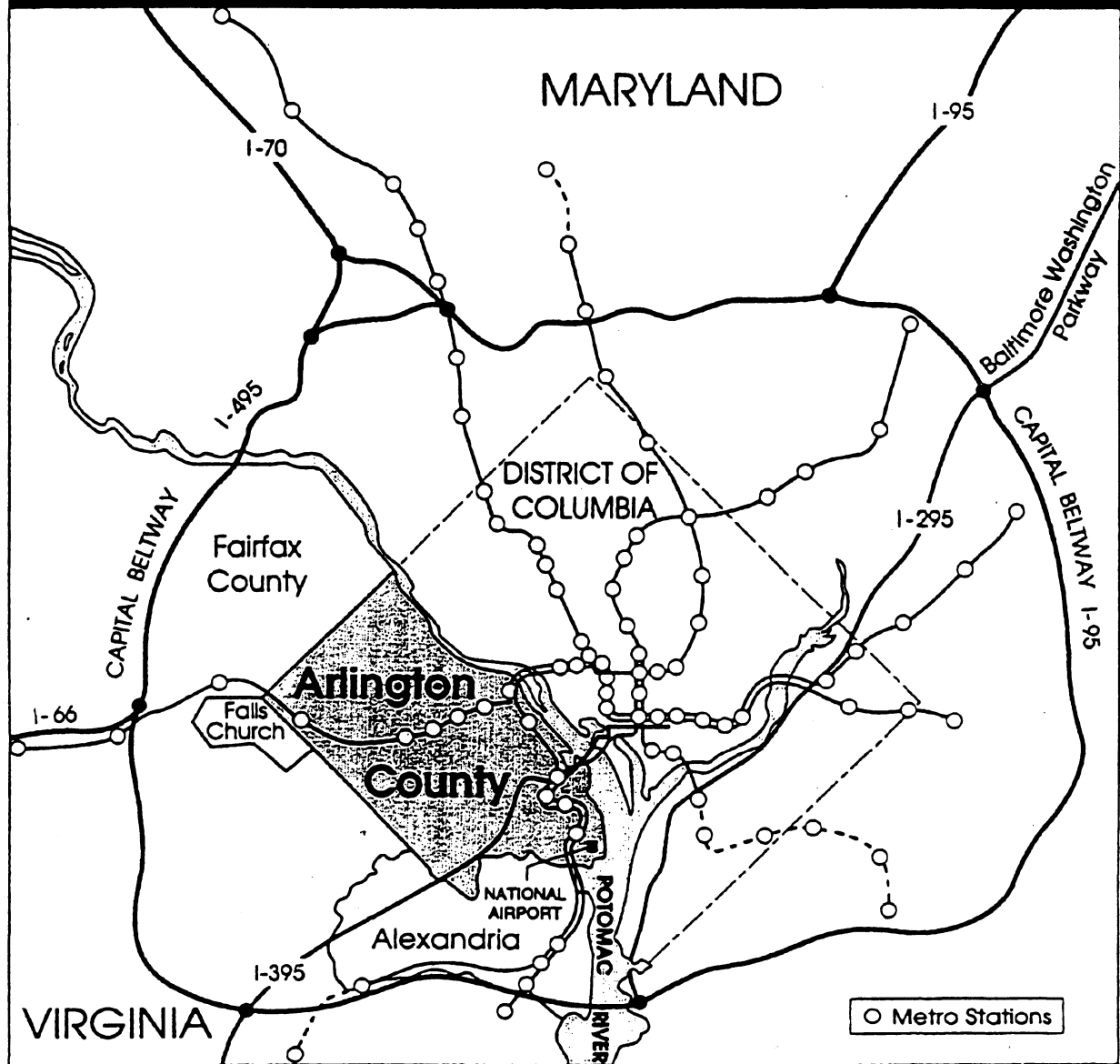
The independent audit of the financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation 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.

WASHINGTON METRO AREA MAP



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 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, 2007 was \$54.3 billion. The County government's budget for all funds for Fiscal Year 2007 totaled \$1,003.4 million, which included \$394.3 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 (the "Schools") which is reported separately within the County financial statements. The five-member School Board is elected by the citizens. The School Board appoints the Superintendent of Schools as the chief administrative officer for the County's public school system. The School Board has no taxing authority or authority to issue debt and receives its spending authority from the County Board. Additional information on this legally separate entity can be found in Note 1.I.A in the notes to the financial statements.

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

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

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

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

The annual budget is prepared by fund, department and 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, B-6 and B-7. 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. 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 close to 7% this year, led not only by residential appreciation, but also reflecting infill development around Metro rail stations and refurbishment of older office properties.

The Arlington blend of urban sophistication and neighborhood charm is unmatched in the region. Elegant high-rises, national and regional corporate and association headquarters, bustling Metro stations, upscale hotels, a dynamic and diverse retail sector, a diverse cultural scene, an exciting nightlife with more than six million square feet of retail space, 500 restaurants, live theaters and much more make Arlington a premier place to live, work, play and stay. Arlington 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 2007, the County's office vacancy rate was 10.7%. The residential unemployment is very low, averaging 2.3% for 2007, below regional, state, and national averages. Arlington's per capita income and property wealth indicators are well above average.

In May 2007, the County's deep and diverse economy, excellent financial management, financial stability in the face of a host of challenges, and a moderate debt burden that is affordable and within self-imposed guidelines 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, 2007, as only one of 22 counties in the United States with top bond ratings from all three major bond-rating agencies.

Long-Term Financial Planning

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

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

- Maintaining the level and quality of services Arlingtonians enjoy and expect
- Implementing a major environmental initiative to reduce carbon emissions County-wide
- Continuing to protect the most vulnerable
- Continuing our commitment to having world-class schools

- Maintaining our capital infrastructure
- Ensuring competitive compensation and benefits

The budget adopted by the County Board for fiscal year 2008 is a reflection of Arlington values. The budget was balanced with no increase in the real estate or personal property tax rates, while maintaining the programs and services that provide for a high quality of life in the community and support of community values. The County has maintained a prudent and sustainable course on spending, continued to set aside reserves necessary to meet future contingencies, committed to long-term environmental sustainability, restored vital human services programs, continued its commitment to affordable housing, and funded “pay as you go” capital funding at the highest level of the past six years. The approved budget represents a sustainable balance between responsible taxation and fee policies, and strategic investment for today and the future. The budget provides an ongoing source of funds and offers the community the tools to enhance the County’s environmental goals.

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 2008 budget seeks to address these different needs and interests. The Board approved a tax rate of 81.8 cents per hundred dollars of assessed value, leaving the real estate tax rate the same as the rate adopted in the FY 2007 budget. Once again, Arlington has the lowest tax rate of any major Northern Virginia jurisdiction.

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.” Because of the assessment method used for automobiles, it also has one of the lowest personal property taxes. In order to fund its new environmental initiative, the County Board did approve a new, dedicated residential utility tax on electricity and natural gas consumption, capped at a maximum of \$3 per month for each utility, with usage exemptions that should promote conservation and allow low-volume users to avoid the tax altogether. Consistent with past practice, in the adopted budget the County Board also approved higher fees for programs that traditionally are self-supporting, including solid waste collection and recycling, and water and sewer charges. Fees were also raised for: selected permit reviews (with those funds directed to the storm water program); parks and recreation programs (with those funds directed to parks capital improvements); and right of way permits and parking meters, (with those funds directed to support additional street paving).

Environmental Initiatives

A major environmental initiative to reduce County-wide carbon emissions, Arlington Initiative for Reducing Emissions (AIRE), is being implemented in FY 2008. The Board approved spending an additional \$1.5 million to help the County double its conservation efforts in County buildings, to implement a multi-year program of solar-powered projects, and to create an aggressive outreach effort to Arlington’s businesses and residents aimed at encouraging the reduction of greenhouse gas emissions and promoting energy conservation. It also approved an exemption on the first \$20,000 of value of clean emission vehicles from personal property tax to encourage the purchase of such vehicles, which lower greenhouse gas emissions. It approved funding to meet regulations pertaining to storm water management and Chesapeake Bay water quality standards, which will be financed by raising developer plan review fees to help pay for the additional staff.

Protecting the Most Vulnerable

In FY 2007, the community faced the impact of federal cutbacks in safety-net programs, including mental health, mental retardation, child and family services, and transitional housing, which threatened the most vulnerable members of the community – just when housing, health, and energy costs were sky-rocketing. Since Arlington will not turn its back on those in greatest need, in the adopted budget the Board acted with compassion and responsibility, voting to restore both funds and staff to critical human services programs affected by the loss of state and federal Local Public Assistance Cost Allocation Plan (LPACAP) funding. Included in the budget is funding for the new Walter Reed Adult Day Care program, and funding for the opening of the Arlington Assisted Living Residence -- one of the largest single ongoing commitments by the County to an affordable supportive housing program.

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 transfer amount is based on the revenue sharing agreement for allocating County taxes between the County and the Schools. For FY 2008, the Schools will receive 47.8% of the local tax revenues included in the formula. 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, less than 20% of School funding comes from sources other than local taxes. 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.

Competitive Compensation and Benefits

Arlington County has a well-earned reputation as an employer 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. However, the growth of neighboring communities, increasing competition from federal agencies, and pending retirements faced by all departments, have created an extremely competitive environment.. To maintain the standards Arlingtonians have come to expect, the Board approved a 1.5 percent market pay increase for County staff. In addition, the County provided increased funding for health care and retirement costs, including adding a \$3 million reserve for retiree health care, commonly referred to as Other Post Employment Benefits (OPEB). This reserve will be added to the \$5.0 million previously funded at the end of FY 2006.

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 \$16.6 million to fund capital projects. Included in the budget are \$2.8 million to fund curb and gutter improvements and street paving, \$3.9 million for parks and recreation facilities, \$2.6 million of government facilities maintenance, and \$1.1 million for our regional partners. This funding will help maintain current infrastructure and 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 Treasurer's Office pools substantially all cash and investments for County and School purposes (County funds) in pooled and separate cash and investment accounts. Separate accounts correspond with specific contractual and/or legal restrictions. Each Fund's equity share of the total pooled cash and investments is included on the accompanying balance sheet under the caption "Equity in Pooled Cash and Investments". The Treasurer conducts banking and investment activities as authorized by The Code of Virginia, Chapter 44 – Security for Public Deposits Act; Chapter 45 – Investment of Public Funds Act; Chapter 46– Local Government Investment Pool Act; and Chapter 47 – Government Non-Arbitrage Investment Act. The Code of Virginia delineates additional authority and obligations of the Treasurer in 58.1-3123 through 58.1-3172.1. In addition, the County Treasurer has a formal, written investment policy which further governs the types of allowable investments and procedures for investing the county's operating funds. The Investment Policy received a Certification of Excellence from the Association of Public Treasurers of the United States and Canada in August 2007. The County established a Finance Board pursuant to Code of Virginia Sections 58.1-3151 et. seq.

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

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

Investments in the Pension Trust Fund consist of investment instruments, domestic and international stocks and bonds, U.S. Treasury notes and bonds, and real estate and real estate notes which are held in the County's name by the Fund's Trustee who serves as the Pension System's agent. Temporary investment funds on deposit with financial institutions were fully insured by the Federal Deposit Insurance Corporation up to \$100,000 for each Retirement System participant. Investments are recorded at fair value based on quoted closing market prices except for real estate notes reported in the Pension Trust Fund. Investments in real estate notes in the Pension Trust Fund are stated at their remaining balance due, which approximates market. In accordance with its adopted investment policy, the Retirement System has invested in foreign currency forward contracts, which are valued at fair market value, as a risk management tool.

All interest earned on cash and investments pooled by the County is recorded in the County's General Fund as legally allowed, except for separate cash and investments accounts or funds legally entitled to interest earned.

Risk Management and Reserves

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

In addition, the County has designated a General Fund balance self-insurance reserve of \$3.5 million as of June 30, 2007. The County maintains a General Fund operating reserve that totaled \$17.8 million as of June 30, 2007. 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.

Pension 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, 2006. For the year ended June 30, 2007, the County's annual pension cost of \$24.8 million equaled 100% of the required contributions due.

Other Post-employment Benefits (OPEB)

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, 2007, 1,338, and 1,489 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.

For years starting in FY 2008, the Governmental Accounting Standards Board ("GASB") has issued Statement No. 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions ("GASB45"). GASB 45

requires all state and local governmental employers that provide postemployment benefits (other than pension benefits) to report the OPEB plan assets and liabilities (and where applicable the net assets and the changes in plan net assets), held in trust or as an agent for OPEB. It also calls for disclosure of information about the funded status and the funding process of the OPEB plan and about employer contributions to the plan. Currently the County and Schools combined spend in excess of \$16 million a year in pay-as-you-go funds to meet the health care claims of retired employees. In addition, the County and Schools combined have an \$11.75 million health care reserve. Plans for future funding have not yet been determined, but additional funds to add to the health care reserve are being considered as part of the closeout and budget processes.

In May 2007, the County estimated that its unfunded actuarial liability for OPEB totaled \$783 million, resulting in an annual required contribution of \$72.8 million (\$50.1 million County; \$22.7 million Schools). The County has already increased employee premiums and is working to make other long-term changes to existing health care plans, which it views as one facet of the compensation package. It has established a reserve fund and anticipates developing a sustainable financing plan within the next year. The County is continuing a three phase plan to address the OPEB issue.

- Phase One (2006): The County/Schools switched health care providers, completed an extensive compensation study, concluded initial assessments of actuarial liability, developed a collaboration process, and Arlington assisted with passage of State legislation allowing trust fund creation for OPEB.
- Phase Two (2007): The County/Schools adopted cost containment steps in the 2008 budget (health care premiums, greater contributions from employees, differential smoker/non-smoker rates, mail order service for drugs, co-insurance, disease management), created a health care reserve, and began employee and public education efforts with civic groups.
- Phase Three (2008): the County and Schools will review first reliable information on costs from new health care provider, will review proposals to make larger structural changes in benefit plans, will continue education, coordination, and annual actuarial assessments, and will complete consideration of steps necessary to meet our annually required contribution (ARC) and adjust contributions and benefits as necessary .

Annual Disclosure

As required by the U.S. Securities and Exchange Commission Rule 15c2-12, the County has agreed, for the benefit of the owners of County 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, Table I, Table J-1, Table D, Table D-1, Table D-2, Table C, Table E, Table H, Table F, Exhibits S-8, S-9, and G-2, Table S, Table V, Table J-2, Exhibit D-1, D-2, and D-3, and Table U. The Virginia Resources Authority requires certain additional financial information to be disclosed annually. The financial information which the County has agreed to provide annually includes "Certificate of No Default signed by the Finance Director", "Certificate of Consulting Engineer", "Evidence of Comprehensive General Liability Insurance". These are included in Table T, Table W, and Table P.

DEPARTMENTAL ACCOMPLISHMENTS IN FY 2007

Some of the unique contributions of the County's departments and offices in FY 2007 follow in alphabetical order:

COMMISSIONER OF REVENUE

Commissioner of Revenue (CoR), Ingrid H. Morroy, took office on January 1, 2004. The accomplishments listed below 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. Fiscal Year 2007 marked her third full fiscal year in office.

Customer Service

The re-engineering and improvement of internal processes including full-time telephone and counter teams, and automated business license and business tangible tax return processes continue to have immediate positive effects on faster response time, efficiency, accuracy, and assistance to taxpayers. Customers directly provided feedback to the Commissioner and her staff as a result of her open door policy. This includes the accessibility to a Customer Advocate. The personal property tax division action plan during the busiest time of the year, September-October, has provided for better, faster and more effective service to customers. In the 2006 tax season, these efforts resulted in an average wait time on the phones of 2.7 minutes (a 13% decrease from last year), and an average wait time at the counters of 7.6 minutes (an 8% decrease from the previous year). Customers successfully used the online access to the web site for vehicle registration, business tax forms, information on opening a new business in Arlington County, and public service announcements.

The DMV Select office, now operating in the CoR office, handled over 18,000 transactions of core services, approximately 34% more than FY 2006. This resulted in \$780,857 collected revenue for the State reflecting a 37% increase from the previous year. This one stop service has increased in popularity since it allows customers to 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. Vehicle dealership and fleet transactions also increased by 27% as a result of marketing efforts.

Taxpayer Outreach

CoR staff actively participated in the Annual Business Expo, in conjunction with Arlington Economic Development to provide bilingual information for prospective new business owners. CoR staff made bilingual presentations in the monthly "Opening a New Business Seminar" sponsored by Arlington Economic Development to inform customers about the rules, regulations, and licensing procedures specific to vendors in Arlington County. Bilingual informational brochures were printed 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 created 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. Improvements in the weekly DMV mailing process by utilizing latest data capturing and mailing software have resulted in cutting the processing time from 2-4 days to 10-20 minutes to complete. This means that our customers received their DMV letters faster and therefore had more time to complete any necessary actions, such as registration, account updates, etc.

The personal property enforcement program recorded significant results in its goal of registering all vehicles garaged in Arlington County. During FY 2007, the Enforcement team greatly improved its ability to locate previously unregistered vehicles when it began using its PlateFinder™, a high-tech camera which reads licenses plate numbers, compares them against those already on the County's database, and records data of those plates which are not currently registered. The result is a faster, more efficient way of ensuring that all vehicles having personal property tax liability to the County are properly registered and assessed. The Enforcement team reached out to apartment and condominium management 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. Police Department's Public Service Aides accompanied the Enforcement team on field visits and issued parking violations to unregistered vehicles. As a result of these activities during FY 2007, the Enforcement Program registered over 3,279 previously unregistered vehicles (a 7% increase over FY 2006), which accounted for more than approximately \$989,000 in additional personal property tax assessments (4% increase over previous year).

The Business Tax Division made significant gains as a result of using automation. For the second year in a row the Business Tax Division staff was able to complete assessments earlier. More money was assessed in the first six months of 2007 than it did all year in 2006. This dramatically increased our ability to provide better and quicker customer service, but it also gave the County the opportunity to receive the funds earlier. The increase in the accuracy of assessments, combined with the use of statistical methodology, was mostly responsible for the decrease in the gap between business tangible assessments and the collection rate from 35.25% in January 2004 to 4.19% by July 2007. This was also apparent in the declining number of adjustments and refunds issued annually. The Business Tax and Personal Property Tax Divisions implemented the use of Optical Character Recognition (OCR) technology to speed the automated, paperless process of filing returns, updating information in customer accounts, and overall increase in accuracy, productivity and efficiency.

COMMUNITY PLANNING HOUSING AND DEVELOPMENT

Committed Affordable Units

The total of Committed Affordable Units (CAFs) added in FY 2007 is 472 (444 new rental CAFs and 28 new owner CAFs). With expirations of commitments on 186 CAFs, the 444 new rental CAFs provide a net increase in the rental CAF supply of 258 units. The FY 2007 total rental CAF supply has risen to 5,757 units (up from 5,499 in FY 2006).

Buckingham Villages

On June 7, 2007, the County Board approved a comprehensive redevelopment plan for Buckingham Villages 1 and 3 that preserves the existing community. Village 3, as part of the Buckingham Historic District, provides 300 units of committed affordable housing, increases public open space, and adds two public streets. The plan calls for the construction of 506 new apartments, 406 at market rates and 100 at affordable rates, 68 new market rate townhouses and the historic preservation, as affordable, of 140 units; 60 of the affordable units located at the nearby Ballston Park at Historic Buckingham Village.

Affordable Housing Investment Funds (AHIF and AHIF Plus)

The County Board approved AHIF loans for the long-term preservation or development of new affordable housing of 4 apartment complexes (297 affordable units/\$10.8 million). The Shelton Apartments (94 units), Fisher House (33 units), The Views at Clarendon (70 units), and Buckingham Village 1 (100 units).

Community Development Programs

The Housing Division now administers the annual Community Services Block Grant (CSBG), of approximately \$300,000. In response to continuing reduction of Community Development and Community Services Block Grants (CDBG) funds, major changes were made in FY 2007 to the administration of the CDBG program. A Community Development Fund was established with CSBG funds and CDBG funds, and contracts were awarded for two-year periods. Services for youth, recent immigrants, ex-offenders, and seniors, as well as a nonprofit capacity-building fund, are supported by the Community Development Fund.

Homeownership

The following programs were used by first-time home buyers: Live Near Your Work – 44; Virginia Housing and Development Authority (VHDA) Sponsoring Partnerships and Revitalizing Communities (SPARC) program -30; VHDA Homestride-7; Moderate Income Purchase Assistance Program (MIPAP)-15. Other accomplishments for the year include: facilitation of the annual Homeownership Fair, planning and facilitation of the Workforce Housing Summit with Freddie Mac and the Arlington Chamber of Commerce, and a Summit on Predatory Lending.

Rent and Vacancy Survey

The 2007 Survey showed an average rent for all multi-family rental units in Arlington of \$1,576, a 6% increase (about \$100) over 2006, compared to a 3% increase for 2005. The vacancy rate increased to 2.9%, still reflecting a tight rental market.

Housing Services Outreach Program

Staff conducted systematic inspections in Buckingham, Columbia Heights West, Nauck and Pike Village Center, with 300 properties brought into compliance. Staff held the first Home Show and Expo, featuring more than 50 exhibitors and attended by more than 600 people. Staff conducted 10 home repair/maintenance workshops for 165 tenants. More than 50 tons of trash was collected in 2 clean up events.

ARLINGTON ECONOMIC DEVELOPMENT (AED)

Completion and opening of Signature Theater/Shirlington Library

Arlington County's first new from the ground up library in 30 years exhibits tech-forward and environmentally responsible thinking and design in every detail. It provides Arlington residents and visitors with the best possible experience, with careful attention to aesthetics and focuses on the latest technology. Signature Theatre provides state of the art black box performance, rehearsal and support spaces for the growing theatrical company. The LEEDS-certified 53,000 square foot (SF) four story structure includes a 15,000 SF storefront Library and 38,000 SF Theatre on three upper floors.

Completion and opening of the Kettler Capitals Iceplex

The Kettler Capitals Iceplex is a joint venture between the Washington Capitals and Arlington County and is the practice facility, training center and corporate headquarters for the Washington Capitals - Washington's NHL franchise. In addition, the facility serves as a community ice skating and recreation center offering a variety of learn-to-skate programs, open

skating and practice and tournament space for community skating programs including high school club teams, men's and women's figure skating and hockey programs for the disabled.

Completion of market study and needs assessment for a performing arts center

Arlington County, in partnership with consultants has completed a Needs Assessment & Business Plan for Arlington County Cultural Arts Facilities, and identified the following: 1) Arlington has a remarkably high percentage of young, single adults working in professional, technical and government jobs. Yet, according to both consumer analysis and anecdotes from arts groups, this is not currently an active audience segment. 2) Arlington County demographics – especially high education levels – indicate high levels of interest in cultural programs. The audience mapping and market analysis indicates there are significant untapped audiences. C) There are a number of facilities in Arlington County, each a busy and useful space. However, there are no high-quality, professional, stand-alone theaters of any capacity. Signature Theater's new building is the notable exception. D) There are dozens of arts groups, old and new, in Arlington. Many of these groups are served well by the existing facilities. However, a number of groups are ready to graduate to better facilities in order to grow artistically and financially, and to find new audiences. E) The report recommends the development of new facilities, whether at Courthouse Plaza or an alternate location, including a multi-purpose 500-seat theater and a smaller, high-tech black box space seating 150-200 for film, experimental work, theater, dance and some music.

Completion of site plans for the Penrose Square and Sienna Park projects on Columbia Pike

Penrose Square will be developed by Woodfield Investments of Chevy Chase, MD and become a 6 stories tall mixed use development containing 298 residential units, a 69,309 SF grocery store, 25,455 SF of additional ground floor retail, and a 17,761 SF public square. Siena Park, formerly the site for Safeway, includes a 188 unit rental apartment building; approximately 34,340 SF of retail and 14,650 SF of office spaces will be included on the ground floor and mezzanine.

Completion of site plan for the Courthouse Plaza Hotel

Arlington County and Arlington Hotel Associates LLC have entered into a ground lease to develop a hotel -- 20 years after the initial development at Courthouse Plaza. A Marriott Residence Inn will feature upgraded exterior materials and an elegant, urban interior design. The public areas will feature a cosmopolitan, upscale guest experience. Also in the proposed design, a new pedestrian entry plaza from Clarendon Boulevard will be provided, which will improve the access and visibility of the existing street level retail.

Awards

Virginia Economic Developers Association (VEDA) honored AED Director, Terry Holzheimer with their prestigious Cardinal Award at the 2007 Fall Conference. The award is given to an individual who has been an economic or industrial development professional whose activities and accomplishments in the field extend far beyond those necessary to satisfy the position(s) for which he or she has been compensated.

HUMAN RESOURCES DEPARTMENT

During the last several years, the attention of the HR Department had been on working with the Departments of Technology Services and Management and Finance to implement the new integrated human resources and financial system. While a great deal of time and resources continue to be devoted to developing ways to utilize the capabilities of the system to its fullest extent, in FY 2007 we completed a number of major projects worth noting.

Health Care Changes

Successfully moved more than 1150 retirees and 2350 active employees from a long-standing relationship with CareFirst to CIGNA after a major RFP process. The new plan promises improved network access, more wellness and disease management programs, and better reporting at a better value. Kaiser and Delta Dental were also selected as continuing health providers.

Compensation Studies/Personnel Rules

Contracted and managed a consultant study of Arlington's total compensation system including its compensation and benefit structures, the methodology for benchmarking jobs against the labor market, and Arlington's competitive position in the marketplace. The consultants reviewed County policies and procedures; interviewed key leaders; developed and

administered an online employee opinion survey; and conducted a series of employee focus groups. Contracted and managed a consultant study of Fire Department operational staffing and overtime costs, policies and practices. Completely revised Administrative Regulation 2.7, Arlington's personnel rules. This was the first comprehensive revision of the regulation since its initial implementation in 1954. The new regulation was the product of a two year effort involving employees, managers and the Civil Service Commission.

Local Motion

Rolled out this wellness incentive program in which employees joined teams and competed for prizes based on exercise and weight loss. Over 450 employees completed the 12 week program. Participants: traveled 180,059 miles; lost 1381 total inches from the chest, bicep, waist and hips; decreased blood pressure; increased good cholesterol (a result of increased exercise); lost 1821 pounds. Because of its great success, Local Motion 2 was launched this spring.

Arlington CAREs Program

Piloted this countywide customer service program in PRCR and the Libraries initially. The program includes training, standards development, and process re-engineering. Based on its success it has been expanded to the Human Resources Department and will be rolled out in other agencies in the next year.

Training and Organizational Development

The Learning Center - Opened the county's first dedicated classroom for training and learning opportunities. The room has overall space for 25 students and is outfitted with laptops and wireless internet to allow hands-on computer training – eliminating the need for employees to travel to D.C. to take computer classes. MS Office Master Certificate Program- Partnered with Northern Virginia Community College to create this program in which twenty-one employees successfully completed a semester long course in advanced MS Office skills to receive an MS Office Master Certificate and three semester hours of college credit. The coursework emphasizes Word and Excel but also includes classes in PowerPoint, Access and Outlook. College Fair- Hosted eighteen colleges and adult training centers during which over 520 employees took advantage of the opportunity to review class options and offerings at these institutions. Selected twenty-eight training and organizational development vendors to provide services to the County. Half of these are new vendors to the county expanding our resources and expertise to draw upon resulting in our ability to offer 40 new classes next year.

Technology Improvements

Implemented new risk management software (RiskMaster) which allows safety specialists throughout the county government to enter events and safety incidents and track them, even if they do not end up in a claim for damages. Data extracted from the system aids in analyzing safety issues and areas for improvement and training. After a full RFP process, selected a new claims management firm which handles all workers' compensation claims and any complex liability or property damage claims not handled by County staff. Implemented two of the self-service functions that allow departments to enter employee actions directly into PRISM, reducing duplicate data entry and eliminating paper forms. Human resource staff in all agencies received hands-on training to enter both Merit Awards and Terminations.

Other

Bring Your Child to Work Day -Created a structured and educational program for children in grades 3-12 with presentations on County government and public service by the Chairman of the County Board and the County Manager; employment/financial planning; career options by County employees; and tours of the Emergency Communications Center and the Public Access TV station. LPACAP Reduction-in-Force- Administered a reduction-in-force (RIF) affecting 37 employees of the Department of Human Services and Department of Community Planning, Housing and Development. The RIF was necessitated by reductions in federal funding for the Local Public Assistance Cost Allocation Plan (LPACAP) and Community Development Block Grant (CDBG) programs.

HUMAN SERVICES

In FY 2007, the Department of Human Services (DHS) continued to provide a wide range of services to maintain a healthy, stable and safe community.

Permanent Supportive Housing

DHS continues to expand the number of supportive housing units for persons with serious mental illness, mental retardation, substance abuse disorders and/or physical disabilities. This innovative program links permanent affordable housing with flexible community-based support services. At the end of FY 2007, there were 54 individuals in permanent supportive housing apartments. The success rate in maintaining independent housing is over 90 percent. During the year, DHS entered into new agreements with four community landlords to add 31 apartments to its inventory of supportive

housing units. Units are filled as they become available. As of July 2007, the program has resulted in 88 existing units and 94 committed units (182 total), out of a planned total of 375-425 new supportive housing units.

Arlington Assisted Living Residence

In FY 2007, Arlington County received a state award of \$1.7 million to match a \$4.8 million US Department of Housing and Urban Development (HUD) grant, one of 12 highly competitive HUD conversion grants and a first for Virginia. Redevelopment of the property conveyed to Volunteers of America will result in 52-unit assisted living facility specially designed for older residents with serious mental illness, mental retardation and/or physical disabilities. The Arlington Assisted Living Residence represents one of the County's largest, single on-going commitments to an affordable housing program. Construction work is expected to begin in 2008.

Forensic Intensive Case Management/Jail Diversion Program

DHS' Behavioral Healthcare Division developed a specialized program targeting seriously mentally ill and dually diagnosed adults who are frequently involved in the criminal justice system. Through a FY 2007 grant from the Virginia State Transformation Initiative, the Arlington Community Service Board (CSB) received \$70,000 to fund a jail diversion/forensic case manager. With an additional \$75,000 grant targeted specifically for jail diversion from the Virginia General Assembly, the CSB hired a Jail Diversion Coordinator. By the end of FY 2007, forty forensic clients were being served by the Forensic Intensive Case Management/Jail Diversion Team. The goal of the Forensic team is to divert, coordinate and clinically manage the needs of mentally ill individuals who involved with the criminal justice system. Intensive case management services include crisis intervention, risk assessment, substance abuse assessments, psychiatric evaluations, crisis care admissions, as well as linkages to a variety of human services offered by DHS.

Regional Geriatric Mental Health Project

In FY 2007, the Virginia General Assembly approved \$1,050,000 in ongoing funds for geriatric mental health support to the Northern Virginia region. Earmarked for FY 2008, these funds are the culmination of a multi-jurisdictional effort to provide specialized geriatric mental health services to divert and discharge adults from the Hancock Geriatric Center at Eastern State Hospital in Williamsburg and the Piedmont Geriatric Psychiatric Hospital in Burkeville. Arlington County led this effort and is responsible for the hiring and supervision of six new positions that will deliver services and manage the program on behalf of the Northern Virginia region. The program will keep Northern Virginia's older adults with mental illness in Northern Virginia, providing a less restrictive and less costly alternative to in-patient hospitalization in distant locales.

Medicare Part D Implementation

Changes in Medicare during FY 2007 caused many seniors to forgo needed medications and/or spend out-of-pocket for medications that could have been covered by Medicare. Aging and Disability Services aggressively reached out to Arlington seniors to help them navigate the changes and determine which of the 53 Medicare Part D plans available in Virginia best meet their needs. During the open enrollment season from Nov 15 – Dec 31, staff counseled over 700 Arlington Medicare recipients. DHS' Medicare experts gave informative presentations at Senior Centers and Senior Residences. Aging staff continue to proactively assist individuals eligible for the low income subsidy; individuals who do not qualify are linked with pharmaceutical-sponsored patient assistance programs.

Implementation Plan for Elder Ready Task Force Recommendations

In order to ensure that Arlington is prepared to serve as home to the growing number of older persons, the Arlington County Board appointed the Elder Readiness Task Force in February 2006. The charge of the Task Force was to undertake an assessment and prepare a blueprint for an inclusive and livable community that will be ready to meet the needs of seniors in the coming 25 years. Based on their recommendations, staff has created a forward-thinking Elder Readiness Implementation Plan which includes short-term, medium-term, and long term strategies to enable Arlington residents to age in place. The Commission on Aging will take the lead in monitoring the progress of the Implementation Plan.

New Services to Children and Families

Arlington successfully launched two collaborative efforts to improve the overall functioning of victimized children and to end the cycle of family abuse. To address the lack of treatment provided to children identified through Child Protective Services (CPS), Arlington received a Victims of Crimes Act award in the amount of \$53,520. Using these funds, Arlington initiated an inter-jurisdictional treatment response, to include Alexandria and Fairfax County. A total of seven groups of 10 children each received treatment for eight weeks, bypassing burdensome jurisdictional requirements for CPS services. Additionally, 50 social workers and volunteers from the three jurisdictions participated in training as group co-facilitators. The therapist and co-leaders helped children to recognize and address their feelings. Coping techniques were taught to the

children. Many of the groups concluded with the parents participating in the final session to learn the new skills their children had acquired.

Arlington also received a \$77,500 state grant to launch an innovative independent living skills project for older youth in foster care. This all-day April 3, 2007 event, "Real World NOVA," enabled youth to gain the skills necessary for gainful employment and self-sufficiency. Youth participated in experiential workshops in collaboration with private and business community partners. A total of 105 youth from the Northern Virginia region completed the day's training. Youth applied for apartments, jobs, completed exercises in balancing personal budgets, explored child care options, and dealt with the police regarding traffic violations. Arlington received effusive praise from participating youth, public agencies, volunteers, and private companies who participated in the event. The grant award was increased for 2008 and the local jurisdictions are collaborating once again to plan an even larger Real World NOVA event with the support of Freddie Mac.

Transition-aged Youth Services

DHS continued the development of specialized mental health and supportive services targeting seriously mentally ill people aged 18-24 who often have difficulty transitioning to the adult service system. By the end of FY 2007, sixty-eight young people were being served by the Behavioral Healthcare Division's (BHD) mental health services. During FY 2007, the BHD was awarded a two-year Affordable Housing Investment Fund grant and, through Pathways Homes, contracted for a support service worker who makes home visits and assists with medication management and daily living activities. BHD also contracted a youth employment specialist to provide job development, training and onsite support; a peer specialist to support young people in a cluster of apartments arranged through the DHS Permanent Supported Housing Program; and set aside funds for urgent support needs such as rental assistance, food, and prescription medication.

Destination 2017: Envisioning Public Health for the Future

As part of a larger Virginia Department of Health project, Arlington is one of the first communities in Virginia to embark on an 18-month long strategic approach entitled Destination 2017: Envisioning Public Health for the Future. Childhood obesity, Pandemic Influenza, teen pregnancy, an aging population, access to health care and limited resources are just a few of the public health issues that all communities face. Using the Mobilizing For Action Through Planning and Partnerships model, DHS is engaging the broader community to examine these issues. The process is well underway as of the end of FY 2007, with an internal assessment completed, a 60 member Steering Committee of community stakeholders organized, and a series of community forums begun.

Arlington Employment Center

Teen Summer Expo: Northern Virginia's Largest Job Fair for Summer Jobs- The Arlington Employment Center held its eleventh annual Teen Summer Expo on April 28th. The Expo is Northern Virginia's largest job fair for teens seeking summer employment. This year's event featured over 52 regional employers and was attended by over 700 job seekers from all over the Washington, DC metro area. In addition to the employers in attendance, approximately 2,000 additional employment opportunities were posted. This year's highly successful Expo was featured in a New York Times article on summer employment. The Arlington Employment Center is operated under the purview of the Alexandria/Arlington Workforce Investment Board. Community-based Computer Training Program - In FY 2007, the Arlington Employment Center assumed management and operational responsibility of the Computer Training Program formerly operated by the Arlington Community Action Program (ACAP). This highly regarded program was at risk of closing its doors after ACAP folded. The program has since been able to improve and expand services. As of July 1, the program graduated 110 low-income Arlington residents with highly marketable skills to include office computer skills and coursework leading to certification in A+ computer repair. A full 82 percent of program participants were recent legal immigrants the United States seeking job skills; 86 graduates are now employed as a result of the training received.

Awards

On May 8, 2007, the Arlington County's Senior Adult Mental Health Program was selected as the Commonwealth Council on Aging's Best Practices Award winner in the Healthy Aging category. The primary goal of the Senior Adult Mental Health Program is to promote or enhance independent living of persons 65 years of age and older through the stabilization of their mental illness or emotional disturbance. The program uses a multi-disciplinary approach to psychiatric treatment and includes comprehensive assessments, medication services, psychotherapy, case coordination, outreach, and consultation in English and Spanish. Home-based services are available, making it possible for elderly shut-ins to receive mental health treatment. This especially vulnerable population could otherwise decompensate without treatment.

MANAGEMENT AND FINANCE

In FY 2007, the Department of Management and Finance (DMF) successfully sold nearly \$ 117.4 million of General Obligation Bonds at a true interest cost of 4.17 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 22 counties in the United States to carry a triple-AAA/AAA/Aaa bond rating.

DMF assessed all real estate according to Virginia Constitution and Statutes, producing assessments that were representative of fair market value, met industry standards of excellence, and had COD's at or below .10 for residential property. It completed 569 reviews of assessments and 274 Board of Equalization appeals of assessments. In the area of technology, it continued with the implementation of the County's pilot project for document imaging and retrieval, employed imaging technologies for the development of assessment review processing and workflow automation, and began a survey of contemporary Computer Assisted Assessment System applications and technologies for a planned review and evaluation of the Department's existing systems and technologies in FY 2008.

It continued to update the Purchasing Resolution and Purchasing Manual and to significantly revise 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 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, 2006.

The GFOA presented the Award for Distinguished Budget Presentation to Arlington County, Virginia for its FY 2007 budget. This award is the highest form of recognition in governmental budgeting.

Thomas Rice, Director of Real Estate Assessments was elected President Elect of the Virginia Association of Assessing Officers (VAAO) after completing a term as 1st Vice President, serving as an instructor, and serving as Co-chair of the VAAO Legislative Committee. He also completed all continuing education requirements for recertification as a Certified Assessment Evaluator, the professional designation of the International Association of Assessing Officers (IAAO) and recertified as a Senior Instructor of the IAAO.

PARKS, RECREATION, AND CULTURAL RESOURCES

The Department of Parks, Recreation and Cultural Resources promotes wellness and vitality through dynamic programs and attractive public spaces. Our vision is for Arlington is to be a happy and healthy place to live, learn, work and play.

Ensure the availability and success of excellent programs, services and facilities.

PRCR integrated its Sports and Recreation Divisions and reorganized this new division to better serve our community and better use staff talents. A measurable PRCR outcome is the Multicultural Programming Report, which sets benchmarks and strategies to further County services to our diverse community. Program excellence is also an outcome for PRCR. What's Up Arlington!, a biweekly e-newsletter for young adults, now reaches more than 3,600 subscribers, with an open rate exceeding 70%; this compares to an industry average of only 30%. In the free Curome Cox Football Clinic in August, more than 300 youth were treated to skill development sessions with local coaches and 12 current NFL players. Following the clinic, the players spoke to the youth about the importance of education, goal setting, and hard work and then treated the kids to pizza and signed autographs. A new playground at Walter Reed was dedicated in November. The first two phases of Greenbrier Park opened in January and February and the park was dedicated in September. Construction on the Fairlington Community Center is currently underway. In April the first phase of Tyrol Hill park renovation was completed. Tyrol Hills Park Phase III will be under construction in the fall. A new exchange agreement was signed between the

County and Monument for exchange of property at the North Tract. The first phase of the outdoor components has reached the design development phase.

Ensure participation and access to programs and facilities.

Accessibility through good transportation, communication and good health support PRCR's goals. The department implemented the ADA Compliance Action plan. Public transportation options to PRCR services, in English and Spanish, were a targeted message to area seniors and teens. Staff regularly addresses Arlington civic federations to share and gather information to expand program success. The County's award-winning Summer Camp Catalog ensured that the County's summer camps were filled to capacity. To help our community's seniors, flu shots were administered at eight senior centers this fall to facilitate participation in County programs. A series of community-wide dialogues also helped the department develop a plan for FitArlington to maximize existing opportunities to encourage physical activity in Arlington and to educate and motivate people to be fit.

Advancing Arlington as an attractive and environmentally sustainable community.

The department planted more than 1,300 trees and gave away an additional 1,100 during Neighborhood Day this year and published Champion Tree and Notable Tree publications developing greater outreach for the programs. PRCR coordinated the annual stream clean-up on March 10 along Four Mile Run and more than 205 volunteers from school age up to seniors participated, with more than 3,089 pounds of trash picked up. PRCR supports the County's Fresh AIRE initiative by managing and preserving park areas, maintaining and building bike trails, deconstructing and recycling buildings and promoting recycling in offices and centers.

Enhance awareness and understanding of Arlington's cultural resources.

PRCR has developed an array of programs, with Planet Arlington, an Arlington County program designed to explore issues of immigration, globalization and the environment through the lens of the arts and humanities, our most significant avenue to promote the Arlington identity and enhance the community. Other examples of the County's arts programming include the new Bike Oasis in Rosslyn and the 16th Rosslyn Jazz Festival at Gateway Park broadcast live by radio partner WPFW 89.3 FM. Another PRCR goal is to leverage resources through partnerships. Through a grant from the Arlington Community Foundation, a string trio from the Virginia Chamber Music Ensemble held performances for community seniors. The Department also utilizes volunteers effectively. The Arlington Mill senior program enjoys a partnership with Carlin Springs Elementary enabling seniors to volunteer as escorts and chaperones on field trips. In fact, a number of the department's volunteers earned awards for their service including some from Gulf Branch Nature Center, Lubber Run Center, and Senior Adult Travel Leader Volunteers.

Awards

PRCR's T.E.A.M - Teen Entrepreneur Amusement Management program (that empowers teens to develop good business practices) was named Virginia Recreation and Park Society's 2006 Best New Program.

PRCR was selected as a 2007 *Tennis in the Parks Community* by the National Recreation and Parks Association, which will be a catalyst to further develop tennis and the County's tennis programs.

Jennifer Abel and the Extension Service team received a state award in January for excellence for the Money Talk program.

Angela Adams was selected as an Employee Recycler of the Year in the category of Reduce/Reuse.

POLICE DEPARTMENT

During FY 2007, the Police Department continued to enhance our general readiness and inherent capacity to respond to emergencies, and to maximize the use of existing staff resources to meet increasing demands for police presence at potential terrorist targets and traditional emergency responses, as well as for crime prevention, traffic enforcement, community oriented problem solving and effective case management and investigation.

The crime rate — the number of index crimes per 100,000 people — dropped from 2,447 in 2005 to 2,212 in 2006, marking the fifth straight year it has decreased. In fact, the current crime rate is Arlington's lowest since 1960. In 2006, the total number of index crimes was 8.7% lower than in 2005. Vehicle thefts, which fell by 14.8% in 2006, have experienced a remarkable 71.8% decrease over the last decade. Other crime categories which have dropped precipitously over the past 10 years are burglaries (54.6%), larcenies (52.7%), and robberies (46.0%).

Computer Forensics and Investigative Advancements

Arlington's Most Wanted Webpage was established in 2007. Following a News Channel 4 segment announcing the website, one of our initial featured wanted subjects immediately turned himself in after viewing himself on TV.

The Operations Division increased the number of explosive detection canines with the graduation of two K-9 Teams in April. These teams are part of a new program where handling a K-9 dog is a secondary assignment for officers and will improve the availability of explosive detection canines in elevated threat situations, and reduce our dependence on other agencies. These dogs, which are both rescued Labradors, were both certified by the United States Police Canine Association as explosive detection canines. Due to Arlington's proximity to our Nation's Capital, a Police investigator is also assigned to the FBI's Joint Terrorism Task Force. By participating in this task force, the department is able to keep abreast of suspected terrorists and terrorists' threats, and share intelligence with our local Homeland Security teams to enable better prevention and planning against known targets of interest.

The Police Department's Criminal Investigations Section (CIS) has expanded its use of student interns from the George Washington University graduate program in Forensic Science to assist the Cold Case Squad in re-opening unsolved homicides. This opportunity has been broadened to include students from Marymount University, Argosy University and other universities nationwide. Arlington's program was modeled after a similar program used by the Naval Criminal Investigative Service, and has been tailored to meet Arlington's needs. A second category of internship titled, "Investigative Assistant" has been incorporated in the CIS. Once selected, the interns provide direct assistance to detectives in all investigative units in the CIS. Following orientation and extensive training, they interview victims and witnesses in a variety of cases such as assaults, threats, and missing persons, and document these statements which then become part of the official case file. The interns have become important contributors and components of the investigative process, working leads towards identifying suspects. In turn, they gain valuable real world experience as they embark on careers in law enforcement.

The Vice/Narcotics Section participates in federally funded Task Forces (High Intensity Drug Task Force-HIDTA) to investigate crimes which are multi-jurisdictional in nature, while at the same time having a high impact on deterring and eliminating the criminal element from operating within the borders of Arlington County. An added incentive to continued participation in HIDTA is the ability to investigate criminal activity using assets seized from the very criminals who are being investigated. In 2006, the Vice/Narcotics Section implemented a new Case Management System to assist with the collection, analysis and dissemination of drug intelligence information for Vice/Narcotics cases. This system – "Case Explorer" was provided at no charge to law enforcement agencies by the Washington/Baltimore HIDTA Intelligence Unit. To date, over three years of Vice/Narcotics cases have been entered into this data system.

Community Policing & Outreach Initiatives

The department's Fourth District React Team, in conjunction with the newly formed Crystal City Business Improvement District (B.I.D), worked to promote economic development and community awareness of the redesigned 23rd Street/Crystal Drive corridor. Police personnel were instrumental in the planning and operation of several street level special events in the B.I.D. designed to highlight community improvements. The React Team also organized a network consisting of representatives of the defense community and private business entities. The group and various sub-groups established monthly meetings to share information regarding crime prevention, quality of life and homeland security issues.

In January 2007, twenty two Arlington residents graduated from the 16th Session of the Citizen's Police Academy. This program, which began in 1998, was launched to promote a better understanding and cooperation between law enforcement 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. In June 2007, the 17th Session of the Citizens Police Academy began with 16 Hispanic residents participating in a translated version of the academy curriculum.

In 2007, members of the Vice/Narcotics Section gathered information to conduct safety and awareness training on the epidemic of Methamphetamine sweeping across the Country. This training was geared toward First Responders and County employees who may come in contact with clandestine laboratories. These detectives put together a presentation and taught this course to the department's Operations Division personnel as well as to County Code Enforcement Officers of the Department of Community Planning, Housing, and Development. In July 2006, a Methamphetamine Awareness letter was sent to all business in the County who sold ephedrine and pseudo ephedrine products. This letter reminded the businesses of the new methamphetamine precursors law that went into effect on July 1, 2006, which states that no business may sell more than 3.6 grams of either ephedrine or pseudo ephedrine products to an individual in a retail sale. Attached to

this letter was a copy of the law and the procedures that the businesses needed to follow for the proper sale and distribution of these products.

Major Investigations / Enforcement Programs

In September 2006, a marriage and immigration fraud case came to a successful conclusion with the arrest of nineteen of twenty-two suspects who had participated in arranged marriages between U.S. citizens and illegal aliens seeking immigration benefits. Three defendants arranged the illegal marriages, ten defendants were aliens who entered into the "sham" marriages, and three were U.S. citizens who married aliens and signed false documents to assist the alien in obtaining immigration benefits through fraud. During the course of this investigation, a Vice/Narcotics detective uncovered evidence of a conspiracy and then worked with a task force composed of numerous federal and local law enforcement agencies. The task force received important assistance from several other agencies including the Fraud Detection and National Security Unit within DHS-CIS and the Federal Bureau of Investigation. The case is being prosecuted federally.

The Police Department, in partnership with the Washington Regional Alcohol Program (WRAP), conducted saturation DUI patrols during FY07. These efforts resulted in the arrest of 641 people for DUI, a 10% increase over FY06. In addition, Arlington County experienced a 20% reduction in alcohol related accidents.

The observations and instincts of an off-duty detective led to the arrest of an individual believed to be responsible for multiple identity thefts, and the confiscation of equipment used to create false identifications. This case, being investigated by a team of detectives from the Financial Crimes Unit, is also under review by the US Postal Inspector's Office to link their cases to a series of mailbox tampering incidents, thefts of credit cards/PINS and checks over a two year period involving five different buildings in the Crystal City area. The victim count is 25-30 and the dollar value of known identity thefts total \$250,000 - \$300,000. Thirteen indictments involving just two of these victims will be presented to the Grand Jury. More charges are pending.

Awards

The Auto Theft Squad was recognized by the Virginia State Police and the Help Eliminate Auto Theft (HEAT) Program with two awards. The first award was for HEATWAVE 2006 and the Unit was awarded First Place in Division VII. The award is given to the Police Department that shows the greatest decline in auto thefts, and the most creative auto theft related initiatives that help reduce auto theft in their jurisdiction. This is the fourth consecutive year that the Police Department's Auto Theft Squad has been recognized with the First Place trophy for this event. In addition, Detective Chris Dengeles was awarded the 2006 VIN Etching Award for the most VIN Etchings completed in a single jurisdiction for calendar year 2006. Both awards were presented by the Virginia State Police at the Annual Conference of the Virginia Police Chiefs.

Arlington officers were the recipients of WRAP's 9th annual Law Enforcement Awards of Excellence for Impaired Driving Prevention. These officers were honored for their work in preventing impaired driving and underage drinking in the greater Washington area.

ARLINGTON PUBLIC SCHOOLS (APS)

The Arlington School Board believes that the continuation of our democracy is dependent upon an educated and informed citizenry. The Board also believes that the schools should maximize the strengths and potential of all students so they may become self-confident, well-rounded, responsible and productive citizens. APS educates one of the nation's most diverse and sophisticated student populations - its 18,451 students come from over 127 countries and speak more than 105 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 APS 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 APS 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 2007 Scholastic Achievement Tests (SATs) released by the College Board show the average combined scores of the APS class of 2007 topped the state and the nation. Arlington students earned an average combined score of 1623, surpassing the state average combined score by 103 points and the national average combined score by 112 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. Revised 2007 SAT results also showed an all-time high in SAT participation. The overall participation rate rose from 72 percent in 2006 to 79 percent in 2007. The National Merit Scholarship Program has recognized 23 Arlington students as semifinalists in the 53rd 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 high school graduation rate is 93 percent. Last year, 88 percent of graduates went on to post secondary education. APS 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

For the fourth consecutive year, all four APS' high schools are ranked in the top one percent of high schools in the nation according to this year's ranking published in the May 21 issue of Newsweek magazine. In addition H-B Woodlawn Secondary Program, Yorktown and Washington-Lee High Schools have made the "100 Top High Schools in America" list.

Arlington Public Schools was presented with the Congressional Victory Against Hunger Award in January for its work to promote healthier lifestyles for APS students, families and the community. U.S. Congressman Jim Moran (D-Va.) presented the award to APS representatives at Arlington's second annual Keeping Students Healthy Forum.

Six APS 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.

Two Arlington Outdoor Education Association (AOEA) members were named by WETA TV 26 as 2007 "Hometown Heroes". WETA selected Anita Scott, whose mother founded the AOE, and Mike Nardolilli, president of the board and president of the Northern Virginia Conservation Trust, for their dedication to providing environmental education to APS students.

TREASURER'S OFFICE

The Arlington County Treasurer's Office has been responsible for lowering the tax delinquency rate from an all-time high of 9.04 percent in FY 1982 to 1.14 percent in FY 2006. This was further improved to 0.92 percent in FY 2007 - the lowest tax delinquency rate in the history of Arlington, and the lowest in the Commonwealth of Virginia.

The Treasurer's Bill Payment Notification Service was created to help ensure that citizens avoid late payment penalties by sending participants email alerts whenever a debt is incurred. In FY 2007, a second component of the service introduced the use of a service to place a reminder telephone call, two days before a real estate deadline, to households with unpaid accounts. Of the households that could not be reached, 21 percent became delinquent. Of the households that were reached, only 9 percent became delinquent. It is estimated that about 500 households were spared the late payment penalty, averaging approximately \$236 or about \$118,000 totally.

In what has become a popular program, students from Arlington County high schools participated in the third annual design competition to choose the art work for the 2007-2008 vehicle decal. Nearly 2,500 citizen votes were cast, and the winner, "The Air Force Memorial" by Danielle Day, was announced at a ceremony during the January 30, 2007 County Board meeting.

Awards

The Treasurer's Office Investment Policy, the first written local government investment policy in Virginia history, was revised and recertified in FY 2007, and awarded a Certificate of Excellence by the Association of Public Treasurers.

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, 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, 2006. 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 2007 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 21 fiscal years.

The GFOA presented the Award for Distinguished Budget Presentation to Arlington County, Virginia for its FY 2007 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 21 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, 2006

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



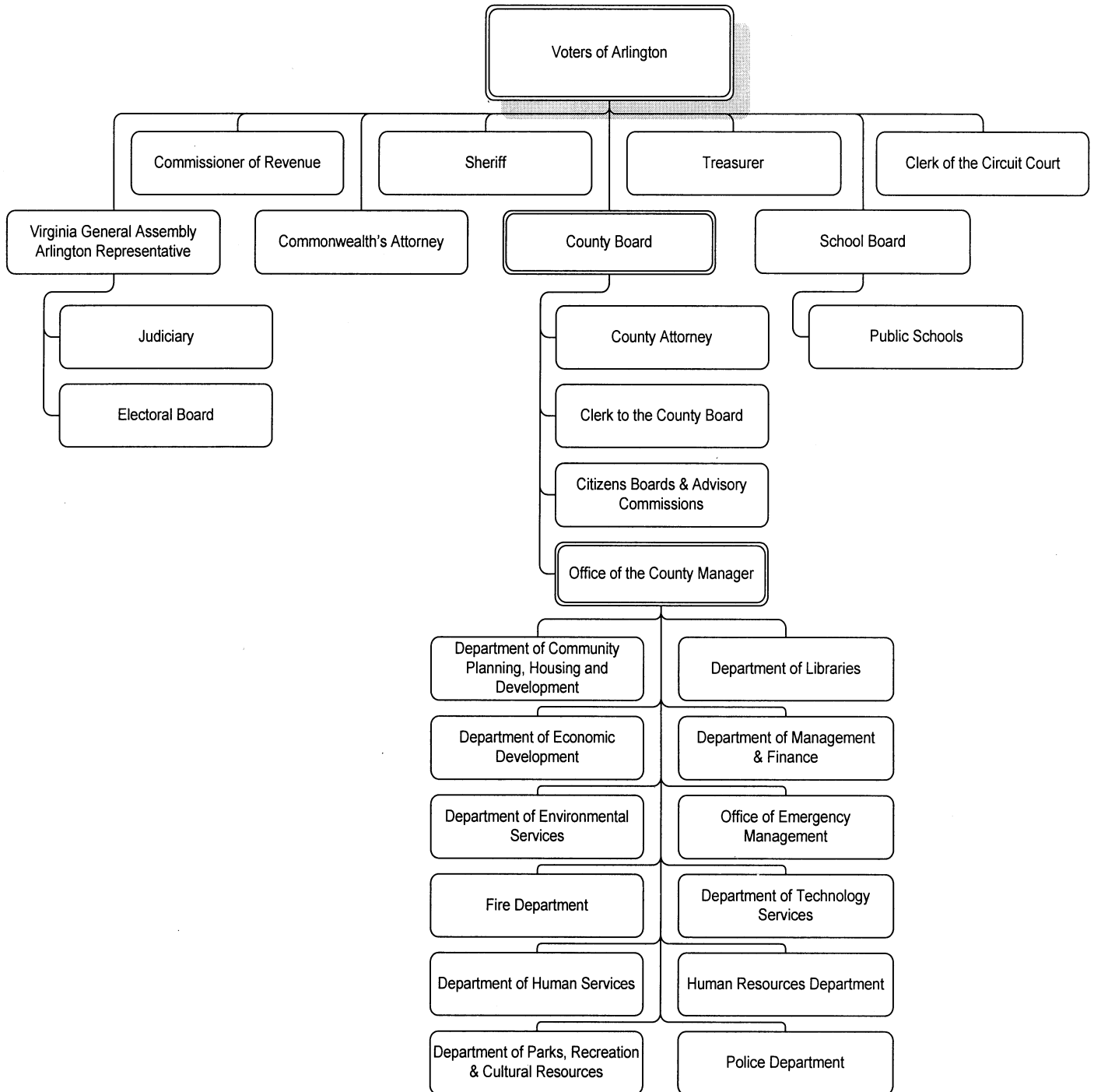
A handwritten signature in black ink, appearing to read "Romeo Plante".

President

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

Executive Director

ORGANIZATION OF ARLINGTON COUNTY GOVERNMENT



ARLINGTON COUNTY, VIRGINIA

DIRECTORY OF OFFICIALS

June 30, 2007

COUNTY BOARD

Paul Ferguson, Chairman

J. Walter Tejada, Vice Chairman

Barbara A. Favola

Jay Fisette

Christopher Zimmerman

COUNTY SCHOOL BOARD

David M. Foster, Chair

Ed Fendley, Vice Chair

Sally M. Baird

Libby Garvey

Frank K. Wilson

FINANCE BOARD

Paul Ferguson, Chairman

Francis X. O'Leary

Daniel Fiore

Richard E. Trodden

JUDICIAL

Circuit Court Judges:

Williams T. Newman Jr.

James Almand

Benjanin N.A. Kendrick

Joanne F. Alper

General District Court Judges:

Karen A. Heneberg

Richard McCue

Dorothy H. Clarke

Thomas J. Kelley, Jr.

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
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
Stephen MacIsaac
Toni Copeland
Susan Bell
Dinesh Tiwari
James H. Schwartz
Susanne Eisner
Diane Kresh
Mark J. Schwartz
Marcy Foster
M. 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 & Management
Assistant Superintendent, Information Services
Assistant Superintendent, Instruction
Assistant Superintendent, Student Services
Assistant Superintendent, Administrative Services
Director, Schools & Community Relations
Assistant Superintendent Operations and Facilities

Robert G. Smith
Maria Voultsides
Jean Ann Allhoff /Karen Allen
Betty Hobbs
Mary Beth Chambers
Walter McKenzie
Mark Johnston
Alvin Crawley
Marjorie 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, 2007, 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 and Courthouse Crossing Partnerships, discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for those discretely presented component units, 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, 2007, 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 31, 2007 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, other supplementary information, as listed in the table of contents, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying other supplementary information has 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 section 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 31, 2007



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, Gates Partnership and Courthouse Crossing for the fiscal year ended June 30, 2007. 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 both Gates Partnership and Courthouse Crossing for which the County can impose will and fiscal dependency. Financial information for these "component units" 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 future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements can found in Exhibits 1 and, Exhibit 2, 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 18 individual governmental funds which are presented as 14 individual funds in the fund statements; the Schools maintain 8 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and general capital projects fund, which are considered to be major funds. Data from the 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 3, Exhibit 3(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, including the Eighth-Level Ballston Public Parking Garage 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 operations and public parking garage operations, including the Eighth-Level Ballston Public Parking Garage and the Trade Center, George Mason University, Enterprise Resource Planning and Emergency Communications Projects. The water and sewer operations and 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:

Table A-1
Condensed Net Assets
June 30, 2007
With Comparative Totals for June 30, 2006
(in millions of dollars)

	Primary Government						Component Units							
	Governmental Activities		Business-type Activities		Total		Schools		Gates Partnership		Courthouse Crossing		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Current and other assets	\$629.9	\$590.4	\$160.2	\$97.6	\$790.1	\$688.0	\$90.7	\$101.3	\$18.0	\$0.4	\$2.3	\$0.1	\$901.1	\$789.8
Capital assets	431.2	409.6	511.5	432.5	942.7	842.0	320.6	286.8	77.8	88.5	24.4	-	1,365.5	1,217.3
Total assets	1,061.1	999.9	671.7	530.1	1,732.8	1,530.0	411.3	388.1	95.8	89.0	26.7	-	2,266.6	2,007.1
Long-term debt outstanding	639.7	634.2	254.5	161.8	894.2	796.0	34.4	33.0	66.5	61.5	23.1	-	1,018.2	890.6
Other liabilities	134.5	129.8	15.2	14.1	149.7	144.0	49.1	37.7	3.7	1.1	0.4	-	202.9	182.7
Total liabilities	774.2	764.1	269.7	175.9	1,043.9	940.0	83.5	70.7	70.2	62.6	23.5	-	1,221.1	1,073.2
Net assets:														
Invested in capital assets														
net of related debt	76.7	58.8	276.5	285.5	353.2	344.3	313.0	280.6	19.4	(5.6)	1.3	-	686.9	619.3
Restricted	151.6	146.3	10.2	22.5	161.8	168.8	21.2	6.0	-	-	-	-	183.0	174.7
Unrestricted	58.5	27.3	115.3	46.2	173.8	73.5	(6.4)	30.8	6.2	32.0	1.9	-	175.5	136.3
Total net assets	<u>\$286.9</u>	<u>\$235.9</u>	<u>\$402.0</u>	<u>\$354.2</u>	<u>\$688.9</u>	<u>\$590.1</u>	<u>\$327.8</u>	<u>\$317.4</u>	<u>\$25.6</u>	<u>\$26.4</u>	<u>\$3.2</u>	<u>\$-</u>	<u>\$1,045.5</u>	<u>\$933.8</u>

Note: Totals may not add due to rounding.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the governmental activities, assets exceeded liabilities by \$286.9 and in the case of the business-type activities, assets exceeded liabilities by \$402.0 for a primary government total of \$688.9 at the close of the most recent fiscal year. In the case of the Schools, assets exceeded liabilities by \$327.8, in the case of the Gates Partnership, assets exceeded liabilities by \$25.6 and in the case of Courthouse Crossing, assets exceeded liabilities by \$3.2 at the close of the most recent fiscal year.

By far the largest portion of the primary government's, Schools', Gates Partnership's and Courthouse Crossings' net assets (65.7%) reflects the investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The primary government and Schools use these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the primary government's, and Schools' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the primary government's and Schools' net assets, (17.5%) 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, 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 2007 and FY 2006:

Table A-2
Changes in Net Assets
June 30, 2007
With Comparative Totals for June 30, 2006
(in millions of dollars)

	Primary Government						Component Units							
	Governmental Activities		Business-type Activities		Total		Schools		Gates Partnership		Courthouse Crossing		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Revenues														
Program revenue														
Charges for services	\$62.3	\$62.5	\$80.6	\$68.6	\$142.9	\$131.1	\$12.9	\$13.5	\$3.0	\$1.6	\$1.0	\$0.2	\$159.8	\$146.4
Operating grants and contributions	118.1	110.7	-	-	118.1	110.7	365.3	332.1	-	-	-	-	483.4	442.8
Capital grants and contributions	1.8	1.8	21.2	1.2	23.0	3.0	-	-	-	-	-	-	23.0	3.0
General revenue														
Property taxes	541.7	494.0	-	-	541.7	494.0	-	-	-	-	-	-	541.7	494.0
Other local taxes	169.5	161.9	-	-	169.5	161.9	18.2	16.5	-	-	-	-	187.7	178.3
Investment and interest earnings	16.9	11.8	3.6	4.6	20.5	16.4	2.2	1.6	0.8	0.7	-	-	23.5	18.6
Miscellaneous	33.5	27.7	-	-	33.5	27.7	-	-	-	-	-	-	33.5	27.7
Total revenues	943.8	870.3	105.3	74.4	1,049.1	944.7	398.6	363.7	3.8	2.3	1.0	0.2	1,452.5	1,310.9
Expenditures														
General government	170.0	144.4	-	-	170.0	144.4	-	-	-	-	-	-	170.0	144.4
Public safety	105.3	94.2	-	-	105.3	94.2	-	-	-	-	-	-	105.3	94.2
Environmental services	69.9	66.7	-	-	69.9	66.7	-	-	-	-	-	-	69.9	66.7
Health and welfare	100.8	104.6	-	-	100.8	104.6	-	-	-	-	-	-	100.8	104.6
Libraries	13.2	13.0	-	-	13.2	13.0	-	-	-	-	-	-	13.2	13.0
Parks, culture and recreation	36.0	34.4	-	-	36.0	34.4	-	-	-	-	-	-	36.0	34.4
Planning and community development	40.6	35.9	-	-	40.6	35.9	-	-	-	-	-	-	40.6	35.9
Education	339.0	310.8	-	-	339.0	310.8	388.1	352.9	-	-	-	-	727.1	663.7
Debt service:														
Interest and other charges	18.1	18.0	-	-	18.1	18.0	-	-	-	-	-	0.1	18.1	18.1
Water and sewer	-	-	51.5	47.3	51.5	47.3	-	-	-	-	-	-	51.5	47.3
Parking garage	-	-	6.0	5.7	6.0	5.7	-	-	-	-	-	-	6.0	5.7
Rental Properties	-	-	-	-	-	-	-	-	4.7	2.4	1.5	-	6.2	2.4
Total expenditures	892.8	822.0	57.5	53.1	950.3	875.0	388.1	352.9	4.7	2.4	1.5	0.1	1,343.1	1,228.0
Increase in net assets	\$51.0	\$48.3	\$47.8	\$21.3	\$98.8	\$69.6	\$10.4	\$10.8	(\$0.8)	(\$0.2)	(\$0.6)	\$0.0	\$107.9	\$80.1

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	\$51.0	47.3%
• Business type activities	\$47.8	44.3%

• Component-unit Schools	\$10.4	9.6%
• Component-unit Gates Partnership	(\$0.8)	(0.7%)
• Component-unit Courthouse Crossing	(\$0.6)	(0.5%)
TOTAL	\$107.9	100.0%

Revenues. Revenues for the County's governmental activities were \$943.9 for fiscal year 2007. General revenues from governmental activities increased \$66.3, primarily due to growth in real estate and personal property tax revenue, other local taxes, and investment earnings.

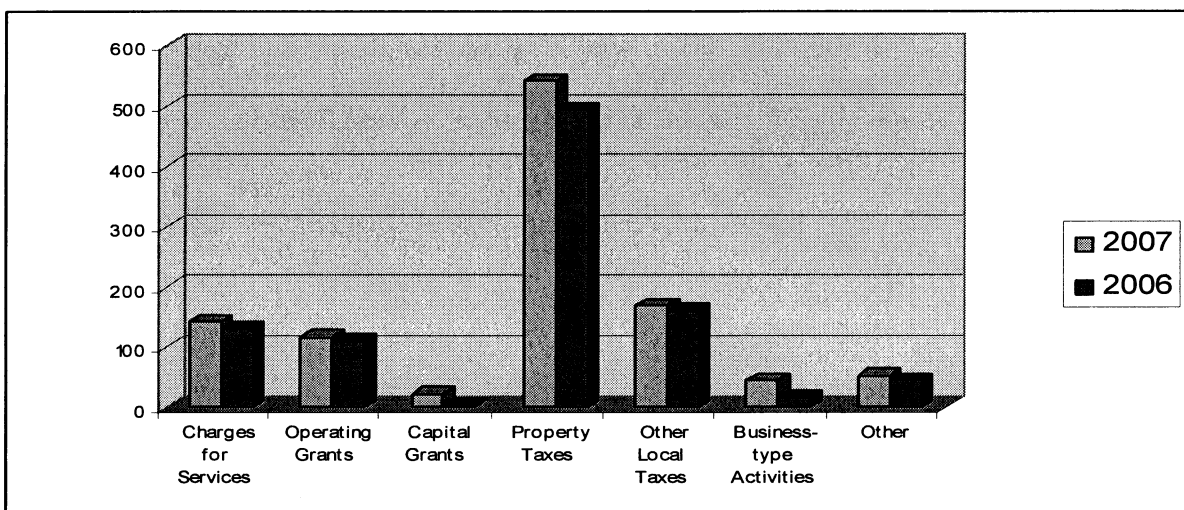
Taxes constitute the largest source of County revenues, amounting to \$711.3 for fiscal year 2007, an increase of \$55.4 over fiscal year 2006, primarily due to real estate taxes, personal property taxes and other local taxes. The increase in real estate tax revenue is driven by the increasing assessment value of real property, which increased 6.8% in January 2007. Real estate taxes (\$441.0) represent over 62% of total taxes and 46.7% of all revenues combined. Personal property taxes (\$100.7) increased \$19.2 primarily due to an increase in the tax rate and a slight increase in the average assessed value. The personal property tax rate increased \$.60 from \$4.40 in 2006 to \$5.00 per \$100 of assessed value. The real estate tax rate decreased \$.06 in 2006 to \$.818 per \$100 assessed value.

The other local taxes revenue category, which includes taxes on business licenses, general sales, hotel rooms, restaurant meals, utility purchases, car rentals, cigarettes and other totaled \$169.5. This represents a \$7.6 increase over the previous year, or 4.7%.

Program revenues are derived directly from the program itself and reduce the net cost of the function to the County. Total program revenues from governmental activities were \$182.2. Operating Grants and Contributions represent the most significant of these revenues, totaling \$118.1. Other program revenue categories were Charges for Services, totaling \$62.3 and Capital Grants and Contributions, totaling 1.8. For additional information and comparative results, see Table A-2.

Business-type activities generated revenues of \$105.3, primarily from charges for services, which totaled \$80.6. The Utility Funds and the 8th Level Ballston Public Parking Garage experienced increases in this revenue while the Ballston Public Parking Garage experienced a slight decrease. Capital grants, \$21.2, and investment earnings, \$3.6, comprised the remaining program revenue for the business-type activities.

Chart A-3
Primary Government Sources of Revenue
For Fiscal Years 2007 and 2006
(in millions)

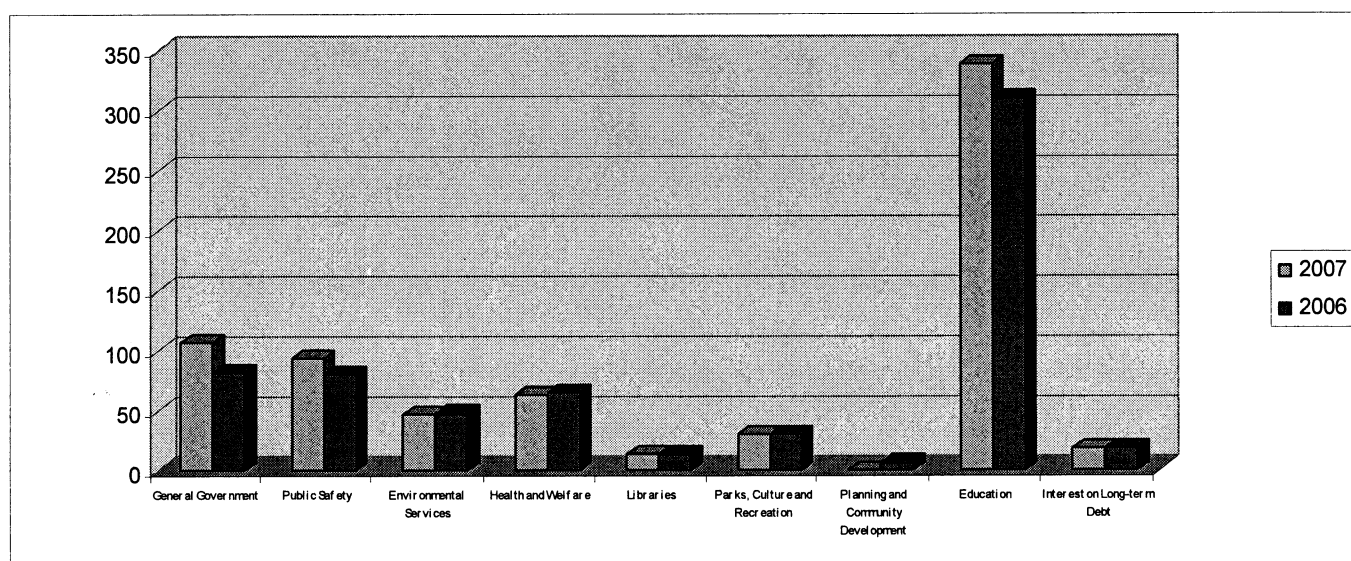


Expenses. Total cost of all the County’s governmental activities for fiscal year 2007 was \$892.8 representing an increase of \$70.8 over fiscal year 2006. As the chart below indicates, education continues to be the County’s largest program. Education expenses totaled \$339.0 an increase of \$28.2 over fiscal year 2006. General government expenses represent the second largest expense, totaling \$170.1 in fiscal year 2007. General government expenses increased \$25.6 over fiscal year 2006 primarily as a result of \$17.9 in affordable housing programs and \$3.4 in capital expenditures.

Expenses for the County’s business-type activities totaled \$57.5 which provided water and sewer utility services as well as parking operations.

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

Chart A-4
Net Cost of Governmental Activities
For Fiscal Years 2007 and 2006
(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 \$267.9, an increase of \$20.6 in comparison with the prior year. Approximately, 44.9% of this total amount (\$120.3) 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 (\$36.9), 2) to build facilities from general obligation bond proceeds and PAYGO monies (\$110.6).

The general fund is a major governmental fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$110.4 while total fund balance reached \$115.5. 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 12.9% of total general fund expenditures, while total fund balance represents 13.5% of that same amount.

The fund balance of the County general fund increased by \$15.0 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 a combination of higher assessments and strong economic growth.

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 \$40.0. As a measure of the general capital project fund's liquidity, it may be useful to compare total fund balance to total expenditures. Total fund balance represents 186.9% of total general capital project fund expenditures.

The fund balance of the County general capital projects fund increased by \$5.6 during the current fiscal year. The increase is primarily driven by higher revenues due to additional grant monies and lower spending on government facilities.

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 \$115.2 and the 8th Level of the Ballston Public Parking Garage amounted to \$0.1. Restricted net assets of the Ballston Public Parking Garage amounted to (\$6.8), the Emergency Communications Center amounted to \$18.8 and the other non-major funds amounted to (\$1.7). The total growth in net assets of the funds was \$47.6, \$0.1, (\$1.6), (\$1.5) and \$0.2 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 \$66.8, which consisted of an increase of \$12.7 in the revenue budget due to increased federal grants, primarily for HUD/HOME funds, state grants, miscellaneous revenue and an increase of \$79.5 in the expenditure budget due to additional appropriations in the following:

- \$29.9 in increases allocated to non departmental for affordable housing
- \$10.8 in increases allocated to public safety
- \$ 3.9 in increases allocated to the department of environmental services
- \$ 3.7 in increases allocated to the judicial administration
- \$ 3.1 in increases allocated to the department of planning and community development
- \$ 2.4 in increases allocated to the general government
- (\$0.6) in decreases allocated to the department of human services
- \$ 0.5 in increases allocated to the department of parks, recreation, and community resources
- \$0.1 in increases allocated to libraries
- \$26.5 increases in transfers out to the Schools

The difference between the final budget and actuals was \$89.7 which consisted of a \$29.3 favorable revenue variance, \$35.7 favorable expenditure variance and \$24.6 favorable other financing sources variance. The favorable revenue variance primarily consisted of \$9.7 for personal property taxes, \$8.9 for other local taxes, \$5.9 for real estate taxes, \$5.2 for miscellaneous revenue, \$0.9 for state grants, \$1.0 use of money and property partially offset by (\$2.5) for federal grants. The favorable expenditure variance consisted of the following:

- \$3.3 favorable in department of environmental services
- \$2.3 favorable in planning and community development
- \$2.3 favorable in general government primarily due to Technology Services
- \$2.1 favorable in department of human services
- \$1.5 favorable in public safety
- \$ 0.6 favorable in libraries
- (\$1.0) unfavorable in Schools due to transfers out

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, 2007 amounts to \$1,365.5 (net of accumulated depreciation). This investment in capital assets includes land, building and systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

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

- \$1.1 Parks and recreation center improvements
- \$2.5 Transportation and pedestrian initiatives
- \$0.5 Community conservation
- \$4.0 Facility renovation
- \$0.7 Technical assets investments
- \$1.1 Contributions to regional authorities
- \$13.5 Schools improvements
- \$14.1 Utilities improvements

Other capital assets were constructed using bond funds.

The following table (Table A-5) displays the capital assets:

Table A-5
Capital Assets
June 30, 2007
With Comparative Totals for June 30, 2006
(net of depreciation, in millions of dollars)

	Primary Government						Component Units							
	Governmental Activities		Business-type Activities		Total		Schools		Gates Partnership		Courthouse Crossing		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Land	\$91.4	\$91.3	\$1.8	\$1.8	\$93.2	\$93.1	\$4.7	\$4.7	\$15.5	\$15.5	\$8.3	\$-	\$121.7	\$113.3
Buildings	163.0	153.4	33.2	13.2	196.2	166.5	298.7	259.8	59.4	25.6	14.5	-	568.8	451.9
Equipment	28.0	22.6	9.1	0.8	37.1	23.4	17.3	22.3	0.3	0.1	-	-	54.7	45.8
Infrastructure	125.4	121.2	-	-	125.4	121.2	-	-	-	-	-	-	125.4	121.2
Plant - sewer system	-	-	214.3	214.1	214.3	214.1	-	-	-	-	-	-	214.3	214.1
Plant - water system	-	-	95.4	98.9	95.4	98.9	-	-	-	-	-	-	95.4	98.9
Construction in progress	-	-	157.7	103.7	157.7	103.7	-	-	2.6	11.2	1.6	-	161.9	114.9
Internal service funds	23.5	21.1	-	-	23.5	21.1	-	-	-	-	-	-	23.5	21.1
Total	\$431.2	\$409.6	\$511.5	\$432.5	\$942.7	\$842.0	\$320.6	\$286.8	\$77.8	\$52.4	\$24.4	\$-	\$1,365.5	\$1,181.2

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 \$1,018.3. Of this amount, \$860.2 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 (\$158.1) represents bonds secured solely by specified revenue sources (i.e., revenue bonds) (\$96.6), workers compensation reserves (\$3.3) and accrued compensated absences (\$58.2).

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

Table A-6
Long-term Debt Outstanding
June 30, 2007
With Comparative Totals for June 30, 2006
(in millions of dollars)

	Primary Government						Component Units							
	Governmental Activities		Business-type Activities		Total		Schools		Gates Partnership		Courthouse Crossing		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
General obligation bonds**	\$595.7	\$586.6	\$100.1	\$35.3	\$695.8	\$621.9	\$-	\$-	\$-	\$-	\$-	\$-	\$695.8	\$621.9
Revenue bonds	-	-	13.8	14.3	13.8	14.3	-	-	-	-	-	-	13.8	14.3
IDA Revenue Bonds	-	-	58.4	61.6	58.4	61.6	-	-	-	-	-	-	58.4	61.6
Mortgage payable	-	-	3.4	3.4	3.4	3.4	-	-	21.0	21.0	-	-	24.4	24.4
Note payable	-	-	61.2	32.3	61.2	32.3	-	-	8.0	8.0	23.0	-	92.2	40.3
Obligations under capital lease	10.8	14.4	-	-	10.8	14.4	7.6	6.2	-	-	-	-	18.4	20.6
Worker's compensation claims	3.3	3.1	-	-	3.3	3.1	-	-	-	-	-	-	3.3	3.1
Accrued compensated absences	30.0	30.1	1.4	1.4	31.4	31.5	26.8	26.8	-	-	-	-	58.2	58.3
Mortgage and bond interest payable	-	-	16.3	13.5	16.3	13.5	-	-	0.4	-	0.2	-	16.9	13.5
Bonds Payable	-	-	-	-	-	-	-	-	29.0	29.0	-	-	29.0	29.0
Development fee payable	-	-	-	-	-	-	-	-	8.1	3.5	-	-	8.1	3.5
Total	\$639.7	\$634.2	\$254.5	\$161.8	\$894.3	\$796.0	\$34.4	\$33.0	\$66.5	\$61.5	\$23.2	\$-	\$1,018.3	\$890.5

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 \$127.8 during the current fiscal year. The key factor in this increase was a \$117.4 general obligation bond issuance for the County, Utilities and the Schools, \$34.5 VRA note payable 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 1.8%, which is a decrease of 0.5% a year ago. This compares favorably to the Northern Virginia's average unemployment rate of 2.3% and the national average rate of 4.6%.
- The vacancy rate of the County's office buildings increased from 10.0% to 10.7%.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the County's budget for the 2008 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, 2007

	Primary Government		Component Units				
	Governmental Activities	Business-Type Activities	Total	Schools	Gates Partnership	Courthouse Crossing	Total Government
ASSETS:							
Equity in pooled cash and investments	\$328,891,601	\$131,012,541	\$459,904,142	\$32,266,011	\$515,317	\$1,359,838	\$494,045,308
Receivables, net	266,829,542	25,279,768	292,109,310	10,985,677	20,263	12,014	303,127,264
Receivable from primary governments	-	-	-	47,257,687	-	-	47,257,687
Receivable from other governments	5,223,525	-	5,223,525	-	-	-	5,223,525
Inventory	-	731,000	731,000	224,508	-	-	955,508
Other assets	28,921,313	2,635,745	31,557,058	-	1,859,058	587,096	34,003,212
Reserves and escrow deposits	-	-	-	-	15,651,759	314,578	15,966,337
Other non current assets	-	531,813	531,813	-	-	-	531,813
Capital assets:							
Land	91,406,801	1,792,817	93,199,618	4,697,946	15,519,080	8,283,507	121,700,151
Depreciable, net	339,782,839	351,982,909	691,765,748	315,873,953	59,637,369	14,511,478	1,081,788,548
Construction in progress	-	157,738,077	157,738,077	-	2,644,142	1,625,246	162,007,465
Total capital assets, net	431,189,640	511,513,803	942,703,443	320,571,899	77,800,591	24,420,231	1,365,496,164
Total assets	1,061,055,621	671,704,670	1,732,760,291	411,305,782	95,846,988	26,693,757	2,266,606,818
LIABILITIES:							
Accounts payable	12,213,844	6,569,944	18,783,788	12,994,310	19,254	300,175	32,097,527
Unearned revenue	33,695,440	-	33,695,440	610,012	-	-	34,305,452
Due to other funds	-	1,989,006	1,989,006	-	-	-	1,989,006
Due to component unit	54,715,891	-	54,715,891	-	-	-	54,715,891
Accrued liabilities	15,263,696	6,595,000	21,858,696	27,619,654	3,438,848	-	52,917,198
Other liabilities	18,572,780	-	18,572,780	7,901,832	283,488	77,845	26,835,945
Non-current liabilities:							
Development fee payable	-	-	-	-	8,076,937	-	8,076,937
Due within one year	52,578,317	29,468,947	82,047,264	4,059,719	-	-	86,106,983
Due in more than one year	587,162,043	225,048,949	812,210,992	30,340,945	58,439,588	23,156,350	924,147,875
Total liabilities	774,202,011	269,671,846	1,043,873,857	83,526,472	70,258,115	23,534,370	1,221,192,814
NET ASSETS:							
Invested in capital assets, net of related debt	76,687,000	276,500,046	353,187,046	313,005,332	19,361,003	1,263,881	686,817,262
Restricted for:							
Capital projects	142,422,852	10,222,745	152,645,597	21,143,761	-	-	173,789,358
Other projects	9,194,531	-	9,194,531	-	-	-	9,194,531
Unrestricted	58,549,227	115,310,033	173,859,260	(6,369,784)	6,227,870	1,895,506	175,612,852
Total net assets	\$286,853,610	\$402,032,824	\$688,886,435	\$327,779,309	\$25,588,873	\$3,159,387	\$1,045,414,004

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

ARLINGTON COUNTY, VIRGINIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

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	\$170,050,920	\$20,079,042	\$41,048,484	\$1,810,516
Public safety	105,294,735	7,676,160	4,727,455	-
Environmental services	69,902,804	16,550,927	6,209,417	-
Health & welfare	100,775,893	3,089,311	34,751,183	-
Libraries	13,167,711	473,268	225,575	-
Parks, recreation & culture	35,953,363	5,089,615	349,587	-
Planning & community development	40,556,577	9,298,196	30,744,009	-
Education	338,962,527	-	-	-
Interest and other charges	18,098,073	-	-	-
Total governmental activities	892,762,603	62,256,519	118,055,710	1,810,516
Business-type activities:				
Utilities	51,515,377	76,874,765	-	21,162,994
Ballston Public Parking Garage	5,937,745	3,578,493	-	-
IDA Revenue Bond Funds	34,170	-	-	-
8th Level Ballston Public Parking Garage	28,927	112,110	-	-
Total business-type activities	57,516,219	80,565,368	-	21,162,994
Total Primary government				
	950,278,822	142,821,887	118,055,710	22,973,510
Component unit:				
Schools	388,148,161	12,859,590	365,255,205	-
Gates Partnership	4,662,016	3,020,632	-	-
Courthouse Crossing	1,537,647	969,645	-	-
Total component units	394,347,824	16,849,867	365,255,205	-

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 2

Governmental Activities	Business-Type Activities	Total	Component Units		
			Schools	Gates Partnership	Courthouse Crossing
(\$107,112,878)	\$-	(\$107,112,878)	\$-	\$-	\$-
(92,891,120)	-	(92,891,120)	-	-	-
(47,142,460)	-	(47,142,460)	-	-	-
(62,935,399)	-	(62,935,399)	-	-	-
(12,468,868)	-	(12,468,868)	-	-	-
(30,514,161)	-	(30,514,161)	-	-	-
(514,372)	-	(514,372)	-	-	-
(338,962,527)	-	(338,962,527)	-	-	-
(18,098,073)	-	(18,098,073)	-	-	-
<hr/>					
(710,639,858)	-	(710,639,858)	-	-	-
<hr/>					
-	46,522,382	46,522,382	-	-	-
-	(2,359,252)	(2,359,252)	-	-	-
-	(34,170)	(34,170)	-	-	-
-	83,183	83,183	-	-	-
-	44,212,143	44,212,143	-	-	-
<hr/>					
(710,639,858)	44,212,143	(666,427,715)	-	-	-
<hr/>					
-	-	-	(10,033,366)	-	-
-	-	-	-	(1,641,384)	-
-	-	-	-	-	(568,002)
-	-	-	(10,033,366)	(1,641,384)	(568,002)
<hr/>					
441,047,242	-	441,047,242	-	-	-
100,682,324	-	100,682,324	-	-	-
50,898,687	-	50,898,687	-	-	-
118,628,548	-	118,628,548	18,242,576	-	-
16,927,475	3,617,839	20,545,314	2,210,800	839,749	12,451
33,453,869	-	33,453,869	-	-	-
<hr/>					
761,638,145	3,617,839	765,255,984	20,453,376	839,749	12,451
<hr/>					
50,998,286	47,829,982	98,828,268	10,420,009	(801,635)	(555,551)
<hr/>					
235,855,324	354,202,842	590,058,166	317,359,300	26,390,508	3,714,938
<hr/>					
\$286,853,610	\$402,032,824	688,886,434	\$327,779,309	\$25,588,873	\$3,159,387

ARLINGTON COUNTY, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General Fund	General Capital Projects Fund	All Other Governmental Funds	Total Governmental Funds
ASSETS				
Equity in pooled cash and investments	\$156,974,122	\$52,291,304	\$113,725,973	\$322,991,399
Receivables, net	247,806,587	-	17,721,693	265,528,280
Due from other funds	12,036,260	-	-	12,036,260
Receivables from other governments	4,531,500	193,093	498,932	5,223,525
Other assets	15,097,664	-	1,043,031	16,140,695
Totals assets	<u>\$436,446,133</u>	<u>\$52,484,397</u>	<u>\$132,989,629</u>	<u>\$621,920,159</u>
LIABILITIES				
Accounts Payable	\$9,226,323	\$965,967	\$1,276,024	\$11,468,314
Deferred revenue	240,666,795	8,346,126	4,991,680	254,004,601
Due to component unit	54,715,891	-	-	54,715,891
Accrued liabilities	15,263,696	-	-	15,263,696
Other liabilities	1,082,197	3,156,372	126,292	4,364,861
Long-term liabilities	-	-	14,207,919	14,207,919
Total liabilities	<u>320,954,902</u>	<u>12,468,465</u>	<u>20,601,915</u>	<u>354,025,282</u>
FUND BALANCES				
Reserved for:				
Encumbrances	4,570,757	11,719,241	20,623,944	36,913,942
Other Purposes	500,000	28,296,691	81,844,030	110,640,721
Unreserved:				
Designated	106,920,474	-	-	106,920,474
Self Insurance	3,500,000	-	-	3,500,000
Special Revenue:				
Section 8 Housing	-	-	9,194,531	9,194,531
Travel & Tourism	-	-	209,088	209,088
Rosslyn Business Improvement District	-	-	290,603	290,603
Crystal City Business Improvement District	-	-	225,518	225,518
Total fund balances	<u>115,491,231</u>	<u>40,015,932</u>	<u>112,387,714</u>	<u>267,894,877</u>
Total liabilities and fund balance	<u>\$436,446,133</u>	<u>\$52,484,397</u>	<u>\$132,989,629</u>	<u>\$621,920,159</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, 2007

Total governmental fund balances	\$267,894,877
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	407,712,779
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	220,309,161
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(635,153,608)
Internal service funds	26,090,401
	<hr/>
Net assets of governmental activities	<u><u>\$286,853,610</u></u>

ARLINGTON COUNTY, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	General Capital Projects Fund	All Other Governmental Funds	Total Governmental Funds
REVENUES:				
General property taxes:				
Real Estate property taxes	\$425,982,688	\$-	\$-	\$425,982,688
Personal property taxes	100,682,324	-	-	100,682,324
Other Local taxes:				
BPOL	50,898,687	-	-	50,898,687
Other local taxes	113,778,555	-	4,849,993	118,628,548
Fines and forfeitures	8,338,582	-	-	8,338,582
Licenses, permits and fees	13,687,394	-	-	13,687,394
Intergovernmental	89,265,549	6,372,918	24,227,759	119,866,226
Charges for services	37,499,679	2,730,864	-	40,230,543
Interest and rent	10,745,988	-	6,181,487	16,927,475
Miscellaneous revenues	12,545,945	2,868,732	-	15,414,677
Total revenues	863,425,391	11,972,514	35,259,239	910,657,144
EXPENDITURES:				
Current operating:				
General government	155,765,913	-	-	155,765,913
Public safety	100,650,601	-	-	100,650,601
Environmental services	58,491,391	-	-	58,491,391
Health and welfare	96,536,913	-	-	96,536,913
Libraries	12,339,879	-	-	12,339,879
Parks, recreation and culture	32,146,657	-	1,365,943	33,512,600
Planning and community development	17,379,638	-	21,455,551	38,835,189
Education	338,962,527	-	-	338,962,527
Debt service				
Principal	27,595,301	-	-	27,595,301
Interest and other charges	18,098,073	-	-	18,098,073
Capital outlay	-	21,351,313	39,653,430	61,004,743
Total expenditures	857,966,893	21,351,313	62,474,924	941,793,130
Excess(deficiency) of revenues over expenditures	5,458,498	(9,378,799)	(27,215,685)	(31,135,986)
OTHER FINANCING SOURCES(USES):				
Transfers in	6,822,188	14,102,519	247,000	21,171,707
Transfers out	(14,720,488)	-	(6,220,845)	(20,941,333)
Capital leases	136,000	839,020	-	975,020
Premium from sale of bonds	650,489	-	-	650,489
Issuance of debt	16,630,000	-	33,230,000	49,860,000
Total other financing sources and uses	9,518,189	14,941,539	27,256,155	51,715,883
Net change in fund balances	14,976,687	5,562,740	40,470	20,579,897
Fund balances, beginning	100,514,544	34,453,192	112,347,244	247,314,980
Fund balances, ending	\$115,491,231	\$40,015,932	\$112,387,714	\$267,894,877

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, 2007

Net change in fund balances - total governmental funds	\$20,579,896
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Amounts reported for governmental activities in the Statement of Activities are different because:

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

Add: Capital acquisitions	37,073,348	
Less: Depreciation expense	<u>(17,821,228)</u>	19,252,120

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

15,064,554

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	44,739,793	
Less: Proceeds from bonds and capital leases	(50,835,020)	
Bond premium to be amortized	(707,680)	
Amortization other charges and bond issue costs	<u>480,546</u>	(6,322,361)

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

(47,815)

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	120,579	
Net operating gain internal service funds	<u>2,351,312</u>	<u>2,471,891</u>

Change in net assets of governmental activities	<u><u>\$50,998,285</u></u>
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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, 2007

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
REVENUES:				
General Property taxes:				
Real estate	\$420,112,428	\$420,112,428	\$425,982,688	\$5,870,260
Personal	91,025,726	91,025,726	100,682,324	9,656,598
Other Local taxes	155,764,134	155,764,134	164,677,242	8,913,108
Licenses, permits and fees	13,528,428	13,528,428	13,687,394	158,966
Charges for services	37,192,839	37,518,879	37,499,679	(19,200)
Fines and forfeitures	8,140,000	8,140,000	8,338,582	198,582
Grants:				
State grants	60,197,365	64,650,237	65,542,185	891,948
Federal grants	23,707,995	26,231,040	23,723,364	(2,507,676)
Use of money and property	9,724,255	9,724,255	10,745,988	1,021,733
Miscellaneous revenue	2,041,235	7,393,318	12,545,945	5,152,627
Total revenues	821,434,405	834,088,445	863,425,391	29,336,946
EXPENDITURES:				
General Government Administration				
County Board	864,836	882,316	917,560	(35,244)
County Manager	3,802,583	4,216,183	3,851,236	364,947
Financial Management	5,249,590	5,255,433	5,094,437	160,996
Civil Service	21,028	21,028	598	20,430
Human Resources	6,696,384	6,783,456	6,394,203	389,253
Technology Services	12,876,794	14,146,637	12,913,400	1,233,237
County Attorney	1,662,276	1,672,836	2,105,362	(432,526)
Commissioner of Revenue	4,556,206	4,617,116	4,555,994	61,122
Treasurer	5,531,363	5,718,893	5,515,027	203,866
Electoral Board	708,665	1,086,225	758,369	327,856
Total General Government	41,969,725	44,400,123	42,106,186	2,293,937
Judicial Administration				
Circuit Court	2,821,303	2,937,463	2,739,019	198,444
District Court	356,561	359,441	256,910	102,531
Juvenile & Domestic Relations Court	5,115,655	5,158,375	4,986,804	171,571
Commonwealth Attorney	3,582,439	3,684,430	3,515,412	169,018
Sheriff & Jail	28,402,115	31,822,867	32,844,906	(1,022,039)
Total Judicial Administration	40,278,073	43,962,576	44,343,051	(380,475)
Public Safety				
Police	47,553,929	52,728,684	51,022,015	1,706,669
Emergency Communications Center	6,484,361	8,986,894	8,316,701	670,193
Fire	37,391,427	40,467,540	41,311,885	(844,345)
Total Public Safety	91,429,717	102,183,118	100,650,601	1,532,517
Environmental Services	57,921,892	61,789,808	58,491,391	3,298,417
Health & Welfare	99,290,009	98,658,558	96,536,913	2,121,645
Libraries	12,841,866	12,972,268	12,339,879	632,389

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, 2007

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Planning & Community Development				
Economic Development	3,031,015	4,204,583	3,482,138	722,445
Community Planning, Housing & development	13,487,640	15,446,187	13,897,500	1,548,687
Total Planning & Community Development	16,518,655	19,650,770	17,379,638	2,271,132
Parks and Recreation	31,599,747	32,077,460	32,146,657	(69,197)
Education	311,430,985	337,938,209	338,962,527	(1,024,318)
Non-Department				
Non-Departmental	45,498,533	65,737,716	46,959,849	18,777,867
Debt Service				
Principal payment	27,595,302	33,740,564	27,595,301	6,145,263
Interest payment	17,874,485	17,874,485	17,941,603	(67,118)
Other costs	694,580	197,302	156,470	40,832
Regionals/Contributions	7,765,815	7,782,476	7,656,827	125,649
METRO	14,700,000	14,700,000	14,700,000	-
Total Non-Departmental	114,128,715	140,032,543	115,010,050	25,022,493
Total expenditures	817,409,384	893,665,433	857,966,893	35,698,540
Excess of revenues over expenditures	4,025,021	(59,576,988)	5,458,498	65,035,486
OTHER FINANCING SOURCES (USES):				
Transfers in	167,534	167,534	6,822,188	6,654,654
Transfers out	(11,476,369)	(14,720,488)	(14,720,488)	-
Capital leases	-	-	136,000	136,000
Premium from sale of bonds	-	-	650,489	650,489
Issuance of debt	-	-	16,630,000	16,630,000
Total other financing sources/(uses)	(11,308,835)	(14,552,954)	9,518,189	24,071,143
Net change in fund balance	(7,283,814)	(74,129,942)	14,976,687	89,106,629
Fund Balance - beginning of year	100,514,544	100,514,544	100,514,544	-
Fund Balance - end of year	\$93,230,730	\$26,384,602	\$115,491,231	\$89,106,629

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

ARLINGTON COUNTY, VIRGINIA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2007

	Business-type activities - Enterprise Funds						Governmental Activities
	Utilities	Ballston Public Parking Garage	Emergency Communications Center	Other Non-Major IDA Revenue Funds	8th Level Ballston Public Parking Garage	Total	Internal Service Funds
ASSETS:							
Current assets:							
Equity in pooled cash and investments	\$98,647,043	\$13,578,759	\$18,703,556	\$-	\$83,183	\$131,012,541	\$5,900,202
Receivables, net	25,181,203	-	98,044	521	-	25,279,768	1,301,262
Inventory, at cost	731,000	-	-	-	-	731,000	777,828
Other current Assets	2,447,865	187,880	-	-	-	2,635,745	-
Total current assets	127,007,111	13,766,639	18,801,600	521	83,183	159,659,054	7,979,292
Non-current assets:							
Other non current assets	47,600	66,209	217,842	200,162	-	531,813	-
Capital assets:							
Land	1,792,817	-	-	-	-	1,792,817	-
Depreciable, net	310,298,805	12,664,110	-	29,019,994	-	351,982,909	23,476,862
Construction in progress	140,260,520	-	16,071,551	1,406,006	-	157,738,077	-
Total capital assets, net	452,352,142	12,664,110	16,071,551	30,426,000	-	511,513,803	23,476,862
Total non current assets	452,399,742	12,730,319	16,289,393	30,626,162	-	512,045,616	23,476,862
Total assets	579,406,853	26,496,958	35,090,993	30,626,683	83,183	671,704,670	31,456,154
LIABILITIES:							
Current liabilities:							
Accounts payable	6,003,186	393,685	171,940	1,133	-	6,569,944	745,530
Accrued liabilities	403,076	6,191,924	-	-	-	6,595,000	-
Due to other funds	-	-	-	1,989,006	-	1,989,006	33,470
Due within one year	9,526,113	16,593,969	1,384,198	1,964,667	-	29,468,947	1,083,036
Total current liabilities	15,932,375	23,179,578	1,556,138	3,954,806	-	44,622,897	1,862,036
Non-current liabilities:							
Due in more than one year	155,286,003	14,718,250	30,206,952	24,837,744	-	225,048,949	3,503,717
Total non current liabilities							
Total liabilities	171,218,378	37,897,828	31,763,090	28,792,550	-	269,671,846	5,365,753
NET ASSETS:							
Invested in capital assets, net of related debt	292,961,625	(4,565,569)	(15,519,599)	3,623,589	-	276,500,046	18,890,109
Restricted net assets	-	(6,835,301)	18,847,502	(1,789,456)	-	10,222,745	-
Unrestricted	115,226,850	-	-	-	83,183	115,310,033	7,200,292
Total net assets	\$408,188,475	(\$11,400,870)	\$3,327,903	\$1,834,133	\$83,183	402,032,824	\$26,090,401

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, 2007

	Business-type activities-Enterprise Funds					Governmental Activities Internal Service Funds
	Utilities	Ballston Public Parking Garage	Emergency Communications Center	Other Non-Major IDA Revenue Funds	8th Level Ballston Public Parking Garage	Total Business-type Activities
OPERATING REVENUES:						
Water-sewer service charges	\$56,850,491	\$-	\$-	\$-	\$-	\$56,850,491
Water-service hook-up charges	3,345,476	-	-	-	-	3,345,476
Water-service connection charges	787,642	-	-	-	-	787,642
Sewage treatment service charges	14,203,879	-	-	-	-	14,203,879
Other charges for services	1,687,277	-	-	-	-	1,687,277
Parking charges	-	3,578,493	-	-	112,110	3,690,603
Total Operating revenues	76,874,765	3,578,493	-	-	112,110	80,565,368
OPERATING EXPENSES:						
Personnel services	12,450,800	-	-	-	-	12,450,800
Fringe benefits	3,368,865	-	-	-	-	3,368,865
Cost of store issuances	-	-	-	-	-	-
Contractual services	9,128,064	2,921,277	-	-	7,127	12,056,468
Purchases of water	6,639,549	-	-	-	-	6,639,549
Materials and supplies	4,836,076	83,430	-	-	21,800	4,941,306
Utilities	-	-	-	-	-	-
Outside services	-	-	-	-	-	-
Depreciation	5,508,564	503,697	-	-	-	6,012,261
Deferred rent	-	654,996	-	-	-	654,996
Equipment (Construction Contracts)	119,229	-	-	-	-	119,229
Miscellaneous	4,830,473	-	-	-	-	4,830,473
Total Operating expenses	46,881,620	4,163,400	-	-	28,927	51,073,947
Operating income (loss)	29,993,145	(584,907)	-	-	83,183	29,491,421
NON-OPERATING REVENUES(EXPENSES)						
Interest income and other income	1,082,504	790,316	1,504,125	240,894	-	3,617,839
Interest expense and fiscal charges	(4,162,413)	(1,774,345)	(12,101)	(22,069)	-	(5,970,928)
Interest payment on capital lease	-	-	-	-	-	-
State grant	19,168,904	-	-	-	-	19,168,904
Gain on disposal of assets	-	-	-	-	-	-
Total non-operating revenues(expenses)	16,088,995	(984,029)	1,492,024	218,825	-	16,815,815
Net Income(loss) before contributions and transfers	46,082,140	(1,568,936)	1,492,024	218,825	83,183	46,307,236
Contributions from developers and other sources	1,994,090	-	-	-	-	1,994,090
Transfers in	-	-	-	-	-	-
Transfers out	(471,344)	-	-	-	-	(471,344)
Total contributions and net transfers	1,522,746	-	-	-	-	1,522,746
Change in net assets	47,604,886	(1,568,936)	1,492,024	218,825	83,183	47,829,982
Net assets - beginning of year	360,583,589	(9,831,934)	1,835,879	1,615,308	-	354,202,842
Net assets - end of year	\$408,188,475	(\$11,400,870)	\$3,327,903	\$1,834,133	\$83,183	\$402,032,824

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, 2007

	Business-type activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Utilities	Ballston Public Parking Garage	Emergency Communications Center	Other Non-Major IDA Revenue Funds	8th Level Ballston Public Parking Garage	Total Business-type Activities
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers	\$66,013,142	\$3,586,598	\$-	\$-	\$112,110	\$69,711,850
Cash received from interfund charges	-	-	-	-	(28,927)	(28,927)
Cash paid to suppliers	(25,176,505)	(3,139,655)	-	-	-	(28,316,160)
Cash paid to employees	(15,795,350)	-	-	-	-	(15,795,350)
Net cash flows from operating activities	25,041,287	446,943	-	-	83,183	25,571,413
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest received	1,082,504	790,316	1,361,765	299,479	-	3,534,064
Net cash flows from investing activities	1,082,504	790,316	1,361,765	299,479	-	3,534,064
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:						
Transfer out to other funds	(471,344)	-	-	-	-	(471,344)
Temporary loan from General Fund	-	-	-	-	-	-
State grant	19,168,904	-	-	-	-	19,168,904
Payment of temporary loan	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Net cash flows from non-capital financing activities	18,697,560	-	-	-	-	18,697,560
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Principal payments - bonds	(3,487,382)	(500,000)	(\$1,005,000)	(\$1,865,000)	-	(6,857,382)
Proceeds from bonds	67,500,000	-	-	-	-	67,500,000
Bond Premium	914,253	-	-	-	-	914,253
Payment of principal on capital lease	-	-	-	-	-	-
Payment of interest on capital lease	-	-	-	-	-	-
Proceeds of VRA loan payable	32,541,361	-	-	-	-	32,541,361
Payment of VRA loan	(3,674,856)	-	-	-	-	(3,674,856)
Contributions from other sources	-	-	-	1,975,827	-	1,975,827
Interest and other loan expenses paid	(2,670,385)	(618,158)	(964,896)	(900,097)	-	(5,153,536)
Purchases of property	(73,866,036)	-	(4,495,132)	(4,712,383)	-	(83,073,551)
Proceeds from sale of equipment	-	-	-	-	-	-
Net cash flows from capital and related financing activities	17,256,955	(1,118,158)	(6,465,028)	(5,501,653)	-	4,172,116
Net increase(decrease) in cash and cash equivalents	62,078,306	119,101	(5,103,263)	(5,202,174)	83,183	51,975,153
Cash and cash equivalents at beginning of year	36,543,516	13,459,658	23,806,819	5,202,174	-	79,012,167
Cash and cash equivalents at end of year	\$98,621,822	\$13,578,759	\$18,703,556	\$-	\$83,183	\$130,987,320
Reconciliation of operating income to net cash flow from operations:						
Operating Income/(loss)	\$29,993,145	(\$584,907)	\$-	\$-	\$83,183	\$29,491,421
Adjustments to reconcile operating income/(loss) to net cash provided by operating activities:						
Depreciation	5,508,564	503,697	-	-	-	6,012,261
(Increase)Decrease in accounts receivable	(10,861,623)	8,105	-	-	-	(10,853,518)
(Increase)Decrease in inventories	(3,712)	-	-	-	-	(3,712)
Increase(Decrease) in vouchers payable	725,586	(134,948)	-	-	-	590,638
Increase(Decrease) in compensated absences	24,315	-	-	-	-	24,315
Increase(Decrease) in contract retainage	(344,988)	-	-	-	-	(344,988)
Increase(Decrease) in other accrued liabilities	-	654,996	-	-	-	654,996
Net cash flows from operations	\$25,041,287	\$446,943	\$-	\$-	\$83,183	\$25,571,413

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, 2007

	Pension Trust	All Other Private Purpose Trust Funds	Agency Funds
ASSETS:			
Equity in pooled cash and investments	\$108,869,890	\$7,784,321	\$14,684,183
Contributions receivable:			
Employer	1,371,570	-	-
Employee	388,806	-	-
Accrued interest and other receivables	5,874,503	14,167	-
Bond issuance costs	-	374,992	-
Capital assets, net	-	26,416,269	-
Receivable from other government	-	11,366,709	4,435,926
Investments, at fair value			
Foreign, Municipal and U.S. Government			
Obligations, including Fixed			
Instruments in Pooled Funds	62,368,714	-	-
Corporate Fixed Income Obligations	209,285,677	-	-
Domestic and Foreign Equities, including			
Equities in Pooled Funds	764,726,035	3,447,324	-
Other investments	314,771,381	-	-
Real estate funds	23,846,960	-	-
Total assets	<u>1,491,503,536</u>	<u>49,403,782</u>	<u>19,120,109</u>
LIABILITIES:			
Accounts payable and			
accrued liabilities	3,712,618	47,961,274	19,111,640
Due to primary government	-	-	8,469
Total liabilities	<u>3,712,618</u>	<u>47,961,274</u>	<u>19,120,109</u>
NET ASSETS	<u><u>\$1,487,790,918</u></u>	<u><u>\$1,442,508</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, 2007

	Pension Trust	All Other Private Purpose Trust Funds
	<u> </u>	<u> </u>
ADDITIONS:		
Contributions and Revenues:		
Employer contributions	\$24,755,219	\$-
Employee contributions	10,024,725	-
Other contributions	96,490	-
Shared revenues	-	1,032,186
Private donations	-	49,912
	<u> </u>	<u> </u>
Total contributions	34,876,435	1,082,098
	<u> </u>	<u> </u>
Investment earnings:		
Interest and other	31,687,514	765,814
Gross income from securities lending	7,182,389	-
Bank fees and expenses from securities lending	(6,855,885)	-
Commissions recapture, gross	34,519	-
Gain on sale of securities	-	6,639
Net change in fair value of investments	187,683,069	28,948
	<u> </u>	<u> </u>
Total investment earnings	219,731,607	801,401
	<u> </u>	<u> </u>
Less investment expenses	4,738,711	1,910,429
	<u> </u>	<u> </u>
Net investment earnings	214,992,896	(1,109,028)
	<u> </u>	<u> </u>
Total additions	249,869,331	(26,930)
	<u> </u>	<u> </u>
DEDUCTIONS:		
Administrative expenses	863,251	6,069,690
Retirees pension expense	60,623,910	-
	<u> </u>	<u> </u>
Total deductions	61,487,161	6,069,690
	<u> </u>	<u> </u>
Change in net assets	188,382,170	(6,096,620)
	<u> </u>	<u> </u>
Net assets - Beginning of the year	1,299,408,748	7,539,128
	<u> </u>	<u> </u>
Net assets - End of the year	<u>\$1,487,790,918</u>	<u>\$1,442,508</u>

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

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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"), the Arlington Partnership for Affordable Housing Courthouse Crossings ("APAH Courthouse Crossings"), 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, APAH Courthouse Crossings, and 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.

Arlington Partnership for Affordable Housing - Courthouse Crossings ("APAH Courthouse Crossing") is a legally separate entity, wholly owned by the Arlington Partnership for Affordable Housing ("APAH"). APAH is a private, non-profit 501(c) (3) corporation that purchases and renovates apartment buildings to preserve them as affordable housing for low- and moderate-income families and individuals in Arlington County and currently owns eleven properties throughout the County.

The Industrial Development Authority of Arlington County, Virginia (the "IDA") and SunTrust Bank ("SunTrust"), with the consent of the County, entered into a Credit Facility Agreement and the proceeds were loaned to APAH for its acquisition and rehabilitation of the Courthouse Crossings property under the terms set forth in the Affordable Housing Investment Fund ("AHIF") program. Arlington County has established the 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 and the County will only be responsible for repayment of the Credit Facility Agreement to the extent that APAH fails to make payments as and when due, or to perform any of its other obligations. In the event of default by APAH, the IDA and the County may pursue other remedies, including, but not limited to, exercising rights against the Property pursuant to the Deed of Trust and the Assignment of Rents and Leases. The County does not hold the corporate powers of APAH Courthouse Crossing, does not appoint the principals of APAH Courthouse Crossing, and does not have the ability to remove principals at will. Under certain conditions, it does have the ability to modify or approve the APAH Courthouse Crossing 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 APAH Courthouse Crossing's use of revenues, if these acts would adversely affect the ability of the APAH Courthouse Crossing to make loan payments. The criteria of imposition of will and fiscal dependency mandate the inclusion as a discrete component unit.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Complete financial statements of APAH Courthouse Crossing may be obtained from the Arlington Partnership for Affordable Housing, 2704 North Pershing Drive, Arlington, Virginia 22201.

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

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

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 units* 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:

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

- *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 with the exception of agency funds which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

D. Funds

The Funds used by the County and 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.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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, the Rosslyn and Crystal City business improvement 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. The measurement focus of these Funds is the determination of net income through matching revenues earned with the expenses incurred to generate such revenues. The operations of such Funds are generally intended to be self-supporting. The following are the County's Proprietary Fund Types.

The **Enterprise Funds** account for the financing of services to the general public where the operating expenses involved are usually recovered in the form of charges to users of such activities. Enterprise Funds consist of the Utilities (water and sewer), the Ballston Public Parking Garage, the Emergency Communications Center, the Trade Center, the George Mason Center, the Enterprise Resource Planning (ERP), and the Eighth-Level Ballston Public Parking Garage Funds. 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 portion of the cost of operating 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 facility 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.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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 the Department of Human Services, Friends of Library donations, Parks and Recreations 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 Fund, the Trade Center Fund, the George Mason Center Fund, the Enterprise Resource Planning (ERP) Fund, the Eighth-Level Ballston Public Parking Garage Fund, of the government's internal service funds are charges to customers for sales and services. The Utilities Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

E. Budgets

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

F. Equity in Pooled Cash and Investments

The Treasurer's Office pools substantially all cash and investments for County and School purposes (County funds) in pooled and separate cash and investment accounts. Separate accounts correspond with specific contractual and/or legal restrictions. Each Fund's equity share of the total pooled cash and investments is included on the accompanying balance sheet under the caption "Equity in Pooled Cash and Investments." The Treasurer conducts banking and investment activities as authorized by The Code of Virginia, Chapter 44 – Security for Public Deposits Act; Chapter 45 – Investment of Public Funds Act; Chapter 46 – Local Government Investment Pool Act; and Chapter 47 – Government Non-Arbitrage Investment Act. The Code of Virginia delineates additional authority and obligations of the Treasurer in 58.1-3123 through 3172.1. In addition, the County Treasurer has a formal, written investment policy which further governs the types of allowable investments and procedures for investing the county's operating funds. The Investment Policy was last updated on September 12, 2007. The Investment Policy received a Certification of Excellence from the Association of Public Treasurers of the United States and Canada in August 2007. The County established a Finance Board pursuant to Code of Virginia Sections 58.1-3151 et. seq.

The Treasurer's investment policy sets forth a number of investment parameters such as investment objectives, asset allocations and maximum maturities. The stated investment objectives, in priority order, are: preservation of principal, liquidity and yield. Pursuant to this policy, the Treasurer does not invest County operating funds and bond proceeds in "derivative" securities, securities lending, or invest in mortgage backed securities guaranteed by the Government National Mortgage Association (GNMA). Further, the Treasurer does not invest

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

in reverse repurchase agreements. The Treasurer's general intent is to place and manage all bond proceeds with and through the State Non-Arbitrage Program (SNAP).

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

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

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

G. Receivables and Payables

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

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

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

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

H. Inventories and Prepaid Items

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

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

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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.

Accumulated vested unpaid compensated absences for the County and the Schools in both the government-wide and the Proprietary Funds are recorded as an expense and liability of general fund, travel and tourism, community development block grant, the Section 8 housing, capital project funds, public recreation bond fund, internal service funds, utility fund and schools 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, 2007, 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.

ARLINGTON COUNTY, VIRGINIA

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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 2006 amounts have been reclassified to conform to the FY 2007 presentation.

O. Cash and Cash Equivalents

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

P. Use of Estimates

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

II. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(635,153,608) difference as follows:

General obligation bonds - general government	\$(343,465,998)
General obligation bonds - Schools	(242,320,535)
Compensated absences - general government	(29,442,262)
Worker's compensation - general government	(3,280,847)
Capital leases - general government	(6,760,154)
Bond issue costs and deferred amount on refunding, net	2,484,377
Current year Bond premium to be amortized – County	(7,688,504)
Current year Bond premium to be amortized – Schools	(4,679,685)
	<u>\$(635,153,608)</u>

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NOTES TO FINANCIAL STATEMENTS

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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 \$19,252,120 difference are as follows:

Capital acquisitions	\$37,073,348
Depreciation expense	(17,821,228)
Net adjustment to increase <i>net changes in fund balances</i> total <i>governmental funds</i> to arrive at changes in <i>net</i> <i>assets of governmental activities</i>	<u>\$19,252,120</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 6/30/07	\$220,309,161
Deferred property tax revenue 6/30/06	(205,244,607)
Net adjustment to increase net changes in fund balances – total governmental funds arrive at changes in net assets of governmental activities	<u>\$15,064,554</u>

Another element of that reconciliation states that “Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets” The details of this \$(50,835,020) difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds - County	\$(33,230,000)
Issuance of general obligation bonds – Schools	(16,630,000)
Capital lease financing – General Government	(975,020)
	<u>(50,835,020)</u>
Principal repayments:	
General obligation debt – County	24,725,304
General obligation debt – Schools	16,252,319
Capital leases	3,762,170
Total principal repayments	<u>44,739,793</u>
Bond premium to be amortized	(707,680)
Other charges and bond issue costs	<u>480,546</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>\$(6,322,361)</u>

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Another element of that reconciliation states that “some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds such as compensated absences and worker’s compensation”. The detail of this \$(47,815) difference are as follows:

Compensated absences	\$111,437
Worker’s compensation	<u>(159,252)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of government activities	<u>\$(47,815)</u>

Another element of that reconciliation states that “Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue (expense) of the internal service funds is reported by governmental activities.”

Additional revenue – internal service funds	\$120,579
Net operating income – internal service funds	<u>2,351,312</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$2,471,891</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 2007 such appropriation amendments totaled \$11,104,097 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 2007 for the following departments: the Sheriff's Department; the Fire Department; the County Attorney; the County Board; and the Parks, Recreation, and Cultural Resources 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 \$(11,400,870) at June 30, 2007. 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 \$29,556 in FY 2007, resulting in ending net assets of \$(19,546).

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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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 \$232,110,359 and the bank balance was \$243,945,688. Of the bank balance, \$882,204 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.

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-7 like pool).

D. Credit Risk

No specific disclosure is necessary under custodial credit risks.

E. Concentrations of Credit Risk

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, 2007, 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>
Federal Agency Bonds/Notes	\$9,692,436	\$9,692,436	\$-
Total	<u>9,692,436</u>	<u>\$9,692,436</u>	<u>\$-</u>
Investment not subject to Interest Rate Risk:			
Virginia LGIP	47,557		
Virginia State Non-Arbitrage Program	<u>227,099,932</u>		
Total	<u>227,147,489</u>		
Total Investments	<u>\$236,839,925</u>		

ARLINGTON COUNTY, VIRGINIA

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Investment Portfolio

As of June 30, 2007

	S&P Rating	PAR	Interest Rate	Maturity Date	Market	% of Portfolio
Federal Agency Bonds/Notes						
FHLB Bonds	AAA	3,015,000	4.25%	08/08/07	3,011,231	
FHLB Bonds	AAA	4,685,000	5.02%	09/14/07	4,680,596	
FHLB Bonds	AAA	2,005,000	5.00%	01/28/08	2,000,609	
		9,705,000			9,692,436	4.09%
Virginia State Non-Arbitrage Program (SNAP)	AAAm	227,099,932			227,099,932	95.89%
State Treasurer's Local Government Investment Pool	AAAm	47,557			47,557	0.02%
Total Securities		\$236,852,489			\$236,839,925	100.00%

US Bank, as trustee for holders of bonds for the Ballston Parking Garage, is authorized to invest in all investment instruments for the County. As of June 30, 2007, the Trustee Bank had \$17,614,174 in a U.S. government money market fund consisting of securities approved for direct investment. SunTrust is the trustee for the Alexandria/Arlington Waste Disposal Trust Fund and Arlington Solid Waste Authority. Investments in the amount of \$4,914,091 in U.S. government securities and agency obligation at fair value were held by the Trustee Bank at June 30, 2007.

U.S. Bank Trust National Association, as the trustee for the Industrial Development Authority (IDA) Lease Revenue Bonds, is granted and assigned a security interest in the investment instruments by the IDA Authority of Arlington County. As of June 30, 2007, the US Bank Trust National Association had \$22,535,649 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, 2007, the Trustee Bank had \$6,208,543 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, 2007, the County had \$227,099,932 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 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:

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- 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 3.9% of assets, of which \$34.1 million had been funded at June 30, 2007.
- Open and closed end commingled real estate funds and real estate investment trust securities. The System has a commitment to fund two real estate partnerships for \$50 million, of which \$33.7 million had been funded at June 30, 2007.
- 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.
- 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. At June 30, 2007, the System was long a total of \$34.5 million in three currencies, short a total of \$49.6 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 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 beyond prudent industry standards,
- Effect short sales of securities, and
- 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.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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C. Cash and Cash Equivalent

At June 30, 2007, the System had cash and cash equivalents of \$108,869,890. Cash deposits in bank accounts totaled \$117,053. This amount was insured by the Federal Deposit Insurance Corporation up to \$100,000 for each System participant. Cash equivalents of \$50,541,462 are invested in a Mellon Bank E.B. Temporary Investment Fund, \$33,913,162 are invested in a Vanguard institutional money market fund, and \$24,298,193 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 at June 30, 2007:

Investment Type	Fair Value (in \$000s)
U.S. Treasury	26,418
U.S. Agency	-
Mortgage Backed Government Pass-Through	540
Corporate Bonds	148,650
Corporate Asset Backed	632
Private Placements	35,482
Municipal Bonds	3,733
Yankee Bonds	7,348
Supernationals	5,086
Non-U.S. Developed Government/Sovereign	18,802
Non-U.S. Developed Corporate	68,800
Non-U.S. Emerging Government/Sovereign	22,884
Non-U.S. Emerging Corporate	2,842
Convertible Securities	68,603
U.S. Equity	349,805
Non-U.S. Equity	190,148
Alternative Investments	67,768
Real Estate	23,846
Commingled Equity Funds	312,414
Commingled US Fixed Income	77,881
Currency Forwards	(359)
Commingled Money Market	50,995
Short Term	-
<u>Cash</u>	5,202
Total	<u>\$1,487,520*</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.

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 at June 30, 2007:

<u>Investment Type:</u>	<u>Fair Value</u> (0000)	<u>Investment Maturities (years)</u>			
		<u>Under 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Over 10</u>
U. S. Treasury	\$26,418	\$-	\$-	\$-	\$26,418
U.S. Government Agency	-	-	-	-	-
Mortgage Backed Gov't Pass Through	540	-	-	-	540
Corporate Bonds	148,649	1,261	19,301	31,826	96,261
Corporate Asset Backed	632	-	-	-	632
Private Placements	35,482	-	18,676	3,930	12,876
Municipal Bonds	3,733	-	-	-	3,733
Yankee Bonds	7,348	-	-	2,318	5,030
Supnationals	5,086	-	-	-	5,086
Non-U.S. Developed Gov't/ Sovereign	18,802	11,883	6,919	-	-
Non-U.S. Developed Corporate	68,800	2,456	48,402	12,745	5,197
Non-U.S. Emerging Gov't/ Sovereign	22,884	-	7,187	4,181	11,516
Non-U.S. Emerging Corporate	2,842	-	2,842	-	-
Convertible Securities	68,603	529	32,294	7,946	27,834
Short Term	-	-	-	-	-
Total	<u>\$409,819</u>	<u>\$16,129</u>	<u>\$135,621</u>	<u>\$62,946</u>	<u>\$195,123</u>

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JUNE 30, 2007

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, 2007 is shown below:

Investment Type:	Fair Value (in 000's)	Effective Duration (years)
U.S. Treasury	\$ 26,418	13.17
U.S. Government Agency	-	-
Mortgage Backed Gov't Pass Through	540	4.82
Corporate Bonds	148,649	8.33
Corporate Asset Backed	632	0.39
Private Placements	35,482	5.95
Municipal Bonds	3,733	8.94
Yankee Bonds	7,348	8.34
Supernationals	5,086	7.45
Non-U.S. Developed Gov't/Sovereign	18,802	0.75
Non-U.S. Developed Corporate	68,800	4.43
Non-U.S. Emerging Gov't /Sovereign	22,884	6.88
Non-U.S. Emerging Corporate	2,842	2.39
Convertible Securities	68,603	4.26
Short Term	-	-
Total	\$ <u>409,819</u>	<u>6.63</u>

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.

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%.

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NOTES TO FINANCIAL STATEMENTS

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The System's credit quality distribution for fixed income investments at June 30, 2007 is:

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

Investment Type	Credit Quality							
	AAA	AA	A	BBB	BB	B	Below B	Not Rated
U.S. Government	\$26,418	-	-	-	-	-	-	-
U.S. Gov't Agency	540	-	-	-	-	-	-	-
Corporate Bonds	6,062	-	16,888	62,078	22,914	23,675	6,449	11,215
Private Placement	2,000	6,303	3,019	5,905	3,763	2,085	1,517	10,889
Municipal Bonds	-	-	-	3,733	-	-	-	-
International Obligations	23,008	3,455	15,099	12,779	18,188	3,296	673	49,263
Convertible Securities	387	1,100	6,748	14,263	5,063	17,581	5,668	17,794
Total	<u>\$58,415</u>	<u>\$10,858</u>	<u>\$41,754</u>	<u>\$98,758</u>	<u>\$49,928</u>	<u>\$46,637</u>	<u>\$14,307</u>	<u>\$89,161</u>

Foreign Currency Risk

Foreign investments include equity and fixed income securities, including convertible bonds, currency forward exchange contracts, and cash. The Board has authorized specific investment managers to invest in non-dollar denominated securities. These managers have the ability to hedge a portion of their portfolio's foreign currency exposure. The System's exposure to foreign currency risk at June 30, 2007 was as follows:

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

Currency	Equity	Fixed Income & Convertible	Currency Forwards	Cash	Total
Australian Dollar	\$713	\$1,378	\$(10,751)	\$(6)	\$(8,666)
Brazilian Real	-	9,514	-	-	9,514
British Pound	42,795	5,682	4,286	4	52,767
Canadian Dollar	8,332	17,646	(8,995)	(7)	16,976
Danish Krone	2,040	-	-	-	2,040
Euro	51,776	45,137	(14,562)	2,493	84,844
Hong Kong Dollar	5,205	3,425	-	-	8,630
Indonesia Rupiah	-	2,466	-	-	2,466
Japanese Yen	37,516	10,134	21,249	285	69,184
Malaysian Ringgit	-	961	-	-	961
Mexican Peso	-	6,743	-	101	6,844
New Zealand Dollar	-	6,015	9,108	-	15,123
Norwegian Krone	3,411	4,530	(12,727)	310	(4,476)
Renminbi Yen	173	-	-	-	173
Singapore Dollar	-	804	-	-	804
South African Rand	-	3,013	-	-	3,013
Swedish Krona	7,228	1,764	(590)	1	8,403
Swiss Franc	16,396	5,312	(1,964)	28	19,772
Total	<u>\$175,585</u>	<u>\$124,524</u>	<u>\$(14,946)</u>	<u>\$3,209</u>	<u>\$288,372</u>

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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 ended June 30, 2007:

Gross Income from Security Lending	\$7,182,389
Less Expense	6,731,333
Less Bank Fees	124,552
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Net Income from Security Lending	\$326,504
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The following table presents the fair value of underlying securities and the value of the collateral pledged at June 30, 2007:

Type of Securities Lent	Fair Value	Value of Cash Collateral
Corporate Fixed Income	\$58,121,273	\$59,301,330
U.S. Equity	50,854,486	52,416,191
Non-U.S Governments	6,262,261	6,715,708
Non-U.S. Equity	4,072,964	4,258,862
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Total	\$119,310,984	\$122,692,091
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ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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 ended June 30, 2007, were \$34,519.

NOTE 4. Receivables, net

Receivables at June 30, 2007 are summarized below.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Real estate taxes	\$222,236,600	\$-
Personal property taxes	4,534,284	-
Omitted business licenses tax	5,917,221	-
Omitted meals tax	695,210	-
Accounts receivable	36,292,807	25,426,446
Interest	409,481	103,322
Total	<u>270,085,603</u>	<u>25,529,768</u>
Less: Allowance for uncollectible accounts	<u>(3,256,061)</u>	<u>(250,000)</u>
Net receivables	<u>\$266,829,542</u>	<u>\$25,279,768</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 \$220,309,161, has also been recorded as deferred revenue since these revenues are not considered to be available to finance current year expenditures.

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

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

NOTE 5. Capital Assets

Capital asset activity for the year ended June 30, 2007 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>\$91,281,802</u>	<u>\$124,999</u>	<u>\$-</u>	<u>\$91,406,801</u>
Capital assets, being depreciated:				
Infrastructure	355,921,431	12,946,429	-	368,867,860
Buildings	203,298,534	14,862,832	-	218,161,366
Furniture, fixtures and equipment	<u>84,495,392</u>	<u>16,115,730</u>	<u>4,232,989</u>	<u>96,378,133</u>
Total capital assets being depreciated	<u>643,715,357</u>	<u>43,924,991</u>	<u>4,232,989</u>	<u>683,407,359</u>

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Less accumulated depreciation for:				
Infrastructure	234,740,733	8,741,208	-	243,481,941
Buildings	49,925,211	5,276,991	-	55,202,202
Furniture, fixtures and equipment	40,758,856	7,766,847	3,585,326	44,940,377
Total accumulated depreciation	<u>325,424,800</u>	<u>21,785,046</u>	<u>3,585,326</u>	<u>343,624,520</u>
Total capital assets, being depreciated, net	<u>318,290,557</u>	<u>22,139,945</u>	<u>647,663</u>	<u>339,782,839</u>
Governmental activities capital assets, net	<u>\$409,572,359</u>	<u>\$22,264,944</u>	<u>\$647,663</u>	<u>\$431,189,640</u>

Business-type activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$1,792,817	\$-	\$-	\$1,792,817
Construction in progress	<u>103,685,810</u>	<u>83,073,551</u>	<u>29,021,284</u>	<u>157,738,077</u>
Total capital assets, not being depreciated	<u>105,478,627</u>	<u>83,073,551</u>	<u>29,021,284</u>	<u>159,530,894</u>
Capital assets, being depreciated:				
Sewer system	276,393,256	1,994,090	-	278,387,346
Water system	125,461,783	-	-	125,461,783
Building	22,328,345	20,519,994	-	42,848,339
Furniture and fixtures and equipment	<u>1,872,910</u>	<u>8,500,000</u>	<u>-</u>	<u>10,372,910</u>
Total capital assets being depreciated	<u>426,056,294</u>	<u>31,014,084</u>	<u>-</u>	<u>457,070,378</u>
Less accumulated depreciation for:				
Sewer system	62,303,024	1,792,330	-	64,095,354
Water system	26,514,287	3,558,885	-	30,073,172
Building	9,160,850	498,399	-	9,659,249
Furniture and fixtures and equipment	<u>1,102,347</u>	<u>157,344</u>	<u>-</u>	<u>1,259,691</u>
Total accumulated depreciation	<u>99,080,508</u>	<u>6,006,958</u>	<u>-</u>	<u>105,087,466</u>
Total capital assets, being depreciated, net	<u>326,975,786</u>	<u>25,007,126</u>	<u>-</u>	<u>351,982,909</u>
Business-type activities capital assets, net	<u>\$432,454,413</u>	<u>\$108,080,677</u>	<u>\$29,021,284</u>	<u>\$511,513,806</u>

Discretely presented component units
Schools:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	<u>\$4,697,946</u>	<u>\$-</u>	<u>\$-</u>	<u>\$4,697,946</u>
Capital assets, being depreciated:				
Buildings	339,913,007	47,858,143	-	387,771,150
Furniture, fixtures and equipment	<u>56,406,059</u>	<u>-</u>	<u>37,797</u>	<u>56,368,262</u>
Total capital assets being depreciated	<u>396,319,066</u>	<u>47,858,143</u>	<u>37,797</u>	<u>444,139,412</u>
Less accumulated depreciation for:				
Buildings	80,125,038	9,027,600	-	89,152,638

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Furniture, fixtures and equipment	34,121,098	5,029,520	37,797	39,112,821
Total accumulated depreciation	<u>114,246,136</u>	<u>14,057,120</u>	<u>37,797</u>	<u>128,265,459</u>
Total capital assets, being depreciated, net	282,072,930	33,801,023	-	315,873,953
Schools capital assets, net	<u>\$286,770,876</u>	<u>\$33,801,023</u>	<u>\$-</u>	<u>\$320,571,899</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	\$7,494,705
Public safety	256,473
Public works, including depreciation of infrastructure assets	8,741,208
Health and welfare	30,647
Libraries	289,900
Parks, recreation and culture	979,849
Planning and community development	<u>28,446</u>
Total Depreciation Expense – Governmental Activities	17,821,228
Internal Service	<u>3,963,818</u>
Total Depreciation Expense- Governmental and Internal Service Activities	<u>\$21,785,046</u>
Business-type activities:	
Utilities	\$5,508,559
Ballston Public Parking Garage	<u>498,399</u>
Total Depreciation Expense- Business-type Activities	<u>\$6,006,958</u>
Component unit – Schools	<u>\$14,057,120</u>
Total Depreciation Expense – Component units	<u>\$14,057,120</u>

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, 2007 the current portion of these liabilities was \$5.589 million which represent an

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

estimate of health insurance claims that have been incurred but not reported of \$5.261 million, and are included in the accrued payroll liabilities and the current portion of workers' compensation of \$.328 million. The non-current portion was \$2.953 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, 2005 resulted from the following:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year- End
2005 – 2006				
Current	\$3,149,848	\$36,249,384	\$35,788,072	\$3,611,160
Long Term	\$2,473,635	\$2,617,545	\$2,281,746	\$2,809,434
2006 – 2007				
Current	\$3,611,160	\$37,613,087	\$35,634,915	\$5,589,332
Long Term	\$2,809,434	\$2,828,467	\$2,685,140	\$2,952,761

In addition, the County has designated a General Fund balance self-insurance reserve of \$3,500,000 as of June 30, 2007. The County maintains a General Fund operating reserve that totaled \$17,800,000 as of June 30, 2007. 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>
2008	\$11,335,582
2009	11,630,116
2010	11,124,195
2011	7,372,410
2012	7,556,721
2013-2017	40,713,623
2018-2019	11,708,584
	<u>\$101,441,231</u>

In FY 2003, the County renewed and amended the operating lease agreement of the Court House Plaza to include the ninth floor premises. Total square feet of office space under the new 15 year agreement is 208,433. As part of the Court House Plaza lease agreement, the County receives 50% of the net cash flow generated by office and residential buildings located in the Court House area, subject to a minimum of \$150,000 annually. During the fiscal year ended June 30, 2007, the County received \$995,459 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 \$6,191,924 is accrued in the Fund 540, Ballston Public Parking Garage Fund, as of June 30, 2007. In FY 2000, the County entered into a long term operating lease agreement for 145,777 square feet of office space and additional garage space to consolidate the operations of its Department of Human Services at 3033 Clarendon Boulevard.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 8. Capital Leases

The annual future minimum lease payments as of June 30, 2007 are as follows:

General Government:

Year Ending June 30,	Technology Services	Environmental Services	Fire	Parks & Recreation	Libraries	Circuit Court	Criminal Justice Academy	Electoral Board	Total General Government
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	30,207	-	-	2,812,048
2011	1,884,959	210,029	127,179	87,309	127,462	15,104	-	-	2,452,042
2012	1,718,285	114,108	-	43,654	63,731	-	-	-	1,939,778
2013	859,142	15,956	-	-	-	-	-	-	875,098
Total Minimum Lease payments	11,495,086	1,530,630	508,716	392,890	831,792	105,727	196,139	130,104	15,191,084
Less Imputed Interest	(1,092,825)	(108,728)	(34,963)	(32,170)	(67,622)	(7,862)	(62,092)	(2,001)	(1,408,263)
Amount deferred	(6,565,343)	-	-	-	(457,323)	-	-	-	(7,022,666)
Present Value of Minimum Payments	\$3,836,918	\$1,421,902	\$473,753	\$360,720	\$306,847	\$97,865	\$134,047	\$128,103	\$6,760,155

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Internal Service Funds:

<u>Year Ending June 30,</u>	<u>Internal Service Fund - Auto Equipment</u>
2008	\$1,167,767
2009	996,102
2010	788,067
2011	362,931
2012	362,931
2013	362,931
2014	221,708
2015	80,485
2016	80,485
2017	<u>40,242</u>
Total Minimum Lease Payments	4,463,649
Less Imputed Interest	<u>(462,934)</u>
Present Value of Minimum Lease Payments	<u>\$4,000,715</u>

Component Unit – Schools:

<u>Year Ending June 30,</u>	<u>Component Unit – School Operations</u>
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	<u>320,384</u>
Total Minimum Lease Payments	8,826,191
Less Imputed Interest	(1,238,960)
Amount Deferred	<u>(20,665)</u>
Present Value of Minimum Lease Payments	<u>\$7,566,566</u>

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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	GENERAL FUND		SCHOOL FUND		UTILITY FUND		TOTAL G.O. BONDS	
	P	I	P	I	P	I	P	I
2008	25,915,074	15,771,356	18,150,116	10,774,438	5,179,811	3,845,863	49,245,001	30,391,657
2009	27,306,407	14,904,824	18,117,486	10,145,520	6,571,108	4,295,161	51,995,001	29,345,505
2010	27,233,375	13,334,143	17,461,759	9,463,205	7,074,868	4,005,441	51,770,002	26,802,789
2011	27,188,679	12,014,449	17,446,298	8,598,707	7,055,023	3,634,014	51,690,000	24,247,170
2012	26,938,502	10,565,092	17,267,620	7,700,229	6,638,878	3,454,050	50,845,000	21,719,371
2013	23,682,068	9,246,963	16,048,315	6,864,089	6,239,617	3,112,970	45,970,000	19,224,022
2014	22,242,094	8,141,033	16,036,241	6,091,541	6,221,667	2,795,806	44,500,002	17,028,380
2015	21,459,641	7,014,043	14,584,779	5,329,533	4,520,580	2,375,586	40,565,000	14,719,162
2016	18,860,044	6,067,973	13,228,323	4,607,098	4,561,633	2,106,636	36,650,000	12,781,707
2017	18,800,334	5,204,409	13,183,297	4,010,030	4,556,368	1,881,302	36,539,999	11,095,741
2018	16,533,222	4,349,444	12,194,284	3,488,972	4,482,493	1,680,635	33,209,999	9,519,051
2019	15,696,233	3,628,543	11,432,016	2,954,061	4,176,751	1,441,066	31,305,000	8,023,670
2020	13,927,377	2,922,627	9,550,253	2,420,876	3,952,369	1,292,722	27,429,999	6,636,225
2021	13,172,050	2,331,861	8,935,646	2,014,848	3,912,305	1,133,579	26,020,001	5,480,288
2022	11,199,834	1,817,527	7,315,166	1,683,351	3,825,000	956,906	22,340,000	4,457,784
2023	10,116,064	1,311,575	6,258,936	1,386,749	3,825,000	796,413	20,200,000	3,494,737
2024	8,420,000	960,955	6,295,000	1,101,876	3,825,000	625,838	18,540,000	2,688,669
2025	6,745,000	599,285	6,135,000	807,148	3,825,000	463,663	16,705,000	1,870,096
2026	4,015,000	292,719	4,305,000	529,438	3,515,000	298,775	11,835,000	1,120,932
2027	4,015,000	122,081	4,480,000	362,419	3,515,000	149,388	12,010,000	633,888
2028			2,775,000	180,875			2,775,000	180,875
2029			1,120,000	53,200			1,120,000	53,200
	343,465,998	120,600,902	242,320,535	90,568,203	97,473,471	40,345,814	683,260,004	251,514,919

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, 2007, \$13,800,000 is outstanding under these revenue bonds.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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 3.73% in FY 2007. 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 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 2007, the County drew from the letter of credit \$523,607 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 \$40,925 in FY 2007. Also in FY 2007, \$500,000 of bond principal was repaid from garage revenues in accordance with the terms of the letter of credit agreement.

D. Mortgage Debt

The County entered into an agreement (the "Agreement") dated August 1, 1984, for the purchase of an existing parking garage facility at a total purchase price of \$3,929,679. An initial payment of \$500,000 was made on October 22, 1986, with the remaining balance of \$3,429,679 payable annually with 8% interest per annum beginning in FY 1988. Principal and interest are payable solely from revenues derived from garage operations, at \$275,000 and \$375,000 for the first 10 years and the next 17 years, respectively. In any year that there is not sufficient cash flow, payments under the note shall be deferred; however, the note shall be due and payable in full, 45 years from the date of the note. At June 30, 2007, all payments have been deferred. The long-term portion of this mortgage payable at June 30, 2007 was \$1418,250.

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, 2007, VRA had provided a loan of VRA bond proceeds in the amount of \$61,164,960 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, 2007, \$55,215,000 is outstanding under these lease revenue bonds.

G. Changes in Long-Term Liabilities

During the year ended June 30, 2007, the following changes occurred in liabilities reported in the County and Schools Long-term Obligations.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

	Balance July 1	Additions	Reductions	Balance June 30	Due in one Year
Primary Government:					
Compensated absences ***	\$29,553,699	\$25,428,225	(\$25,539,662)	\$29,442,262	\$2,944,226
Workers' compensation	3,121,595	3,142,741	(2,983,489)	3,280,847	328,085
General obligation bonds-County	334,961,302	33,230,000	(24,725,304)	343,465,998	25,915,074
General obligation bonds-Schools	241,942,853	16,630,000	(16,252,318)	242,320,535	18,150,116
Capital leases	9,547,302	975,020	(3,762,168)	6,760,154	3,641,851
Deferred cost on refunding-County	(792,625)	-	4,498	(788,127)	(4,498)
Deferred cost on refunding-Schools	(1,863,006)	-	166,756	(1,696,250)	(166,756)
Bond premium to be amortized- County	7,641,705	450,489	(403,690)	7,688,504	426,214
Bond premium to be amortized-Schools	4,670,604	257,191	(248,110)	4,679,685	260,969
Total General Government	628,783,429	80,113,666	(73,743,487)	635,153,608	51,495,281
Internal Service:					
Compensated absences	565,407	496,631	(476,000)	586,038	58,603
Capital leases	4,890,754	-	(890,039)	4,000,715	1,024,433
Total Internal Service	5,456,161	496,631	(1,366,039)	4,586,753	1,083,036
Total Governmental Activities	634,239,590	80,610,297	(75,109,526)	639,740,361	52,578,317
Component Unit Schools:					
Compensated absences	26,834,097	2,915,965	(2,915,965)	26,834,097	2,683,410
Capital leases	6,203,410	2,663,811	(1,300,653)	7,566,568	1,376,309
Total Component Unit-Schools	33,037,507	5,579,776	(4,216,618)	34,400,665	4,059,719
Business-Type Activities:					
Compensated absences - Utilities	1,339,604	1,438,719	(1,414,405)	1,363,918	136,392
Compensated absences-IDA Revenue Bond	16,772	-	(16,772)	-	-
General obligation bonds - Utilities	33,460,851	67,500,000	(3,487,380)	97,473,471	5,179,811
Bond and mortgage interest payable - Utilities	538,848	2,177,423	(538,848)	2,177,423	2,177,423
Revenue bonds -Ballston	14,300,000	-	(500,000)	13,800,000	500,000
Bond and mortgage interest payable - Ballston	12,926,353	1,156,187	-	14,082,540	14,082,540
Long-term notes payable- Ballston	3,429,679	-	-	3,429,679	2,011,429
VRA loan payable	32,298,455	32,541,361	(3,674,856)	61,164,960	1,880,258
Deferred cost of refunding - Utilities	1,373,354	-	(125,024)	1,248,330	125,024
Bond premium to be amortized- Utilities	496,966	914,253	(27,205)	1,384,014	27,205
Bond premium to be amortized - IDA Bond	3,492,427	-	(313,865)	3,178,562	313,865
IDA Revenue Bond	58,085,000	-	(2,870,000)	55,215,000	3,035,000
Total Business-type Activities	161,758,309	105,727,943	(12,968,355)	254,517,897	29,468,947
Grand Total	\$829,035,406	\$191,918,016	(\$92,294,499)	\$928,658,923	\$86,106,983

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

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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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 \$242,320,535 for the Primary Government and the Schools. The effect on the Statement of Activities includes \$0.4 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, 2007 are reflected in current due to/from accounts of each Fund/Component Unit, as summarized below:

Due to/from other funds:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$4,578,056	\$-
Printing Fund	-	33,470
Commonwealth of Virginia	-	8,469
Drug Task Force	-	4,536,117
	<u>\$4,578,056</u>	<u>\$4,578,056</u>

Due to/from primary government and component units:

	<u>Primary Government</u>	<u>Component Unit</u>
General Fund	\$8,030,108	\$55,287,795
School Funds:		
Operating		
Primary Government	42,606,735	-
Other School Funds	225,796	401,804
Cafeteria		
Primary Government	210,746	273,700
Other School Funds	233,024	-
Community Activities		
Primary Government	1,156,533	-
Other School Funds	-	217,728
School – Special & In-Service		
Primary Government	-	7,184,504
Other School Funds	171,527	10,816
Pay-As-You-Go		
Primary Government	11,191,770	-
Other School Funds	6,270	-
School Capital Projects Bond		
Other School Funds	254,334	260,603
CSA		
Primary Government	122,011	571,904
	<u>\$64,208,854</u>	<u>\$64,208,854</u>

ARLINGTON COUNTY, VIRGINIA

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The primary purpose of interfund transfers is to provide funding for operations and capital projects. Interfund transfers for the year ended June 30, 2007 are as follows:

Transfer	General Fund	Special Revenue Fund	Internal Service Fund	Capital Projects Fund	Total Transfer Out
From General Fund	\$-	\$247,000	\$370,969	\$14,102,519	\$14,720,488
Special Revenue	39,357	-	-	-	39,357
Internal Service Fund	130,000	-	-	-	130,000
Capital Project Funds	6,652,830	-	-	-	6,652,830
Total					
Transfer In	\$6,822,187	\$247,000	\$370,969	\$14,102,519	\$21,542,675

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 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.
- c. **General Fund** - Designated for Operating Reserve - \$17,800,000 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 \$16,600,000 to \$17,800,000 during FY 2007.
- d. **General Fund** - Designated for FY 2008 Budget - \$11,676,134 designated by the County Board at the time of the adoption of the FY 2008 budget to be one of the elements that financed the FY 2008 Adopted General Fund budget.
- e. **General Fund** - Designated for Incomplete Projects - \$52,428,554 designated by the County Board to fund in FY 2008 projects approved by the County Board in FY 2007 but not yet completed at the close of FY 2007.
- f. **General Fund** - Designated for Schools - \$25,015,786 designated by the County Board at the time of the reappropriation to the FY 2007 budget to be one of the elements which is planned to finance part of the FY 2008 Adopted School Fund budgets.
- g. **School Funds** - Construction funds - \$21,143,761 reserved for project construction expenditures and encumbrances.
- h. **Special Revenue Funds** - Section 8 Housing - \$9,194,531 reserve equivalent to the net difference between earned Section 8 Housing administrative revenues and actual administrative expenditures since inception of the program. Travel & Tourism - \$209,088 reserve equivalent to the net difference between earned revenues and actual expenditures since inception of the program. Rosslyn Business Improvement District - \$290,603 and Crystal City Business Improvement District - \$225,518 reserves equivalent to the net difference between earned tax revenue and expenditures since inception of the program.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

- i. **Capital Projects Funds** - Construction funds - \$110,140,721 reserved for project construction expenditures and encumbrances. Of these funds, \$81,844,030 is reserved in construction bond funds and represents bond proceeds.
- j. **Trust Fund** - Reserved for Trusts - \$4,088,676 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 - \$1,487,790,918 reserved to fund the Arlington County Employee's Supplemental Retirement System.

NOTE 13. Commitments and Contingencies

A. Washington Metropolitan Area Transit Authority

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

In October 2004, the County and other WMATA contributing jurisdictions signed to the Metro Matters Funding Agreement (MMFA) with WMATA for fiscal year 2006-2010 for \$3.3 billion. 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 2007, the County paid \$14.7 million from its General Fund to subsidize WMATA's bus and rail operating costs.

B. Construction Commitments

As of June 30, 2007 contractual commitments were outstanding in the following funds for the amounts indicated:

Capital Projects Funds	\$32,043,195
Utilities Fund	<u>35,823,541</u>
	\$67,866,736

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.

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NOTES TO FINANCIAL STATEMENTS

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C. Waste-to-Energy Facility

Arlington Solid Waste Authority

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

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

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

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

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

Because the ASWA Board is essentially the same as the Arlington County Board and the financing agreements require the capital assets built with the Series 1998 B bonds to belong to the ASWA (60% ownership), the County had to record these assets in its financial statements for FY 1999 and FY 2000. Cash, capital assets (construction-in-progress), and the promissory note signed by the ASWA were displayed with the County's Enterprise Funds. The retrofitting of the Facility's boiler units with certain air pollution control equipment was made necessary by the EPA regulations adopted 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 2007 they have been recorded in the same manner, as is the rest of the plant.

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D. 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 \$1,375,378 were collected and project-related expenditures of \$4,737,068 are incurred in FY 2007.

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 2007, 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 2001, the City of Alexandria, with the concurrence of Arlington County took responsibility for the investment of Trust fund monies.

E. 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 2007 \$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.

F. Industrial Development Authority Ice Skating Facility

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

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

As part of the agreement, the County agreed to construct an eighth level slab (the "Eighth Level Slab") on top of the Garage, to lease the Eighth Level Slab to the Industrial Development Authority of Arlington County, Virginia (the

ARLINGTON COUNTY, VIRGINIA

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“IDA”), and to acquire the rights necessary to assist the development and construction of the project on the Garage pursuant to a Skating Facility Agreement (the "Skating Facility Agreement"), among the County, FDS, and certain other parties. The County has also constructed public parking (the “Parking Facilities”) on the Eighth Level Slab.

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

The IDA has negotiated with the Capitals a Development Agreement under which the IDA developed and constructed the Skating Facility and has issued \$35,700,000 in taxable revenue bonds (the "Bonds") to provide financing for the Skating Facility. A Cooperation Agreement between the County and the IDA states that, subject to appropriation of funds by the County Board, the County will deliver to the IDA sufficient funds so that the IDA can, among other things, make payments with respect to the Bonds and otherwise carry out its obligations under the Development Agreement if necessary. To further secure its obligations to make payments with respect to the Bonds, the IDA will, if required, grant a lien on and security interest in all of its right, title and interest in the Project, including its leasehold interest in the Eighth Level Slab, under a Leasehold Deed of Trust and Security Agreement between the IDA and certain individual trustees for the benefit of the trustee for the Bonds.

The IDA owns the Skating Facility and is currently leasing it to the Capitals, or an affiliate, pursuant to a Deed of Lease (the "Capitals Lease"), between the IDA and the Capitals, under which the Capitals have furnished, equip and operate the Skating Facility. Under the Capitals Lease, the Capitals will make 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.

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

G. Industrial Development Authority Affordable Housing Project

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

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

- b. 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, 2007 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

ARLINGTON COUNTY, VIRGINIA

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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, 2007, the IDA carried a receivable representing the Promissory Note from APAH-CC in the amount of \$11,366,709, cash in the amount of \$70,331, and a note payable to the Bank in the amount of \$11,437,040. 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.

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

State and federal laws and regulations require the County to pay for the closure and processing/removal of any medical waste on site at the DHS laboratory when it stops accepting waste to be processed by the steam sterilizer at the laboratory. Although closure costs will be paid only near or after the date that the laboratory is closed, the County reports a portion of the closure costs as an operating expense in each period based on a formula provided by the Virginia Department of Environmental Quality. The County has chosen the use of the annual operating budget as the method for funding the closure cost. The reported liability for the closure at June 30, 2007 is \$1.

I. Litigation

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

NOTE 14. Joint Ventures

A. Northern Virginia Criminal Justice Academy

The County participates in a joint venture with Loudoun County and the Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park to provide training for sworn law enforcement and correctional officers to satisfy requirements mandated by the Commonwealth of Virginia. The Industrial Development Authority of Loudoun County, Virginia issued \$6,585,000 Northern Virginia Criminal Justice Academy Lease Revenue Bonds, Series 1993, to finance the acquisition, renovation, and equipment of the Academy Training Center. The County, the City of Alexandria, and Loudoun County have entered into a capital lease with the Industrial Development Authority of Loudoun County. The County maintains an equity interest only in the land and building of the Academy, which is reflected in the County's General Capital Leases. The County does not maintain an equity interest in the Academy's operations.

In addition, the County pays the Northern Virginia Criminal Justice Academy for operating costs based on the pro-rata share of officers trained. In FY 2007, the County paid \$638,596 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 2007, the County paid \$867,985 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.

ARLINGTON COUNTY, VIRGINIA

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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. Plan member contributions are recognized in the period in which the contributions are due. The County's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the system. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on the County's balance sheet date. Securities without an established market are reported at estimated fair value.

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

A. Arlington County Employees' Retirement System

Plan Description and Provisions

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

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

At July 1, 2006, 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	1,752	572	158	2,482
Non-Vested	1,012	259	-	1,271
Total	<u>2,764</u>	<u>831</u>	<u>158</u>	<u>3,753</u>
Retirees and Beneficiaries	1,532	632	1,184	3,348

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

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

Funding Policy

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

Contributions totaling \$34,876,434 (\$24,755,219 of Employer contributions, \$10,024,725 of Employee contributions, and \$96,490 other contributions) were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed as of July 1, 2006. Member contributions are established by Arlington County Code, and are deducted from the members' salaries. For FY 2007, 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, 2007. Three-year trend information is presented below.

Schedule of Employer Contributions

<u>Year Ended</u> <u>June 30</u>	<u>Annual Pension</u> <u>Cost (ARC) (in millions)</u>	<u>Percentage</u> <u>Contributed</u>
2005	13.9	100.0%
2006	16.3	100.0%
2007	24.8	100.0%

The Arlington County Code requires the System to have an actuarial valuation at least biannually. The annual required contribution for the current year was determined as part of the July 1, 2006 actuarial valuation.

Actuarial Assumptions

The information presented below are the significant actuarial assumptions.

Valuation date	07/01/06
Actuarial cost method	Entry Age Normal
Remaining amortization period	2.9 years
Amortization method	Level % Open
Asset valuation method	
Actuarial assumptions	
Assumed inflation rate	4.5%
Investment rate of return	8.0%
Projected salary increases	4.5%

ARLINGTON COUNTY, VIRGINIA

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JUNE 30, 2007

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)

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>
7/1/04	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)%
7/1/06	1234.7	1230.3	(4.4)	100.4%	232.6	(1.9)%

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 2007, the contribution rate

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

was 14.09%. The County's contributions to the VRS for the years ended June 30, 2007, 2006 and 2005 were \$27.7 million, \$23.3 million and \$22.3 million respectively, which were equal to the required contributions for each year.

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)						
2005**	\$40,372	\$49,628	\$9,256	81.3%	\$12,212	75.8%
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%
State Police Officers' Retirement System (SPORS)						
2005**	\$514	\$673	\$159	76.4%	\$91	174.8%
2004	510	656	146	77.8%	82	178.0%
2003	509	616	107	82.6%	79	135.4%
Virginia Law Officers' Retirement System (VaLORS)						
2005**	\$575	\$980	\$405	58.7%	\$307	132.0%
2004	508	927	418	54.9%	298	140.3%
2003	458	854	396	53.6%	292	135.6%
Judicial Retirement System (JRS)						
2005**	\$288	\$402	\$114	71.5%	\$52	220.7%
2004	285	366	81	78.0%	48	168.8%
2003	282	348	66	81.0%	48	137.5%

**Revised economic and demographic assumptions due to experience study.

NOTE 17. Other Post-Employment Benefits (OPEB)

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, 2007, 1,338, and 1,489 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 \$7,277,242 were recognized for post-employment health care benefits.

For years starting in FY 2008, the Governmental Accounting Standards Board ("GASB") has issued Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* ("GASB45"). GASB 45 requires all state and local governmental employers that provide postemployment benefits (other than pension benefits) to report the OPEB plan assets and liabilities (and where applicable the net assets and the changes in plan net assets), held in trust or as an agent for OPEB. It also calls for disclosure of information about the funded status and the funding process of the OPEB plan and about employer contributions to the plan.

ARLINGTON COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Currently the County and Schools combined spend in excess of \$16 million a year in pay-as-you-go funds to meet the health care claims of retired employees. In addition, the County and Schools combined have an \$11.75 million health care reserve. Plans for future funding have not yet been determined, but additional funds to add to the health care reserve will be considered as part of the FY 2007 closeout process in November, and as part of the 2009 Proposed Budget due in February.

In May 2007, the County estimated that its unfunded actuarial liability for OPEB totaled \$783 million, resulting in an annual required contribution of \$72.8 million, in contrast to the current \$16 million of pay-as-you-go funding. The County has already increased employee premiums and is working to make other long-term changes to existing health care plans, which it views as one facet of the compensation package. It has established a reserve fund and anticipates developing a sustainable financing plan within the next year. Of the \$72.8 million in annual required contributions, \$50.1 million is County related and the remainder is School related. The County is continuing a three phase plan to address the issue:

Phase One (2006): The County/Schools switched health care providers, completed an extensive compensation study, concluded initial assessments of actuarial liability, developed a collaboration process, and Arlington assisted with passage of State legislation allowing trust fund creation for OPEB.

Phase Two (2007): The County/Schools adopted cost containment steps in the 2008 budget (health care premiums, greater contributions from employees, differential smoker/non-smoker rates, mail order service for drugs, co-insurance, disease management), created a health care reserve, and began employee and public education efforts with civic groups.

Phase Three (2008): the County and Schools will review first reliable information on costs from new health care provider, will review proposals to make larger structural changes in benefit plans, will continue education, coordination, and annual actuarial assessments, and will complete consideration of steps necessary to meet our annually required contribution (ARC) and adjust contributions and benefits as necessary .

NOTE 18. Subsequent Events

On July 10, 2007, 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 2007.



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, 2007

	SPECIAL REVENUE FUNDS					CAPITAL PROJECTS FUNDS							Total Non-Major Governmental Funds
	Travel & Tourism Promotion	Rosslyn Business Improvement District	Crystal City Business Improvement District	Community Development Grants	Section 8 Housing Program	Street and Highway Bond Fund	Neighborhood Conservation Bond Fund	Government Facility Bond	Public Recreation Bond Fund	Fire Station Bond Fund	Library Bond Fund	Transit Facilities Bond Fund	
ASSETS													
Equity in pooled cash and investments	\$302,047	\$290,603	\$225,518	\$1,173,568	\$8,172,064	\$11,742,378	\$16,699,828	\$1,271,471	\$42,443,162	\$16,114,110	\$1,785,189	\$13,506,035	\$113,725,973
Receivables, net	-	-	-	17,721,693	-	-	-	-	-	-	-	-	17,721,693
Receivables from other governments	-	-	-	467,807	31,125	-	-	-	-	-	-	-	498,932
Prepaid	-	-	-	-	1,043,031	-	-	-	-	-	-	-	1,043,031
Total assets	\$302,047	\$290,603	\$225,518	\$19,363,068	\$9,246,220	\$11,742,378	\$16,699,828	\$1,271,471	\$42,443,162	\$16,114,110	\$1,785,189	\$13,506,035	\$132,989,629
LIABILITIES AND FUND BALANCES													
LIABILITIES													
Accounts Payable	\$31,905	\$-	\$-	\$163,469	\$51,689	\$285,592	\$16,503	\$-	\$701,483	\$25,383	\$-	\$-	\$1,276,024
Other liabilities	-	-	-	-	-	21,451	-	-	104,841	-	-	-	126,292
Deferred Revenue	-	-	-	4,991,680	-	-	-	-	-	-	-	-	4,991,680
Long-term liabilities	-	-	-	14,207,919	-	-	-	-	-	-	-	-	14,207,919
Total liabilities	31,905	-	-	19,363,068	51,689	307,043	16,503	-	806,324	25,383	-	-	20,601,915
FUND BALANCES													
Reserved for encumbrances	61,054	-	-	-	-	2,629,073	2,901,736	-	14,703,990	298,736	29,355	-	\$20,623,944
Reserved for construction	-	-	-	-	-	8,806,262	13,781,589	1,271,471	26,932,848	15,789,991	1,755,834	13,506,035	81,844,030
Unreserved-special revenue	209,088	290,603	225,518	-	9,194,531	-	-	-	-	-	-	-	9,919,740
Total fund balances	270,142	290,603	225,518	-	9,194,531	11,435,335	16,683,325	1,271,471	41,636,838	16,088,727	1,785,189	13,506,035	112,387,714
Total liabilities and fund balances	\$302,047	\$290,603	\$225,518	\$19,363,068	\$9,246,220	\$11,742,378	\$16,699,828	\$1,271,471	\$42,443,162	\$16,114,110	\$1,785,189	\$13,506,035	\$132,989,629

ARLINGTON COUNTY, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	SPECIAL REVENUE FUNDS					CAPITAL PROJECTS FUNDS								Total Non-Major Governmental Funds
	Travel & Tourism Promotion	Rosslyn Business Improvement District	Crystal City Business Improvement District	Community Development Grants	Section 8 Housing Program	Street and Highway Bond Fund	Neighborhood Conservation Bond Fund	Higher Educ. & University Bond Fund	Public Recreation Bond Fund	Fire Station Bond Fund	Library Bond Fund	Transit Facilities Bond Fund		
REVENUES:														
Other local taxes	\$899,408	\$2,064,632	\$1,885,953	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$4,849,993	
Intergovernmental	226,792	-	-	2,813,215	21,187,752	-	-	-	-	-	-	-	24,227,759	
Interest income	-	-	-	-	-	487,546	1,147,399	-	2,394,555	999,092	166,965	985,930	6,181,487	
Total revenues	1,126,200	2,064,632	1,885,953	2,813,215	21,187,752	487,546	1,147,399	-	2,394,555	999,092	166,965	985,930	35,259,239	
EXPENDITURES:														
Planning and community development	-	2,024,785	1,641,575	2,813,215	14,975,976	-	-	-	-	-	-	-	21,455,551	
Travel and tourism	1,365,944	-	-	-	-	-	-	-	-	-	-	-	1,365,944	
Capital outlay	-	-	-	-	-	11,430,596	7,874,279	928,529	12,097,844	1,377,411	1,229,017	4,715,754	39,653,430	
Total expenditures	1,365,944	2,024,785	1,641,575	2,813,215	14,975,976	11,430,596	7,874,279	928,529	12,097,844	1,377,411	1,229,017	4,715,754	62,474,925	
Revenues over (under) expenditures	(239,743)	39,847	244,378	-	6,211,776	(10,943,050)	(6,726,880)	(928,529)	(9,703,289)	(378,319)	(1,062,052)	(3,729,824)	(27,215,685)	
OTHER FINANCING SOURCES(USES):														
Proceeds from sale of bonds	-	-	-	-	-	12,530,000	4,000,000	2,200,000	14,500,000	-	-	-	33,230,000	
Transfers in	247,000	-	-	-	-	-	-	-	-	-	-	-	247,000	
Transfers out	-	(20,498)	(18,860)	-	-	(487,546)	(1,147,399)	-	(2,394,555)	(999,092)	(166,965)	(985,930)	(6,220,845)	
Total Other financing sources (uses)	247,000	(20,498)	(18,860)	-	-	12,042,454	2,852,601	2,200,000	12,105,445	(999,092)	(166,965)	(985,930)	27,256,155	
Net change in fund balances	7,257	19,349	225,518	-	6,211,776	1,099,404	(3,874,279)	1,271,471	2,402,156	(1,377,411)	(1,229,017)	(4,715,754)	40,470	
FUND BALANCE, beginning 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	
FUND BALANCE, end of year	\$270,142	\$290,603	\$225,518	\$-	\$9,194,531	\$11,435,335	\$16,683,325	\$1,271,471	\$41,636,838	\$16,088,727	\$1,785,189	\$13,506,035	\$112,387,714	



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, 2007
(WITH COMPARATIVE TOTALS FOR 2006)

	<u>2007</u>	<u>2006</u>
ASSETS		
Equity in pooled cash and investments	\$156,712,820	\$144,110,503
Petty cash	6,045	6,045
Cash with fiscal agents	255,257	255,257
Receivables(net, where applicable, of allowance for uncollectibles):		
Taxes	230,127,253	213,896,634
Accounts	17,269,853	18,000,824
Accrued interest	409,481	816,809
Due from other governments	4,531,500	3,048,606
Temporary Loan To Fund	12,036,260	3,037,699
Due from component unit	571,904	308,593
Other assets	<u>15,097,664</u>	<u>15,097,664</u>
Total Assets	<u>\$437,018,037</u>	<u>\$398,578,634</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accrued payroll liabilities	\$15,263,696	\$12,520,940
Vouchers payable	9,226,323	6,216,169
Current maturities of interest payable	267,305	267,305
Other current liabilities	814,892	146,445
Deferred revenue	240,666,795	229,682,563
Due to component unit	<u>55,287,795</u>	<u>49,230,668</u>
Total Liabilities	<u>321,526,806</u>	<u>298,064,090</u>
FUND BALANCE:		
Reserved -		
For Encumbrances	4,570,757	4,087,643
For Four Mile Run	500,000	500,000
Unreserved -		
Designated for operating reserve	17,800,000	16,600,000
Designated for FY 2008 budget	11,676,134	7,283,814
Designated for FY 2008 School budget	25,015,786	26,507,224
Designated for Self Insurance	3,500,000	3,500,000
Designated for debt service of E-911 Communications Center	-	784,601
Designated for incomplete projects:		
Capital improvements/other incomplete projects	27,005,653	13,167,247
AHIF	17,533,008	22,574,258
Excess Recordation Tax for Housing	889,893	509,757
Designated for OPEB	<u>7,000,000</u>	<u>5,000,000</u>
Total Fund Balance	<u>115,491,231</u>	<u>100,514,544</u>
Total Liabilities and Fund Balance	<u>\$437,018,037</u>	<u>\$398,578,634</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, 2007
(WITH COMPARATIVE TOTALS FOR 2006)

	2007			
	BUDGET	ACTUAL	VARIANCE OVER (UNDER)	2006 ACTUALS
REVENUES:				
Taxes	\$666,902,288	\$691,342,254	\$24,439,966	\$631,657,680
Licenses and permits	13,528,428	13,687,394	158,966	14,692,442
From the Commonwealth of Virginia	64,650,237	65,542,185	891,948	63,011,781
From the federal government	26,231,040	23,723,364	(2,507,676)	27,941,149
Charges for services	37,518,879	37,499,679	(19,200)	36,978,694
Fines and forfeitures	8,140,000	8,338,582	198,582	8,900,948
Use of money and property	9,724,255	10,745,988	1,021,733	7,292,440
Miscellaneous revenues	1,545,298	5,362,811	3,817,513	7,629,485
Total Revenues	828,240,425	856,242,257	28,001,832	798,104,619
EXPENDITURES:				
Current:				
General government	44,400,123	42,106,186	2,293,937	43,637,535
Judicial administration	43,962,576	44,343,051	(380,475)	38,539,621
Public safety	102,183,118	100,650,601	1,532,517	88,875,217
Environmental services	61,789,808	58,491,391	3,298,417	55,122,531
Health and welfare	98,658,558	96,536,913	2,121,645	98,926,206
Parks and recreation	32,077,460	32,146,657	(69,197)	30,759,513
Libraries	12,972,268	12,339,879	632,389	12,034,671
Planning and community development	19,650,770	17,379,638	2,271,132	15,135,596
Non-departmental	65,737,716	46,959,849	18,777,867	27,998,534
Contributions to regional agencies	22,482,476	22,356,827	125,649	20,204,777
Debt service:				
Principal	33,740,564	27,595,301	6,145,263	26,480,421
Interest on serial bonds	17,874,485	17,941,603	(67,118)	17,808,894
Other costs	197,302	156,470	40,832	222,322
Total Expenditures	555,727,224	519,004,366	36,722,858	475,745,838
Revenues over Expenditures	272,513,201	337,237,891	64,724,690	322,358,781
OTHER FINANCING SOURCES(USES):				
Transfers in	6,015,554	11,794,522	5,778,968	4,879,230
Transfers from component unit	-	2,210,800	2,210,800	1,583,332
Transfers out	(14,720,488)	(14,720,488)	-	(11,292,635)
Transfers to component unit	(337,938,209)	(322,332,527)	15,605,682	(293,310,349)
Proceeds from capital lease	-	136,000	136,000	5,581,901
Premium on sale of bonds	-	650,489	650,489	1,644,345
Total Other Financing Sources(Uses)	(346,643,143)	(322,261,204)	24,381,939	(290,914,176)
Revenues Over (Under) Expenditures and Other Sources(Uses)	(74,129,942)	14,976,687	89,106,629	31,444,605
FUND BALANCE, beginning of year	100,514,544	100,514,544	-	69,069,939
FUND BALANCE, end of year	\$26,384,602	\$115,491,231	\$89,106,629	\$100,514,544



Special Revenue Funds

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

Rosslyn Business Improvement District – to account for the operations of a service district in the downtown Rosslyn area created to collect and disperse local tax revenue for supplemental services to those already provided by county government.

Crystal City Business Improvement District – to account for the operations of a service district in the downtown Crystal City area created to collect and disperse local tax revenue for supplemental services to those already provided by county government.

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

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

ARLINGTON COUNTY, VIRGINIA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2007
(WITH COMPARATIVE TOTALS FOR 2006)

	Totals				
	Travel & Tourism Promotion	Rosslyn Business Improvement District	Crystal City Business Improvement District	Community Dev. Grants	Section 8 Housing Program
					June 30, 2007
					June 30, 2006
ASSETS					
Equity in pooled cash and investments	\$302,047	\$290,603	\$225,518	\$1,173,568	\$8,172,064
Receivable from other government	-	-	-	467,807	31,125
Long-term receivables	-	-	-	17,721,693	-
Prepaid Expenses	-	-	-	-	1,043,031
Total Assets	<u>\$302,047</u>	<u>\$290,603</u>	<u>\$225,518</u>	<u>\$19,363,068</u>	<u>\$9,246,220</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Vouchers payable	\$31,905	\$-	\$-	\$163,469	\$51,689
Deferred Revenues	-	-	-	4,991,680	-
Long-term liabilities	-	-	-	14,207,919	-
Total Liabilities	<u>31,905</u>	<u>-</u>	<u>-</u>	<u>19,363,068</u>	<u>51,689</u>
FUND BALANCES					
Reserved for encumbrances	61,054	-	-	-	-
Unreserved- special revenue	209,088	290,603	225,518	-	9,194,531
Total Fund Balances	<u>270,142</u>	<u>290,603</u>	<u>225,518</u>	<u>-</u>	<u>9,194,531</u>
Total Liabilities and Fund Balances	<u>\$302,047</u>	<u>\$290,603</u>	<u>\$225,518</u>	<u>\$19,363,068</u>	<u>\$9,246,220</u>
					<u>\$26,736,306</u>
					<u>\$26,736,306</u>

ARLINGTON COUNTY, VIRGINIA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE TOTALS FOR 2006)

	Travel & Tourism Promotion	Rosslyn Business Improvement District	Crystal City Business Improvement District	Community Dev. Grants	Section 8 Housing Program	June 30, 2007	June 30, 2006
REVENUES:							Totals
Other local taxes	\$899,408	\$2,064,632	\$1,885,953	\$-	\$-	\$4,849,993	\$2,915,611
From the federal government	226,792	-	-	2,813,215	21,187,752	24,227,759	18,781,446
Total revenues	1,126,200	2,064,632	1,885,953	2,813,215	21,187,752	29,077,752	21,697,057
EXPENDITURES:							
Current -							
Community development Housing program	-	2,024,785	1,641,575	2,813,215	-	6,479,575	4,081,702
Travel and tourism	-	-	-	-	14,975,976	14,975,976	14,697,414
	1,365,943	-	-	-	-	1,365,943	1,253,198
Total expenditures	1,365,943	2,024,785	1,641,575	2,813,215	14,975,976	22,821,494	20,032,314
Revenues over (under) expenditures	(239,743)	39,847	244,378	-	6,211,776	6,256,258	1,664,743
OTHER FINANCING SOURCES(USES):							
Transfers out	-	(20,498)	(\$18,860)	-	-	(39,358)	(19,412)
Transfers in	247,000	-	-	-	-	247,000	247,000
Total other financing sources(uses)	247,000	(20,498)	(18,860)	-	-	207,642	227,588
Revenues and other financing sources (uses) over expenditures	7,257	19,349	225,518	-	6,211,776	6,463,900	1,892,331
FUND BALANCES, beginning of year	262,885	271,254	-	-	2,982,755	3,516,894	1,624,563
FUND BALANCES, end of year	\$270,142	\$290,603	\$225,518	\$-	\$9,194,531	\$9,980,794	\$3,516,894

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, 2007

	Budget	Actual	Variance- Positive (Negative)
REVENUES:			
Other local taxes	\$912,500	\$899,408	(\$13,092)
Revenue from federal government	78,000	226,792	148,792
	<u>990,500</u>	<u>1,126,200</u>	<u>135,700</u>
Total revenue			
EXPENDITURES:			
Travel and tourism promotion	1,377,884	1,365,943	11,941
Revenues over(under) expenditures	(387,384)	(239,743)	147,641
OTHER FINANCING SOURCES:			
Operating transfers in	247,000	247,000	-
Revenues and other financing sources over (under) expenditures	(140,384)	7,257	147,641
FUND BALANCE, beginning of year	262,885	262,885	-
FUND BALANCE, end of year	<u>\$122,501</u>	<u>\$270,142</u>	<u>\$147,641</u>

ARLINGTON COUNTY, VIRGINIA
 SPECIAL REVENUE FUNDS
 ROSSLYN BUSINESS IMPROVEMENT DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
 BUDGET (GAAP BASIS) AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance- Positive (Negative)
REVENUES:			
Other local taxes	\$2,052,435	\$2,064,632	\$12,197
Total revenue	2,052,435	2,064,632	12,197
EXPENDITURES:			
Special real estate tax assessments	2,050,000	2,024,785	25,215
Revenues over(under) expenditures	2,435	39,847	37,412
OTHER FINANCING SOURCES(USES):			
Transfers out	-	(20,498)	(20,498)
Total other financing sources(uses)	-	(20,498)	(20,498)
Revenues and other financing sources(uses)	2,435	19,349	16,914
FUND BALANCE, beginning of year	271,254	271,254	-
FUND BALANCE, end of year	\$273,689	\$290,603	\$16,914

ARLINGTON COUNTY, VIRGINIA
 SPECIAL REVENUE FUNDS
 CRYSTAL CITY BUSINESS IMPROVEMENT DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET (GAAP BASIS) AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
Other local taxes	<u>\$1,701,000</u>	<u>\$1,885,953</u>	<u>\$184,953</u>
Total revenue	<u>1,701,000</u>	<u>1,885,953</u>	<u>184,953</u>
EXPENDITURES:			
Special real estate tax assessments	<u>1,701,000</u>	<u>1,641,575</u>	<u>59,425</u>
Revenues over(under) expenditures	<u>-</u>	<u>244,378</u>	<u>244,378</u>
OTHER FINANCING SOURCES(USES):			
Transfers out	<u>-</u>	<u>(18,860)</u>	<u>(18,860)</u>
Total other financing sources(uses)	<u>-</u>	<u>(18,860)</u>	<u>(18,860)</u>
Revenues and other financing sources(uses)	<u>-</u>	<u>225,518</u>	<u>225,518</u>
FUND BALANCE, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, end of year	<u><u>\$-</u></u>	<u><u>\$225,518</u></u>	<u><u>\$225,518</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, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
From the federal government	<u>\$5,399,946</u>	<u>\$2,813,215</u>	<u>(\$2,586,731)</u>
Total Revenues	<u>5,399,946</u>	<u>2,813,215</u>	<u>(2,586,731)</u>
EXPENDITURES:			
Community development	<u>5,399,946</u>	<u>2,813,215</u>	<u>2,586,731</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, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Positive (Negative)</u>
REVENUES:			
From the federal government	<u>\$14,805,770</u>	<u>\$21,187,752</u>	<u>\$6,381,982</u>
EXPENDITURES:			
Housing program	<u>14,805,770</u>	<u>14,975,976</u>	<u>(170,206)</u>
Revenues over expenditures	<u>-</u>	<u>6,211,776</u>	<u>6,211,776</u>
FUND BALANCE, beginning of year	<u>2,982,755</u>	<u>2,982,755</u>	<u>-</u>
FUND BALANCE, end of year	<u><u>\$2,982,755</u></u>	<u><u>\$9,194,531</u></u>	<u><u>\$6,211,776</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, 2007
(WITH COMPARATIVE TOTALS FOR 2006)

	General Capital Projects Fund	Street and Highway Bond Fund	Neighborhood Conservation Bond Fund	Government Facility Bond	Public Recreation Bond Fund	Fire Station Bond Fund	Library Bond Fund	Transit Facilities Bond Fund	Totals	
									June 30, 2007	June 30, 2006
ASSETS:										
Equity in pooled cash and investments	\$52,291,304	\$11,742,378	\$16,699,828	\$1,271,471	\$42,443,162	\$16,114,110	\$1,785,189	\$13,506,035	\$155,853,477	\$156,947,322
Due from other government	193,093	-	-	-	-	-	-	-	193,093	137,922
Accounts receivable - other	-	-	-	-	-	-	-	-	-	28,440
Total Assets	\$52,484,397	\$11,742,378	\$16,699,828	\$1,271,471	\$42,443,162	\$16,114,110	\$1,785,189	\$13,506,035	\$156,046,570	\$157,113,684
LIABILITIES AND FUND BALANCES										
LIABILITIES:										
Vouchers payable	\$965,967	\$285,592	\$16,503	\$-	\$701,483	\$25,383	\$-	\$-	\$1,994,928	\$3,356,384
Contracts payable-retainage	1,116,762	-	-	-	104,841	-	-	-	1,221,603	942,161
Deferred Revenue	8,346,126	-	-	-	-	-	-	-	8,346,126	8,663,838
Other liabilities	2,039,610	21,451	-	-	-	-	-	-	2,061,061	867,759
Total Liabilities	12,468,465	307,043	16,503	-	806,324	25,383	-	-	\$13,623,718	\$13,830,142
FUND BALANCES:										
Reserved for encumbrances	11,719,241	2,629,073	2,901,736	-	14,703,990	298,736	29,355	-	32,282,131	32,427,146
Reserved for construction	28,296,691	8,806,262	13,781,589	1,271,471	26,932,848	15,789,991	1,755,834	13,506,035	110,140,721	110,856,396
Total Fund Balances	40,015,932	11,435,335	16,683,325	1,271,471	41,636,838	16,088,727	1,785,189	13,506,035	142,422,852	143,283,542
Total Liabilities and Fund Balances	\$52,484,397	\$11,742,378	\$16,699,828	\$1,271,471	\$42,443,162	\$16,114,110	\$1,785,189	\$13,506,035	\$156,046,570	\$157,113,684

ARLINGTON COUNTY, VIRGINIA
CAPITAL PROJECT FUNDS
COMBINING STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE TOTALS FOR 2006)

	General Capital Projects Fund	Street and Highway Bond Fund	Neighborhood Conservation Bond Fund	Government Facility Bond	Public Recreation Bond Fund	Fire Station Bond Fund	Library Bond Fund	Transit Facilities Bond Fund	Totals	
									June 30, 2007	June 30, 2006
REVENUES:										
From the Commonwealth of Virginia	\$3,287,513	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$3,287,513	\$376,713
From the federal government	3,085,405	-	-	-	-	-	-	-	3,085,405	2,384,993
Charges for services	2,730,864	-	-	-	-	-	-	-	2,730,864	1,891,892
Use of money and property	-	487,546	1,147,399	-	2,394,555	999,092	166,965	985,930	6,181,487	4,500,318
Miscellaneous revenue	2,574,933	-	-	-	-	-	-	-	2,574,933	560,371
Total Revenues	11,678,715	487,546	1,147,399	-	2,394,555	999,092	166,965	985,930	17,860,202	9,714,287
Deferred cost of refunding	-	-	-	-	-	-	-	-	-	1,255,372
Capital outlay	21,351,313	11,430,596	7,874,279	928,529	12,097,844	1,377,411	1,229,017	4,715,754	61,004,743	72,029,442
Total Expenditures	21,351,313	11,430,596	7,874,279	928,529	12,097,844	1,377,411	1,229,017	4,715,754	61,004,743	73,284,814
Revenues Over/(Under) Expenditures	(9,672,598)	(10,943,050)	(6,726,880)	(928,529)	(9,703,289)	(378,319)	(1,062,052)	(3,729,824)	(43,144,541)	(63,570,527)
OTHER FINANCING SOURCES/(USES):										
Proceeds from Lease Purchase	839,020	-	-	-	-	-	-	-	839,020	195,000
Proceeds from sale of bonds	-	12,530,000	4,000,000	2,200,000	14,500,000	-	-	-	33,230,000	43,835,000
Proceeds of refunding bonds	-	-	-	-	-	-	-	-	-	47,686,632
Payments to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	(46,431,260)
Transfers in	14,396,318	-	-	-	-	-	-	-	14,396,318	11,416,003
Transfers out	-	(487,546)	(1,147,399)	-	(2,394,555)	(999,092)	(166,965)	(985,930)	(6,181,487)	(4,500,318)
Total Other Financing Sources/(Uses)	15,235,338	12,042,454	2,852,601	2,200,000	12,105,445	(999,092)	(166,965)	(985,930)	42,283,851	52,201,057
Revenues and Other Financing Sources (Uses) Over/(Under) Expenditures	5,562,740	1,099,404	(3,874,279)	1,271,471	2,402,156	(1,377,411)	(1,229,017)	(4,715,754)	(860,690)	(11,369,470)
FUND BALANCE, beginning 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
FUND BALANCE, end of year	\$40,015,932	\$11,435,335	\$16,683,325	\$1,271,471	\$41,636,838	\$16,088,727	\$1,785,189	\$13,506,035	\$142,422,852	\$143,283,542



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.

8th Level Ballston Public Parking Garage Fund – to account for the financing of services to the general public where all or most of the operating expenses involved are recovered in the form of charges to users of such services.

ARLINGTON COUNTY, VIRGINIA
ENTERPRISE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2007

ASSETS

	MAJOR FUNDS		NON MAJOR FUNDS					Totals	
	Utilities	Ballston Public Parking Garage	Emergency Comm. Center	Trade Center	George Mason	ERP	Total Non Major IDA Revenue Bonds	8th Level Ballston Public Parking Garage	June 30, 2006
CURRENT ASSETS:									
Equity in pooled cash and investments	\$98,621,822	\$13,578,759	\$18,703,556	\$-	\$-	\$-	\$-	\$83,183	\$79,012,167
Cash with fiscal agents	25,221	-	-	-	-	-	-	-	25,221
Accounts receivable:									
Water-sewer charges	11,750,762	-	-	-	-	-	-	-	2,187,228
Estimated unbilled service charges	8,947,926	-	-	-	-	-	-	-	7,707,692
Other	4,477,758	-	-	-	-	-	-	-	4,428,008
Interest receivable	4,757	-	98,044	521	-	-	521	-	333,411
Prepaid expenses	2,447,865	187,880	-	-	-	-	-	-	2,635,744
Inventories	731,000	-	-	-	-	-	-	-	727,288
Total current assets	127,007,111	13,766,639	18,801,600	521	-	-	521	83,183	97,056,759
CAPITAL ASSETS:									
Land	1,792,817	-	-	-	-	-	-	-	1,792,817
Sewer system	278,387,346	-	-	-	-	-	-	-	276,393,256
Water system	125,461,782	-	-	-	-	-	-	-	125,461,782
Furniture and fixtures	1,872,910	-	-	-	-	-	-	-	1,872,910
Building	-	22,315,886	-	17,017,494	3,502,500	-	20,519,994	-	42,835,880
Equipment	-	12,458	-	-	-	8,500,000	8,500,000	-	22,315,886
Construction in progress	140,260,520	-	16,071,551	1,406,006	-	-	1,406,006	-	157,736,077
Less accumulated depreciation	(95,423,233)	(9,664,234)	-	-	-	-	-	-	(105,087,467)
Total capital assets (net of accumulated depreciation)	452,352,142	12,664,110	16,071,551	18,423,500	3,502,500	8,500,000	30,426,000	-	432,454,413
Deferred bond issuance costs	47,600	66,209	217,842	126,264	24,633	49,265	\$200,162	-	568,149
Total noncurrent assets	452,399,742	12,730,319	16,289,393	18,549,764	3,527,133	8,549,265	30,626,162	-	433,022,562
Total assets	\$579,406,853	\$26,496,958	\$35,090,993	\$18,550,285	\$3,527,133	\$8,549,265	\$30,626,683	\$83,183	\$530,079,320

ARLINGTON COUNTY, VIRGINIA
ENTERPRISE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2007

LIABILITIES AND EQUITY

	MAJOR FUNDS			NON MAJOR FUNDS					Totals	
	Utilities	Parking Garage	Emergency Comm. Center	Trade Center	George Mason	ERP	Total Non Major IDA Revenue Bonds	8th Level Ballston Public Parking Garage	June 30, 2007	June 30, 2006
CURRENT LIABILITIES:										
Payable from current assets:										
General obligation bonds payable	\$5,179,814	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$5,179,814	\$3,487,380
VRA loan payable	1,880,258	-	-	-	-	-	-	-	1,880,258	-
Bond and mortgage interest payable	2,177,423	14,082,540	-	-	-	-	-	-	16,259,963	13,465,201
Vouchers payable	6,003,186	393,885	171,940	-	-	1,133	1,133	-	6,569,944	7,083,517
Contracts payable-retainage	-	-	-	-	-	-	-	-	-	778,417
Revenue bonds payable-current	-	500,000	-	-	-	-	-	-	500,000	500,000
Mortgage /notes payable	-	2,011,429	-	-	-	-	-	-	2,011,429	1,769,263
Other accrued liabilities	403,076	6,191,924	-	-	-	-	-	-	6,595,000	6,256,238
Due to other funds	-	-	-	714,253	140,112	1,134,641	1,989,006	-	1,989,006	-
Total current liabilities	15,643,757	23,179,578	171,940	714,253	140,112	1,135,774	1,990,139	-	40,985,414	33,340,016
LONG-TERM LIABILITIES:										
Compensated absences	1,363,918	-	-	-	-	-	-	-	1,363,918	1,356,375
General obligation bonds payable	1,681,906	-	-	-	-	-	-	-	1,681,906	2,222,875
Revenue bonds payable	-	13,300,000	31,591,150	16,768,763	3,184,382	6,849,266	26,802,411	-	71,693,561	75,377,425
VRA Loan payable	59,284,702	-	-	-	-	-	-	-	59,284,702	32,298,455
Mortgage payable	-	1,418,250	-	-	-	-	-	-	1,418,250	1,680,416
Bonds payable	93,244,095	-	-	-	-	-	-	-	93,244,095	29,620,916
Total long-term liabilities	155,574,621	14,718,250	31,591,150	16,768,763	3,184,382	6,849,266	26,802,411	-	228,686,432	142,536,462
Total liabilities	171,218,378	37,897,828	31,763,090	17,483,016	3,324,494	7,985,040	28,792,550	-	289,671,846	175,876,478
NET ASSETS:										
Invested in capital assets, net of related debt	292,961,625	(4,565,569)	(15,519,599)	1,654,737	318,118	1,650,734	3,623,589	-	276,500,046	285,517,683
Restricted net assets	-	(6,835,301)	18,847,502	(587,488)	(115,479)	(1,086,509)	(1,789,456)	-	10,222,745	22,473,811
Unrestricted	115,226,850	-	-	-	-	-	-	83,183	115,310,033	46,211,348
Total net assets	408,188,475	(11,400,870)	3,327,903	1,067,249	202,639	564,225	1,834,133	83,183	402,032,824	354,202,842
Total liabilities and net assets	\$579,406,853	\$26,496,958	\$35,090,993	\$18,550,265	\$3,527,133	\$8,549,265	\$30,626,683	\$83,183	\$671,704,670	\$530,079,320

ARLINGTON COUNTY, VIRGINIA
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE TOTALS FOR 2006)

EXHIBIT D-2

	MAJOR FUNDS		NON MAJOR FUNDS					Totals	
	Utilities	Ballston Public Parking Garage	IDA REVENUE BOND FUNDS					June 30, 2007	June 30, 2006
			Emergency Comm. Center	Trade Center	George Mason	ERP	Total Non Major IDA Revenue Bonds		
OPERATING REVENUES:									
Water-sewer service charges	\$56,850,491	\$-	\$-	\$-	\$-	\$-	\$-	\$56,850,491	\$52,362,162
Water-service hook-up charges	3,345,476	-	-	-	-	-	-	3,345,476	6,468,463
Water-service connection charges	787,642	-	-	-	-	-	-	787,642	269,617
Sewage treatment service charges	14,203,879	-	-	-	-	-	-	14,203,879	4,690,483
Other	1,687,277	-	-	-	-	-	-	1,687,277	1,253,619
Parking charges	-	3,578,493	-	-	-	-	-	3,690,603	3,586,806
Total Operating Revenues	76,874,765	3,578,493	-	-	-	-	-	80,565,368	68,631,150
OPERATING EXPENSES:									
Personnel services	12,450,800	-	-	-	-	-	-	12,450,800	11,811,854
Fringe benefits	3,368,865	-	-	-	-	-	-	3,368,865	2,935,231
Contractual services	9,128,064	2,921,277	-	-	-	-	-	12,056,488	9,999,104
Purchases of water	6,639,549	-	-	-	-	-	-	6,639,549	7,093,766
Materials and supplies	4,836,076	83,430	-	-	-	-	-	4,941,306	4,081,949
Deferred rent	-	654,996	-	-	-	-	-	654,996	654,996
Depreciation and amortization	5,508,564	503,697	-	-	-	-	-	6,012,261	5,935,169
Equipment (Construction Contracts)	119,229	-	-	-	-	-	-	119,229	2,276,681
Miscellaneous	4,830,473	-	-	-	-	-	-	4,830,473	4,218,638
Total Operating Expenses	46,881,620	4,163,400	-	-	-	-	-	51,073,947	49,007,388
Operating Income	29,993,145	(584,907)	-	-	-	-	-	29,491,421	19,623,762
NON-OPERATING REVENUES(EXPENSES):									
Interest income and other income	1,082,504	790,316	1,504,125	109,891	22,883	108,120	240,894	3,617,839	4,581,345
Interest expense and fiscal charges	(4,162,413)	(1,774,345)	(12,101)	(7,015)	(2,737)	(12,317)	(22,069)	(5,970,928)	(4,047,408)
Contributions from developers and other sources	1,994,090	-	-	-	-	-	-	1,994,090	827,240
Federal & State grant	19,168,904	-	-	-	-	-	-	19,168,904	363,009
Total Non-Operating Revenues(Expenses)	18,083,085	(984,029)	1,492,024	102,876	20,146	95,803	218,825	18,809,905	1,724,186
TRANSFERS IN(OUT):									
Transfers out	(471,344)	-	-	-	-	-	-	(471,344)	-
Change in net assets	47,604,886	(1,568,936)	1,492,024	102,876	20,146	95,803	218,825	47,829,982	21,347,948
Net assets, beginning of year	360,583,589	(9,831,934)	1,835,879	964,393	182,493	468,422	1,615,308	354,202,842	332,854,894
Net assets, end of year	\$408,188,475	(\$11,400,870)	\$3,327,903	\$1,067,269	\$202,639	\$564,225	\$1,834,133	\$402,032,824	\$354,202,842

ARLINGTON COUNTY, VIRGINIA
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE TOTALS FOR 2006)

	MAJOR FUNDS			NON MAJOR FUNDS					Totals	
	Utilities	Ballston Public Parking Garage	Emergency Comm. Center	Trade Center	George Mason	ERP	Total Non Major IDA Revenue Bonds	8th Level Ballston Public Parking Garage	June 30 2007	June 30 2006
CASH FLOWS FROM OPERATING ACTIVITIES:										
Cash received from customers	\$66,013,142	\$3,586,598	\$-	\$-	\$-	\$-	\$-	\$112,110	\$69,711,850	\$66,441,229
Cash paid to suppliers	(25,176,505)	(3,139,655)	-	-	-	-	-	(28,927)	(28,345,087)	(26,450,540)
Cash paid to employees	(15,795,350)	-	-	-	-	-	-	-	(15,795,350)	(14,799,849)
Net cash flows from operating activities	25,041,287	446,943	-	-	-	-	-	83,183	25,571,413	25,190,840
CASH FLOWS FROM INVESTING ACTIVITIES:										
Interest received	1,082,504	790,316	1,361,765	165,360	33,445	100,674	299,479	-	3,534,064	4,166,240
Net cash flows from investing activities	1,082,504	790,316	1,361,765	165,360	33,445	100,674	299,479	-	3,534,064	4,166,240
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:										
State grant	19,168,904	-	-	-	-	-	-	-	19,168,904	363,009
Net cash flows from non-capital financing activities	19,168,904	-	-	-	-	-	-	-	19,168,904	363,009
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:										
Principal payments - bonds	(3,487,382)	(500,000)	(1,005,000)	(895,000)	(165,000)	(805,000)	(1,865,000)	-	(6,857,382)	(8,029,880)
Payments to bonds redeemed	-	-	-	-	-	-	-	-	-	(3,957,945)
Proceeds of bond refunding	-	-	-	-	-	-	-	-	-	3,113,760
Deferred Cost of Refunding	-	-	-	-	-	-	-	-	-	844,185
Proceeds from bonds	67,500,000	-	-	-	-	-	-	-	67,500,000	-
Payment of VRA loan	(3,674,856)	-	-	-	-	-	-	-	(3,674,856)	-
Proceeds of VRA loan	32,541,361	-	-	-	-	-	-	-	32,541,361	7,364,805
Bond Premium	914,253	-	-	-	-	-	-	-	914,253	-
Contributions from other sources	-	-	-	711,432	139,155	1,125,240	1,975,827	-	1,975,827	-
Transfer out	(471,344)	-	-	-	-	-	-	-	(471,344)	-
Interest and other loan expenses paid	(2,670,385)	(618,158)	(964,896)	(249,771)	(185,831)	(464,495)	(900,097)	-	(5,153,536)	(3,276,924)
Purchases of property	(73,866,036)	-	(4,495,132)	(1,406,007)	(18,597)	(3,287,779)	(4,712,383)	-	(83,073,551)	(45,570,797)
Net cash flows from capital and related financing activities	16,785,611	(1,118,158)	(6,465,028)	(1,839,346)	(230,273)	(3,432,034)	(5,501,653)	-	3,700,772	(47,512,796)
Net increase(decrease) in cash and cash equivalents	62,078,306	119,101	(5,103,263)	(1,673,986)	(196,828)	(3,331,360)	(5,202,174)	83,183	51,975,153	(17,792,707)
Cash and cash equivalents at beginning of year	36,543,516	13,459,658	23,806,819	1,673,986	196,828	3,331,360	5,202,174	-	79,012,167	96,830,095
Cash and cash equivalents at end of year	\$98,621,822	\$13,578,759	\$18,703,556	\$-	\$-	\$-	\$-	\$83,183	\$130,987,320	\$79,037,388
Reconciliation of operating income to net cash flow from operations:										
Operating Income	\$29,993,145	(\$584,907)	\$-	\$-	\$-	\$-	\$-	\$83,183	\$29,491,421	\$19,623,762
Adjustments to reconcile operating income to net cash provided by operating activities:										
Depreciation and amortization	5,508,564	503,697	-	-	-	-	-	-	6,012,261	5,935,169
(Increase)/Decrease in accounts receivable	(10,861,623)	8,105	-	-	-	-	-	-	(10,853,518)	(2,189,920)
(Increase)/Decrease in inventories	(3,712)	-	-	-	-	-	-	-	(3,712)	111,096
Increase/(Decrease) in vouchers payable	725,586	(134,948)	-	-	-	-	-	-	590,638	1,145,951
Increase/(Decrease) in compensated absences	24,315	-	-	-	-	-	-	-	24,315	(52,765)
Increase/(Decrease) in contract retainage	(344,988)	-	-	-	-	-	-	-	(344,988)	(37,449)
Increase/(Decrease) in prepaid expenses	-	-	-	-	-	-	-	-	-	-
Increase/(Decrease) in other accrued liabilities	-	654,996	-	-	-	-	-	-	654,996	-
Net cash flows from operations	\$25,041,287	\$446,943	\$-	\$-	\$-	\$-	\$-	\$83,183	\$25,571,413	\$25,190,840



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, 2007
(WITH COMPARATIVE TOTALS FOR 2006)

				Totals	
	Automotive Equipment	Printing	Jail Industries	June 30 2007	June 30 2006
ASSETS					
CURRENT ASSETS:					
Equity in pooled cash and investments	\$5,865,063	\$-	\$35,139	\$5,900,202	\$6,791,567
Accounts receivable	1,300,528	734	-	1,301,262	891,760
Inventories	617,217	160,611	-	777,828	718,027
Total Current Assets	7,782,808	161,345	35,139	7,979,292	8,401,354
CAPITAL ASSETS:					
Equipment and other capital assets	45,153,446	276,061	-	45,429,507	42,685,858
Less-allowance for depreciation	(21,676,584)	(276,061)	-	(21,952,645)	(21,574,155)
Net Capital Assets	23,476,862	-	-	23,476,862	21,111,703
Total Assets	<u>\$31,259,670</u>	<u>\$161,345</u>	<u>\$35,139</u>	<u>\$31,456,154</u>	<u>\$29,513,057</u>
LIABILITIES AND NET ASSETS:					
CURRENT LIABILITIES:					
Vouchers payable	\$702,308	\$38,722	\$4,500	\$745,530	\$280,516
Capital lease - current portion	1,024,433	-	-	1,024,433	853,669
Due to primary government	-	33,470	-	33,470	157,870
Total Current Liabilities	1,726,741	72,192	4,500	1,803,433	1,292,055
LONG-TERM LIABILITIES					
Compensated absences	468,418	108,699	8,921	586,038	565,407
Capital lease	2,976,282	-	-	2,976,282	4,037,085
Total Long-Term Liabilities	3,444,700	108,699	8,921	3,562,320	4,602,492
Total liabilities	5,171,441	180,891	13,421	5,365,753	5,894,547
Net assets	26,088,229	(19,546)	21,718	26,090,401	23,618,510
Total Liabilities and Net Assets	<u>\$31,259,670</u>	<u>\$161,345</u>	<u>\$35,139</u>	<u>\$31,456,154</u>	<u>\$29,513,057</u>

ARLINGTON COUNTY, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE TOTALS FOR 2006)

	Totals				
	Automotive Equipment	Printing	Jail Industries	June 30 2007	June 30 2006
OPERATING REVENUES:					
Charges for services	\$17,690,972	\$1,760,622	\$167,591	\$19,619,185	\$17,693,505
OPERATING EXPENSES:					
Cost of store issuances	4,790,300	318,605	-	5,108,905	4,590,769
Personnel services	3,439,992	542,227	174,927	4,157,146	4,018,286
Fringe benefits	993,242	150,717	68,591	1,212,550	1,048,199
Material and supplies	61,379	211,470	2,021	274,870	777,760
Utilities	246,826	28,853	262	275,941	219,449
Outside services	1,604,193	664,514	5,936	2,274,643	1,663,818
Depreciation	3,956,834	6,984	-	3,963,818	3,981,347
Total Operating Expenses	15,092,766	1,923,370	251,737	17,267,873	16,299,628
Operating Income (Loss)	2,598,206	(162,748)	(84,146)	2,351,312	1,393,877
NON-OPERATING REVENUES (EXPENSES):					
Interest payment on capital lease	(132,633)	-	-	(132,633)	(107,524)
Gain/(Loss)on disposal of assets	12,243	-	-	12,243	309,179
Total Non-operating Revenues (Expenses)	(120,390)	-	-	(120,390)	201,655
Income Before Transfers	2,477,816	(162,748)	(84,146)	2,230,922	1,595,532
TRANSFERS IN (OUT):					
Transfers in	178,665	192,304	-	370,969	518,730
Transfers out	(130,000)	-	-	(130,000)	(130,000)
Total Operating Transfers	48,665	192,304	-	240,969	388,730
Change in Net Assets	2,526,481	29,556	(84,146)	2,471,891	1,984,262
Net Assets, beginning of year	23,561,748	(49,102)	105,864	23,618,510	21,634,248
Net Assets, end of year	\$26,088,229	(\$19,546)	\$21,718	\$26,090,401	\$23,618,510

ARLINGTON COUNTY, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE TOTALS FOR 2006)

	Totals				
	Automotive Equipment	Printing	Jail Industries	June 30, 2007	June 30, 2006
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	(\$217,565)	\$33,223	\$-	(\$184,342)	\$312,100
Cash received from interfund charges	17,499,769	1,726,665	167,591	19,394,025	17,278,594
Cash paid to suppliers	(6,181,619)	(1,306,879)	(8,219)	(7,496,717)	(7,398,528)
Cash paid to employees	(4,411,262)	(683,966)	(253,837)	(5,349,065)	(5,045,092)
Net cash provided (used) by operating activities	6,689,323	(230,957)	(94,465)	6,363,901	5,147,074
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Payment of temporary loan	-	-	-	-	(72,000)
Temporary loan from general fund	-	33,470	-	33,470	(101,560)
Operating transfers in	178,665	192,304	-	370,969	518,730
Operating transfers out	(130,000)	-	-	(130,000)	(130,000)
Net cash provided by financing activities	48,665	225,774	-	274,439	215,170
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from capital lease	-	-	-	-	2,370,000
Principal payment on capital lease	(890,039)	-	-	(890,039)	(697,312)
Payment of interest on capital lease	(132,633)	-	-	(132,633)	-
Purchases of equipment and other fixed assets	(6,976,642)	-	-	(6,976,642)	(4,975,427)
Proceeds from sale of equipment	659,909	-	-	659,909	198,093
Net cash used by capital and related financing activities	(7,339,405)	-	-	(7,339,405)	(3,104,646)
Net increase (decrease) in cash and cash equivalents	(601,417)	(5,183)	(94,465)	(701,065)	2,257,598
Cash and cash equivalents at beginning of year	6,466,480	5,183	129,604	6,601,267	4,533,969
Cash and cash equivalents at end of period	\$5,865,063	\$-	\$35,139	\$5,900,202	\$6,791,567
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income (loss)	\$2,598,206	(\$162,748)	(\$84,146)	\$2,351,312	\$1,393,877
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	3,956,834	6,984	-	3,963,818	3,981,346
(Increase)Decrease in accounts receivable	(408,768)	(734)	-	(409,502)	(102,810)
(Increase)Decrease in inventories	(5,859)	(53,942)	-	(59,801)	(101,363)
Increase(Decrease) in vouchers payable	526,938	(29,495)	-	497,443	(45,368)
Increase(Decrease) in compensated absences	21,972	8,978	(10,319)	20,631	21,392
Net cash provided (used) by operating activities	\$6,689,323	(\$230,957)	(\$94,465)	\$6,363,901	\$5,147,074



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 NET ASSETS
TRUST FUNDS
JUNE 30, 2007

	Private Purpose Trust					
	Pension Trust	Alex/Arlington Waste Disposal Trust	IDA - Ballston Skating Facility	IDA- Affordable Housing Investment Fund (AHIF+)	Other Private Purpose Trusts	Total Private Purpose Trust
ASSETS						
Equity in pooled cash and investments	\$108,869,890	\$1,465,586	\$6,208,543	\$70,331	\$39,861	\$7,784,321
Contributions Receivable:						
Employer	1,371,570	-	-	-	-	-
Employee	388,806	-	-	-	-	-
Accrued Interest and Other Receivables	5,874,503	-	14,167	-	-	14,167
Deferred Bond Issuance Costs	-	-	374,992	-	-	374,992
Capital Assets, net	-	-	26,416,269	-	-	26,416,269
Receivable from other government Investments, at fair value	-	-	-	11,366,709	-	11,366,709
Foreign, Municipal and U.S. Government Obligations, including Fixed Instruments in Pooled Funds	62,368,714	-	-	-	-	-
Corporate Fixed Income Obligations	209,285,677	-	-	-	-	-
Domestic and Foreign Equities, Including Equities in Pooled Funds	764,726,035	3,447,324	-	-	-	3,447,324
Other Investments	314,771,381	-	-	-	-	-
Real Estate Funds	23,846,960	-	-	-	-	-
Total assets	1,491,503,536	4,912,910	33,013,971	11,437,040	39,861	49,403,782
LIABILITIES						
Accounts payable and accrued liabilities	3,712,618	824,234	35,700,000	11,437,040	-	47,961,274
Total liabilities	3,712,618	824,234	35,700,000	11,437,040	-	47,961,274
NET ASSETS	\$1,487,790,918	\$4,088,676	(\$2,686,029)	\$-	\$39,861	\$1,442,508

ARLINGTON COUNTY, VIRGINIA
 COMBINING STATEMENT OF CHANGES IN NET ASSETS
 TRUST FUNDS
 JUNE 30, 2007

	Private Purpose Trusts				
	Alex/Arlington Waste Disposal Trust	IDA - Ballston Skating Facility	IDA Affordable Housing Investment Fund (AHIF+)	Other Private Purpose Trusts	Total Private Purpose Trusts
ADDITIONS					
Contributions and Revenues					
Shared revenues	\$1,032,186	\$-	\$-	\$-	1,032,186
Private donations- Others	-	-	-	49,912	49,912
Total contributions	1,032,186	-	-	49,912	1,082,098
Investment earnings:					
Interest and other	307,605	458,209	-	-	765,814
Gain on sale of securities	6,639				6,639
Net change in fair value of investments	28,948	-	-	-	28,948
Total investment earnings	343,192	458,209	-	-	801,401
Less investment expenses	-	1,910,429	-	-	1,910,429
Net investment earnings	343,192	(1,452,220)	-	-	(1,109,028)
Total additions	1,375,378	(1,452,220)	-	49,912	(26,930)
DEDUCTIONS					
Administrative expenses/ other	4,737,067	1,272,215	-	60,408	6,069,690
Retirees pension expense	-	-	-	-	-
Total deductions	4,737,067	1,272,215	-	60,408	6,069,690
Change in net assets	(3,361,689)	(2,724,435)	-	(10,496)	(6,096,620)
Net assets- Beginning of the year	7,450,365	38,406	-	50,357	7,539,128
Net assets- Ending of the year	\$4,088,676	(\$2,686,029)	\$-	\$39,861	\$1,442,508

ARLINGTON COUNTY, VIRGINIA
PENSION TRUST FUND
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007
(WITH COMPARATIVE TOTALS FOR 2006)

	<u>2007</u>	<u>2006</u>
ADDITIONS:		
Member contributions	\$10,024,725	\$8,848,814
Employer contributions	24,755,219	16,340,847
Other contributions	96,490	63,996
Investment income:		
Interest and dividends	31,687,514	27,950,621
Net appreciation (depreciation) in fair value	187,683,069	111,410,095
Commission recapture	34,519	28,215
Gross income from securities lending	7,182,389	368,271
Bank fees and expenses from securities lending	(6,855,885)	
Investment expense	<u>(4,738,711)</u>	<u>(6,145,479)</u>
Total Additions	<u>249,869,331</u>	<u>158,865,380</u>
DEDUCTIONS:		
Members' benefits	58,501,769	55,315,766
Refund of members' contributions	2,122,141	1,480,565
Administrative expenses	597,543	493,153
Other consulting expenses	<u>265,708</u>	<u>225,066</u>
Total Deductions	<u>61,487,161</u>	<u>57,514,550</u>
Net Increase	188,382,170	101,350,830
Net Assets Held in Trust for Plan Benefits, beginning of year	<u>1,299,408,748</u>	<u>1,198,057,918</u>
Net Assets Held in Trust for Plan Benefits, end of year:		
Undesignated	<u><u>\$1,487,790,918</u></u>	<u><u>\$1,299,408,748</u></u>

ARLINGTON COUNTY, VIRGINIA
 COMBINING STATEMENT OF NET ASSETS
 AGENCY FUNDS
 JUNE 30, 2007

	Commonwealth of Virginia	Drug Task Force Grant	Other Agency Funds	Total Agency Funds
ASSETS				
Equity in pooled cash and investments	\$-	\$-	\$14,684,183	\$14,684,183
Receivable from other government	30,300	4,405,626	-	4,435,926
Total assets	30,300	4,405,626	14,684,183	19,120,109
LIABILITIES				
Accounts payable and accrued liabilities	21,831	4,405,626	14,684,183	19,111,640
Due to primary government	8,469	-	-	8,469
Total liabilities	30,300	4,405,626	14,684,183	19,120,109
NET ASSETS	\$-	\$-	\$-	\$-

ARLINGTON COUNTY, VIRGINIA
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2007

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<u>Commonwealth of Virginia</u>				
ASSETS:				
Cash	\$-	\$8,469	\$8,469	\$-
Receivable from other government	24,059	6,241	-	30,300
Total Assets	<u>\$24,059</u>	<u>\$14,710</u>	<u>\$8,469</u>	<u>\$30,300</u>
LIABILITIES:				
Due to other government	<u>\$24,059</u>	<u>\$9,044</u>	<u>\$2,803</u>	<u>\$30,300</u>
Total Liabilities	<u>\$24,059</u>	<u>\$9,044</u>	<u>\$2,803</u>	<u>\$30,300</u>
<u>Drug Task Force Fund</u>				
ASSETS:				
Cash & cash equivalents	\$-	\$-	\$-	\$-
Due from other government	2,907,181	1,498,445	-	4,405,626
Total Assets	<u>\$2,907,181</u>	<u>\$1,498,445</u>	<u>\$-</u>	<u>\$4,405,626</u>
LIABILITIES:				
Vouchers payable	\$-	\$-	\$-	\$-
Due to primary government	3,017,342	1,498,445	-	4,515,787
Deferred revenue	(110,161)	-	-	(110,161)
Total Liabilities	<u>\$2,907,181</u>	<u>\$1,498,445</u>	<u>\$-</u>	<u>\$4,405,626</u>
<u>Other Agency Fund</u>				
ASSETS:				
Cash & cash equivalents	\$14,665,259	\$18,924	\$-	\$14,684,183
Total Assets	<u>\$14,665,259</u>	<u>\$18,924</u>	<u>\$-</u>	<u>\$14,684,183</u>
LIABILITIES:				
Vouchers payable	\$20,053	\$111,350	\$-	\$131,403
Deferred revenue	14,645,206	-	92,426	14,552,780
Total Liabilities	<u>\$14,665,259</u>	<u>\$111,350</u>	<u>\$92,426</u>	<u>\$14,684,183</u>
<u>Total All Agency Funds</u>				
ASSETS:				
Cash	\$14,665,259	\$27,393	\$8,469	\$14,684,183
Receivable from other government	2,931,240	1,504,686	-	4,435,926
Total Assets	<u>\$17,596,499</u>	<u>\$1,532,079</u>	<u>\$8,469</u>	<u>\$19,120,109</u>
LIABILITIES:				
Due to primary government	\$3,017,342	\$1,498,445	\$-	\$4,515,787
Due to other government	24,059	9,044	2,803	30,300
Vouchers Payable	20,053	111,350	-	131,403
Deferred revenue	14,535,045	-	92,426	14,442,619
Total Liabilities	<u>\$17,596,499</u>	<u>\$1,618,839</u>	<u>\$95,229</u>	<u>\$19,120,109</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, 2007
(WITH COMPARATIVE TOTALS FOR 2006)

	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, 2007
ASSETS									June 30, 2006
Equity in pooled cash and investments	\$5,400,000	\$-	\$-	\$-	\$26,865,504	\$-	\$-	\$-	\$49,257,023
Petty cash	200	232	75	-	-	-	-	-	821
Accounts receivable	477,847	208,287	73,073	9,764,501	-	12,076	-	449,893	2,840,755
Due from other funds	225,796	233,024	-	171,527	254,334	6,270	-	-	2,343,113
Due from primary government	42,606,735	210,746	1,156,533	-	-	11,191,770	-	122,011	49,230,668
Inventories	161,759	62,749	-	-	-	-	-	-	280,347
Total Assets	\$48,872,337	\$715,038	\$1,229,681	\$9,936,028	\$27,119,838	\$11,210,116	\$-	\$571,904	\$103,952,727
LIABILITIES AND FUND BALANCES									
LIABILITIES									
Accrued salaries payable	\$25,654,131	\$290,340	\$525,043	\$1,150,070	\$-	\$70	\$-	\$-	\$26,808,644
Vouchers payable	6,068,046	150,998	189,824	116,501	473,971	5,994,970	-	-	5,526,325
Other liabilities	7,901,832	-	-	-	-	-	-	-	4,521,579
Deferred revenue	414,318	-	195,684	-	-	-	-	-	818,544
Due to other funds	401,804	-	217,728	10,816	260,603	-	-	-	2,343,113
Due to primary government	-	273,700	-	7,184,504	-	-	-	571,904	308,593
Total Liabilities	40,440,131	715,038	1,128,289	8,461,891	734,574	5,995,040	-	571,904	40,326,798
FUND EQUITY AND OTHER CREDITS									
Reserved for encumbrances	3,032,206	24,184	101,392	260,894	5,241,502	5,215,076	-	-	52,741,317
Reserved for construction	-	-	-	-	21,143,761	-	-	-	5,968,595
Unreserved	5,400,000	(24,184)	-	1,213,243	-	-	-	-	4,916,017
Total Fund Equity and Other Credits	8,432,206	-	101,392	1,474,137	26,385,263	5,215,076	-	-	63,625,929
Total Liabilities, Fund Equity and Other Credits	\$48,872,337	\$715,038	\$1,229,681	\$9,936,028	\$27,119,837	\$11,210,116	\$-	\$571,904	\$103,952,727

ARLINGTON COUNTY, VIRGINIA
Reconciliation of the Fund Balances of Component Unit - Schools
to Net Assets of Component Unit - Schools
JUNE 30, 2007

Total-component unit-Schools fund balances	\$41,608,074
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	320,571,899
Long-term liabilities, including capital leases, are not due and payable in the current period and therefore are not reported in the funds	(34,400,664)
<hr/>	
Net assets of component unit-Schools	<u><u>\$327,779,309</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, 2007
 (WITH COMPARATIVE TOTALS FOR 2006)

	Governmental Funds							Totals	
	School Operating Fund	School Cafeteria Fund	School Community Activities Fund	School Special Grants Fund	School Capital Projects Bond Fund	*- Capital Projects (Pay-as-you-go) Fund	School Debt Service Fund	School Comprehensive Services Act	
REVENUES:									
Sales tax	\$18,242,577	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$15,409,432
State/local government	25,131,280	66,239	-	2,238,687	-	578,010	-	1,577,990	26,245,816
Federal	56,430	2,892,045	-	12,213,114	-	-	-	-	14,447,771
Charges for services	2,374,682	2,518,836	4,759,933	3,206,139	-	-	-	-	12,859,590
Use of money and property	-	-	-	-	2,210,801	-	-	-	2,210,801
									543,705
Total revenues	45,804,969	5,477,120	4,759,933	17,659,940	2,210,801	578,010	-	1,577,990	70,088,923
EXPENDITURES:									
Current -									
Community Activities	-	-	12,554,065	-	-	-	-	-	12,554,065
Education	319,967,896	5,994,772	-	17,502,962	-	-	-	3,208,782	346,674,412
Capital projects	-	-	-	-	32,596,698	20,705,871	-	-	53,302,569
Debt service -	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	16,252,318	-	16,252,318
Interest	-	-	-	-	-	-	10,718,791	-	10,718,791
Other	-	-	-	-	-	-	-	-	-
									9,600,537
Total expenditures	319,967,896	5,994,772	12,554,065	17,502,962	32,596,698	20,705,871	26,971,109	3,208,782	371,480,824
Excess (deficiency) of revenues over expenditures	(274,162,927)	(517,652)	(7,794,132)	156,978	(30,385,897)	(20,127,861)	(26,971,109)	(1,630,792)	(301,391,901)
Other financing sources(uses):									
Transfers in	267,584,574	354,832	7,783,677	-	-	18,007,543	26,971,109	1,630,792	273,354,436
Transfers out	-	-	-	-	(2,210,801)	-	-	-	(543,705)
Proceeds of refunding bonds	-	-	-	-	-	-	-	-	33,598,820
Payments to refunded bond escrow agent	-	-	-	-	-	-	-	-	(32,208,767)
Deferred cost of refunding	-	-	-	-	-	-	-	-	(1,390,063)
Proceeds from sale of bonds	-	-	-	-	16,630,000	-	-	-	16,630,000
Proceeds from leases	2,663,811	-	-	-	-	-	-	-	2,663,811
									1,743,357
Total other financing sources(uses)	270,248,385	354,832	7,783,677	-	14,419,199	18,007,543	26,971,109	1,630,792	310,784,088
Excess (deficiency) of Revenues and other sources over expenditures and other uses	(3,914,542)	(162,820)	(10,455)	156,978	(15,966,698)	(2,120,318)	-	-	9,392,187
FUND BALANCES, beginning of year	12,346,748	162,820	111,847	1,317,159	42,351,961	7,335,394	-	-	49,385,656
FUND BALANCES, end of year	\$8,432,206	\$-	\$101,392	\$1,474,137	\$26,385,263	\$5,215,076	\$-	\$-	\$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, 2007

Net change in fund balances - component unit-Schools	(\$22,017,855)
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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	47,858,143	
Less Depreciation expense	<u>(14,057,120)</u>	33,801,023

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	1,300,652	
Less Proceeds from capital leases	<u>(2,663,811)</u>	(1,363,159)

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

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Change in net assets of component unit-Schools	<u><u>\$10,420,009</u></u>
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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, 2007

	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	\$18,641,068	\$18,242,577	(\$398,491)	\$-	\$-	\$-	\$-	\$-	\$-
Intergovernmental									
State	24,513,176	25,131,280	618,104	95,631	66,239	(29,392)	-	-	-
Federal	-	56,430	56,430	3,289,480	2,892,045	(397,435)	-	-	-
Charges for services	1,880,500	2,374,682	494,182	2,336,905	2,518,836	181,931	4,718,888	4,759,933	41,045
Use of money and property	-	-	-	-	-	-	-	-	-
Total revenues	45,034,744	45,804,969	770,225	5,722,016	5,477,120	(244,896)	4,718,888	4,759,933	41,045
EXPENDITURES:									
Education									
Community Activities	323,641,656	319,967,896	3,673,760	5,866,102	5,994,772	(128,670)	-	-	-
Capital projects	-	-	-	-	-	-	15,732,578	12,554,065	(3,178,513)
Debt service:									
Principal retirement	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-
Total expenditures	323,641,656	319,967,896	3,673,760	5,866,102	5,994,772	(128,670)	15,732,578	12,554,065	(3,178,513)
Excess (deficiency) of revenues over expenditures	(278,606,912)	(274,162,927)	4,443,985	(144,086)	(517,652)	(373,566)	(11,013,690)	(7,794,132)	(3,219,558)
Other financing sources(uses):									
Transfers in	271,660,164	267,584,574	(4,075,590)	144,086	354,832	210,746	10,901,843	7,783,677	(3,118,166)
Transfers out	-	-	-	-	-	-	-	-	-
Proceeds from sale of bonds	-	-	-	-	-	-	-	-	-
Proceeds from capital leases	-	-	-	-	-	-	-	-	-
Total other financing sources(uses)	271,660,164	267,584,574	(4,075,590)	144,086	354,832	210,746	10,901,843	7,783,677	(3,118,166)
Excess (deficiency) of Revenues and other sources over expenditures and other uses	(6,946,748)	(3,914,542)	3,032,206	-	(162,820)	(162,820)	(111,847)	(10,455)	(101,392)
FUND BALANCES, beginning of year	12,346,748	12,346,748	-	162,820	162,820	-	111,847	111,847	-
FUND BALANCES, end of year	\$5,400,000	\$8,432,206	\$3,032,206	\$162,820	\$-	(\$162,820)	\$-	\$101,392	(\$101,392)

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, 2007

	School Special Grants Fund			School Debt Service Fund			School Capital Projects Bond Fund		
	Budget	Actual	Variance- Positive (Negative)	Budget	Actual	Variance- Positive (Negative)	Budget	Actual	Variance- Positive (Negative)
REVENUES:									
Sales tax	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Intergovernmental									
State	1,557,245	2,238,687	681,442	-	-	-	-	-	-
Federal	13,747,998	12,215,114	(1,532,884)	-	-	-	-	-	-
Charges for services	3,397,208	3,206,139	(191,069)	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	-	-	2,210,801	2,210,801
Total revenues	18,702,451	17,659,940	(1,042,511)	-	-	-	-	2,210,801	2,210,801
EXPENDITURES:									
Education	19,102,096	17,502,962	1,599,134	-	-	-	-	-	-
Community Activities	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	68,559,105	32,596,698	35,962,407
Debt service:									
Principal retirement	-	-	-	16,252,318	16,252,318	-	-	-	-
Interest and fiscal charges	-	-	-	10,789,022	10,718,791	70,231	-	-	-
Total expenditures	19,102,096	17,502,962	1,599,134	27,041,340	26,971,109	70,231	68,559,105	32,596,698	35,962,407
Excess (deficiency) of revenues over expenditures	(399,645)	156,978	556,623	(27,041,340)	(26,971,109)	70,231	(68,559,105)	(30,385,897)	38,173,208
Other financing sources(uses):									
Transfers in	-	-	-	27,041,340	26,971,109	(70,231)	-	-	-
Transfers out	-	-	-	-	-	-	-	(2,210,801)	(2,210,801)
Proceeds of sale of bonds	-	-	-	-	-	-	26,207,144	16,630,000	(9,577,144)
Proceeds of capital lease	-	-	-	-	-	-	-	-	-
Total other financing sources(uses)	-	-	-	27,041,340	26,971,109	(70,231)	26,207,144	14,419,199	(11,787,945)
Excess (deficiency) of Revenues and other sources over expenditures and other uses	(399,645)	156,978	556,623	-	-	-	(42,351,961)	(15,966,698)	26,385,263
FUND BALANCES, beginning of year	1,317,159	1,317,159	-	-	-	-	42,351,961	42,351,961	-
FUND BALANCES, end of year	\$917,514	\$1,474,137	\$556,623	\$-	\$-	\$-	\$-	\$26,385,263	\$26,385,263

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, 2007

	School Capital Projects (Pay-as-you-go) Fund			School Comprehensive Services Act			Totals		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance- Positive (Negative)
REVENUES:									
Sales tax	\$-	\$-	\$-	\$-	\$-	\$-	\$18,641,068	\$18,242,577	(\$398,491)
Intergovernmental									
State	571,676	578,010	6,334	1,842,500	1,577,990	(264,510)	28,580,228	29,592,206	1,011,978
Federal	-	-	-	-	-	-	17,037,478	15,163,589	(1,873,889)
Charges for services	-	-	-	-	-	-	12,859,590	12,859,590	526,089
Use of money and property	-	-	-	-	-	-	12,333,501	2,210,801	2,210,801
Total revenues	571,676	578,010	6,334	1,842,500	1,577,990	(264,510)	76,592,275	78,068,763	1,476,488
EXPENDITURES:									
Education	-	-	-	3,750,000	3,208,782	541,218	352,359,854	346,674,412	5,685,442
Community Activities	-	-	-	-	-	-	15,732,578	12,554,065	3,178,513
Capital projects	36,855,766	20,705,871	16,149,895	-	-	-	105,414,871	53,302,569	52,112,302
Debt service:									
Principal retirement	-	-	-	-	-	-	16,252,318	16,252,318	-
Interest and fiscal charges	-	-	-	-	-	-	10,789,022	10,718,791	70,231
Total expenditures	36,855,766	20,705,871	16,149,895	3,750,000	3,208,782	541,218	500,548,643	439,502,155	61,046,488
Excess (deficiency) of revenues over expenditures	(36,284,090)	(20,127,861)	16,156,229	(1,907,500)	(1,630,792)	276,708	(423,956,368)	(361,433,392)	62,522,976
Other financing sources(uses):									
Transfers in	28,948,696	18,007,543	(10,941,153)	1,907,500	1,630,792	(276,708)	340,814,375	322,332,527	(18,481,848)
Transfers out	-	-	-	-	-	-	-	(2,210,801)	(2,210,801)
Proceeds of sale of bonds	-	-	-	-	-	-	26,207,144	16,630,000	(9,577,144)
Proceeds from capital lease	-	-	-	-	-	-	-	2,663,811	2,663,811
Total other financing sources(uses)	28,948,696	18,007,543	(10,941,153)	1,907,500	1,630,792	(276,708)	367,021,519	339,415,537	(27,605,982)
Excess (deficiency) of Revenues and other sources over expenditures and other use	(7,335,394)	(2,120,318)	5,215,076	-	-	-	(56,934,849)	(22,017,855)	34,916,994
FUND BALANCES, beginning of year	7,335,394	7,335,394	-	-	-	-	63,625,929	63,625,929	-
FUND BALANCES, end of year	\$-	\$5,215,076	\$5,215,076	\$-	\$-	\$-	\$6,691,080	\$41,608,074	\$34,916,994



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, 2007

	Governmental Funds			Proprietary Funds		Fiduciary Fund	Component Units	Total
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	Schools	(Memorandum Only)
BALANCE, beginning 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
Receipts (net):								
Taxes	691,342,254	4,849,993	-	-	-	-	18,242,577	714,434,824
Licenses and permits	13,687,394	-	-	-	-	-	-	13,687,394
Fines and forfeitures	8,338,582	-	-	-	-	-	-	8,338,582
Revenue from use of money and property	10,745,988	-	6,181,487	3,617,839	-	-	2,210,801	22,756,115
Charges for services	37,499,679	-	2,730,864	80,565,368	19,619,185	1,375,378	12,859,590	154,650,064
Miscellaneous	5,362,811	-	2,574,933	1,994,090	-	6,669,583	-	16,601,417
Intergovernmental	89,265,549	24,227,759	6,372,918	19,168,904	-	5,152,249	44,755,795	188,943,174
Proceeds from indebtedness	136,000	-	34,069,020	100,041,361	-	-	16,630,000	150,876,381
Proceeds from sale of assets	-	-	-	-	12,243	-	-	12,243
Total Receipts	856,378,257	29,077,752	51,929,222	205,387,562	19,631,428	13,197,210	94,698,763	1,270,300,194
Total Receipts and Balance	1,010,294,607	36,064,974	208,876,543	289,237,490	26,286,870	43,303,472	143,955,786	1,758,019,742
Disbursements (net):								
Warrants(checks)issued	484,751,903	26,205,388	61,237,897	138,411,009	20,495,004	18,263,066	404,840,899	1,154,205,166
Retirement of indebtedness	27,595,301	-	-	10,532,238	-	-	16,252,318	54,379,857
Interest and other debt costs	18,098,073	-	-	5,970,928	132,633	-	10,718,791	34,920,425
Total Disbursements	530,445,277	26,205,388	61,237,897	154,914,175	20,627,637	18,263,066	431,812,008	1,243,505,448
Interfund Transfers:								
Transfers in	14,005,322	247,000	14,396,318	-	370,969	-	322,332,527	351,352,136
Transfers out	(337,053,015)	(39,358)	(6,181,487)	-	(130,000)	-	(2,210,801)	(345,614,661)
BALANCE, end of year	\$156,801,637	\$10,067,228	\$155,853,477	\$134,323,315	\$5,900,202	\$25,040,406	\$32,265,504	\$520,251,768

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF TREASURER'S ACCOUNTABILITY
ADJUSTED CASH IN BANKS
JUNE 30, 2007

Assets held by the Treasurer

Cash on hand	\$29,027
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Cash in banks:

Checking

BB&T	80,250,509.17
Burke & Herbert	1,495.17
Mercantile	1,042,272.60
Wachovia	5,317,037.54
SunTrust	308,616.58
Commerce Bank	99,544,239.28
Citibank	78,672.42
Bank of America	260,144.41
United Bank	2,035.92
Virginia Commerce Bank	12,932.48
Total Checking Account	186,817,955.57

Savings :

Wachovia Bank	4,907.10
Total Savings Account	4,907.10

Certificates of Deposit :

Alliance Bank	5,186,460.80
Mercantile	10,000,000.00
BB&T	3,132,000.00
Virginia Commerce Bank	502,230.38
Total Certificates of Deposit	18,820,691.18

Held with Trustee :

Federal Agency Bonds & Municipal Securities	9,692,436.40
Total Held with Trustee	9,692,436.40

Cash and Investments with Trustees :

US Bank, Ballston Garage Accounts	17,614,173.86
SunTrust, (Ballston Parking Garage)	65,370.50
SunTrust Solid Waste	4,914,090.99
Wells Fargo IDA-Ballston Skating Operation	6,208,542.74
U.S. Bank-IDA Lease Revenue Bonds (County)	22,535,649.13
Total Cash and Investments with Trustee	51,337,827.22

State Treasurer's Local Government Investment Pool	47,556.77
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Mercantile Money Market	26,401,434.26
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State Non Arbitrage Investment Program (SNAP)	227,099,932.29
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Total Cash & Investment Balances, June 30, 2007	\$520,251,768
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ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF TREASURER'S ACCOUNTABILITY
CASH IN BANKS
JUNE 30, 2007

Assets Held by the Treasurer

Cash on Hand	<u>\$29,027</u>
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Cash in Banks:

Checking

BB & T	80,250,509
Burke & Herbert	1,495
Mercantile	998,072
Wachovia Bank	17,262,442
SunTrust	151,137
Commerce Bank	99,544,239
Citibank	78,672
Bank of America	351,869
United Bank	2,036
Virginia Commerce Bank	<u>12,850</u>

Total Checking Account	<u>198,653,321</u>
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Savings:

Wachovia Bank	<u>4,907</u>
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Total Savings Account	<u>4,907</u>
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Certificates of Deposit:

Alliance Bank	5,186,461
Mercantile	10,000,000
BB&T	3,132,000
Virginia Commerce Bank	<u>502,230</u>

Total Certificates of Deposit	<u>18,820,691</u>
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Held with Trustee:

Federal Agency Bonds & Municipal Securities	9,692,436
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Total Held with Trustee	<u>9,692,436</u>
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Cash and Investments with Trustees:

US Bank, Ballston Garage Accounts	17,614,174
SunTrust, (Ballston Parking Garage)	65,370
SunTrust Solid Waste	4,914,091
Wells Fargo - IDA Ballston Skating Facility	6,208,543
U.S. Bank - IDA Lease Revenue Bonds (County)	<u>22,535,649</u>

Total Cash and Investments with Trustee	<u>51,337,827</u>
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State Treasurer's Local Government Investment Pool	47,557
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Mercantile Money Market	26,401,398
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State Non Arbitrage Investment Program (SNAP)	<u>227,099,932</u>
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Total Cash & Investment Balances, June 30, 2006	<u><u>\$532,087,096</u></u>
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ARLINGTON COUNTY, VIRGINIA
 COMBINED SCHEDULE OF INVESTMENTS - ALL FUNDS
 JUNE 30, 2007

	INTEREST RATE	MATURITY DATE	Market
Certificates of Deposit :			
BB&T	5.41%	10/24/07	\$3,132,000
Alliance	5.50%	07/30/07	5,186,461
Mercantile	5.62%	07/31/07	5,000,000
Mercantile	5.62%	07/31/07	5,000,000
Va Comm	5.47%	06/26/08	502,230
TOTAL CERTIFICATES OF DEPOSIT			<u>18,820,691</u>
Federal Agency Bonds & Municipal Securities :			
FHLB	4.25%	08/08/07	3,011,231
FHLB	5.02%	09/14/07	4,680,596
FHLB	5.00%	01/28/08	<u>2,000,609</u>
TOTAL US TREASURY/AGENCY SECURITIES AND FIXED INCOME SECURITIES			<u>9,692,436</u>
Virginia State Non-Arbitrage Program (SNAP)			227,099,932
James Monroe Money Market			26,401,434
State Treasurer's Local Government Investment Pool			<u>47,557</u>
TOTAL			<u>\$282,062,051</u>

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2007

EXHIBIT S-3
Page 1 of 9

			Bonds Outstanding: (Relates to total amount authorized and sold)	Payments: (Relates to total amount authorized and sold)	
	Amount Authorized and Sold	Date of Bonds	Interest Rate- %	Principal	Annual Amount
					Maturity Date
General Obligation Debt:					
<u>Serviced by General Fund:</u>					
G.O. Refunding (\$42,075,000)		11/15/93			
Police & Jail	17,449,353		4.80	4,538,961	4,538,961 06/01/08
Local & Regional Parks	1,299,365		4.75	4,468,719	4,468,720 06/01/09
Community Conservation	467,340		5.00	3,227,780	3,227,780 06/01/10
Streets & Highways	3,754,697		6.00	3,214,400	3,214,401 06/01/11
Fire Station	814,316		6.00	3,201,021	3,201,021 06/01/12
Central Library	4,361,839				
	<u>\$28,146,910</u>			<u>\$18,650,881</u>	
G.O. Public Improvement & Refunding (\$54,740,000)		05/01/98			
Street & Highway	3,630,000		4.75	4,690,731	4,690,731 10/01/07
Community Conservation	2,215,000		5.00	4,667,915	4,667,915 10/01/08
Local & Regional Parks	4,000,000		5.00	4,649,571	4,649,571 10/01/09
Metro Rail	4,800,000		5.00	4,620,299	4,620,299 10/01/10
	<u>\$14,645,000</u>		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>\$29,759,858</u>	
G.O. Public Improvement (\$79,750,000)		06/17/99			
Street & Highway	15,807,000		5.00	3,800,000	1,900,000 06/01/07-09
Central Library	300,000				
Community Conservation	6,423,000			<u>\$3,800,000</u>	
Local & Regional Parks	10,760,000				
Metro Rail	3,100,000				
	<u>\$36,390,000</u>				
G.O. Public Improvement (\$90,325,000)		06/18/01			
Street & Highway	8,222,000		4.50	2,559,598	2,559,598 02/01/08
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			<u>\$17,901,172</u>	
Local & Regional Parks	16,294,000				
Metro Rail	11,476,000				
Fire Station	400,000				
	<u>\$48,216,000</u>				
G.O. Public Improvement (\$39,545,000)		06/11/02			
Central Library	5,800,000		3.40	1,025,189	1,025,189 02/01/08
Local & Regional Parks	5,330,000		3.60	1,025,189	1,025,189 02/01/09
Metro Rail	5,983,500		3.80	1,025,189	1,025,189 02/01/10
Fire Station	1,800,000		4.00	2,050,378	1,025,189 02/01/11-12
Higher Education/University	719,000		4.10	1,025,189	1,025,189 02/01/13
	<u>\$19,632,500</u>		4.25	1,025,189	1,025,189 02/01/14
				<u>\$7,176,323</u>	

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2007

EXHIBIT S-3
Page 2 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
G.O. Public Improvement (\$75,000,000)		05/01/03				
Local & Regional Parks	17,768,000		4.00	3,510,000	1,755,000	01/15/08-09
Street, Highway	7,182,000		5.00	8,775,000	1,755,000	01/15/10-14
Higher Education/University	281,000		4.00	8,775,000	1,755,000	01/15/15-19
Central Library	880,388		4.125	1,755,000	1,755,000	01/15/20
Fire Station	1,000,000		4.20	1,755,000	1,755,000	01/15/21
Metrorail	15,210		4.30	1,750,000	1,750,000	01/15/22
Community Conservation	6,355,000		4.375	1,750,000	1,750,000	01/15/23
General Capital Projects	118,402					
	<u>\$33,600,000</u>			<u>\$28,070,000</u>		
G.O. Public Improvement Refunding (\$65,775,000)		05/01/03				
Street & Highway	3,223,616		4.00	1,395,032	1,395,032	01/15/08
Community Conservation	1,746,416		4.00	1,390,215	1,390,215	01/15/09
Higher Education	562,909		5.00	1,371,741	1,371,741	01/15/10
Parks & Recreation	3,648,420		5.00	1,368,086	1,368,086	01/15/11
Libraries	522,701		5.00	1,363,073	1,363,073	01/15/12
Jail	4,573,199		5.00	1,357,104	1,357,104	01/15/13
Metrorail	3,204,385		5.00	1,351,177	1,351,177	01/15/14
	<u>\$17,481,646</u>		4.00	540,109	540,109	01/15/15
				<u>\$10,136,537</u>		
G.O. Public Improvement (\$60,070,000)		05/12/04				
Fire Station	2,760,000		5.00	13,400,000	1,675,000	06/30/08-15
Higher Education	3,000,000			1,675,000	1,675,000	5/15/2024
Community Conservation	3,010,000					
Parks and Recreation	12,267,000			<u>\$15,075,000</u>		
Metrorail	11,033,000					
	<u>\$32,070,000</u>					
G.O. Public Improvement Refunding (\$81,005,000)		08/19/04				
Street & Highway	14,619,000		5.00	2,030,561	2,030,561	11/1/07
Neighborhood Conservation	9,027,730		5.00	2,027,437	2,027,437	11/1/08
Libraries	1,056,200		5.00	4,212,164	4,212,164	11/1/09
Fire Station	282,150		5.00	4,213,774	4,213,774	11/1/10
Higher Education	113,500		5.00	4,211,734	4,211,734	11/1/11
Parks and Recreation	15,694,000		5.00	4,210,567	4,210,567	11/1/12
Metrorail	3,696,802		5.00	4,209,126	4,209,126	11/1/13
	<u>44,489,382</u>		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>\$44,444,594</u>		

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2007

EXHIBIT S-3
Page 3 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)		Maturity Date
		Interest Rate- %	Principal	Annual Amount		
G.O. Public Improvement (\$94,525,000)	06/01/05					
Parks and Recreation	29,810,850	4.00	2,735,000	2,735,000		5/15/08
Neighborhood Conservation	13,030,962	5.00	8,205,000	2,735,000		5/15/09-11
Higher Education	1,000,000	5.00	21,840,000	2,730,000		5/15/12-19
Fire Station	2,935,000	4.00	5,460,000	2,730,000		5/15/22-23
Metrorail	5,518,188	4.13	2,730,000	2,730,000		5/15/24
	<u>\$52,295,000</u>	5.00	2,730,000	2,730,000		5/15/25
			<u>\$43,700,000</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	4.00	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	855,385	855,385		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	5,119,615	5,119,615		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>\$47,686,633</u>			
G.O. Public Improvement (\$117,360,000)	6/6/2007					
Street & Highway	12,530,000	5.00	690,000	690,000		03/15/08
Neighborhood Conservation	4,000,000	5.00	1,385,000	1,385,000		03/15/09
Government Facility Bond	2,200,000	5.00	5,205,000	1,735,000		3/15/2010-12
Parks and Recreation	14,500,000	5.00	1,730,000	1,730,000		03/15/13
	<u>\$33,230,000</u>	4.00	1,730,000	1,730,000		03/15/14
		5.00	3,460,000	1,730,000		3/15/2015-16
		4.00	1,730,000	1,730,000		03/15/17
		4.25	1,730,000	1,730,000		03/15/18
		4.00	3,460,000	1,730,000		3/15/2019-20
		4.38	1,730,000	1,730,000		03/15/21
		4.13	1,730,000	1,730,000		03/15/22
		4.50	1,730,000	1,730,000		03/15/23
		4.25	6,920,000	1,730,000		3/15/2024-27
			<u>\$33,230,000</u>			
SUBTOTAL:			<u>\$343,465,998</u>			

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2007

EXHIBIT S-3
Page 4 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)		Maturity Date
		Interest Rate- %	Principal	Annual Amount		
FY 2003 Deferred cost/premium of bond refunding (net)			\$294,789			
FY 2004 Bond premium to be amortized			\$1,880,484			
FY 2005 Deferred cost/premium of bond refunding (net)			\$109,687			
FY 2005 Bond premium to be amortized			\$3,795,405			
FY2005 IDA Revenue Bonds amortized			\$3,178,562			
FY 2006 Deferred cost/premium of bond refunding (net)			(\$1,192,604)			
FY 2006 Bond premium to be amortized			\$1,562,128			
FY 2007 Bond premium to be amortized			\$450,489			
Total GO Bonds Serviced by General Fund:			\$353,544,938			
IDA Revenue Bonds (\$60,540,000)	08/01/04					
Trade Center Bond	17,825,000	3.0/5.0	3,035,000	3,035,000		8/1/07
George Mason Center Bond	3,375,000	3.0/5.0	5,060,000	5,060,000		8/1/08
Emergency Communication Center Bond	31,290,000	3.25/5.0	5,220,000	5,220,000		8/1/09
Enterprise Resource Planning Bond	8,050,000	3.5/5.0	5,385,000	5,385,000		8/1/10
	<u>\$60,540,000</u>	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			\$55,215,000			
Compensated Absences			\$29,442,262			
Estimated Liability for Workers' Comp Claims & Other Judgments			\$3,280,847			
Serviced by General Fund-Capital Leases			\$6,760,154			
Total General Obligation Debt Serviced by General Fund:			\$448,243,201			
Due in one year			(\$36,599,817)			
Total Long Term Liabilities -General Fund			\$411,643,384			

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2007

EXHIBIT S-3
Page 5 of 9

			Bonds Outstanding: (Relates to total amount authorized and sold)		Payments: (Relates to total amount authorized and sold)	
	Amount Authorized and Sold	Date of Bonds	Interest Rate- %	Principal	Annual Amount	Maturity Date
<u>Serviced by School Operating Fund:</u>						
School share of Refunding \$42,075,000 School Improvements	<u>\$10,573,454</u>	11/15/93	4.75	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>\$7,006,244</u>		
School share of \$87,740,000 Refunding bonds School Improvements	<u>\$13,560,000</u>	05/01/98	4.75	914,114	914,114	10/01/07
			5.00	908,428	908,428	10/01/08
			5.00	907,303	907,303	10/01/09
			5.00	904,017	904,017	10/01/10
			5.00	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>\$3,746,193</u>		
School share of \$79,750,000 School Improvements	<u>\$39,360,000</u>	06/17/99	5.00	4,120,000	2,060,000	06/01/08-09
				<u>\$4,120,000</u>		
School share of \$90,325,000 School Improvements	<u>\$39,605,000</u>	06/18/01	4.50	2,102,474	2,102,474	02/01/08
			4.50	10,501,409	2,100,282	02/01/09-13
			4.70	2,100,281	2,100,281	02/01/14
				<u>\$14,704,164</u>		
School share of \$39,545,000 School Improvements	<u>\$19,912,500</u>	06/11/02	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>\$7,278,677</u>		
School share of \$75,000,000 School Improvements	<u>\$41,400,000</u>	05/01/03	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>\$34,770,000</u>		

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2007

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)		Maturity Date
		Interest Rate- %	Principal	Annual Amount		
School share of Refunding \$65,775.00 School Improvements	05/01/03					
<u>\$28,877,529</u>		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>\$21,409,211</u>			
School share of \$60,070,000 School Improvements	05/12/04					
<u>\$28,000,000</u>		5.00	8,960,000	1,120,000		05/15/08-15
		4.75	1,120,000	1,120,000		05/15/24
			3,360,000	1,120,000		5/15/27-29
			<u>\$13,440,000</u>			
School share of \$81,005,000 refunding bonds School Improvements	08/19/04					
<u>\$33,598,820</u>		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>\$33,566,439</u>			
School share of \$94,525,000 School Improvements	06/01/05					
<u>\$36,230,000</u>		4.00	1,810,000	1,810,000		5/15/08
		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>\$28,980,000</u>			
School share of \$61,335,000 School Improvements	3/21/2006					
<u>\$17,500,000</u>		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
			<u>\$17,500,000</u>			

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2007

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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)		Maturity Date
		Interest Rate- %	Principal	Annual Amount		
School share of \$89,970,000 Refunding Bond School Improvements	3/21/2006					
<u>\$39,169,607</u>		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
			<u>\$39,169,607</u>			
G.O. Public Improvement (\$117,360,000) School Improvements	6/6/2007					
<u>\$16,630,000</u>		5.00	830,000	830,000		3/15/2008
		5.00	835,000	835,000		3/15/2009
		5.00	2,505,000	835,000		3/15/2010-12
		5.00	835,000	835,000		3/15/2013
		4.00	835,000	835,000		3/15/2014
		5.00	1,660,000	830,000		3/15/2015-16
		4.00	830,000	830,000		3/15/2017
		4.25	830,000	830,000		3/15/2018
		4.00	1,660,000	830,000		3/15/2019-20
		4.375	830,000	830,000		3/15/2021
		4.125	830,000	830,000		3/15/2022
		4.50	830,000	830,000		3/15/2023
		4.25	3,320,000	830,000		3/15/2024-27
			<u>\$16,630,000</u>			
SUB TOTAL			<u>\$242,320,535</u>			
FY 2003 deferred cost/premium of bond refunding			(\$358,655)			
FY 2004 bond premium to be amortized			\$1,234,515			
FY 2005 deferred cost/premium of bond refunding			(\$1,191,474)			
FY 2005 bond premium to be amortized			\$2,634,450			
FY 2006 deferred cost/premium of bond refunding			(\$146,121)			
FY 2006 bond premium to be amortized			\$553,530			
FY 2006 bond premium to be amortized			<u>\$257,191</u>			
Total Serial Bonds Serviced by School Operating Fund:			\$245,303,971			
Compensated Absences			\$26,834,097			
Capital Leases Serviced by Schools			<u>\$7,566,568</u>			
Total General Obligation Debt Serviced by School Operating Fund:			\$279,704,636			
Due in one year			<u>(\$22,304,048)</u>			
Total Long Term Liabilities - Schools			<u>\$257,400,588</u>			
Total General Obligation Debt Serviced by General Fund and School Operating Fund:			<u>\$669,043,972</u>			

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2007

EXHIBIT S-3
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			Bonds Outstanding: (Relates to total amount authorized and sold)		Payments: (Relates to total amount authorized and sold)	
	Amount Authorized and Sold	Date of Bonds	Interest Rate- %	Principal	Annual Amount	Maturity Date
Serviced by Utilities Fund:						
Sewer share of Refunding \$42,075,000		11/15/93				
Sewage	<u>\$3,354,635</u>		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>\$2,222,875</u>		
Water/AWT share Refunding \$87,740,000		05/01/98				
Water share	1,800,000			575,156	575,156	10/01/07
Advanced Water Treatment	<u>5,000,000</u>			573,656	573,656	10/01/08
	<u>\$6,800,000</u>			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>\$2,338,958</u>		
Water share	500,000	06/15/99	5.00	410,000	205,000	06/01/08-09
Advanced Water Treatment	<u>3,500,000</u>					
	<u>\$4,000,000</u>			<u>\$410,000</u>		
Water share of \$99,815,000		06/18/01				
Water share	<u>\$2,504,000</u>		4.50	132,928	132,928	02/01/08-08
			4.50	663,945	132,789	02/01/09-13
			4.70	132,791	132,791	02/01/14
				<u>\$929,664</u>		
Water/Sewer share of Refunding \$65,775,000		05/01/03				
Water/Sewer share	<u>\$19,415,825</u>		4.00	1,902,125	1,902,125	01/15/08
			4.00	1,897,760	1,897,760	01/15/09
			5.00	1,868,205	1,868,205	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>\$13,024,252</u>		
Water/sewer share of \$81,005,000 refunding bonds		08/19/04				
Water/sewer share	<u>\$2,916,798</u>		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>\$2,913,962</u>		
Water share of \$94,525,000		06/01/05				
Public Improvement bonds	<u>\$6,000,000</u>		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>\$5,020,000</u>		

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2007

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)		Maturity Date
		Interest Rate- %	Principal	Annual Amount		
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 1,414,755			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>			
Water/Swer/Plant share of \$117,360,000	6/6/2007					
Refunding bonds						
Water share 9,000,000	5.00		1,410,000	1,410,000		3/15/2008
Sewer share 10,000,000	5.00		2,815,000	2,815,000		3/15/2009
Advanced Water Treatment 48,500,000	5.00		3,520,000	3,520,000		3/15/2010-12
<u>\$67,500,000</u>	5.00		10,545,000	3,515,000		3/15/2013
	4.00		3,515,000	3,515,000		3/15/2014
	5.00		7,030,000	3,515,000		3/15/2015-16
	4.00		3,515,000	3,515,000		3/15/2017
	4.25		3,515,000	3,515,000		3/15/2018
	4.00		7,030,000	3,515,000		3/15/2019-20
	4.375		3,515,000	3,515,000		3/15/2021
	4.125		3,515,000	3,515,000		3/15/2022
	4.50		3,515,000	3,515,000		3/15/2023
	4.25		14,060,000	3,515,000		3/15/2024-27
			<u>\$67,500,000</u>			
SUBTOTAL:			<u>\$97,473,471</u>			
FY2003 deferred cost/premium of bond refunding			\$547,418			
FY 2005 deferred amount on refunding			(\$101,064)			
FY2005 bond premium to be amortized			\$469,761			
FY2006 deferred cost/premium of bond refunding			\$801,976			
FY2007 bond premium to be amortized			\$914,253			
Compensated Absences			\$1,363,918			
Bond and mortgage interest payable - Utilities Fund			\$2,177,423			
VRA Loans payable			<u>\$61,164,960</u>			
Total Long Term Obligations serviced by Utilities Fund:			\$164,812,116			
Compensated Absences - Internal Service funds			\$586,038			
Serviced by Auto Equipment Fund-Capital Leases			<u>\$4,000,715</u>			
SUBTOTAL:			\$169,398,869			
Revenue Bonds-Serviced by Ballston Public Garage Fund			\$13,800,000			
Bond and mortgage interest payable			\$14,082,540			
Mortgage Payable-Ballston Public Garage Fund			<u>\$3,429,679</u>			
Total Business-type Activities Obligations:			\$200,711,088			
Due in one year			(\$27,203,118)			
Total Business-type Activities long Term Obligations:			<u>\$173,507,970</u>			
TOTAL LONG TERM OBLIGATIONS:			<u>\$842,551,942</u>			

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF DELINQUENT PROPERTY TAXES RECEIVABLE
JUNE 30, 2007

FISCAL YEAR	REAL ESTATE	PERSONAL PROPERTY	TOTAL
2007	\$122,295	\$1,046,973	\$1,169,268
2006	107,202	1,094,615	1,201,817
2005	43,295	747,659	790,954
2004	23,106	799,795	822,901
2003	17,528	845,242	862,770
2002	6,170	-	6,170
2001	2,026	-	2,026
2000	1,435	-	1,435
1999	1,333	-	1,333
1998	1,221	-	1,221
1997	523	-	523
1996	516	-	516
1995	499	-	499
TOTAL	\$327,149	\$4,534,284	\$4,861,433

NOTES:

The amounts of delinquent real and personal property taxes receivable at June 30, 2007 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 \$28,372 and \$728,078, respectively.

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF GENERAL FIXED ASSETS - BY SOURCE
JUNE 30, 2007

PER GASB 34

Primary Government

General Capital Assets:

Land	\$91,406,801
Infrastructure	368,867,861
Buildings	218,161,368
Furniture, fixtures and equipment	50,948,626
	<hr/>
Total General Capital Assets	\$729,384,656
	<hr/>

Investment in General Capital Assets by Source:

General obligation bonds/ leases	\$649,884,346
Federal grants	14,160,578
State literary loans	1,664,496
Donated assets	5,795,926
General fund revenues	57,879,310
	<hr/>
Total Investment in General Capital Assets	\$729,384,656
	<hr/>

Internal Services Fund

Auto Equipment Fund	\$45,153,446
Printing Fund	276,061
	<hr/>
Total Internal Services Fund	\$45,429,507
	<hr/>

Investment in Internal Services Fund by Source:

General Fund revenues	\$45,429,507
	<hr/>

Component Unit: School Board

School Capital Assets:

Land	\$4,697,946
Buildings	387,771,150
Furniture, fixtures and equipment	56,368,262
	<hr/>
Total school capital assets	\$448,837,358
	<hr/>

Investment in School Capital Assets by Source:

General obligation bonds	\$312,598,568
Federal grants	7,970,594
State literary loans	484,498
General fund revenues	127,783,698
	<hr/>
Total investment in school capital assets	\$448,837,358
	<hr/>

ARLINGTON COUNTY, VIRGINIA
 SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS- BY FUNCTION AND ACTIVITY
 FOR THE YEAR ENDED JUNE 30, 2007

Primary Government

FUNCTION AND ACTIVITY:	General Capital Assets		
	FY 2007 Beginning Balance	Additions	FY 2007 Ending Balance
Primary Government:			
General Government	\$139,141,722	\$19,761,536	\$158,903,257
Public Safety	23,239,131	683,223	23,922,354
Public Works	394,324,930	12,946,429	407,271,359
Health and Public Welfare	29,525,529	78,735	29,604,264
Libraries	10,012,155	793,822	10,805,977
Parks and Recreation	81,635,146	2,731,538	84,366,684
Planning and Community Development	14,432,695	78,065	14,510,760
Total primary government	692,311,308	37,073,348	729,384,655
Internal Services Fund			
Auto Equipment Fund	42,409,799	6,976,642	45,153,446
Printing Fund	276,061	-	276,061
Total Internal Services Fund	42,685,860	6,976,642	45,429,507
Component Unit - Schools	401,017,012	47,858,143	448,837,358
Total Capital Assets	\$1,136,014,180	\$91,908,133	\$1,223,651,521

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF GENERAL CAPITAL ASSETS - BY FUNCTION AND ACTIVITY
JUNE 30, 2007

Per GASB 34
Primary Government

FUNCTION AND ACTIVITY:	Total	Land	Infrastructure	Buildings	Equipment
General Government:					
Control-					
Legislative	\$62,401	\$-	\$-	\$-	\$62,401
Executive	261,906	-	-	-	261,906
Judicial	1,377,339	-	-	-	1,377,339
Total Control	1,701,646	-	-	-	1,701,646
Staff Agencies-					
Elections	147,335	-	-	-	147,335
Management and Finance	254,962	-	-	-	254,962
Office of Support Services	98,968,484	11,780,043	-	84,720,364	2,468,077
Real Estate Assessment	55,710	-	-	-	55,710
Civil Service	858	-	-	-	858
Personnel Department	178,222	-	-	-	178,222
Office of County Attorney	41,514	-	-	-	41,514
Commissioner of the Revenue	51,794	-	-	-	51,794
Treasurer	889,812	-	-	-	889,812
Department of Technology Services	17,789,831	-	-	-	17,789,831
General government buildings	33,694,735	3,997,113	-	26,725,112	2,972,510
Other	2,847,920	2,818,480	-	-	29,440
Total Staff Agencies	154,921,177	18,595,636	-	111,445,476	24,880,065
Total General Government	156,622,823	18,595,636	-	111,445,476	26,581,711
Public Safety:					
Police protection	18,439,574	-	-	8,572,192	9,867,382
Fire protection	6,375,013	429,296	-	4,516,929	1,428,788
Emergency communication	982,942	-	-	-	982,942
Total Public Safety	25,797,529	429,296	-	13,089,121	12,279,112
Public Works	407,226,233	17,255,862	368,867,861	17,536,848	3,565,662
Environmental Services	297,689	-	-	-	297,689
Health	29,526,576	43,862	-	26,752,103	2,730,611
Public Welfare	365,246	225,235	-	140,011	-
Libraries	10,585,807	133,552	-	9,662,775	789,480
Recreation	83,531,614	54,720,726	-	24,237,543	4,573,345
Community Development	15,431,139	2,632	-	15,297,491	131,016
Total General Capital Assets	\$729,384,655	\$91,406,801	\$368,867,861	\$218,161,368	\$50,948,626
Internal Services Fund					
Auto Equipment Fund	\$45,153,446	\$-	\$-	\$-	\$45,153,446
Printing Fund	276,061	-	-	-	276,061
Total Internal Services Fund	\$45,429,507	\$-	\$-	\$-	\$45,429,507
Component Unit: School Board					
Schools	\$448,837,358	\$4,697,946	\$-	\$387,771,150	\$56,368,262
GRAND TOTALS	\$1,223,651,520	\$96,104,747	\$368,867,861	\$605,932,518	\$152,746,395

ARLINGTON COUNTY, VIRGINIA
GENERAL AND SPECIAL REVENUE FUNDS
DETAIL SCHEDULE OF REVENUES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

EXHIBIT S-8
Page 1 of 2

	2007			
	BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	2006 ACTUALS
GENERAL FUND				
General Property taxes:				
Real estate	\$420,112,428	\$425,982,688	\$5,870,260	\$391,213,244
Personal	91,025,726	100,682,324	9,656,598	81,498,687
Total General Property Taxes	511,138,154	526,665,012	15,526,858	472,711,931
Other Local Taxes	155,764,134	164,677,242	8,913,108	158,945,749
Total taxes	666,902,288	691,342,254	24,439,966	631,657,680
License, permits and fees	13,528,428	13,687,394	158,966	14,692,442
Fines and forfeitures	8,140,000	8,338,582	198,582	8,900,948
Charges for Services	37,518,879	37,499,679	(19,200)	36,978,694
Grants:				
State grants	64,650,237	65,542,185	891,948	63,011,781
Federal grants	26,231,040	23,723,364	(2,507,676)	27,941,149
Total grants	90,881,277	89,265,549	(1,615,728)	90,952,930
Use of money and property	9,724,255	10,745,988	1,021,733	7,292,440
Miscellaneous revenue	1,545,298	6,149,301	4,604,003	14,855,731
GRAND TOTALS FOR GENERAL FUND	\$828,240,425	\$857,028,747	28,788,322	\$805,330,865
GENERAL FUND TRANSFERS FROM OTHER FUNDS:				
Rosslyn Business Improvement District	20,524	20,498	(26)	\$19,412
Crystal City Business Improvement District	17,010	18,860	1,850	-
Automotive Equipment Fund	130,000	130,000	-	130,000
Street & Highway Bond Fund	-	487,546	487,546	331,886
Neighborhood Conservation Bond Fund	-	1,147,399	1,147,399	948,733
Higher Education Bond Fund	-	-	-	5,397
Public Recreation Bond Fund	-	2,394,554	2,394,554	1,833,216
Utilities Water Bond Fund	-	471,344	471,344	-
Fire Facilities Bond Fund	-	999,092	999,092	553,816
Library Bond Fund	-	166,965	166,965	210,937
Transit Facilities Bond Fund	-	985,930	985,930	616,333
School Capital Improvement Bond Fund	-	2,210,800	2,210,800	1,583,332
Pension Trust	470,720	-	(470,720)	-
Trust & Agency Fund	5,377,300	4,972,334	(404,966)	229,500
Total transfers	\$6,015,554	\$14,005,322	\$7,989,768	\$6,462,562
GRAND TOTALS	\$834,255,979	\$871,034,069	\$36,778,090	\$811,793,427

ARLINGTON COUNTY, VIRGINIA
GENERAL AND SPECIAL REVENUE FUNDS
DETAIL SCHEDULE OF REVENUES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

EXHIBIT S-8
Page 2 of 2

SPECIAL REVENUE FUNDS:

Travel & Tourism Fund	<u>\$990,500</u>	<u>\$1,126,200</u>	<u>\$135,700</u>	<u>\$974,434</u>
Special Assessment District	<u>2,052,435</u>	<u>2,064,632</u>	<u>12,197</u>	<u>1,941,176</u>
Crystal City BID	<u>1,701,000</u>	<u>1,885,952</u>	<u>184,952</u>	<u>-</u>
Community Development Block Grant Fund	<u>5,399,946</u>	<u>2,813,215</u>	<u>(2,586,731)</u>	<u>2,320,255</u>
Section 8 Housing	<u>14,805,770</u>	<u>21,187,752</u>	<u>6,381,982</u>	<u>16,461,191</u>
Total Special Revenue Funds	<u><u>\$24,949,651</u></u>	<u><u>\$29,077,751</u></u>	<u><u>\$4,128,100</u></u>	<u><u>\$21,697,056</u></u>

BREAKDOWN OF REVENUE BY FUNCTION:

	Charges for services	Operating grants/Contributions		Capital Grants
	Includes licenses & fees	State	Federal	Contributions
General government	\$20,079,042	\$37,969,848	\$3,078,636	\$1,810,516
Public safety	7,676,160	1,293,153	3,434,302	-
Environmental services	16,550,927	6,139,212	70,205	-
Health & welfare	3,089,311	18,102,881	16,648,302	-
Libraries	473,268	225,575	-	-
Planning & community development	6,567,332	-	143,332	-
Parks & recreation	5,089,615	1,000	348,587	-
Total General Fund	<u><u>\$59,525,655</u></u>	<u><u>\$63,731,669</u></u>	<u><u>\$23,723,364</u></u>	<u><u>\$1,810,516</u></u>

ARLINGTON COUNTY, VIRGINIA
GENERAL AND SPECIAL REVENUE FUNDS
DETAIL SCHEDULE OF EXPENDITURES-BUDGET(GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	2007		VARIANCE OVER (UNDER)	2006 ACTUALS
	BUDGET	ACTUAL		
General Government Administration:				
County Board	\$882,316	\$917,560	(\$35,244)	\$818,879
County Manager	4,216,183	3,851,236	364,947	3,488,016
Financial Management	5,255,433	5,094,437	160,996	4,791,828
Civil Service	21,028	598	20,430	881
Human Resources	6,783,456	6,394,203	389,253	6,179,797
Technology Services	14,146,637	12,913,400	1,233,237	15,845,977
County Attorney	1,672,836	2,105,362	(432,526)	2,161,221
Commissioner of Revenue	4,617,116	4,555,994	61,122	4,294,495
Treasurer	5,718,893	5,515,027	203,866	5,251,429
Electoral Board	1,086,225	758,369	327,856	805,012
Total General Government	44,400,123	42,106,186	2,293,937	43,637,535
Judicial Administration:				
Circuit Court	2,937,463	2,739,019	198,444	2,560,240
District Court	359,441	256,910	102,531	254,874
Juvenile & Domestic Relations Court	5,158,375	4,986,804	171,571	4,797,598
Commonwealth Attorney	3,684,430	3,515,412	169,018	3,198,777
Sheriff & Jail	31,822,867	32,844,906	(1,022,039)	27,728,132
Total Judicial Administration	43,962,576	44,343,051	(380,475)	38,539,621
Public Safety:				
Police	52,728,684	51,022,015	1,706,669	44,892,324
Emergency Communications Center	8,986,894	8,316,701	670,193	7,792,755
Fire	40,467,540	41,311,885	(844,345)	36,190,138
Total Public Safety	102,183,118	100,650,601	1,532,517	88,875,217
Department of Environmental Services				
DES-Environmental Services	61,789,808	58,491,391	3,298,417	55,122,531
Total Public Works	61,789,808	58,491,391	3,298,417	55,122,531
Health & Welfare:				
Human Services	98,658,558	96,536,913	2,121,645	98,926,206
Libraries:	12,972,268	12,339,879	632,389	12,034,671
Planning & Community Development:				
Economic Development	4,204,583	3,482,138	722,445	2,589,865
Community Planning Housing & Development	15,446,187	13,897,500	1,548,687	12,545,731
Total Planning & Community Development	19,650,770	17,379,638	2,271,132	15,135,596
Parks & Recreation:	32,077,460	32,146,657	(69,197)	30,759,513

ARLINGTON COUNTY, VIRGINIA
GENERAL AND SPECIAL REVENUE FUNDS
DETAIL SCHEDULE OF EXPENDITURES-BUDGET(GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	2007		VARIANCE OVER (UNDER)	2006 ACTUALS
	BUDGET	ACTUAL		
Non-Departmental:				
Non-Departmental	65,737,716	46,959,849	18,777,867	27,998,534
Debt Service				
Principal payment	33,740,564	27,595,301	6,145,263	26,480,421
Interest payment	17,874,485	17,941,603	(67,118)	17,808,894
Other costs	197,302	156,470	40,832	222,322
Regionals/Contributions	7,782,476	7,656,827	125,649	7,204,777
METRO	14,700,000	14,700,000	-	13,000,000
Total Non-Departmental	140,032,543	115,010,050	25,022,493	92,714,948
Total Expenditures before transfers-out	555,727,224	519,004,366	36,722,858	475,745,839
Transfers -Out				
Travel & Tourism	247,000	247,000	-	247,000
Auto Equipment Fund	178,665	178,665	-	350,418
Printing Fund	192,304	192,304	-	168,312
General Capital Projects Fund	14,102,519	14,102,519	-	10,526,905
Schools				
General Operating	271,804,250	267,584,574	4,219,676	247,842,237
Community Activities/Cable TV	9,569,133	7,783,677	1,785,456	7,101,352
Special Grants Fund	-	354,832	(354,832)	-
Pay-As-You-Go	28,948,696	18,007,543	10,941,153	9,977,526
Debt Service	25,708,630	26,971,109	(1,262,479)	26,838,046
Comprehensive Services Act	1,907,500	1,630,792	276,708	1,551,188
Total Transfers-Out	352,658,697	337,053,015	15,605,682	304,602,984
GRAND TOTALS EXPENDITURES	\$908,385,921	\$856,057,381	\$52,328,540	\$780,348,823
SPECIAL REVENUE FUNDS:				
Travel & Tourism Promotion	\$1,377,884	\$1,365,944	\$11,940	\$1,253,198
Rosslyn Business Improvement District	2,050,000	2,024,785	25,215	1,761,447
Crystal City Business Improvement District	1,701,000	1,641,575	59,425	-
Community Development Block Grant	5,399,946	2,813,215	2,586,731	2,320,255
Section 8 Housing	14,805,770	14,975,976	(170,206)	14,697,414
Total Special Revenue Funds	\$25,334,600	\$22,821,495	\$2,513,105	\$20,032,314
TOTAL GENERAL AND SPECIAL REVENUE FUNDS	\$933,720,521	\$878,878,876	\$54,841,645	\$800,381,137

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF CAPITAL OUTLAYS AND CAPITAL PROJECTS
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2007

EXHIBIT S-10

FUND AND FUNCTION	AMOUNT
GENERAL FUND:	
Capital Outlays:	
General Government	\$19,761,536
Public Safety	683,223
Public Works	12,946,429
Health & Public Welfare	78,735
Libraries	793,822
Parks & Recreation	2,731,538
Planning & Community development	78,065
Total General Fund	<u>\$37,073,348</u>
CAPITAL PROJECTS FUNDS:	
General Capital Projects Fund:	
Public Works:	
Transportation Projects	4,169,818
Government Facilities	12,120,880
Cultural & Recreation - Community Affairs:	
Government Facilities	678,189
Parks	874,218
Public Safety	2,756,068
Contributions to Regional Agencies	752,139
Total General Capital Projects Funds	<u>21,351,312</u>
Street & Highway Bond Fund:	
Capital Projects - Public Works/Transportation/ Street & Highway Improvements	11,430,596
Neighborhood Conservation Bond Fund:	
Neighborhood Capital Projects	7,874,279
Public Recreation Bond Fund:	
Capital Projects Parks & Recreation facilities	12,097,844
Fire Station Bond Fund:	
Fire Station Facilities	1,377,411
Library Bond Fund:	
Public Library Facilities	1,229,017
Transit Facilities Bond Fund:	
Capital Projects - Transit Facilities	4,715,754
SCHOOL BOARD:	
School Capital Projects Bond Fund	32,596,698
Capital Projects - Education Facilities	20,705,871
Total School Board	<u>53,302,569</u>
TOTAL CAPITAL PROJECTS FUNDS	<u>113,378,782</u>
GRAND TOTAL	<u><u>\$150,452,130</u></u>



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, and Table E.).

Revenue Capacity

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

Debt Capacity

These schedules present information to help the reader assess the affordability of the County’s current levels of outstanding debt and its ability to issue additional debt in the future (Table I and Table J).

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the County’s financial activities take place (Table K and Table L).

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the County’s CAFR relates to the services the County provides and the activities it performs (Table M and Table N).

Other

These schedules contain information needed for NRMSIRs and other disclosures. (Tables O-W).

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

	Fiscal Year	
	<u>2006</u>	<u>2007</u>
Governmental Activities		
Invested in capital assets, net of related debt	\$62,305,816	\$76,687,000
Restricted for:		
Capital projects	143,283,542	142,422,852
Other projects	2,982,755	9,194,531
Unrestricted	27,283,211	58,549,227
Total governmental activities net assets	<u>\$235,855,324</u>	<u>\$286,853,610</u>
Business-Type Activities		
Invested in capital assets, net of related debt	\$285,517,682	\$276,500,046
Restricted for:		
Capital projects	22,473,812	10,222,745
Other projects	-	-
Unrestricted	46,211,348	115,310,033
Total business-type activities net assets	<u>\$354,202,842</u>	<u>\$402,032,824</u>
Primary government		
Invested in capital assets, net of related debt	\$347,823,498	\$353,187,046
Restricted for:		
Capital projects	165,757,354	152,645,597
Other projects	2,982,755	9,194,531
Unrestricted	73,494,559	173,859,260
Total primary government activities net assets	<u>\$590,058,166</u>	<u>\$688,886,434</u>
School Component Unit		
Invested in capital assets, net of related debt	\$280,567,468	\$313,005,332
Restricted for:		
Capital projects	5,968,595	21,143,761
Other projects	-	-
Unrestricted	30,823,237	(6,369,784)
Total schools component unit activities net assets	<u>\$317,359,300</u>	<u>\$327,779,309</u>
Other Component Units		
Invested in capital assets, net of related debt	(\$5,634,995)	\$20,624,884
Restricted for:		
Capital projects	-	-
Other projects	-	-
Unrestricted	32,025,503	8,123,376
Total other component units activities net assets	<u>\$26,390,508</u>	<u>\$28,748,260</u>

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

Expenses	Fiscal Year	
	2006	2007
Primary government:		
Governmental activities:		
General government	\$144,413,158	\$170,050,920
Public safety	94,152,505	105,294,735
Environmental services	66,712,584	69,902,804
Health & welfare	104,638,605	100,775,893
Libraries	13,002,989	13,167,711
Parks, recreation & culture	34,366,540	35,953,363
Planning & community development	35,865,238	40,556,577
Education	310,810,349	338,962,527
Interest and other charges	18,031,216	18,098,073
Total governmental activities expenses	821,993,184	892,762,603
Business-type activities:		
Utilities	47,321,964	51,515,377
Ballston Public Parking Garage	5,732,832	5,937,745
IDA Revenue Bond Fund	-	34,170
8th Level Ballston Public Parking Garage	-	28,927
Total business-type activities expenses	53,054,796	57,516,219
Total primary government expenses	\$875,047,980	\$950,278,822
Component units:		
Schools	\$352,921,809	\$388,148,161
Other	2,446,253	6,262,760
Total component units activities expenses	\$355,368,062	\$394,410,921
Program Revenues		
Primary government:		
Governmental activities:		
Charges for services		
General government	\$21,333,168	\$20,079,042
Environmental services	14,997,675	16,550,927
Public safety	9,281,843	7,676,160
Other activities	16,851,289	17,950,390
Operating grants and contributions	110,686,562	118,055,710
Capital grants and contributions	1,809,521	1,810,516
Total governmental activities program revenues	174,960,058	182,122,745
Business-type activities:		
Charges for services		
Water-sewer service charges	52,362,162	56,850,491
Water-service hook-up charges	6,468,463	3,345,476
Other activities	9,800,525	20,369,401
Operating grants and contributions	-	-
Capital grants and contributions	1,190,249	21,162,994
Total business-type activities program revenues	69,821,399	101,728,362
Total primary government program revenues	\$244,781,457	\$283,851,107
Component units:		
Charges for services	\$15,122,958	\$16,849,867
Operating grants and contributions	332,115,611	365,255,205
Capital grants and contributions	-	-
Total component units program revenues	\$347,238,569	\$382,105,072

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

Net (Expense) Revenue

Primary government:

Governmental activities	(\$647,033,126)	(\$710,639,858)
Business-type activities	16,766,603	44,212,143
Total primary government net expense	(\$630,266,523)	(\$666,427,715)

Component units:

Component unit activities	(\$8,129,493)	(\$12,242,752)
Total component units net expense	(\$8,129,493)	(\$12,242,752)

General Revenues and Changes in Net Assets

Governmental activities:

Property taxes:		
Real estate property taxes	\$412,474,942	\$441,047,242
Personal property taxes	81,498,687	100,682,324
Other local taxes:		
Business, professional occupancy license taxes	52,568,059	50,898,687
Other local taxes	109,293,301	118,628,548
Investment and interest earnings	11,792,758	16,927,475
Miscellaneous	27,701,527	33,453,869
Total governmental activities	695,329,274	761,638,145

Business-type activities:

Investment and interest earnings	4,581,344	3,617,839
Total business-type activities	4,581,344	3,617,839

Total primary government	\$699,910,618	\$765,255,984
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Component units activities:

Other local taxes		
Other local taxes	\$16,479,189	\$18,242,576
Investment and interest earnings	2,250,409	3,063,000
Total primary government	\$18,729,598	\$21,305,576

Changes in Net Assets

Primary government:

Governmental activities	\$48,296,148	\$50,998,287
Business-type activities	21,347,947	47,829,982
Total primary government net expense	\$69,644,095	\$98,828,269

Component units:

Component units activities	\$10,600,105	\$9,062,823
Total component units net expense	\$10,600,105	\$9,062,823

TABLE C

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
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	\$ 4,570,757
Woodbury Park	200,000	(1)	(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	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	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	17,800,000
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	36,691,920
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	52,428,554
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	\$ 69,069,939	\$ 100,514,544	\$ 115,491,231
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%	13.49%
All Other Governmental Funds										
Special revenue funds										
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-	-	-	3,516,894	9,919,740
Capital Project funds										
Reserved	-	-	-	-	-	-	-	-	32,427,146	32,282,131
Unreserved	-	-	-	-	-	-	-	-	110,856,397	110,140,721
Total all other governmental funds	-	-	-	-	-	-	-	-	146,800,437	152,342,592
Component unit - Schools:										
Reserved									58,709,912	35,019,015
Unreserved									4,916,017	6,589,059
Total component unit - Schools									63,625,929	41,608,074

(1) Woodbury Park obligation satisfied in FY 1999.

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

TABLE D

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

	Fiscal Year	
	<u>2006</u>	<u>2007</u>
REVENUES:		
General property taxes:		
Real Estate property taxes	\$391,213,244	\$425,982,688
Personal property taxes	81,498,687	100,682,324
Other Local taxes:		
BPOL	52,568,059	50,898,687
Other local taxes	109,293,301	118,628,548
Fines and forfeitures	8,900,948	8,338,582
Licenses, permits and fees	14,692,442	13,687,394
Intergovernmental	112,496,082	119,866,226
Charges for services	38,870,586	40,230,543
Interest and rent	11,792,758	16,927,475
Miscellaneous revenues	10,891,786	15,414,677
Total revenues	832,217,893	910,657,144
EXPENDITURES:		
Current operating:		
General government	130,380,468	155,765,913
Public safety	88,875,217	100,650,601
Public works		
Environmental services	55,122,531	58,491,391
Health and welfare	98,926,206	96,536,913
Libraries	12,034,671	12,339,879
Parks, recreation and culture	32,012,711	33,512,600
Planning and community development	33,914,712	38,835,189
Education	310,810,349	338,962,527
Debt service		
Principal	26,480,421	27,595,301
Interest and other charges	18,031,216	18,098,073
Deferred cost of refunding	1,409,185	-
Capital outlay	72,029,442	61,004,743
Total expenditures	880,027,129	941,793,130
Excess(deficiency) of revenues over expenditures	(47,809,236)	(31,135,986)
OTHER FINANCING SOURCES(USES):		
Transfers in	15,423,635	21,171,707
Transfers out	(15,812,365)	(20,941,333)
Capital leases	5,776,901	975,020
Refunding bonds issued	86,856,240	-
Payments to refunded bond escrow agent	(85,447,055)	-
Premium from sale of bonds	1,644,345	650,489
Issuance of debt	61,335,000	49,860,000
Total other financing sources and uses	69,776,701	51,715,883
Net change in fund balances	\$21,967,465	\$20,579,897
Debt service as a percentage of noncapital expenditures	5.5%	5.2%

TABLE D -1

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

Fiscal Year	General Government	Public Safety	Public Works/ Environmental Services	Health & Welfare	Culture/ Recreation (2)	Education	Non-Departmental	Debt Service(3)	Contributions to Regional Agencies			Total
									Transit	Other		
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
2007	86,449,237	100,650,601	58,491,391	96,536,913	97,241,733	346,674,412	46,959,849	72,664,483	14,700,000	7,656,827		928,025,446

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

TABLE D-2

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

Fiscal Year	Taxes	Licenses and Permits	Inter Governmental Revenue	Charges for Services	Fines and Forfeitures	Miscellaneous Revenues	Total
1998	331,868,850	40,362,470	99,433,931	25,051,214	8,522,820	8,737,739	513,977,024
1999	346,548,301	41,242,844	108,118,048	26,199,338	8,716,479	11,119,497	541,944,507
2000	369,262,476	48,065,489	113,747,563	29,761,955	8,264,814	13,199,742	582,302,039
2001	401,300,500	52,458,599	118,445,842	31,390,069	8,687,912	14,358,977	626,641,899
2002	427,671,852	57,199,326	131,178,526	33,374,694	9,199,674	18,782,613	677,406,685
2003	465,032,899	54,319,921	136,280,607	36,163,036	8,882,272	21,083,036	721,761,771
2004	505,225,405	56,334,983	139,452,624	38,314,445	9,357,346	12,186,207	760,871,010
2005	590,957,911	12,504,677	141,477,699	47,937,824	8,427,464	18,844,857	820,150,432
2006	651,052,481	14,692,442	148,945,331	50,482,470	8,900,948	22,087,157	896,160,829
2007	714,434,824	13,687,394	158,249,103	50,359,269	8,338,582	18,455,600	963,524,772

NOTES:

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

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

TABLE E

ARLINGTON COUNTY, VIRGINIA
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS

Fiscal Year	General Property (1)	Local Sales	Local Cigarette	Transient (2)	Bank Stock	Recordation	Car Rental	Commercial Utility	Short Term		Estate Taxes	Total
									Meals	Rental		
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
2007	526,727,265	34,448,601	2,697,319	20,850,841	1,670,817	9,086,824	4,764,836	9,741,922	28,788,942	77,341	73,655	638,928,363

NOTES:

(1) Includes Sidewalk Assessments

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

TABLE F

ARLINGTON COUNTY, VIRGINIA
ASSESSED AND ACTUAL
VALUE OF TAXABLE PROPERTY (1)
LAST TEN FISCAL YEARS

Fiscal Year	Real Property		Personal Property		Public Property		Total		Real Property Tax Rate	Personal Property Tax Rate
	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value		
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	38,062,505,898	38,062,505,898	.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
2007	54,292,837,200	54,292,837,200	1,926,492,868	1,926,492,868	149,801,375	149,801,375	56,369,131,443	56,369,131,443	.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 G

ARLINGTON COUNTY, VIRGINIA
PRINCIPAL TAXPAYERS (1)
JUNE 30, 2007

Taxpayer/ Type of Business	2006 Assessed Valuation	Percentage of Total Assessed Valuation	2007 Assessed Valuation	Percentage of Total Assessed Valuation
Charles E. Smith Interests Office buildings, apartment, hotel, land	\$4,137,476,200	8.17%	\$4,425,136,800	8.15%
Cafritz Interests Apartments, warehouses, land	824,754,600	1.63%	980,660,700	1.81%
Arland Towers Company Office buildings, land	750,390,300	1.48%	849,257,900	1.56%
Albrittain Interests Apartments, general commercial	624,664,500	1.23%	830,431,200	1.53%
Crystal holdings Office buildings	589,040,900	1.16%	633,229,200	1.17%
Fashion Centre Associates Mixed use retail, hotel	495,365,800	0.98%	563,550,400	1.04%
Paradigm Managed Properties Apartments , general commercial	364,978,800	0.72%	569,478,400	1.05%
Avalon Properties Apartments, land	-	-	-	-
Caruthers Interests Retail,office,buildings,apartments,hotel	-	-	325,347,700	0.60%
JBG/TRIZECHAHN Office building, land	318,453,800	0.63%	755,516,900	1.39%
Ballston Common Assoc Office, retail	240,613,400	0.48%	-	-
2111 & 2039 Wilson Blvd. Inc. Office buildings, land	240,081,900	0.47%	-	-
Shirley Park Leasing LP(7) Office building, Apartments	-	-	578,127,100	1.06%
Total	<u>\$8,585,820,200</u>	<u>16.95%</u>	<u>\$10,510,736,300</u>	<u>19.36%</u>

NOTE:

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

TABLE H

ARLINGTON COUNTY, VIRGINIA
REAL ESTATE AND PERSONAL PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Total Current Tax Levy	Current Taxes Not Collected	Current Taxes Collected	Percent of Levy Collected	Collection of Prior Year's Taxes In Current Year	Total Taxes Collected	Total Collections As % of Current Levy	Write-Offs and Adjustments	Deferred Taxes	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as % of Total Levy
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%
2007	528,570,144	2,707,065	525,863,079	99.49%	3,264,676	529,127,755	100.11%	1,045,194	1,223,944	4,861,433	0.92%

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 plus reimbursements from the Commonwealth for the Personal Property Tax Relief Act.

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

Source: Arlington County Treasurer's Office

TABLE I

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 to Assessed Value	Net Bonded Debt per Capita
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
2007	204,800	56,369,131,443	598,848,909	1.06%	2,924

NOTES:

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

TABLE J-1

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	<u>Debt Service Requirements</u>			Coverage
				Principal	Interest	Total	
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
2007	4,368,809	3,659,703	709,106	500,000	618,158	1,118,158	0.634

NOTES:

(1) Includes operating and non-operating revenues

(2) Includes operating expenses, excluding depreciation.

TABLE J-2

ARLINGTON COUNTY, VIRGINIA
PLEDGED -REVENUE COVERAGE
UTILITIES BOND COVERAGE
LAST TEN FISCAL YEARS

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirement		
				Principal	Interest	Total
1998	40,360,537	26,813,364	13,547,173	4,007,999	2,425,547	6,433,546
1999	43,152,479	27,759,811	15,392,668	2,941,870	2,629,714	5,571,584
2000	46,895,562	27,244,943	19,650,619	3,429,539	2,614,425	6,043,964
2001	47,233,296	30,192,015	17,041,281	3,797,788	2,588,040	6,385,828
2002	45,972,198	25,693,545	16,076,065	3,597,275	2,101,071	5,698,346
2003	45,309,573	32,842,773	7,905,318	3,636,691	2,095,078	5,731,769
2004	49,679,885	35,094,277	9,481,925	3,742,624	1,482,369	5,224,993
2005	59,114,705	41,817,417	17,297,289	3,130,952	2,033,402	5,164,354
2006	65,044,344	39,453,764	25,590,580	3,074,680	2,585,276	5,659,956
2007	76,874,765	41,373,056	35,501,709	3,487,382	2,670,385	6,157,767

NOTES:

- (1) The bonds issued to finance construction of the County's water and sewer system are recorded as a liability of the County's Utilities Fund (Exhibit D-1). The debt service on these bonds is financed by the operation of the Utilities Fund while these bonds are also classified as a general obligation of the County.
- (2) Excludes depreciation.

TABLE K

ARLINGTON COUNTY, VIRGINIA
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Per Capita Income (2)	School Enrollment (3)	Unemployment Rate (4)
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%
2007	204,800	63,500	18,451	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 2001-2007 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. Data is for pre K-12 only. Enrollment for years 2000- 2007 is June 30 of that year; for years 1997-1999, data is September 30 of that year.
- (4) Source - Virginia Employment Commission-- Figures for 1996-2006 are annual averages. The 2007 figures is for June. Due to revised VEC methodology, figures are not comparable to figures from previous years (<http://www.velma.vec.state.va.us>).

TABLE L

ARLINGTON COUNTY, VIRGINIA
PRINCIPAL EMPLOYERS
JUNE 30, 2007

<u>Employers</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
U.S. Department of Defense	40,900	1	26.54%
Arlington County Government & Schools	7,014	2	4.55%
U.S. Department of State	4,100	3	2.66%
Virginia Hospital Center	2,363	4	1.53%
Drug Enforcement Administration	2,090	5	1.36%
National Science Foundation	2,000	6	1.30%
Verizon	1,850	7	1.20%
Lockheed Martin Group	1,800	8	1.17%
Marriott International, Inc.	1,720	9	1.12%
Transportation Security Administration	1,720	9	1.12%
SAIC	1,448	10	0.94%
U.S. Environmental Protection Agency	1,400	11	0.91%
CACI	1,297	12	0.84%
US Airways	1,136	13	0.74%
U.S. Marshals Service	1,080	14	0.70%
Booz Allen Hamilton	952	15	0.62%
Federal Supply Service	900	16	0.58%
U.S. Postal Service - OIG	900	16	0.58%
Federal Deposit Insurance Corporation	800	17	0.52%
Defense Information Systems Agency	800	17	0.52%
SRA International, Inc.	766	18	0.50%
Friedman, Billings, Ramsey Group	650	19	0.42%
Marymount University	631	20	0.41%
Total	<u>78,317</u>		<u>50.83%</u>

Source: Arlington Economic Development or calculated from space occupancy ratio

ARLINGTON COUNTY, VIRGINIA
OPERATING INDICATORS BY FUNCTION-PROGRAM
JUNE 30, 2007

TABLE M

Form of Government	County Manager Plan
Date of Adoption	January 1, 1932
Area (square miles)	26
Lane Miles	1,158
Number of Street Lights	14,873
<u>Fire Protection:</u>	
Number of Stations	10
Training Academy	1
Number of Employees	315
<u>Police Protection:</u>	
Number of Employees: Police Department	476
Number of Employees: Sheriff/ Jail and Courts	274
<u>Education:</u>	
Attendance Centers	34
Number of Classrooms	1,720
Number of Teachers	1,980
Number of Students	18,451
<u>County Water System:</u>	
Number of consumer service locations	36,758
Average daily consumption (gallons)	24,800,000
Miles of water mains	525
<u>County Sewer System:</u>	
Miles of sanitary sewers	470
Average gallons per day treated	24,900,000
System capacity under construction (gallons per day)	10,000,000
<u>Building Permits:</u>	
Construction Permits	3,629
Plumbing, Electrical & Mechanical Permits	6,967
Fire Permits	1,022
Elevator Permits	127
<u>Recreation and Culture:</u>	
Number of Parks and Playgrounds	212
Number of Libraries	8
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	3,426
School System	3,588

TABLE N

ARLINGTON COUNTY, VIRGINIA
CAPITAL ASSET STATISTICS BY FUNCTION/ PROGRAM
JUNE 30, 2007

Primary Government

FUNCTION AND ACTIVITY:	<u>Total</u>
General Government:	
Control-	
Legislative	\$62,401
Executive	261,906
Judicial	<u>1,377,339</u>
Total Control	<u>1,701,646</u>
Staff Agencies-	
Elections	147,335
Management and Finance	254,962
Office of Support Services	98,968,484
Real Estate Assessment	55,710
Civil Service	858
Personnel Department	178,222
Office of County Attorney	41,514
Commissioner of the Revenue	51,794
Treasurer	889,812
Department of Technology Services	17,789,831
General government buildings	33,694,735
Other	<u>2,847,920</u>
Total Staff Agencies	<u>154,921,177</u>
Total General Government	<u>156,622,823</u>
Public Safety:	
Police protection	18,439,574
Fire protection	6,375,013
Emergency communication	<u>982,942</u>
Total Public Safety	<u>25,797,529</u>
Public Works	407,226,233
Environmental Services	297,689
Health	29,526,576
Public Welfare	365,246
Libraries	10,585,807
Recreation	83,531,614
Community Development	<u>15,431,139</u>
Total General Capital Assets	<u>\$729,384,656</u>
Internal Services Fund	
Auto Equipment Fund	\$45,153,446
Printing Fund	<u>276,061</u>
Total Internal Services Fund	<u>\$45,429,507</u>
Component Unit: School Board	
Schools	<u>\$448,837,358</u>
GRAND TOTALS	<u>\$1,223,651,521</u>

TABLE O

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
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%
2007	43,847,619	28,816,864	72,664,483	963,524,772	7.54%

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, 2007**

Type of Coverage & Insurance Company		Policy Number	Period From	Period To	Summary of Coverage & Limits	Premiums
PROPERTY POLICIES						
Property Lexington Insurance Company		6684573	7/10/2006	7/1/2007	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, Volting 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.	\$ 279,685 Premium is based on primary policy limits of \$25,000,000 includes TRIA
1A						
Excess Property Landmark American Ins. Co.		NHD347928	7/1/2006	7/1/2007	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	\$ 41,664 Includes TRIA
1B						
Crime Policy Zurich American Ins. Co.		FID902934800	7/1/2006	7/1/2007	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 TRIA
2						
Fine Arts Policy Ace Fire Underwriters Ins. Co.		IMC12014578A	7/1/2006	7/1/2007	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 TRIA
3						
Performing Arts Package Business Policy Lexington Insurance Co.		AIP0000223494602	7/1/2006	7/1/2007	Package Ins. Policy for Performing Arts Group DBA at Rosslyn Theater includes \$1/2 million GL, \$850,000 Property	\$3,560-GL \$2,363-Property Surplus Tax \$411 Total \$ 6,334 Includes TRIA
4						

**ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF INSURANCE
JUNE 30, 2007**

Type of Coverage & Insurance Company	Policy Number	Period From	Period To	Summary of Coverage & Limits	Premiums
Woodmont School Project Package Business Policy Twin City Fire Insurance Company 5	42UUNBF6896	7/1/2006	7/1/2007	Lee Arts Center & Mini Gallery	Property- \$128 GL- \$222 Total - \$350 Includes TRIA
Woodmont School Workers Comp. Workers's Compensation 6	42WENY8529	7/1/2006	7/1/2007	Virginia Statutory Benefits for Remunerated Non-County Employee of Project. Policy Indemnifies Clients in the event of injury.	\$ 2,225
General Liability, Public Officials Liab Law Enforcements Liab, Auto Liability Covers Arlington County employees and Officials conducting County business 7	County Board Resolution	Continuous		Self Insured for Liability Exposures. AL, POL, LEL, GL- Primary \$1,000,000	
Excess Liability Policy Genesis Insurance Co. 8	YXB300839E	7/1/2006	7/1/2007	Excess Public Entity Liability Policy, Excess of \$1,000,000 self-insured retention \$10/20 million limits excess of SIR	\$ 446,750 Excludes TRIA
Constitutional Officers Business Auto Twin City Fire Insurance company 9	42UENDE 2638	7/1/2006	7/1/2007	Covers Liability, Uninsured Motorists&Medical Payments. \$1,000,000 each occurrence for Liability, \$1,000,000 for medical payments.	\$ 42,192
Constitutional Officers Commercial Package Policy Twin City Insurance Company 10	42UUNBE8483	7/1/2006	7/1/2007	\$1/3 million- General Liability Business Personal Property of Const. Officers	\$ 14,559

**ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF INSURANCE
JUNE 30, 2007**

Type of Coverage & Insurance Company		Policy Number	Period From	Period To	Summary of Coverage & Limits	Premiums
Constitutional Officers Liability Plan <u>Virginia Risk Coverage</u>					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 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	
Commonwealth of Virginia (SIR) Clerk of Court Sheriff Commissioner of Revenue Commonwealth's Attorney Registra of Voters Arlington County Treasurer	Virginia Risk		Continuous			
	Virginia Risk		Continuous			
	Virginia Risk		Continuous			
	Virginia Risk		Continuous			
	Virginia Risk		Continuous			
11						
HIDTA Task Force Commercial Package Policy Twin City Fire Insurance Company		42UUNBE8483K3	7/1/2006	7/1/2007	Liability coverage \$1 million/2 million Business Personal Property - Deduction \$250	\$ 1,200 (Includes TRIA)
12						
Professional Liability (Employed Physicians) Evanston Insurance Co.		MM812017	7/1/2006	7/1/2007	Professional Liability Insurance, DHS Employed Physicians \$2/6 million limits. \$100,000 DED each claim.	\$188,563 Surplus Tax 4,243 Total \$ 192,806
13						
Professional Liability (Clinics) Evanston Insurance Co.		SM843246	7/1/2006	7/1/2007	Professional Liability covering DHS Medical Clinics \$2/6 million limits; \$1,000 Ded each claim; Retro date 7/1/89	\$ 35,381 Surplus Tax \$796 Total \$ 36,177
14						
Professional Liability (Emergency Medical Services) Evanston Insurance Co.		SM843248	7/1/2006	7/1/2007	Professional Liability for EMS \$2/6 million limits \$5,000 Ded each claim	\$ 80,189 Surplus tax \$1,804 Total \$ 81,993
15						

**ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF INSURANCE
JUNE 30, 2007**

Type of Coverage & Insurance Company		Policy Number	Period From	Period To	Summary of Coverage & Limits	Premiums
Group Accident Coverage						
National Union Fire Ins.		SRG0009105405	7/1/2006	7/1/2007	Coverage coordinated with pers. Coverage	\$ 6,300
National Union Fire Ins.		SRG0009105406	7/1/2006	7/1/2007	AD&D for volunteers	\$ 12,750
National Union Fire Ins.		SRG0009105403	7/1/2006	7/1/2007	AD&D for campers	\$ 7,500
National Union Fire Ins.		SRG0009105404	7/1/2006	7/1/2007	AD&D for Recreational Sports	\$ 650
Chesapeake Life Insurance Co.		ZCH05-0313	7/1/2006	7/1/2007	AD&D for Community Service Program	\$ 600
	16					
Personal Services Contractors						
Hartford Underwriters Ins. Co.		42WEE4632	7/1/2006	7/1/2007	Va Statutory W/C limits for contracted cook and contracted printer for community services program	\$ 1,017
	17					
Personal Services Contractors						
Commercall Package Policy Twin City Fire Insurance Co.		42UENB1845	7/1/2006	7/1/2007	General Liability and Property Policy for cook and printer Community Service GL limit \$1 million	\$ 347
	18					
Tenant User Liability Insurance Policy						
Clarendon American Ins. Co.		EGL00185102	7/1/2006	7/1/2007	Provides liability insurance for individuals and groups using Arlington facilities & properties. General liabilities \$1,000,000 per occurrence	\$ 5,266 (Excludes TRIA)
	19					
County Board Surety Bond						
		P. Ferguson B. Favola J. Fisstte C. Zimmerman W. Tejada	Continuous until Cancelled		Bond limit \$2,500	\$ 500 Total
	20					
Fire and Rescue Auto Physical Damage						
VFIS/ American Alternative Insurance Corporation		VFISCM1012432-02	7/1/2006	7/1/2007	Provides comprehensive and collision coverage on vehicles owned or operated by ACFD \$1,000 Ded per unit.	\$ 45,792 (Includes TRIA)
	21					
Portable Equipment Policy						
Hartford Fire Insurance Company		42 MS UG3055 K3	7/1/2006	7/1/2007	Inland Marine policy covering portable fire equipment	\$ 7,222 (Includes TRIA)
	22					

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF INSURANCE
JUNE 30, 2007

Type of Coverage & Insurance Company	Policy Number	Period From	Period To	Summary of Coverage & Limits	Premiums
<u>Portable Equipment-Fire Command Vehicle</u> VFIS American Alternative	TR0400894-2	7/1/2006	7/1/2007	Inland Marine policy covering portable fire equipment	\$ 11,168
23					
<u>Fiduciary Liability Policy-Arlington Co.</u> Employee's Suppl. Retirement Sys 2 National Union/Alton Agency	PLS 2672194	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
24					
<u>VDOT Permit Bond</u> Travelers	53 S 101062299	Continuous		Virginia Highways permit bond for facilities located on the VDOT right-of-way Limit \$100,000	\$ 150
25					
<u>Worker's Compensation</u>		Continuous		Arlington County is self-insured to statutory limits	
26					
<u>EXCESS LIABILITY- BALLSTON GARAGE</u> AXIS SPECIALTY INS. ST. PAUL	ENL720209 01 2006 Q103800334	1/7/2006 1/7/2006	1/7/2007 1/7/2007	Excess liability coverage required by Federated Department Stores, Inc. regarding IceSkating rinks at Ballston Garage. Exp date to be extended to 7/1/06	\$ 84,356 \$ 37,500
27					
Total Premium FY07 Excludes continuous bonds or Fiduciary Liability Coverage					\$ 1,445,792

TABLE Q

ARLINGTON COUNTY, VIRGINIA
SALARIES AND SURETY BONDS
OF PRINCIPAL OFFICIALS
JUNE 30, 2007

Official Title	Annual Salary Range Minimum	Maximum	Bond (1)
County Board:			
Chairman	-	33,805	2,500
Vice Chairman	-	30,732	2,500
Members	-	30,732	2,500
Clerk	-	91,603	20,000
County Manager	-	199,600	20,000
Commissioner of the Revenue	100,011	132,787	30,000
Commonwealth's Attorney	126,095	159,681	-
Sheriff	119,075	138,860	30,000
Treasurer	100,011	132,787	1,000,000
County Attorney	-	180,273	20,000
Director of Community Housing, Planning & Development	61,048	178,755	20,000
Director of Economic Development	61,048	178,755	20,000
Director of Environmental Services	61,048	178,755	20,000
Fire Chief	61,048	178,755	20,000
Director of Human Services	61,048	178,755	20,000
Director of Libraries	61,048	178,755	20,000
Director of Management and Finance	61,048	178,755	20,000
Director of Human Resources	61,048	178,755	20,000
Chief of Police	61,048	178,755	20,000
Director of Park, Recreation and Community Resources	61,048	178,755	20,000
Director, Office of Technology and Information Services	61,048	178,755	20,000
Director, Office of Support Services	61,048	178,755	20,000
Clerk of the Circuit Courts	127,183	132,787	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 R

ARLINGTON COUNTY, VIRGINIA
CONSTRUCTION ACTIVITY, BANK DEPOSITS
AND REAL PROPERTY VALUE
LAST TEN FISCAL YEARS

Fiscal Year	Residential Construction (1)			Commercial Construction (1)			Miscellaneous Construction (1)			Bank Deposits (2) (thousands)	Real Property Value (3)		
	Permits		Valuation	Permits		Valuation	Permits		Valuation		Residential	Commercial	Non-Taxable
	Permits	Valuation		Permits	Valuation		Permits	Valuation					
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			
2007	154	42,199,000	54	279,540,000	11,537	787,764,529	N/A	31,217,514,500	23,075,322,700	7,211,250,200			

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 S

ARLINGTON COUNTY, VIRGINIA
BUSINESS AND PROFESSIONAL LICENSE TAX REVENUES
FISCAL YEARS 1998 - 2007

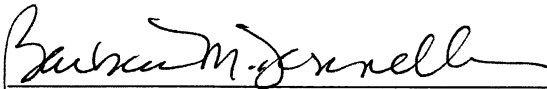
Fiscal Year	Revenues	Percent Change
1998	35,879,079	2.09%
1999	35,883,073	0.01%
2000	41,018,179	14.31%
2001	41,749,809	1.78%
2002	45,661,097	9.37%
2003	43,206,157	-5.38%
2004	45,090,463	4.37%
2005	45,699,044	1.35%
2006	52,568,059	15.23%
2007	50,898,687	-3.28%

TABLE T

**ARLINGTON COUNTY, VIRGINIA
CERTIFICATE OF NO DEFAULT**

June 30, 2007

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, 2007, and through the date of this certificate, no event or conditions 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.

A handwritten signature in dark ink, appearing to read "Barbara M. Donnellan", is written over a horizontal line.

Barbara M. Donnellan
Deputy County Manager
October 11, 2007

TABLE U

ARLINGTON COUNTY, VIRGINIA
LARGEST USERS OF THE WATER & SEWER SYSTEM
For the twelve months ending June 30, 2007

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	11,735	Pentagon Military	11,374
Arlington County Detention Center Jail & detention facility	3,513	Ft. Myer Military	10,804
Carlton Condominiums Residential	3,132	Reagan National Airport Aviation	8,698
Pentagon City Mall Retail	3,097	Arlington County Detention Center Jail & detention facility	3,513
Marriott Crystal City Hotel	2,940	Carlton Condominiums Residential	3,132
Dittmar Company - 4001 N. 9th Apartments	2,798	Pentagon City Mall Retail	3,097
Archstone Communities - 1600 S. Eads Residential	2,614	Marriott Crystal City Hotel	2,940
Arlington County Water Pollution Control Wastewater treatment plant	2,553	Dittmar Company - 4001 N. 9th Apartments	2,798
Cafritz Company Apartments	2,546	Archstone Communities - 1600 S. Eads Residential	2,614
Archstone Communities - 320 S. 23rd St. Residential	2,544	Arlington County Water Pollution Control Wastewater treatment plant	2,553

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, 2007

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 24.9 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 to be \$568 million. County ratepayer's share is estimated to be 83 percent; Inter-Jurisdictional Partners' share is 17 percent. Financing to date for the County's share has been provided by several sources. There have been three Wastewater System & Water System Revenue bonds totaling \$176 million issued to the Virginia Water Facilities Revolving Loan Fund Program (the "VWFRF") which is administered by the Virginia Resources Authority ("VRA"). General Obligation bonds of the County were issued in Spring 2007 for \$48 million. Grant funds from the Water Quality Improvement Fund under the Department of Environmental Quality Chesapeake Bay Program for approximately \$93 million were granted in February 2007. The County anticipates that the balance of MP01 will be funded by future bonds to the VWFRF as well as additional general obligation bonds, 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 24.8 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 \$61.33 per month, assuming annual consumption of 80,000 gallons. Historically, rate increases have been effective on May 1 of the prior to the start of the fiscal year.

**FY 2003 – FY 2008 Wastewater & Water Rates
Per 1,000 Gallons of Metered Water Usage**

Fiscal Year	Water	Wastewater	Total	Percent Change
2003	\$2.10	\$2.60	\$4.70	3%
2004	\$2.38	\$2.92	\$5.30	13%
2005	\$2.42	\$3.80	\$6.22	17%
2006	\$3.02	\$4.11	\$7.13	15%
2007	\$3.21	\$4.79	\$8.00	12%
2008	\$3.34	\$5.86	\$9.20	15%

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, 2007, general obligation debt outstanding attributable to the Utilities Fund totaled \$97,473,471. As of June 30, 2007, Wastewater System and Water System Revenue Bonds issued through the VWFRF to the VRA totaled \$112,298,455. The following table shows future debt service on these obligations.

Fiscal Year Ended June 30	TOTAL EXISTING GO DEBT SERVICE			VRA BONDS			TOTAL		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2008	5,179,811	3,845,863	9,025,674	3,789,659	2,842,721	6,632,380	8,969,470	6,688,584	15,658,054
2009	6,571,108	4,295,161	10,866,269	5,432,420	5,200,579	10,632,999	12,003,528	9,495,740	21,499,268
2010	7,074,868	4,005,442	11,080,310	7,147,818	5,047,517	12,195,335	14,222,686	9,052,959	23,275,645
2011	7,055,023	3,634,015	10,689,038	7,367,953	4,827,383	12,195,336	14,422,976	8,461,398	22,884,374
2012	6,638,878	3,454,051	10,092,929	7,594,868	4,600,467	12,195,335	14,233,746	8,054,518	22,288,264
2013	6,239,617	3,112,971	9,352,588	7,828,775	4,366,561	12,195,336	14,068,392	7,479,532	21,547,924
2014	6,221,667	2,795,807	9,017,474	8,069,886	4,125,449	12,195,335	14,291,553	6,921,256	21,212,809
2015	4,520,580	2,375,586	6,896,166	8,318,426	3,876,910	12,195,336	12,839,006	6,252,496	19,091,502
2016	4,561,633	2,106,637	6,668,270	8,574,622	3,620,713	12,195,335	13,136,255	5,727,350	18,863,605
2017	4,556,368	1,881,302	6,437,670	8,838,711	3,356,624	12,195,335	13,395,079	5,237,926	18,633,005
2018	4,482,493	1,680,636	6,163,129	9,110,936	3,084,400	12,195,336	13,593,429	4,765,036	18,358,465
2019	4,176,751	1,441,065	5,617,816	9,391,548	2,803,788	12,195,336	13,568,299	4,244,853	17,813,152
2020	3,952,369	1,292,722	5,245,091	9,680,804	2,514,532	12,195,336	13,633,173	3,807,254	17,440,427
2021	3,912,305	1,133,578	5,045,883	9,978,971	2,216,364	12,195,335	13,891,276	3,349,942	17,241,218
2022	3,825,000	956,907	4,781,907	10,286,325	1,909,011	12,195,336	14,111,325	2,865,918	16,977,243
2023	3,825,000	796,413	4,621,413	10,603,148	1,592,188	12,195,336	14,428,148	2,388,601	16,816,749
2024	3,825,000	625,838	4,450,838	10,929,731	1,265,605	12,195,336	14,754,731	1,891,443	16,646,174
2025	3,825,000	463,663	4,288,663	11,266,376	928,959	12,195,335	15,091,376	1,392,622	16,483,998
2026	3,515,000	298,775	3,813,775	11,613,394	581,942	12,195,336	15,128,394	880,717	16,009,111
2027	3,515,000	149,388	3,664,388	5,172,221	276,520	5,448,741	8,687,221	425,908	9,113,129
2028	-	-	-	5,328,551	120,190	5,448,741	5,328,551	120,190	5,448,741
<hr/>									
	97,473,471	40,345,814	137,819,285	176,325,143	59,158,423	235,483,566	273,798,614	99,504,237	373,302,851

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.

PM-AC 00442

October 23, 2007

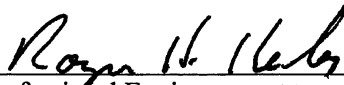
Mr. Larry Slattery
Arlington County Water Pollution Control Plant
3402 S. Glebe Road
Arlington, VA 22202

Dear Mr. Slattery,

Pursuant to Section 5.2 of the Financing Agreement dated as of June 28, 2005 (the "Financing Agreement") between the Virginia Resources Authority as administrator of the Virginia Revolving Loan Fund, and Arlington County ("the County"), the undersigned states the following based on my inquiry of the person or persons who manage the system and whose persons directly responsible for gathering the information:

1. I am a 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, 2007, the County satisfied the Rate Covenant.
3. For the fiscal year that will end on June 30, 2008, the projected Net Revenues will satisfy the Rate Covenant

Dated: 10/23/07

By: 
Professional Engineer, VA #7431
Representative of Earth Tech

Cc: Molly Oberst, Technical Services Manager, ACWPCP
Document Control



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, 2007, and have issued our report thereon dated October 31, 2007. 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 did not audit the financial statements of the Gates and Courthouse Crossing Partnerships, discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and in our opinion on the basic financial statements, insofar as it relates to the amounts included for those discretely presented component units, 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 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 31, 2007

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

The Honorable Members of the County Board
Arlington County, Virginia

We have audited 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 as of and for the year ended June 30, 2007, which collectively comprise Arlington County, Virginia's basic financial statements and have issued our report thereon dated October 31, 2007. 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, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. We did not audit the financial statements of the Gates and Courthouse Crossing Partnerships, discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and in our opinion on the basic financial statements, insofar as it relates to the amounts included for those discretely presented component units, is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Arlington County, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Arlington County, Virginia'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*.

This report is intended solely for the information and use of the 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 Gunderson LLP

Calverton, Maryland
October 31, 2007



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

The Honorable Members of the County Board
Arlington County, Virginia

Compliance

We have audited the compliance of Arlington County, Virginia, 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, 2007. Arlington County, Virginia'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 Arlington County, Virginia's management. Our responsibility is to express an opinion on Arlington County, Virginia's compliance based on our audit.

We did not audit the financial statements of the Gates and Courthouse Crossing Partnerships, included in Arlington County's financial statements as discretely presented component units. Those component units did not receive federal awards. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and in our opinion on the basic financial statements, insofar as it relates to the amounts included for those discretely presented component units, is based solely on the reports of the other auditors.

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; 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 Arlington County, Virginia'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 of Arlington County, Virginia's compliance with those requirements.

In our opinion, Arlington County, Virginia 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, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 07-01 and 07-02.

Internal Control Over Compliance

The management of Arlington County, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Arlington County, Virginia's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Arlington County, Virginia's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Arlington County, Virginia's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the 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 Gunderson LLP

Calverton, Maryland
October 31, 2007

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

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	\$30,193
Social Services Block Grant		
(Purchased Services) (765/453-01)	93.667	1,596,884
(Medical Assistance)	93.778	940,154
(Child Care Purchased Services)	93.596	1,159,479
(View Purchased Services)	93.558	923,063
Child Care Development Block Grant (102-586)	93.575	1,184,045
FAMIS Outreach Grant	93.767	1,688
ILP Education & Training Vouchers	93.599	27,443
Family Preservation	93.556	184,695
Independent Living	93.674	77,861
Foster Care & Adoptions (765/453-01)		
Foster Care	93.658	2,108,380
Adoption	93.659	297,643
Fuel Assistance Program(765/452-06)	93.568	37,698
Total Department of Social Services		<u>8,569,226</u>
Department of Health Services:		
Medical Reserve Group	93.008	15,625
Immunization Grant	93.268	55,667
TB Outreach Grant	93.116	118,360
Total Department of Health Services		<u>189,652</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	58,029
Mental Health -Seriously mentally III	93.958	64,718
SA HIV Aids FBG	93.959	73,504
SA Treatment FBG	93.959	373,242
SA SARPOS FBG	93.959	94,197
SA Primary Prevention	93.959	181,745
MH/SA TOW	93.959	138,855
SA CSAT	93.230	475,588
Early Intervention Funds (PIE-PART C)	84.181	244,852
Total Mental Health Mental Retardation and Substance Abuse		<u>1,704,730</u>
Department for the Aging		
Older Americans Act		
Title III-B-Area Plan	93.044	142,515
Title III-C-Nutrition	93.045	123,331
Title III-D-Disease Prevention	93.046	2,000
Title III-E- National Family Caregiver Support	93.052	51,924
Health Insurance Counseling & Assistance	93.779	30,000
Total Department for the Aging - OAA		<u>349,770</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u><u>\$10,813,378</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, 2007**

	<u>Federal Catalogue Number</u>	<u>Expenditures</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Direct Federal Payments		
Community Development Grants		
Twenty-first Entitlement(B95UC51002)	14.218	\$13,000
Twenty-third Entitlement(B97UC51002)	14.218	2,491
Twenty-fourth Entitlement(B98UC51002)	14.218	56,700
Twenty-fifth Entitlement(B99UC51002)	14.218	72,649
Twenty-sixth Entitlement(B00UC51002)	14.218	1,017
Twenty-seventh Entitlement(B00UC51002)	14.218	85,397
Twenty-eighth Entitlement(B01UC51002)	14.218	46,625
Twenty-ninth Entitlement(B03UC51002)	14.218	40,789
Thirtieth Entitlement(B04UC51002)	14.218	26,400
Thirty-first Entitlement(B05UC51002)	14.218	5,502
Thirty-second Entitlement(B06UC51002)	14.218	1,555,614
Thirty-third Entitlement(B06UC51002)	14.218	46
Total Community Development Grants		<u>1,906,229</u>
Section 8 Housing Assistance-		
New Construction(VAO28NCOO04)	14.182	127,233
Substantial Rehab(VAO28SBOO3)	14.182	638,885
Moderate Rehab(VAO28MROO1-OO5)	14.856	194,665
Voucher Program(VAO28VO015-023)	14.855	<u>12,301,851</u>
Total Section 8 Housing Assistance		<u>13,262,634</u>
HUD-Federal Emergency Shelter Grant	14.231	83,563
HUD-Shelter Plus Care (Milestone I and II)	14.240	142,345
HUD-HOPWA	14.240	<u>99,677</u>
Total HUD Grant		<u>325,585</u>
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		<u>\$15,494,448</u>

See accompanying notes to Schedule of Federal Awards.

**ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Federal Catalogue Number</u>	<u>Expenditures</u>
DEPARTMENT OF EDUCATION		
Pass Through Payments:		
Department of Education		
Elementary and Secondary Education Act-		
Title I (197/171/01)	84.010	\$3,032,276
Public Law 94-142 Handicapped Program		
(197/171-02)	84.027	4,857,635
Learning and Library Resources-		
Title V (Elementary & Secondary Education Act)		
(197/171/01)	84.298	26,302
Pre-School Incentive	84.173	142,169
Title III, Part A (NCLB) Emergency Immigration		
(197/171-06)	84.365	676,047
Title IIEESA, Teacher Education		
Title IV Drug-Free Schools (NCLB)		
(197/171-05)	84.186	40,451
Vocational Education Act - Carl D Perkins PL-101-392	84.048	330,684
Education for Homeless Children & Youth (Stuart B McKinney)	84.196	73,109
ESL/Civics Grant	84.002	174,689
Title II, Part A Class Size Reduction (NCLB)	83.367	679,184
Title II, Part A Add-on (NCLB)	84.367	142,534
Title II, Part D Ed Tech (NCLB)	84.318	46,799
Even Start	84.213	423,208
Title 1 Reading First	84.357	32,100
Total State Pass Through Payments		<u>10,677,187</u>
Total Department of Education		<u><u>\$10,677,187</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, 2007**

	<u>Federal Catalogue Number</u>	<u>Expenditures</u>
DEPARTMENT OF LABOR		
Pass Through Payments:		
Department of Social Services		
Work Investment Act		
WIA-Admin. Fund	17.258	\$49,924
WIA-Adult	17.258	139,259
WIA-Youth	17.259	118,822
WIA-Dislocated	17.260	120,622
WIA-Rapid Response	17.260	70,106
WIA-Incentive Grant	17.260	15,000
National Emergency Grant	17.260	131,530
National Emergency Grant (Independence Air)	17.260	<u>260,344</u>
Total Department of Social Services		<u>905,607</u>
Department for the Aging		
Senior Community Services Employment		
Program-Title V, OAA(163/455-04)	17.235	<u>23,228</u>
Total Department of Labor		<u><u>\$928,835</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, 2007**

	Federal Catalogue Number	Expenditures
DEPARTMENT OF AGRICULTURE		
Pass Through Payments:		
Department of Education-		
National School Lunch Program (197/457-02)	10.555	\$2,157,861
National School Breakfast Program	10.553	539,700
Parent/Teen Infant	10.555	23,411
Sub total		<u>2,720,972</u>
Dept. Agriculture and Consumer Services		
USDA Donated Commodities	10.555	194,484
WIC Grant	10.577	323,701
Administrative Matching Grants for Food Stamps	10.561	1,965,232
Sub total		<u>2,483,417</u>
Department for the Aging		
Older Americans Act Title III USDA (163/457-02)	10.570	47,997
Total Pass Through Payments		<u>5,252,386</u>
Total Department of Agriculture		<u><u>\$5,252,386</u></u>
DEPARTMENT OF JUSTICE		
Direct Federal Payments:		
Seized Assets	16.000	\$349,266
Metropolitan Area Task Force (MATF)	16.000	1,192,904
High Intensity Drug Trafficking Area (HIDTA)	16.000	3,970,885
High Intensity Drug Residential Treatment	16.000	132,899
COPS Technology 2003 Grant	16.580	130,793
Congressional Mandated Grant (Moran Grant)	16.580	36,414
State and Local Emergency Preparedness	16.000	2,892,501
Total Department of Justice		<u><u>\$8,705,662</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, 2007**

	<u>Federal Catalogue Number</u>	<u>Expenditures</u>
OTHER FEDERAL ASSISTANCE		
Direct Federal Payments:		
Air Force Junior Reserve Officer Training	12.000	\$53,878
Gear up Program	84.334	9,323
Adventure of the American Mind	84.244	908,471
Arlington Gang Initiative Grant	33.029	86,500
Emergency Impact Aid	84.938	56,430
EPA Improvement Four Mile Run (PRCR)	66.034	94,293
NPS Assessment North Tact and NPS land (PRCR)	15.916	98,611
		<hr/>
Total Direct Federal Payments		1,307,506
Pass Through Payments:		
Fire Department Programs		
Urban Area Security Initiative (USAI)	97.008	798,239
FEMA Reimbursement for Emergency Preparedness		-
Dept. of Defense-Pentagon Force protection Agency	12.000	140,000
National Medical Response Team (NMRT)	97.000	187,040
		<hr/>
Total State Pass Through Payments		1,125,279
Office of Emergency Management		
Disaster Voucher Program (previously KDHAP)	97.088	21,255
DHS State Homeland Security Grant	97.073	386,268
Hazardous Mitigation C1 Secure Trades Center	97.039	117,369
Hazardous Materials C	97.039	95,390
Metropolitan Medical Response System	97.071	526,432
		<hr/>
Total State Pass Through Payments		1,146,714
		<hr/>
Total Other Federal Assistance		\$3,579,499
		<hr/>
TOTAL FEDERALLY ASSISTED PROGRAMS		\$55,451,395

See accompanying notes to Schedule of Federal Awards.

ARLINGTON COUNTY, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2007

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
June 30, 2007**

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u>	Yes	<u> X </u>	No
Significant deficiency(ies) identified that are not considered to be material weaknesses	<u> </u>	Yes	<u> X </u>	None reported
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u>	No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u>	Yes	<u> X </u>	No
Significant deficiency(ies) identified that are not considered to be material weaknesses	<u> X </u>	Yes	<u> </u>	None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	<u> X </u>	Yes	<u> </u>	No
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Identification of Major Programs

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>
Child Nutrition Cluster	10.553, 10.555
Section 8 Housing Choice Vouchers	14.871
Child Care Development Cluster	93.575, 93.596

Dollar threshold used to distinguish between type A and type B programs \$ 1,663,542

Auditee qualified as low-risk auditee?	<u> X </u>	Yes	<u> </u>	No
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ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2007

II. Financial Statement Findings

None

III. Federal Award Findings and Questioned Costs

Finding No. 07-01 The County's procedures for timely review of tenant's files was not consistently performed.

Programs Affected: Section 8 Voucher, CFDA #14.871

Condition: One out of 25 tenant files tested did not have an annual re-examination of the tenant's eligibility status or re-inspection of the housing unit within HUD's designated time frame.

Criteria: 24 CFR 982.516 (a)(1) states that the PHA must conduct a reexamination of family income and composition at least annually.

24 CFR 982.405(a) states that the PHA must inspect the unit leased to a family prior to the initial term of the lease and at least annually during the assisted occupancy of the unit.

Cause: The late re-certification occurred due to the tenant being assigned to a new staff member.

Effect: Arlington County is not in compliance with their administrative plan and federal regulations. Due to the untimely re-certification of the tenant's benefits, eligible tenants were assessed late fees by the property owners.

Questioned Costs: None

Recommendation: The County should consistently perform re-certification procedures.

Management's Response: The County will consistently perform re-certification procedures and unit inspections on an annual basis per 24 CFR 982.516 (a)(1) and 24 CFR 982.405(a).

The County's Section 8 Housing Unit will conduct the annual re-certification and inspection procedures. Internal management and oversight procedures are being put in place in order to ensure timely and accurate re-certification and inspection

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2007

Finding No. 07-02 Arlington County Public Schools (BOE) procedures for determining eligibility for school meal program was not consistently performed.

Program Affected: Child Nutrition Cluster CFDA #10.553, 10.555

Condition: Three meal applications had incorrect meal eligibility determinations.

Criteria: Children belonging to households meeting nationwide income eligibility requirements may receive meals at no charge or, in the case of the National School Lunch Program (NSLP) and School Breakfast Program (SBP), at reduced price. The School Food authority (SFA) must verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals, unless the SFA is otherwise exempt from the verification requirement.

Cause: The application process for free and reduced price meals had previously been handled remotely, at each school location. These applications were received at each school and accumulated and sent to the central office for processing. This process changed in FY 2006 to a process where the central office handles all aspects of the application process. Management believes this change contributed to the errors and steps are being taken to address this deficiency. Additionally, applications selected for verification are determined by the verification official and calculations are done by hand. Management has put in place procedures to assure that applications will be examined by two officials to eliminate errors in the future.

Effect: The BOE incorrectly denied or approved meal benefits.

Questioned Costs: None

Recommendation: The BOE should review and disseminate the procedures for determining meal eligibility to ensure consistent application.

Management's Response: Arlington Public Schools will do everything possible to ensure that children belonging to households meeting nationwide income eligibility requirements may receive meals at no charge or, in the case of the NSLP and SBP, at reduced price. The SFA will verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals, unless the SFA is otherwise exempt from the verification requirement.

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2007

None Noted