Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2008













ARLINGTON COUNTY, VIRGINIA

Comprehensive Annual Financial Report

FISCAL YEAR 2008

(July 1, 2007 - June 30, 2008)

DEPARTMENT OF MANAGEMENT AND FINANCE

Mark J. Schwartz, Director
Barbara A. Wiley, Acting Comptroller

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ARLINGTON
VIRGINIA

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, 2008

TABLE OF CONTENTS

INTRODUCTION

		Page
	Letter of Transmittal	1
	Certificate of Achievement for Excellence in Financial Reporting	27
	Organization Chart	28
	Directory of Officials	29

FINANCIAL

	Independent Auditors' Report	33
	Management's Discussion and Analysis	36

Basic Financial Statements

Exhibit

1	Statement of Net Assets	47
2	Statement of Activities	48
3	Balance Sheet – Governmental Funds	50
3(A)	Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	51
4	Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	52
4(A)	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	53
5	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	54
6	Statement of Net Assets – Proprietary Funds	56
7	Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds	57
8	Statement of Cash Flows – Proprietary Funds	58
9	Statement of Fiduciary Net Assets	59
10	Statement of Changes in Fiduciary Net Assets	60
	Notes to the Financial Statements	61

Other Supplementary Information

X Combining Balance Sheet- Non-Major Governmental Funds 110

Y Combining Statement of Revenues, Expenditures and Changes in Fund Balances 111

General Fund:

A-1 Balance Sheet 113

A-2 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual 114

Special Revenue Funds:

B-1 Combining Balance Sheet 116

B-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances 117

B-3 Travel and Tourism Promotion Fund 118

B-4 Rosslyn Business Improvement District Fund 119

B-5 Crystal City Business Improvement District Fund 120

B-6 Community Development Grants Fund 121

B-7 Section 8 Housing Program 122

Capital Projects Funds:

C-1 Combining Balance Sheet 124

C-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances 125

Enterprise Funds:

D-1 Combining Balance Sheet 128

D-2 Combining Statement of Revenues, Expenses and Changes in Net Assets 130

D-3 Combining Statement of Cash Flows 131

Internal Service Funds:

E-1 Combining Balance Sheet 133

E-2 Combining Statement of Revenues, Expenses and Changes in Net Assets 134

E-3 Combining Statement of Cash Flows 135

Fiduciary Funds:

F-1 Combining Statements of Net Assets Trust Funds 137

F-2 Combining Statements of Changes in Net Assets Trust Funds 138

F-3 Statement of Changes in Plan Net Assets – Pension Trust Fund 139

F-4 Combining Statements of Net Assets Agency Funds 140

F-5 Combining Statements of Changes in Assets and Liabilities - Agency Funds 141

Discretely Presented Component Unit - Schools:

G-1 Combining Balance Sheet 144

G1(A) Reconciliation of the Fund Balances of Component Unit – Schools to Net Assets of the Component Unit - Schools 145

G-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances 146

G2(A) Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities Component Unit - Schools 147

G-3 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (GAAP Basis) and Actual 148

SUPPLEMENTAL SCHEDULES

S-1 Schedule of Treasurer's Accountability to the County - All Funds 152

S-2 Combined Schedule of Investments - All Funds 155

S-3 Combined Schedule of Long-Term Obligations 157

S-4 Schedule of Delinquent Property Taxes Receivable 168

S-5 Schedule of General Capital Assets - By Source 169
S-6 Schedule of Changes in General Capital Assets - By Function and Activity 170
S-7 Schedule of General Capital Assets - By Function and Activity 171
S-8 Detail Schedule of Revenues - Budget (GAAP Basis) and Actual - General and Special Revenue Funds 172
S-9 Detail Schedule of Expenditures - Budget (GAAP Basis) and Actual - General and Special Revenue Funds 174
S-10 Schedule of Capital Outlays and Capital Projects - Governmental Fund Types 176

STATISTICAL (Unaudited)

A Net Assets by Component – Last Three Fiscal Years 178
B Changes in Net Assets – Last Three Fiscal Years 179
C Fund Balances, Governmental Funds and Other Component Unit-Last Ten Fiscal Years 181
D Changes in Fund Balances of Governmental Funds - Last Three Fiscal Years 182
D-1 General Governmental Expenditures by Functions –Last Ten Fiscal Years 183
D-2 General Governmental Revenues by Source – Last Ten Fiscal Years 184
E General Governmental Tax Revenues by Source - Last Ten Fiscal Years 185
F Assessed and Actual Value of Taxable Property - Last Ten Fiscal Years 186
G Principal Taxpayers – Current and Nine Years Ago 187
H Property Tax Levies and Collections – Last Ten Fiscal Years 188
I Ratios of Outstanding Debt by Type - Last Ten Fiscal Years 189
J-1 Pledged-Revenue Coverage Ballston Public Parking Garage-Last Ten Fiscal Years 190
J-2 Pledged-Revenue Coverage Utilities Bond Coverage-Last Ten Fiscal Years 191
K Demographic Statistics – Last Ten Fiscal Years 192
L Principal Employers-Current and Nine Years Ago 193
M Operating Indicators by Function-Program –June 30, 2008 194
N Capital Assets Statistics by Function/Program – June 30, 2008 195
O Percentage of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures 196
P Schedule of Insurance – Last Ten Fiscal Years 197
Q Salaries and Surety Bonds of Principal Officials- June 30, 2008 202
R Construction Activity, Bank Deposits and Real Property Value-Last Ten Fiscal Years 203
S Business and Professional License Tax Revenues- Fiscal Years 1999-2008 204
T Certificate of No Default- June 30, 2008 205
U Largest Users of the Water & Sewer Systems- For the twelve months ending June 30, 2008 206
V Description of the Wastewater & Water System & Wastewater & Water Rates- June 30, 2008 207
W Certificate of Consulting Engineer 210

FEDERALLY ASSISTED PROGRAMS

Independent Auditors' Reports on:
Schedule of Expenditures of Federal Awards 212
Compliance and on Internal Controls Over Financial Reporting 213
Compliance with Requirements Applicable to Each Major Program And Internal Control Over Compliance in Accordance with OMB Circular A-133 215
Schedule of Expenditures of Federal Awards 217
Notes to Schedule of Expenditures of Federal Awards 223
Schedule of Findings and Questioned Costs 224
Schedule of Prior Year Findings and Questioned Costs 226

ARLINGTON
VIRGINIA

INTRODUCTION

ARLINGTON
VIRGINIA

DEPARTMENT OF
MANAGEMENT AND FINANCE

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October 31, 2008

Chairman Walter Tejada 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, 2008.

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.

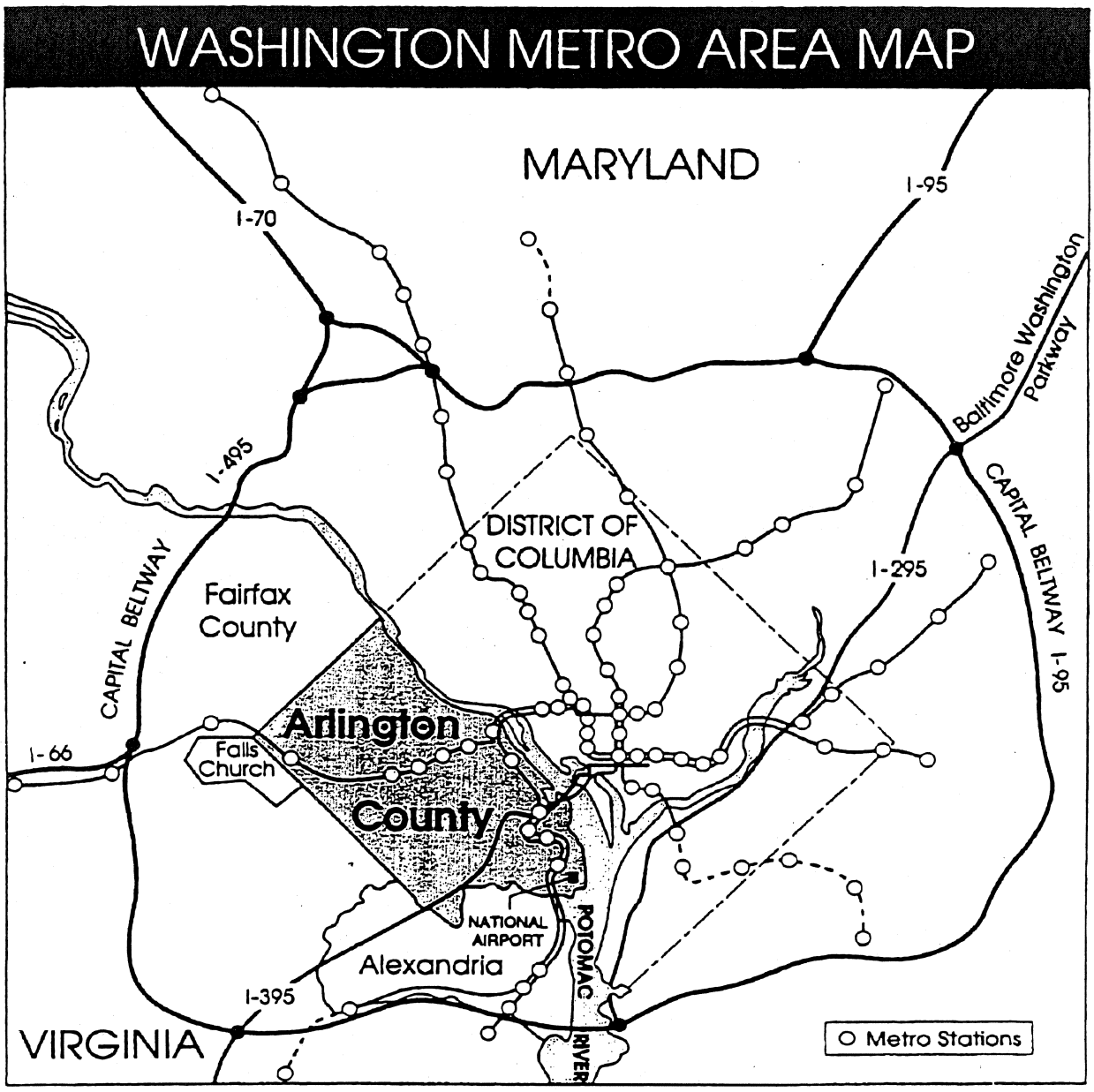
The County's financial statements have been audited by Clifton Gunderson LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2008, are free of material 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, 2008, 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 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
MARYLAND
I-70
I-95
Baltimore Washington Parkway
I-495
CAPITAL BELTWAY
DISTRICT OF COLUMBIA
Fairfax County
I-295
CAPITAL BELTWAY I-95
Arlington County
Falls Church
I-66
NATIONAL AIRPORT
POTOMAC RIVER
Alexandria
I-395
VIRGINIA
Metro Stations

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, 2008 was $57.5 billion. The County government's budget for all funds for Fiscal Year 2008 totaled $1,070.0 million, which included $411.2 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-five 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 March; the County Board also holds a series of work sessions during which preliminary funding decisions regarding proposed operating and capital programs are considered. Final County Board decisions are incorporated into the appropriation, tax, and budget resolutions for the fiscal year. These resolutions are generally approved by the County Board in April and a separate Adopted Budget document is issued subsequent to the Board 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 type of expense within departments. Department directors may make transfers of appropriations within a department with Department of Management and Finance approval. Transfers of appropriations between departments, and transfers between funds require the approval of the County Manager and County Board. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented in 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 6% this year, due to strong growth in the commercial and apartment sectors, despite a leveling off in the single family residential and condominium sectors.

The Arlington blend of urban sophistication and neighborhood charm is unmatched in the region. 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 nine million square feet of retail space, over 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. Since 1960, some thirty-five million (35M) 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 10,174 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 6,000 new residential units have been built in the Metro station areas in the past four years. No community in America has had a stronger commitment to transit-oriented development. In 2nd quarter 2008, the County's office vacancy rate was 9.6%. The residential unemployment is very low, averaging 2.2% for FY 2008, below regional, state, and national averages. Arlington's per capita income and property wealth indicators are the highest in the nation.

In May 2008, the County's outstanding financial management, solid reserve levels, controlled expenditure growth and significant steps taken to reduce the County's total liability for post-retirement benefits were cited as reasons Standard and Poor's, Moody's, and Fitch's Investor Services reaffirmed the County's top AAA/Aaa/AAA ratings. The triple AAA/Aaa/AAA rating validates that Arlington's financial position is strong, with ample liquidity, sound general fund reserves, a competitive tax structure, and excellent financial planning. The continued growth of high wage jobs in the technology, research and financial services sectors, high per-capita retail sales and strong operating reserves serve to establish Arlington County, as of June 30, 2008, 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

Arlington Vision

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

— Arlington County Board

The 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 supports the Board's vision and is updated annually. The updated calendar 2008 Management Plan includes more than 60 projects in seven major areas::

- Healthy Environment and Community
- Housing
- Inclusion and Civic Engagement
- Human Services
- Planning and Development
- Transportation

- Organizational Development

The budget adopted by the County Board for fiscal year 2009 is a reflection of Arlington values. The budget maintains the programs and services that provide for a high quality of life in the community and support 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 and a healthy community, and continued its commitment to affordable housing. The approved budget represents a sustainable balance between responsible taxation and fee policies, and strategic investment for today and the future. As part of the budget process, the County Board also adopted comprehensive financial policies, including guidelines limiting the amount of future debt incurred by the County.

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 2009 budget seeks to address these different needs and interests. The Board approved a combined tax rate of 84.8 cents per hundred dollars of assessed value, including $0.01 in dedicated funding to maintain and replace the County's aging stormwater system. Arlington remains one of the best values 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 effective personal property tax rates. Consistent with past practice, County Board approved higher fees for programs that traditionally are self-supporting, including solid waste collection and recycling, and water and sewer services in the adopted budget. In addition, the County Board approved an additional $.125 real estate tax on commercial properties in order to fund important transportation initiatives. Finally, as part of this year's budget, the County Board also approved increases to Arlington Rapid Transit (ART) bus fares, ambulance service fees, and various license, permit, and parks and recreation fees.

Transportation Initiatives

The County exercised its options under new authority granted by the Virginia General Assembly and adopted a $12.5 cent increase in the real estate rate for commercial and industrial properties to provide a funding stream for transportation improvements. The funding will be used for improvements at Metro stations, in Crystal City/Potomac Yards, along Columbia Pike, and elsewhere in Arlington. The County Board also approved a new bus route between Shirlington and Courthouse Plaza for the ART system.

Protecting the Most Vulnerable

As part of the FY 2009 adopted budget, the Board took several steps designed to support the County's most vulnerable residents in these tough economic times – boosting the County's living wage, increasing housing support for those most at risk and adding a caseworker and a counselor to the Department of Human Services. In FY 2009, the County's living wage will be increased from $11.80 per hour to $12.75 per hour. With many home assessments flat or reduced, the Board scaled back the Homeowner Grant Program, shifting $750,000 from that program to Housing Grants, Transitional Housing, and Supportive Housing, programs that serve low-income elderly, working families, the homeless, and those with mental illness, intellectual or other disabilities. About $45 million is devoted to housing in the FY 2009 budget.

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 2009, the Schools will receive 48.1% 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 rates and mean scores, while essentially flat from 2007 to 2008, remain well above the state and the nation. SOL pass rates have increased, and more students 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 over 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 staff is 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. In FY 2009 the County Board focused on significant enhancements to employee retirement benefits, and reducing the liability for "Other Post Employment Benefits" (OPEB) by capping the County's contribution towards retiree health care while still providing a more generous health benefit for retirees than other area jurisdictions.

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 $17.8 million to fund capital projects. Included in the budget are $4.2 million for transportation and environmental planning, $3.3 million for parks and recreation facilities, $4.4 million for government facilities, 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 (APT) in August 2007. The APT Certification is effective for a five year period. 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, 2008. The County also maintains a General Fund operating reserve that totaled $28.3 million as of June 30, 2008. Since its establishment in FY 1986, this operating reserve has not been used, but has been increased steadily. By adopted County Board policy, the operating reserve, previously set at two percent of the General Fund budget, is now at least three percent with a goal of increasing to five percent 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. For the year ended June 30, 2008, the County's annual pension cost of $30.0 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, 2008, 1,362, 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.

In June 2004, the Government Accounting Standards Board (GASB) issued Statement Number 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions. The County, beginning in fiscal year 2008, accounted for and reported in its financial statements the cost of Other Post Employment Benefits (OPEB) – health insurance, life insurance and other non-pension benefits provided to its retirees. GASB 45 required that the cost of our OPEB commitments be accounted for and reported in the same manner as pensions.

In early 2007 both the County and the Arlington County Public Schools ("Schools") obtained actuarial reports addressing the extent of the County's liability to its current employees and retirees for OPEB as of July 1, 2006. Based on the assumptions in those reports, the County and Schools unfunded actuarial accrued OPEB liabilities were approximately $516 million and $267 million, respectively, as of July 1, 2006. The annual required contributions were approximately $50 million and $22.7 million, respectively. At that time, the County and Schools estimated current "pay as you go" spending for OPEB liabilities was between $16 million and $28 million, resulting in a net OPEB obligation for the County and Schools between $45 million and $57 million.

To date, in 2008, the County and Schools have taken important steps to address OPEB liabilities:

- On April 19, 2008, the Arlington County Board adopted a budget that fully funds the County's estimated GASB Annual Required Contribution (ARC) for FY 2009 (valued at $15.3 million) and shows a negative net OPEB obligation through FY 2011. The budget made significant changes to the County's healthcare plan and provides a sustainable and secure benefit for retirees that will be fully funded.

  With the changes adopted in April, the County's liability to its current employees and retirees for OPEB is approximately $213 million, the ARC is $15.3 million and the estimated "pay as you go" spending in FY 2009 is estimated to be $10.5 million. In the adopted budget an additional $4.9 million in ongoing payments was provided bringing the ongoing contribution to the required ARC of $15.3 million. In addition, at adoption the County Board authorized a one-time cash infusion of $10 million into a new OPEB Trust.

  The policies adopted by the County Board created a retiree health care stipend effective July 1, 2008, as follows:

  - Current retirees and eligible employees who leave the County before January 15, 2012, will receive up to $960/month health stipend (combined health and dental) in retirement.
  - Current employees who retire on or after January 15, 2012, will receive up to $600/month health stipend in retirement
  - Employees hired after July 1, 2008, will receive a maximum stipend of $300/month in retirement

  Each of these full benefits is based on 25 years of service by County employees. Under the plan, all employees with at least 10 years of service will receive a stipend (prorated based on years of service), and employees with 5 to 10 years will be eligible for health care but will not receive a stipend.

  Employees who qualify for County retiree health coverage when they retire can enter and leave the plan and receive the same health stipend (based on their retirement date), as if they had never left.

- The School Board adopted their budget on May 1, 2008. This budget includes $800,000 in the baseline for OPEB along with the pay-as-you-go portion of $8.9 million. Additionally, the School Board has set aside $4,200,000 in one-time funds since FY 2006 for OPEB. The Schools are also implementing health plan changes effective January 1, 2009, which will carry over into FY 2010 and reduce the overall liability.

- The Schools are updating their actuarial information. The most recent valuation as of December 31, 2007, showed a $268 million unfunded liability, and an estimated ARC of $20.9 million. With more accurate information from their health care provider, the Schools currently estimate paying $7.8 million per year in pay-as-you-go spending for retiree health care benefits.

The County and the Schools are in the process of finalizing creation of an OPEB Trust. Both the County and Schools are continuing to review their health care plans for future redesign options.

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", "Ten-Year Summary of General Fund Revenues and Expenditures", "General Fund Balance", "Principal Tax Revenues by Source", "Property Tax Levies and Collections", "Historical Assessed Valuation", "Local Sales Tax Revenue", "Business and Professional License Tax Revenues", "Description of County's Wastewater and Water Systems", "Debt Payable From or Secured By County's Wastewater and Water Systems", "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 2008

Some of the unique contributions of the County's departments and offices in FY 2008 follow in alphabetical order:

COMMISSIONER OF REVENUE

Fiscal Year 2008 marked Commissioner of Revenue's (CoR), Ingrid H. Morroy, fourth full fiscal year in office. 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.

Customer Service

Faster response time, efficiency, accuracy, assistance to taxpayers, and accessibility to the Customer Advocate, continue to be the strengths of the CoR's office resulting from the continuous re-engineering and improvement of internal processes started four years ago. In FY 2008 during the busy months of September and October, that marked the 2007 tax season, the office's action plan provided for better, faster and more effective service to customers. These efforts resulted in an average wait time on the phones of 2.6 minutes (a 14% decrease from last year), and an average wait time at the counters of 6 minutes (a 9% decrease from the previous year).

Customers successfully continued to use the online access to our web site for vehicle registration, business tax forms, information on opening a new business in Arlington County, and public service announcements. Since December 2007, customers have had access to the new online filing service for business license and meals tax. This allows customers to file their business license and monthly meals tax returns online and pay at the same time.

The DMV Select office, operating in the CoR office, handled over 21,218 transactions of core services, approximately 36% more than FY 2007. This resulted in $887,331 collected revenue for the State reflecting a 39% increase from the previous year. Vehicle dealership and fleet transactions increased by 31% as a result of marketing efforts. Dealer temporary tags were made available to automobile dealerships through the DMV Select service.

Taxpayer Outreach

CoR staff actively participated in the Annual Business Expo, in conjunction with Arlington Economic Development (AED) 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

The Office of the Commissioner of Revenue implemented in January 2008 a Business Development and Community Outreach program. The goal of the program is to work with new businesses coming into the County, and with existing business owners, who may have specific questions or comments with filing their applicable tax returns. The staff has also been making personal site visits to meet with new business owners and explain the tax ordinance and procedure. The Office offers such benefits as in-service or training classes to small businesses that have independent employees, so businesses understand their responsibility and the importance of filing and paying on time.

Process and Technological Improvements

The Personal Property Tax Division implemented an address verification system designed to instantly validate any address against the latest U.S. Postal Service address data file. This technology allows for accurate mass mailings, billing and correspondence with County taxpayers. The Business Tax Division has made significant gains as a result of using automation. For the third consecutive year, staff has been able to complete assessments earlier. More taxes were assessed in the first six months of 2008 than in all of 2007.

This year, the Commissioner of Revenue and the Treasurer started a project to replace the current computer system with a new, integrated system based on the latest available technology. The entire project will take about two years to complete. The new system will integrate all databases, and automate assessment processing resulting in greater efficiencies, as well as customers' ability to enter, see, and maintain their own tax records. Also, the enhanced capabilities of our Electronic

Records Management System (ERMS) allowed loading e-mails directly into ERMS by the e-mail recipient reducing paper usage and allowing support staff members to concentrate on other tasks.

Fairness in Taxation
The personal property enforcement program recorded significant results in its goal of registering all vehicles garaged in Arlington County. During FY08, the Enforcement team improved its ability to locate previously unregistered vehicles using its PlateFinder™, a high-tech camera which reads license plate numbers, compares them against those already on the County's database, and records data of those plates which are not currently registered. During FY 2008, the Enforcement Program registered over 4,400 previously unregistered vehicles (a 8.3% increase over FY 2007), which accounted for more than $1.4 million in additional personal property tax assessments (a 5.3% increase over previous year's).

The year 2008 marked the beginning of the Vehicle Personal Property division drive to bring vehicles registered in Arlington for the personal property tax with out-of-state license plates into compliance with Virginia law. Customers with out-of-state plates that have filed to pay personal property tax in the jurisdiction were sent notices in the spring of 2008 about the requirements under state law to register in Virginia unless they were legally exempt from doing so. To date, the Treasurer has collected approximately $30,000 from customers who have opted not to register in Virginia.

COMMUNITY PLANNING HOUSING AND DEVELOPMENT

Accessory Dwellings
In January 2008, the Housing Commission submitted a report recommending that the County Board amend the Zoning Ordinance to permit accessory dwellings (ADs). The proposal was designed to help the elderly age in place; increase the stock of affordable housing, without government subsidy; and provide an income stream for homeowners to reduce housing costs. During the next six months, staff conducted extensive outreach to the community that included attendance at over 50 meetings and holding two Community Forums, to explain the proposal and the County Manager's recommendations. In FY 2009, on July 19, 2008, the Arlington County Board approved amendments to the Zoning Ordinance that now allow accessory dwellings inside detached single-family homes and non-relatives to live in family/caregiver suites in single-family homes.

Committed Affordable Units (CAFs)
In FY 2008, the County added 268 CAFs, reflecting 247 new rental CAFs and 21 owner CAFs. This raises the total rental CAF supply to 6,001, which form over 14% of the County's multi-family rental stock.

Affordable Housing Units through Affordable Housing Investment Fund (AHIF) and Site Plans
The County Board approved five AHIF loans totaling $11.9 million for the long-term preservation or development of seven apartment complexes with 247 committed affordable units (CAFs). The Arlington Mill Apartments (61 CAFs), Jordan Manor – Bob Peck (90 CAFs), Buckingham Villages (60 CAFs), Macedonia Apartments (36 units, anticipated in FY 2009 CAF total), RPJ/1700 S Garfield Street (9 CAFs), Vista at Courthouse (9 CAFs), and 2201 Pershing Drive (18 CAFs)

Site plan approvals for the projects Vista at Courthouse and 2201 Pershing Drive resulted in CAFs. Also, the Board approved supplemental funding to refinance the Columbia Grove apartments and extend the commitment for affordable units to 60 years.

Community Development Programs
The two grant funds administered by the Housing Division are the Community Development Block Grant (CDBG) and the Community Services Block Grant (CSBG) FY 2008 was the second of a two year cycle for the Community Development Fund, which supports services for youth, recent immigrants, ex-offenders, and seniors, as well as for nonprofit capacity-building. A limited solicitation was conducted for AHIF Housing Services funds and unprogrammed CDBG and CSBG funds. The County Board approved the FY 2009 Community Development (CD) Program and budget in April, 2008.

Monitoring, program evaluation and contract management continued for all approved FY 2008 activities and subrecipients. Three CD funded organizations participated in executive coaching as part of the nonprofit capacity building initiative, a partnership with AED and Virginia Tech. CD staff worked with the Department of Human Services staff to develop scope of services for a culinary arts program for homeless persons, funded by CDBG.

Homeownership
The following programs were used by first-time home buyers: Live Near Your Work – 47; Virginia Housing and Development Authority (VHDA) Sponsoring Partnerships and Revitalizing Communities (SPARC) program – 38; VHDA

Homestride – 10; Moderate Income Purchase Assistance Program (MIPAP) – 11. 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. Arlington County was awarded $14,000,000 in discounted mortgage money to expand homeownership opportunities to 50 eligible low and moderate income, first-time homebuyers.

Rent & Vacancy Survey
The County-wide average rent increased by $72 per month to $1,648, an increase of 5% over the 2007 average of $1,576. The average rent for elevator building units increased 7%, while the average rent for all garden apartments units increased 1.5%. The vacancy rate decreased from 2.9% to 2.8%, reflecting a continuing 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 second Home Show and Expo, featuring more than 50 exhibitors and attended by about 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 in Neighborhood Strategy Areas.

CPHD Development Fund
In FY 2008 (October, 2007), the County Board approved increases to building, trade and zoning fees and staffing, and created the "CPHD Development Fund" to meet the demands associated with a higher volume of development and to address customers' needs for timely and predictable services.

ARLINGTON ECONOMIC DEVELOPMENT

Public-Private Partnerships and Site Plans for Virginia Tech and Arlington Mill
Virginia Tech, together with Arlington officials, announced in June that the Virginia Tech Foundation will build a major research center in Ballston, with planned occupancy by late 2010. The seven-floor, 144,000 square foot building, designed by Cooper Carry to meet the Silver US Green Building Council's LEED Building Rating Systems, will be located on the 800-900 block of North Glebe Road. The building will be part of a larger development that will create an impressive gateway to Ballston and the Rosslyn-Ballston Corridor.

Arlington Introduces New Wayfinding System
Arlington County staff, in conjunction with consultants unveiled a new wayfinding system for Arlington. The wayfinding system creates a consistent wayfinding and identity system across a range of high-quality sign mediums, while projecting a recognizable and attractive image for Arlington and permitting creativity and flexibility within the urban villages, and an expandable family of sign types with consistent design. The new system will direct people to urban villages, historical and cultural attractions, significant public facilities, and parking using an easy to understand menu of universal symbols to convey message. The result is a system that provides a welcoming statement at Arlington's entrances, reduces sign clutter and redundancy, is easily administered and maintained, and is cost-effective.

Summer Tourism Pilot Programs
During the summer of 2008, the Arlington Convention and Visitors Service (ACVS) took visitor services directly to the streets of Crystal City and Rosslyn, home to nearly 80 percent of the County's hotel rooms. Starting the last week of May, ACVS began testing two different but equally innovative concepts for proactively providing visitors with information.

Visitors to Crystal City are greeted by student interns whizzing around on Segway personal transporters. Wearing brightly colored uniforms sporting the international "i" information symbol, the interns scout the areas around the Crystal City Metro stop, Crystal Drive, 23rd Street, and Eads Street during peak pedestrian traffic hours. Using an "on-board" tablet computer and wireless phone, the interns assist neighborhood visitors with restaurant recommendations and reservations, directions to nearby stores and attractions, and information about hotels, evening entertainment, transportation and more.

Guests visiting Rosslyn are able to easily look up information on Arlington dining, shopping and attractions using a touch-screen kiosk near the new Waterview hotel/office/condo development. Situated at the corner of N. Lynn St. and N. 19th (at the soon-to-open public elevator accessing the esplanade overlooking the Potomac) this all-weather kiosk prints walking directions plus coupons from participating Arlington retailers.

Arena Takes the Stage in Crystal City
Arena Stage, Washington's largest not-for-profit producing theater, has been wowing audiences in Crystal City since their 1101 Sixth Street SW location in Washington, D.C. began undergoing major renovations. The Crystal Forum, located less than a block from the Crystal City Metro, has been transformed into Arena Stage's performance space. The 12,000 square foot, 460-seat Crystal Forum at the corner of S. Bell and 20th Streets has undergone some exciting renovations to accommodate the needs of the epic theater. In addition to theater space, Crystal City also now houses Arena Stage's administrative spaces - more than 10,000 square feet.

BRAC Transition Center Now Open
The BRAC Transition Center is now open in the Crystal City Underground at 1638 Crystal Square Arcade, Suite B. The BRAC Transition Center will be a "one-stop" for information, resources, worker services, business assistance, references, and networking for workers and businesses directly and indirectly affected by BRAC decisions. It will provide a range of services from career counseling to starting a business, creating a powerful synergy of economic endeavor. The Center staff includes workforce development experts, economic development experts, and BizLaunch representatives working collaboratively to service the needs of affected workers and businesses. On a rotating basis, the Center will host community partners such as educational institutions, staffing agencies, professional associations, SBA, security clearance experts, CARE representatives, federal procurement representatives, and telework representatives.

DEPARTMENT OF ENVIRONMENTAL SERVICES

FY08 was a banner year for Traffic Signal Initiatives to Conserve Energy and Reduce Traffic Congestion:
Fifty-four traffic signals were optimized to provide improved pedestrian and transit movements and to reduce fuel consumption and traffic congestion. Pedestrian countdown & LED signals at 12 intersections were upgraded to provide additional crossing information and to reduce energy cost. Uninterrupted Power Supply systems at 10 critical signalized locations in the County were implemented to minimize traffic disruptions during power failures.

Improvements in Development Services
Process improvements in the Development Services Bureau such as cross-training and the streamlining of review procedures in Plan Review, Inspections, and Permitting areas has resulted in a decrease of review turnaround time by 33% and has increased customer satisfaction.

Shirlington Station
The Shirlington Station, the County's first enclosed bus transfer center, opened in June 2007, serving one of Arlington's fastest growing urban villages. Served by 11 routes in the regional Metrobus and Arlington's local transit system (ART), the Shirlington station provides service to more than 2,000 passengers daily and also houses a Commuter Store.

ART House
Arlington's local transit service, ART moved its operations to new quarters in October 2007. Prior to this past year, ART was operated from a site outside the County. The new temporary ART House facility is located in Arlington and houses administrative operations and parking for the ART fleet, which has reduced non-productive travel time and wear and tear on the vehicles. The County is now developing plans for permanent improvements which will include a light maintenance and wash facility.

ART Fleet
In August 2007, Arlington's local transit service, ART took a substantial step toward upgrading its fleet with the introduction of 8 new 35' heavy-duty, low floor, CNG fueled vehicles that are manufactured by North American Bus Industries (NABI). Prior to 2007, the ART fleet included only light duty vehicles that could no longer meet the demands of the ART service program. The new heavy duty buses have a higher passenger capacity and are deployed on ART's busiest routes. ART served more than 1.2 million passengers in fiscal 2007. The County has recently ordered 12 similar NABI vehicles from NABI which should be in revenue service by Spring 2009.

Arlington Transportation Partners
ATP is a free service for Arlington employers and residential communities provided by Arlington County Commuter services. As a one-stop point of access to all transportation services in the greater Washington region, ATP makes it easy for employers to offer commuter benefits to their employees or community transportation benefits to residents. ATP achieved record market penetration rates with 582 employer representing 124,038 employees representing 62% of the market; 295 residential clients representing 59,726 units or 85% of the market; and 42 hotel clients of 42 major hotels.

The Commuter Stores
These stores provide customers with convenient, one-stop shopping for schedules, fares, and information about the many transportation options available in the Washington Metropolitan Area. This year produced record sales of $12,907,489. 212,400 customers came through the doors at all the stores.

Arlington's Car-Free Diet Campaign
Introduced CarFreeDiet.com complete with a calculator to figure out money saved, calories burned, and CO2 emissions reduced. There were multiple county-wide and location specific brochures and direct mail to Arlington households, as well as ads in many different media including web, print and on bus and rail.

Taxicab Fleet Enlargement Brings Hybrid and Wheelchair-Accessible Vehicles
The County Manager's annual report on the economic condition of the taxicab industry led to an increase in the authorized fleet by 86 taxicabs, all of which are either hybrids or wheelchair-accessible vehicles.

Construction Accomplishments
The Engineering Bureau constructed 39 projects in FY 2008, valued at $15M. Significant projects completed include streetscape improvements in the Buckingham neighborhood at Glebe Rd and Pershing Dr, at Lee Highway and George Mason Drive, and at Wilson Boulevard and George Mason Drive, 16 Neighborhood Conservation projects, and storm water or utility fund projects totaling $2.7 M.

Oracle Property Manager
DES, in conjunction with the Department of Technology Services, completed the initial integration of Oracle Property Manager as a module of the Oracle E-Business Suite that is used by Arlington County to track the County's real estate interests. Through the compilation of data from various resources Property Manager now forms the most current and centralized compilation of those interests. There are two major components to the Property Manager Module: The "Property Manager" component captures building name, address, ownership, and features; displays property on a map via GIS; links documents; associates a property with a lease. The "Lease Manager" component Abstracts, amends, edits and stores lease information; links to a property.

Annual Recycling Rate
The County's recycling rate for CY 2007 was 40.3%. This rate reflects a continued focus on increasing recycling rates that resulted in increased recycling percentages over the previous year in all sectors to include residential (up 4%), multi-family and commercial (up 3.6%) and schools and County facilities (up 1.9%).

New Automated Meter Reading (AMR) System
The County replaced its aging walk-by AMR system with a new drive-by system, allowing an expansion of the accounts covered by the system from around 2,000 to over 3,000 accounts. This provided convenient monthly billing for all commercial accounts in a fraction of the time required by the previous AMR system.

Awards
The Walter Reed Community Center and the PRCR Operations Building at the County Trade Centers both received LEED (Leadership in Energy and Environmental Design) Silver Awards for achievement in sustainable design and construction. The County received the "2008 Blue Pencil and Gold Screen Award" from the National Association of Government Communicators for Most Improved Publication for Solid Waste Bureau's improved "Take it to the Curb" brochure. Commuter Stores garnered First Place in the Customer Service Category given to The Commuter Stores at the ACT National Meeting in Seattle.

DEPARTMENT OF TECHNOLOGY SERVICES

Marriage Licenses
DTS successfully developed and deployed an electronic forms-based solution for managing Marriage License applications and associated documents for the Circuit Courts. This web-application replaces a paper-base process that still relied on a typewriter for creating indexes for managing and locating marriage license records. The deployment also included customer service kiosks for on-line marriage license applications and a scanner to capture licenses returned after marriages are performed. The immediate value is realized in day-forward processing through process improvement, improved accuracy in data capture, less paper handling, faster records search and retrieval, and the ability to recover from a physical disaster. More value of this application will be realized with future back-file conversion of most-requested years of marriage license search

Property Management
The DES Real Estate Bureau identified a need to create an enterprise wide lease management database. Others at the County were interested in creating a central storage point for all county owned property and data elements about the property. To meet the needs identified, the County implemented Property Manager, a module that is part of the County's existing Oracle E-Business Suite. The Property Manager module compiles information regarding properties and leases into a single data base that is readily accessible and reportable. By continuing to invest and leverage the investment the county has already made in Oracle, we benefit by capitalizing on the existing Oracle knowledge within the County and existing integration points with other Oracle modules. By using the Property Manager module, we are positioning ourselves for implementing additional modules with added functionality in the future.

Network and Telephone Refresh
The County has begun the process of refreshing its network and telephone systems. The first phase of this process is the Request for Proposal (RFP). Having received many proposals, the evaluation team worked many hours and days to narrow the choices down. The contract has now been awarded and the work will begin during the fall of 2008. All work is expected to be completed in 2010.

Automatic Password Reset
DTS installed an application that allows County employees to reset their own passwords to the network and email. This is extremely beneficial to users after normal working hours as they don't have to wait until the next day to get their password reset. If users can't get into the network, they are unable to access the County's ERP system, email and applications causing a large amount of non-productive work. Password resets used to be the number one reason for a user to contact the help desk for assistance. This service increases productivity by eliminating waiting for assistance, provides for self-service and frees up current technical staff to assist on more complex requests thus reducing a back log or tickets.

FIRE DEPARTMENT

During FY08 the Fire Department continued to prepare for and respond to a variety of emergencies. A reorganization of the officer ranks was designed to maximize the existing resources to effectively deal with traditional emergencies as well as plan for potential catastrophic events, review site plans, conduct fire code inspections and system testing.

The Fire Department responded to 25, 767 emergencies in FY08. This includes 8,028 fire related incidents, 15,909 EMS emergencies, and 1,803 public service calls. This represents a slight increase from FY07.

Officer Development
The reorganization reinstated the rank of lieutenant to the rank structure. This is an important developmental step in the officer career path. To prepare these junior officers to become effective future leaders, the Department developed an Officer Development School (ODS). 30 probationary Lieutenants attended the ODS monthly from September 2007 through May 2008. They completed 104 hours of training in the following subjects: Administrative/Goals of Training/EPA's, Responsibilities of Leadership, Radio Communications, the Birkman work behavioral assessment, Workers' Comp, RMS, and FastCap, Public Education, Leadership, Fire Prevention, Emotional Intelligence, Communications, Crew Resource Management, Tactical Decision Making, Writing for the Company Officer, EEO for Supervisors, and Ethics.

Fire Station 5
The Department moved into the new Fire Station 5, located adjacent to the old facility in the Crystal City/Pentagon City area. The state-of-the-art facility not only meets the community's emergency service needs, but it also meets the community's broader policy goal of environmental sustainability. The fire station, 17,000 square feet on two levels, is one of the few to address the changing nature of the workforce and the evolving demands on emergency responders. For example; it features individual sleeping/restroom areas to provide better privacy accommodations for the professional fire fighters, a decontamination suite, and a safe haven for the public.

The station is home to a full complement of emergency response apparatus:
Engine 105; Truck 105; Medic 105 (Advanced Life Support); Reserve Engine; Reserve Medic Unit; Fire Investigation Unit. It is fully staffed with 36-39 personnel (fire fighters and paramedics) over 3 shifts, operating the Engine, Truck, and Medic. A Duty Fire Marshal/Investigator is also housed here. In 2008, units from Fire Station No. 5 handled 6,880 calls.

Fire Station5 is designed for a Silver LEED™ rating with sustainable and energy-saving features: green vegetative roof, storm water bio-retention area, and triple insulated glass. Paints, adhesives, carpets, materials and furnishings were chosen

for recycled content and low off-gas emissions. Total design and construction costs for the new building were approximately $7 million, funded with Arlington County-issued bonds.

Apparatus Program
The Department continued the Apparatus Program with the acquisition of a replacement Tower/Ladder Truck. This type of apparatus allows firefighter to use an articulating platform to perform elevated rescues as well as position aerial streams for efficient firefighting practices.

The purchase program schedule assures the citizens their Fire Department is outfitted with state of the art apparatus while reducing maintenance and replacement costs. Benefits are ability to keep current with latest safety and operational technology AND cost savings by having the unit replaced prior to the warranty expiring on the major components (engine, transmission, axles, etc.).

Grant Management
The Fire Department was named as the sub grantee for an Urban Area Security Initiative (UASI) grant from the federal Department of Homeland Security. This $1.5M grant was to develop a comprehensive training program for first responders dealing with the Washington Metro rail system. It also includes components to aid responders and victims in the event of a large scale incident in the subway system.

HUMAN RESOURCES DEPARTMENT

Healthcare Changes
The medical/dental programs to introduce a cafeteria-style benefit offering for active employees and caps on County contributions for retirees were restructured. We evaluated our OPEB liability, researched solutions and implemented changes to employee and retiree medical contribution strategies to reduce the County's liability and to maintain a sustainable retiree health program.

Technology
Online access to Pension Gold Retirement System was implemented, which now allows employees to check beneficiary designations and run estimates and allows retirees to check monthly deposits. Also, "Manager Self-Service" in PRISM, the County's Human Resources Information System (HRIS), which streamlined multiple payroll and employee actions was implemented.

Retirement
The 457 & 401 retirement plans administration were rebid. The new contract includes enhanced fund line up, additional ING staff to assist employees with individual financial planning consultations and group educational sessions, and reduced fees on investment options. We redesigned the Chapter 46 retirement benefit program to provide a more competitive benefit formula for our employees.

Training and Organizational Development
Leader's Challenge, a leadership development program to prepare high potentials for senior and executive leadership positions was implemented. We held Leadership Conference for 275 managers and individuals – *Moving Arlington from Good to Great*

Staffing
The department hosted a Career Fair for both Arlington County and Arlington Public Schools at Ballston Common Mall and the first DTS Technology Job Fair.

Risk Management
Two safety groups, The Emergency Safety Committee and The Facility Emergency Safety Team, to oversee safety activities for County employees and buildings were established. Risk Management took the lead role in rewriting Administrative Regulation 6.4 for evacuation of County buildings. The new regulation establishes an overall Facility Emergency Safety Plan for all county facilities and requires that all county facilities establish an emergency plan and emergency safety teams.

HUMAN SERVICES

Permanent Supportive Housing Expands, Wins HAND Award
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 and youth aging out of the foster care system. This innovative program links permanent housing with flexible community-based support services. At the end of FY08, there were 77 individuals in Permanent Supportive Housing apartments. The success rate in maintaining independent housing continues to be 90 percent. During the year, DHS added 27 apartments to its inventory of supportive housing units. As of June 2008, the program has resulted in 94 existing units and 125 committed units (219 total), out of a planned total of 425 new supportive housing units.

Community Role Models Acts of Caring Award
CRM is an active social network of young adults (20s & 30s) dedicated to making a positive difference in the community. CRM engages Arlington's young adults in volunteering and other civic activities, and addresses an emerging concern over generational turnover in the volunteer population.

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 this 18-month long strategic approach. Using the Mobilizing For Action Through Planning and Partnerships (MAPP) model, DHS is engaging the broader community to examine public health issues. As of the end of FY08, a 40+ member Steering Committee of community stakeholders finished four community assessments and analyzed the information to identify strategic issues for the Arlington Public Health System to focus on for the next 10 years.

Jail Diversion/Crisis Intervention Center
DHS' Behavioral Healthcare Division is expanding jail diversion programming to better serve persons with serious mentally illness involved with the criminal justice system. In FY08, DHS received state funding for two additional emergency services staff to work closely with police and courts. Staff also provided Crisis Intervention Team training to 20 police officers on techniques for effectively working with persons with serious mental illness.

Putting Children First: Foster Care Improvements
Foster care system changes have resulted in a 38 percent decrease in the number of Arlington youth living in congregate care. In partnership with the Child Support Enforcement Office and Juvenile Court, DHS' Child and Family Services Division has also streamlined parental child support. Thanks to a $105,000 state grant to support independent living skills, Arlington has also developed an innovative mentoring program which matches mentors with youth aging out of foster care.

BRAC Transition Center Offers Services for Civilian Employees
The grand opening ceremony for the Base Realignment and Closure (BRAC) Transition Center was held in November 2007. The county faces the potential loss of nearly 4 million square feet of leased space and more than 17,000 jobs, primarily in Crystal City. As part of a multifaceted response, the County developed the BRAC Transition Center to address the needs of civilian employees, solve Arlington's unique BRAC-related challenges and create new business opportunities.

Child Advocacy Center Service Expansion
Arlington's Child Advocacy Center (CAC) brings together a multi-disciplinary team to reduce system trauma to child abuse victims. The CAC team includes the Arlington Police Department, Commonwealth Attorney's Office, County Attorney's Office, DHS staff and INOVA Fairfax Hospital. The CAC provided services for 213 children in FY08, up from an initial 2005 commitment of 60. The Arlington CAC received $68,000 in additional state grant funding for FY09.

RAFT – Regional Older Adult Facilities Mental Health Support Team
RAFT is a brand new program that provides specialized geriatric mental health services to divert and discharge adults from the Hancock Geriatric Center at Easter State Hospital in Williamsburg and the Piedmont Geriatric Psychiatric Hospital in Burkeville. On June 27, 2008, the official launch of the RAFT program took place at the Fairfax County Government Center, with opening remarks by Senator Janet Howell and Delegate Robert Brink.

Arlington Adopts Plan to End Domestic Violence
Arlington's "Project Peace: A Blueprint for Partnering to End Abuse in the Community for Everyone" was adopted to intensify efforts to eliminate domestic violence and its effects. As part of a strategic plan to eliminate domestic violence, the campaign is committed to changing attitudes and behaviors to focus on violence prevention.

Walter Reed Adult Day Health Care Center Open for Business
Partnering with Arlington County, Easter Seals of Greater Washington and Baltimore opened the Walter Reed Adult Day Health Care Center in May 2008 which provides therapeutic recreation, health care monitoring, mental health support, and a meal program.

Accreditation of Arlington Violence Intervention Program
The Virginia Sexual and Domestic Violence Action Alliance granted Arlington Violence Intervention Program (VIP) provisional accreditation in January 2008. Comprehensive services offered include crisis intervention, counseling for survivors and batterers, 24-hour hotline access, safety planning and emergency companionship.

10 Year Plan to End Homelessness
Arlington's community-wide effort to bring an end to homelessness has reached an important milestone. With the establishment of a Leadership Consortium representing all sectors of the Arlington community and an Implementation Task Force committed to carrying out the initiatives set forth in the 10 Year Plan to End Homelessness.

Awards
Permanent Supportive Housing received the Housing Association of Nonprofit Developer (HAND) award for Best Government Program, which recognizes the best affordable housing projects in the region. The National Association of Counties (NACo) honored CRM with its 2008 Acts of Caring Award, citing the program's outstanding contributions to community improvement and enhancement of quality of life in Arlington. The National Association for County Community and Economic Development, an affiliate of the National Association of Counties, recognized Arlington with its 2007 Award of Excellence in the Planning/Policy/Program Management category for Arlington's Elder Readiness Plan.
DHS staff was part of a group of professionals that received the Regional Partnership Award from the Northern Virginia Regional Commission which recognized the inter-jurisdictional team for successfully promoting employment and day support services for persons with intellectual and psychiatric disabilities.

Arlington County psychiatrist Dr. M. Lawrence Spoont received the 2008 National Alliance on Mental Illness (NAMI) Exemplary Psychiatrist Award which is presented to psychiatrists who have demonstrated exemplary commitment, expertise and excellent clinical care to diverse populations across the life span. Arlington's Senior Adult Mental Health Program was selected for the Commonwealth Council on Aging Best Practices Award in the Healthy Aging category. Terri Lynch, executive director of the Arlington County Agency on Aging, was selected by the Arlington County Bar Foundation to receive the prestigious William Winston Award that recognizes members of the Northern Virginia community for long-standing, distinguished public service in the promotion of democratic ideals and the advancement of law.

LIBRARIES

Arlington Reads 2008
Arlington READS is an annual county-wide inquiry event sponsored by Arlington Public Library that: Promotes literacy and the joy of reading, builds community by stimulating dialogue, civic involvement and collaboration, fosters inclusiveness and understanding among a diverse citizenry and encourages family and intergenerational discussion. In the spring, Arlington Reads 2008 examined works by two authors who offer profound, historic and deeply personal discussions of their immigration experiences: "Brother, I'm Dying" by Edwidge Danticat, and "Esperanza Rising" by Pam Muñoz Ryan. The themes presented in both Arlington Reads 2008 texts included diversity and social justice—part of the County Board's agenda for the year. Those themes were well explored through a number of different program formats including film and theatrical events, readings, interviews, and many others.

FitArlington
FitArlington, the community's initiative to "promote a culture of fitness" became the basis of library-sponsored programs entitled the "Self Check Series." The series featured appearances of authors ranging from "Saturday Night Live" alum and advice columnist Finesse Mitchell to Jeff Yeager, dubbed "the Ultimate Cheapskate" by the NBC "Today" show. A lecture by corporate business consultant and Arlington resident Dr. Bob Rosen, author of "Just Enough Anxiety," was recorded by the County's Library-run Arlington Virginia Network (AVN) so it could be shown to a wider audience on AVN's Comcast and Verizon channels as well as through Web streaming.

The Big Read
Between September and November 2007, Arlington Public Library and the County's Department of Parks, Recreation and Cultural Resources were awarded a "Big Read" grant from the National Endowment of the Arts. The Arlington community read Rudolfo Anaya's "Bless Me, Ultima," and interpreted that classic American novel through a range of arts and

humanities programs such as book discussion groups; a "Find, Read, and Release" distribution; a panel discussion about "curanderas" (practitioners of medical and spiritual arts) in contemporary life; community mural painting; workshops on the natural world as presented in the novel; an art exhibition, dance performances; and dramatic readings.

Gaming at the Library
The Youth Services Unit of Arlington Central Library launched its first-ever gaming program series with the purchase of a Wii console and the very popular Dance Dance Revolution game. Gaming days are offered for children, teens and also for families. Gaming programs also offer participants the option to play non-electronic classics like Monopoly, LIFE, checkers and chess.

Other Library Programming
Other offerings included high-profile speakers Jim Lehrer and Helen Thomas and local-interest authors like Patrick Creed and Rick Newman, whose "Firefight" is the first history of the Arlington County Fire Department's response to the Sept. 11 attack on the Pentagon. There were cooking classes and food tastings at Central Library and Aurora Hills Branch, play readings and film screenings at the new Shirlington Branch, as well as gardening and indigenous plant-focused programs at the system's historic Glencarlyn Branch.

"Cuentos y Más"
Fiscal Year 2008 saw production begin for a second season of "Cuentos y Más," the Spanish-English television program produced by Arlington Public Library and AVN to promote the joy of reading and bilingual learning. The program runs daily at 8:30 a.m. and 6:00 p.m. on Comcast Cable and Verizon FiOS. AVN currently reaches about 75,000 households. "Cuentos" is also available for on-line audiences throughout the world at www.arlingtonva.us/cuentos.

Other Arlington Virginia Network Programming
The Arlington Virginia Network (AVN) launched the new, high-quality "Here/Now" magazine show that promotes and explains County services, profiles County residents, highlights Arlington's arts scene and history, and more. In addition, AVN broadcast live coverage of 2007 Planet Arlington World Music Festival and launched the Countywide electronic community bulletin board system (eBoards), which shows timely community messages on AVN and public video screens in Courthouse Plaza and Central Library. The network also expanded its online video presence and audience reach through the Granicus video hosting system and YouTube.

Web
The central County Web team, based in Libraries, made great progress in integrating a user-friendly online County calendar with the County's websites. The calendar is now a vital part of the Libraries and Parks web presence. The Web team also made strides in upgrading the County's Web publishing systems and integrating video, blogs and other features into County sites.

Library Fees and Fines
In order to reduce the amount of outstanding fees and fines, the Department of Libraries entered into an agreement with Unique Management Services, Inc. (UMS), a collections agency operating exclusively on behalf of library systems. Employing a very low-key approach, UMS sent "gentle reminder" letters to library patrons reminding them of past due fines. Patrons with outstanding balances of at least $25 were selected as the target audience. The results were phenomenal--$72,000 in fines was recovered for Fiscal Year 2008 as well as almost $51,000 in lost materials.

Residential Satisfaction Survey
The County's 2008 Residential Satisfaction Survey found Arlingtonians were overwhelmingly pleased with the services provided by Arlington Public Library. Overall satisfaction was 7 percent higher than the national average for libraries. Among the findings: 90 percent of residents were satisfied with the helpfulness of Arlington Public Library staff; 88 percent were pleased with the quality of available materials; 83 percent were satisfied with the quality of Arlington Public Library online services; 80 percent satisfied with Arlington Public hours; 77 percent satisfied by the quality and quantity of adult programs; and 76 percent satisfied with the quality and quantity of children's programs.

Awards
AVN received the following awards: Telly Award for Planet Arlington coverage (Bronze) and "Professor Farr" AIRE Tips campaign (Silver), Communicator Awards for "UpClose: Affordable Housing" and the 2007 County Fair Special, and was nominated for NATOA (National Assn. of Telecommunications Officers and Advisors) Government Programming Award (for "UpClose: Fresh AIRE").

MANAGEMENT AND FINANCE

In FY 2008, the Department of Management and Finance (DMF) successfully sold $111.2 million of General Obligation Bonds at a true interest rate of 4.04 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.

Department of Real Estate Assessments 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 1,118 reviews of assessments and 645 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 continued 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 2009.

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.

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, 2007.

The GFOA presented the Award for Distinguished Budget Presentation to Arlington County, Virginia for its FY 2008 budget. This award is the highest form of recognition in governmental budgeting.

Thomas Rice, Director of Real Estate Assessments was elected President of the Virginia Association of Assessing Officers (VAAO) after completing a term as 1 President Elect, 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. Below is how the department is working to fulfill its strategic goals.

Ensure the availability and success of excellent programs, services and facilities
According to data from the recent Leisure Vision Survey, the community thinks PRCR programs are first-rate: 93% of those who participated in programs rated them as excellent or good (up from 90% in 2002) beating the national benchmark of 87%. Overall satisfaction of the physical condition of our facilities also beats the national benchmark: 91% of those who visited facilities rated their condition as excellent or good (85% in 2002) compared to a national benchmark of 84%.

Preserve, enhance and promote natural and cultural resources
Record numbers of residents participated in the 2007 Planet Arlington programming to explore issues of immigration, globalization and the environment through the lens of the arts and humanities. Baseline data was completed for Arlington County's Natural Heritage Resource Inventory, which allows the County to monitor its flora, fauna and heritage using GIS mapping to more strategically direct planning and preserved natural resources. In March 2008, the Arlington County Board recognized 10 trees in Arlington as "specimen trees," a designation, provided through the County's Tree Preservation Ordinance, which helps protect trees on public and private properties from removal or injury. In October, construction began on a multi-use trail linking the popular Washington & Old Dominion and Four Mile Run trails.

Utilize PRCR resources to build community and contribute to economic sustainability
Fairlington Community Center renovations were completed using $400,000 from FY2003 to fund the design and $6.7 million in FY2005 for construction. Fairlington is a great example of building on a good foundation. The Spielschiff ("Play Ship" in German) Sculpture was installed as an exciting new addition to Maury Park. Created by German sculptor Bonifatius Stirnberg, the sculpture was cast from molds Stirnberg used in 1979 to create an identical piece for Aachen,

Arlington's German sister city. Arlington continued to make progress in redeveloping the Arlington Mill Community Center on the west end of Columbia Pike. Partnering with Public Private Alliances, the County Board approved a site plan for a new mixed use development on the existing community center site which will include a new community center, gymnasium, public plaza and 192 unites of rental housing (including some affordable housing). Staff continue to work on final design and financing of the overall development.

Act as good stewards of entrusted public resources
PRCR is focused on advancing technology to better support our community and the environment. In fact, more Arlingtonians are using the internet for PRCR business transactions and to get information. For example, in FY2007 39.3% of class registrations were done online and increased in FY2008 to 54.4%. What's more, Arlingtonians are more likely to use the PRCR website for parks, recreation and cultural information than residents elsewhere in the U.S. According to our recent survey, 40% of respondents go to the PRCR web site to learn about programs as opposed to the national benchmark of 13%. In 2002, only 14% used the website for information. The Computer/CONNECTION at Walter Reed Community Center opened in November with three free computers at the Center with a fourth one on the way. Through Computer/CONNECTION, the community center is an essential access point for Internet browsing. Site work began for Long Bridge Park, where the County will be transforming an industrial brownfield into a premier urban park.

Cultivate a competent, productive and dynamic workforce
In April, nationally recognized training expert in the Leisure and Hospitality Industry, Ruby Newell-Legner, led 20 hours of customer service training for all of PRCR's front-line facilities and programming staff and their supervisors.

Awards
Arlington, Virginia's temporary public art project, CO2LED, was recognized in June at the annual national Americans for the Arts conference in Philadelphia as part of the Year in Review. Phoenix Bike Shop Program presented two certificates of appreciation to PRCR for support and funding. The Northern Virginia Chapter of the National Association of Industrial and Office Properties presented Arlington County's Walter Reed Community Center with the Award of Excellence as the Best Building, Environmentally Responsible in 2007. Arlington County received one of 16 All Conditions Fields grants from the U.S. Soccer Foundation, the charitable arm of soccer in the United States. A garden in Nauck Park won the 2007 America's Anniversary Garden Contest for a Municipal Garden (Large City) as a signature garden planting to mark America's 400th Anniversary in Jamestown. What's Up Arlington (a bi-weekly e-newsletter) earned PRCR and Arlington County the 2007 Best Promotional Piece for Electronic Media by the Virginia Recreation and Parks Society. Arlington received both the Tree City USA and Growth Award, sponsored by the National Arbor Day Foundation. PRCR received a Community Appearance Award for streetscape along Arlington Mill Drive beside the new Park Operations Building that venerated Four Mile Run Stream and supported the County's environmentally friendly goals.

POLICE DEPARTMENT

During FY 2008, 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 was 2,238 in 2007, up from 2,212 in 2006. Despite the slight increase, the crime rate in Arlington remains historically low. In 2007, there were 383 burglaries, a 6.4% increase from the year before. There were also 3522 larcenies in 2007, a 5.9% increase. Much of that increase can be attributed to a 45% spike in larcenies from motor vehicles as thieves targeted GPS units and other electronic devices. On the other hand, there were fewer cars stolen in Arlington than in any year since 1961. There were 302 vehicle thefts in 2007, down 15.4% from 2006 and down 66.7% over the past decade.

Computer Forensics, Technology, and Investigative Advancements
The Information and Technology Management Section (ITMS) successfully launched Coplogic during FY 2008. Coplogic is an online reporting system for citizens to report various crimes without having an officer respond to take a report. During the first month of operation, 127 police reports were generated via Coplogic. Coplogic allows citizens to report the following crimes via the internet: Credit Card fraud, Fraud/False Pretenses, Harassing Phone Call or Email, Identity Theft, Larceny/Theft, Larceny/Theft from Vehicle, Vandalism/Graffiti, and Vehicle Tampering.

ITMS also implemented the HR Intellivue application from Intellinetics which is being used as an electronic archival system for Human Resources. Electronic copies of all pre and post employment documents are being scanned and stored

electronically, which will eliminate the need to maintain hard copies of certain documents. A state of the art, high-tech office was built within the Police Department for the Computer Forensics Unit (CFU) and became operational in October 2007.

The Police Department expanded its efforts to protect children from online predators through the creation of a page on MySpace.com. The page is a proactive way to help keep online predators away from the youth of Arlington. The ACPD's MySpace page includes links to information about internet safety and crime prevention. There are also links to the Department's official website, Arlington's Most Wanted page and Arlington Crime Solvers. Visitors can send email messages to the Department or report crimes and drug activity using online forms.

Patrol Operations, Community Policing & Outreach Initiatives

During the fall months of 2007, the Operational Support Section, comprised of Gang, TAC, and School Resource Officers Units, as well as K-9 Patrol and Equipment Officers, moved into a new work space In the Police Department. In October 2007, the Police Department reduced the number of Districts from four (4) to three (3) and reallocated a current position to become a Patrol Section Commander. For the Police Department, this restructuring has afforded District Teams more flexibility and has allowed Captains to devote their full time to the needs of their assigned District, while enhancing our efforts in community policing.

In December 2007, twenty Arlington residents graduated from the 18th 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.

On Saturday, February 9, 2008, the Third District team coordinated and sponsored the First Annual Safety First Seminar, held at Kenmore Middle School. The purpose of this seminar was to educate the community on such popular crime topics as Identity Theft, Gangs and Graffiti, Internet Safety and Bait Vehicle/Auto Thefts.

During 2008, the Operations Division restructured the Field Training Officer Program to maximize efficiency in the application of post academy training. The primary goal of this restructure is to identify the core competencies a recruit officer is required to meet prior to being certified for solo patrol and to ensure they are given ample opportunity to meet these objectives. During the summer of 2008, the Patrol Section adjusted its scheduling method to address crime hot spots during peak periods based on a review of statistical data. Also, Three new K-9 patrol dogs were purchased this year.

In the spring of 2007, the School Resource Unit of the Police Department developed and implemented a Crisis Management Program for all public schools in Arlington County. Members of the School Resource Unit and their supervisor devised a multi-phased program featuring a lecture, power point presentations and practical exercises for all public schools.

Major Investigations / Enforcement Programs

In January 2008, Detective McGrath was contacted by an informant who shared information regarding a gang member residing in Arlington County, Virginia who was wanted for a homicide committed in El Salvador. Through the Transnational Anti-Gang Initiative sponsored by the Federal Bureau of Investigation MS-13 National Gang Task Force, the man was positively identified and confirmed as a wanted fugitive from Soyapango, El Salvador, for the homicide of Jose Alberto Flores from the same town. In April 2008, the suspect was deported to El Salvador and released to the El Salvadorian authorities. This local/federal teamwork was heralded by F.B.I. Deputy Director John S. Pistole in a speech to Police Chiefs attending the 2nd Los Angeles IACP Summit on Transnational Gangs on March 3, 2008.

On January 31, 2008, evidence from an unsolved "cold case" from 1993 was taken to the Northern Virginia Forensic Laboratory for potential DNA analysis. The incident occurred on November 10, 1993 under a bridge in the 2900 block of S. Glebe Road, and involved the brutal sexual assault of a 9 year old girl walking home from Oakridge Elementary School. No suspects were ever identified, and the case was ultimately suspended. This case was reviewed as part of the Special Victim Unit's review of unsolved felony sex crimes, which led to evidence from this case being taken to the lab. On February 25, 2008, Special Victim's investigator Jim Stone was notified of a DNA databank hit in this case. Fluids collected from the victim were linked to a convicted felon via the databank hit. The suspect was charged with Abduction with Intent to Defile.

On March 20, 2008, after an eleven month investigation, Arlington County Police and federal agents arrested a Swedish national for traveling to Arlington to meet a teenage girl with the intent of having sex. The investigation began in April of last year and was coordinated by an undercover detective in Arlington's Special Victims Unit. The detective worked

closely with Immigration, Customs and Enforcement (ICE) agents and FBI agents assigned to the Northern Virginia Internet Crimes Against Children (ICAC) Task Force. The 41 year old suspect from Jarfalla, Sweden met the Arlington detective in an Internet chat room. The suspect made plane and hotel reservations and traveled to Arlington where he was taken into custody at his hotel on March 20, 2008 by members of the ICAC Task Force.

The Gang Unit conducted an undercover investigation from October 2007 to April 2008, into the local clique of the gang MS-13. The investigation focused on narcotics distribution and violent crimes committed by the gang to support their enterprises. Nine members of the gang were indicted in Federal Court for distribution of cocaine, homicide and other associated violent crimes. The Gang Unit investigated over 250 incidents of graffiti that occurred in the County last year. In the course of these investigations, the Unit served 7 search warrants and made 12 arrests.

Awards, Special Recognition & Other Accomplishments

Several USPCA awards were earned during the fiscal year by our K-9 teams. Corporals Binckley, Lichtenberg, and Heimberger were all recognized in December 2007 for one of the highest awards that can be awarded; the Triple Crown Certifications. All three K-9 teams certified during PD1's, PD2's, and Detector trials which comprise the standard for achieving this award. The Arlington County Police Department's K-9 Unit won the annual USPCA Iron Dog competition in September. The Arlington K-9 Unit team took first place honors in the team competition and Corporal Lichtenberg had the fastest individual time for all age groups.

During November and December 2007, all five K-9 patrol teams (not those in K-9 training school) certified in PD2 Tracking Trials in Prince William County. The five were Corporals Torpy, Lichtenberg, Binckley, Heimberger, and Guenther.Corporal Aaron Queen was awarded the Police Department's Life Saving Award for disarming a knife wielding woman intent on committing suicide.

In May 2008, Detective Joseph McGrath and Lieutenant Bruce Benson were honored by the Federal Bureau of Investigation for their contributions to the National MS-13 Gang Task Force with a Certificate of Appreciation. Also, Detective Joseph McGrath was selected and accepted the position of Co-Regional Director of the Virginia Gang Investigators Association. In June 2008, Detective Joseph McGrath and Detective Steve Troyano were honored by Arlington County Public Schools for their performance and lasting contributions to the students of New Directions with a certificate of appreciation.

Arlington Public Schools (APS)

Arlington Public Schools is the 14th largest among Virginia's 132 school divisions, and educates one of the nation's most diverse and sophisticated student populations. Its 18,517 students come from over 129 countries and speak 100 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. The Virginia Board of Education approved the establishment of one of the first Governor's Career and Technical Academies in the state at the Arlington Career Center. The partial-day program is offered to students at the Arlington Career Center. A STEM (Science, Technology, Engineering, and Mathematics) infused curriculum is offered in five nationally recognized pathways; Engineering and Technology, Audio and Video Technology and Film, (Health Science) Support Services, Information Support and Services, as well as Facility and Mobile Equipment Maintenance.

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.

The goal of 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 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. All APS schools are fully accredited by the Commonwealth of Virginia. Data for the 2007 Scholastic Achievement Tests (SATs) released by the College Board show the average combined scores of Arlington's class of 2007 topped the state and the nation. Arlington students earned an average combined score of 1623, surpassing the state average by 103 points and the national average by 112 points. 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.

Awards & Other Instructional Highlights
The 2008 Newsweek/Washington Post Challenge Index listed all APS high schools in the top 2% in the U.S. This is the fourth year in a row all APS high schools made the list.

In 2007, *Washingtonian* Magazine described Arlington as "a national model for teaching diverse students."

90% of APS parents grade their child's school with an "A" or "B" (compared with 64% nationally), and 83% of all Arlingtonians say that money for schools is well spent.

APS has some of the smallest class sizes in the region.

The average APS teacher has 12 years of experience, and 75% have earned a master's degree or higher.

APS provides support to encourage National Board Certification. As of Dec. 2007, Arlington has 89 teachers who have earned NBCT accreditation, the second highest for any school division in Virginia.

Since 1988, APS has renewed and/or expanded 24 schools, rebuilt six schools and built one new elementary school. More improvement plans are underway.

All APS schools have state of the art technology with one computer for every five students.

Over 350 business and community partners have formed more than 425 distinct school partnerships.

Pre-K classes are offered in 20 of 22 elementary schools.

SHERIFF'S OFFICE

During FY 2008, the Sheriff's Office continued to enhance our management and operation of the Detention Facility and all related correctional responsibilities; providing Courthouse/Courtroom security and Court support services; service and execution of civil and criminal warrants, court orders and providing administrative support for the Operations and Corrections Divisions of the Sheriff's Office.

Corrections Division
The Corrections Division continued to ensure the safety and security of the individuals remanded to the Sheriff's custody. This Division is responsible for the basic daily needs of incarcerated individuals and providing programs that will promote a positive attitude and encourage behavioral change.

An inmate in the Detention Facility obtained the ServSafe® Food Protection Manager Certification. This was accomplished through a pilot culinary arts training program at the Arlington County Detention Facility in partnership with Aramark, the on-site food service company. The Servsafe® certification inmate program is designed to prepare inmates for re-entry into the community by giving them skills that aids with job placement upon release from the Detention Facility.

The Sheriff's Office received re-accreditation from the American Correctional Association (ACA) in January 2008. The re-accreditation process occurs every three years.

A new Kiosk was installed in the lobby of the Detention Facility which enables family and friends to deposit money for inmate's in-person. The Kiosk accepts cash and debit cards.

Transportation Section
The Transportation Section continued with the safe and secure transportation of all inmates to and from state facilities, other jurisdictions, as well as medical and other appointments outside of the Detention Facility. In FY 2008 the Transportation section transported 3,705 individuals with the following breakdown: 1,367 Juvenile Transports, 756 Local Transports, 585 Mental Transports, 248 Medical Transports, 362 State Transports, and 453 Other Transports.

Warrant/Process Section
The Warrant/Process Section continued to serve criminal warrants, legal notices, summonses, orders and other civil processes issued by the courts and regulatory offices. This section also supervised evictions within the County and

executed levies, sales and collection of delinquent taxes. The Warrant/Process Section also participated in the Smooth Operator program in conjunction with the Police Department.

In FY 2008 the Warrant/Process Section: Served 2,131 criminal warrants, conducted 297 evictions, served 31,864 process papers, and conducted 239 extraditions.

Court Security Section
The Court Security Section maintained security and order for the entire Courthouse including the courtrooms of the Circuit Court, General District Court and Juvenile and Domestic Relations Court. Additionally, this section continued to ensure the safe movement of inmates/prisoners to and from the Detention Facility for court proceedings, provided support services to Judges as situations dictated, and managed jurors both in the courtroom and when sequestered.

In FY2008 the Court Security Section: Screened 415,000 individuals at the security stations and handled over 120,000 cases in Circuit Court, General District Court and Juvenile and Domestic Relations Court.

TREASURER'S OFFICE

The Arlington County Treasurer's Office has once again exceeded expectations in lowering the tax delinquency rate for an eighth consecutive year to .81 percent. This remains the lowest tax delinquency rate in the Commonwealth of Virginia and the lowest in Arlington history.

The Treasurer implemented his *Reaching Out to Citizens – Communication and Convenience* initiative. The concept behind this initiative is to combine existing programs along with new ideas to help taxpayers avoid the possibility of finding themselves in a late payment situation. The Treasurer launched a large-scale publicity effort in both English and Spanish to increase participation in the Bill Payment Notification Service, a component of this initiative, and to date over 28,000 households have enrolled. In FY08, this notification approach was augmented by the Guardian Notification Service so that attorneys appointed as guardians can ensure timely payment of the debt of their wards.

The Arlington Treasurer's Office won the Public Technology Institute's (PTI) 2007-2008 Solutions Award in the Telecommunications and Information Technology category for its Bill Payment Notification Service. The Arlington Treasurer's Office is the only local governmental office to have won this coveted award five times.

Students from Arlington County high schools participated in the fourth annual design competition to choose the art work for the 2008-2009 vehicle decal. Nearly 2,200 citizen votes were cast, and the winner, "The Pentagon" by Writesh Maulick, was announced at a brief ceremony at the January 29, 2008, Arlington County Board meeting.

COUNTY ACKNOWLEDGEMENTS

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

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

Respectfully submitted,



Mark Schwartz, Director
Department of Management and Finance



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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Arlington County Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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.



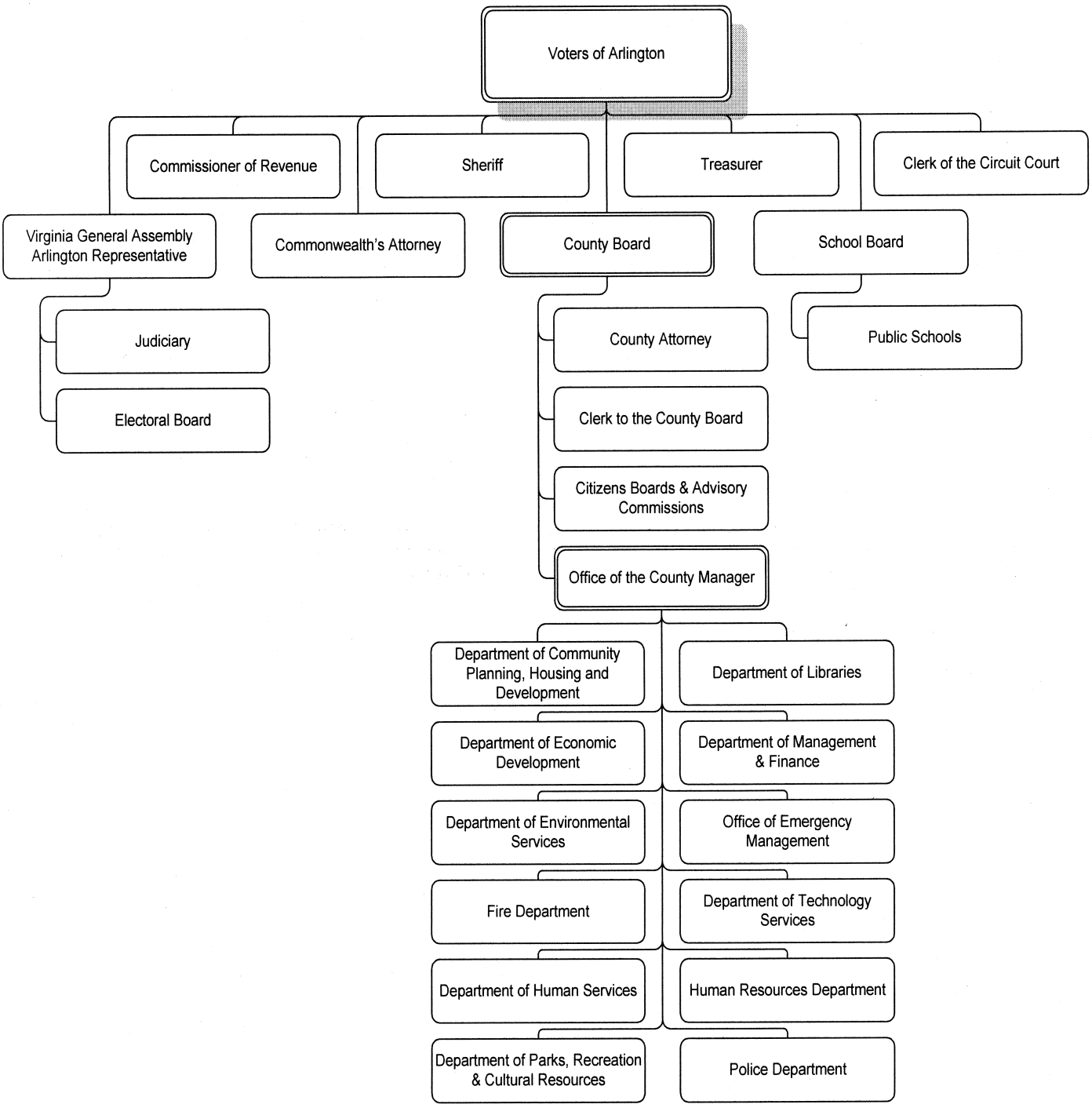
Charles S. Cox

President

Jeffrey L. Esser

Executive Director

ORGANIZATION OF ARLINGTON COUNTY GOVERNMENT



ARLINGTON COUNTY, VIRGINIA

DIRECTORY OF OFFICIALS
June 30, 2008

COUNTY BOARD

J. Walter Tejada, Chairman

Barbara A. Favola , Vice Chairman

Jay Fisette
Christopher Zimmerman
Mary Hynes

COUNTY SCHOOL BOARD

Ed Fendley, Chair

Sally M. Baird, Vice Chair

Libby Garvey
Frank K. Wilson
Abby Raphael

FINANCE BOARD

J. Walter Tejada, 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	Richard E. Trodden
Clerk of the Court	Paul Ferguson
Commissioner of the Revenue	Ingrid H. Morroy
Sheriff	Beth Arthur
Treasurer	Francis X. O'Leary
Administrative – General County	
County Manager	Ron Carlee
Deputy County Manager	Barbara M. Donnellan
Deputy County Manager	Marsha Allgeier
County Attorney	Stephen MacIsaac
Acting Clerk to the County Board	Hope Halleck
Director of Community Planning, Housing and Development	Susan Bell
Director of Parks, Recreation and Community Resources	Dinesh Tiwari
Fire Chief	James H. Schwartz
Director of Department of Human Services	Susanne Eisner
Director of Department of Libraries	Diane Kresh
Director of Department of Management and Finance	Mark J. Schwartz
Director of Department of Human Resources	Marcy Foster
Chief of Police	M. Douglas Scott
Acting Director of Department of Environmental Services	Robert P. Griffin, Jr.
Director of Department of Technology Services	Jack Belcher
Director of Department of Economic Development	Terry Holzheimer
Registrar of Voters	Linda Lindberg
Acting Director Office of Emergency Management	Jack Brown
Administrative - County School Board	
Superintendent of Schools	Robert G. Smith
Clerk of the School Board	Melanie Elliott
Deputy Clerk of the School Board	Jean Ann Allhoff /Karen Allen
Assistant Superintendent, Personnel	Betty Hobbs
Assistant Superintendent, Finance & Management	Mary Beth Chambers
Assistant Superintendent, Information Services	Walter McKenzie
Assistant Superintendent, Instruction	Mark Johnston
Assistant Superintendent, Student Services	Alvin Crawley
Assistant Superintendent, Administrative Services	Marjorie Tuccillo
Director, Schools & Community Relations	Linda Erdos
Assistant Superintendent Operations and Facilities	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:

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Arlington County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Gates Partnership discretely presented component unit. These financial statements were audited by other auditors whose report thereon dated April 15, 2008, has been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for this discretely presented component unit, is based solely on the reports of the other auditor.

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 and the report of the other auditor provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Arlington County, Virginia, as of June 30, 2008, 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, 2008 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

Arlington, Virginia
October 31, 2008



Management's Discussion and Analysis

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

Management's Discussion and Analysis

As management of Arlington County, Virginia ("the County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County and its component units-Schools, and Gates Partnership for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page 1 of this report. All amounts, unless otherwise indicated, are expressed in millions of dollars.

Overview of the Financial Statements

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The government-wide financial statements include not only the County itself (known as the primary government), but also its component units, a legally separate school system ("Schools") for which the County is financially accountable and Gates Partnership for which the County can impose will and fiscal dependency. Financial information for these "component units" is 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, 2008
With Comparative Totals for June 30, 2007 Restated
(in millions of dollars)

	Primary Government						Component Units					
	Governmental Activities		Business-type Activities		Total		Schools		Gates Partnership		Total	
	2008	2007 Restated	2008	2007	2008	2007 Restated	2008	2007	2008	2007	2008	2007 Restated
Current and other assets	$684.8	$629.8	$182.1	$160.2	$866.9	$790.0	$127.2	$90.7	$8.6	$18.0	$1,002.7	$898.7
Capital assets	459.5	451.0	695.7	511.5	1,155.2	962.5	339.2	320.6	87.9	77.8	1,582.3	1,360.9
Total assets	1,144.3	1,080.8	877.9	671.7	2,022.2	1,752.5	466.4	411.3	96.5	95.8	2,585.1	2,259.6
Long-term debt outstanding	683.9	639.7	360.7	254.5	1,044.6	894.2	36.8	34.4	68.3	66.5	1,149.7	995.1
Other liabilities	141.4	134.4	43.8	15.2	185.2	149.6	65.0	49.1	3.7	3.7	253.9	202.4
Total liabilities	825.3	774.1	404.5	269.7	1,229.8	1,043.8	101.8	83.5	72.0	70.2	1,403.6	1,197.5
Net assets:												
Invested in capital assets net of related debt	97.7	76.7	358.4	276.5	456.1	353.2	332.7	313.0	29.3	19.4	818.1	685.6
Restricted	18.6	151.6	(3.4)	10.2	15.2	161.8	53.6	21.2	-	-	68.8	183.0
Unrestricted	202.8	58.5	118.3	115.3	321.1	173.8	(21.7)	(6.4)	(4.9)	6.2	294.5	173.6
Total net assets	$319.0	$306.7	$473.4	$402.0	$792.4	$708.7	$364.6	$327.8	$24.5	$25.6	$1,181.5	$1,062.1

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 $319.0 and in the case of the business-type activities, assets exceeded liabilities by $473.4 for a primary government total of $792.4 at the close of the most recent fiscal year. In the case of the Schools, assets exceeded liabilities by $364.6, in the case of the Gates Partnership, assets exceeded liabilities by $24.5.

By far the largest portion of the primary government's, Schools', Gates Partnership's net assets (69.3%) reflects the investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The primary government 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, (5.8%) 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 primary government and component units 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 2008 and FY 2007 Restated:

Table A-2
Changes in Net Assets
June 30, 2008
With Comparative Totals for June 30, 2007 Restated
(in millions of dollars)

	Primary Government						Component Units					
	Governmental Activities		Business-type Activities		Total		Schools		Gates Partnership		Total	
	2008	Restated 2007	2008	2007	2008	Restated 2007	2008	2007	2008	2007	2008	Restated 2007
Revenues												
Program revenue												
Charges for services	$64.4	$62.3	$106.1	$80.6	$170.5	$142.9	$15.4	$12.9	$4.9	$3.0	$190.8	$158.8
Operating grants and contributions	105.7	118.1	28.0	-	133.7	118.1	416.7	365.3	-	-	550.4	483.4
Capital grants and contributions	1.8	1.8	-	21.2	1.8	23.0	-	-	1.4	-	3.2	23.0
General revenue												
Property taxes	603.8	541.7	-	-	603.8	541.7	-	-	-	-	603.8	541.7
Other local taxes	185.9	169.5	-	-	185.9	169.5	16.9	18.2	-	-	202.8	187.7
Investment and interest earnings	17.2	16.9	6.1	3.6	23.3	20.5	0.4	2.2	0.2	0.8	23.9	23.5
Miscellaneous	24.2	33.5	-	-	24.2	33.5	-	-	-	-	24.2	33.5
Total revenues	1,003.0	943.8	140.2	105.3	1,143.2	1,049.1	449.4	398.6	6.5	3.8	1,599.1	1,451.5
Expenditures												
General government	183.5	163.8	-	-	183.5	163.8	-	-	-	-	183.5	163.8
Public safety	114.6	101.2	-	-	114.6	101.2	-	-	-	-	114.6	101.2
Environmental services	73.7	67.6	-	-	73.7	67.6	-	-	-	-	73.7	67.6
Health and welfare	110.0	97.1	-	-	110.0	97.1	-	-	-	-	110.0	97.1
Libraries	14.4	12.7	-	-	14.4	12.7	-	-	-	-	14.4	12.7
Parks, culture and recreation	38.6	34.6	-	-	38.6	34.6	-	-	-	-	38.6	34.6
Planning and community development	46.3	39.0	-	-	46.3	39.0	-	-	-	-	46.3	39.0
Education	391.2	339.0	-	-	391.2	339.0	412.9	388.1	-	-	804.1	727.1
Debt service:			-									
Interest and other charges	18.4	18.1	-	-	18.4	18.1	-	-	-	-	18.4	18.1
Water and sewer	-	-	57.9	51.5	57.9	51.5	-	-	-	-	57.9	51.5
Parking garage	-	-	9.5	6.0	9.5	6.0	-	-	-	-	9.5	6.0
Rental Properties	-	-	1.5	-	-	-	-	-	7.7	4.7	7.7	4.7
Total expenditures	990.6	873.0	68.9	57.5	1,059.5	930.5	412.9	388.1	7.7	4.7	1,480.1	1,323.3
Increase in net assets	$12.4	$70.8	$71.3	$47.8	$83.7	$118.6	$36.4	$10.4	($1.1)	($0.8)	119.1	128.2

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	$12.4	10.4%
• Business type activities	$71.3	59.9%
• Component-unit Schools	$36.4	30.6%
• Component-unit Gates Partnership	($1.1)	(0.9)%
TOTAL	$119.1	100.0%

Revenues. Revenues for the County's governmental activities were $1,003.0 for fiscal year 2008. General revenues from governmental activities increased $59.2, primarily due to growth in real estate and personal property tax revenue and other local taxes partially offset by a decrease in operating grants and contributions and miscellaneous.

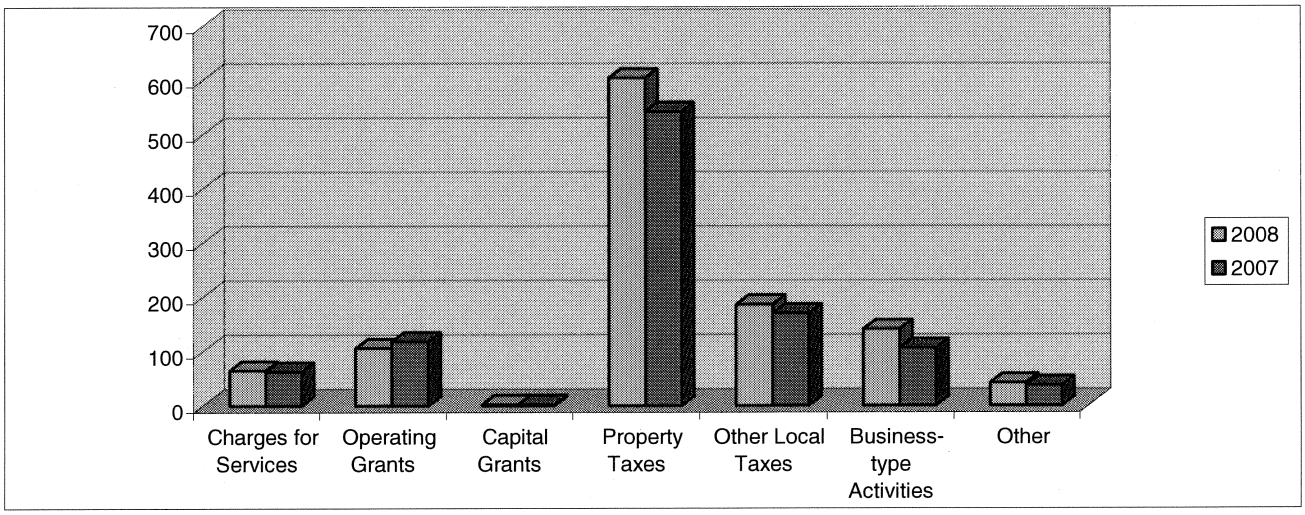
Taxes constitute the largest source of County revenues, amounting to $789.7 for fiscal year 2008, an increase of $78.5 over fiscal year 2007. The increase in real estate tax revenue is driven by the increasing assessment value of real property, which increased 5.9% in May 2008. Real estate taxes ($509.9) represent over 64.6% of total taxes and 50.8% of all revenues combined. The real estate tax rate increased $.02 in 2008 to $.838 per $100 assessed value. Personal property taxes ($93.9) decreased $6.8 primarily due to higher than expected early business tangible tax payments at the end of fiscal year 2007 and fewer than expected early business tangible tax payments at the end of fiscal year 2008. As a result, personal property tax revenues declined significantly between FY2007 and FY2008, despite motor vehicle and business tangible assessments remaining essentially unchanged during this period.

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 $185.9. This represents a $16.4 increase over the previous year, or 9.7%. In addition to the taxes revenue category, there was a new $.01 countywide sanitary district tax for storm water management, and a new $.125 tax on commercial properties to pay for transportation initiatives, all of which became effective in tax year 2008.

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 $171.8. Operating Grants and Contributions represent the most significant of these revenues, totaling $105.7. Other program revenue categories were Charges for Services, totaling $64.3 and Capital Grants and Contributions, totaling $1.8. For additional information and comparative results, see Table A-2.

Business-type activities generated revenues of $140.3, primarily from charges for services, which totaled $106.1. The Utility Funds experienced an increase in total revenue of 35.4, attributable to the increase in construction activities at the Water Pollution Control Plant, which resulted in an increase in revenues in the form of Water Quality Improvement Fund (WQIF) grants and Virginia Resource Authority loans, an increase in the capital contributions from Interjurisdictional partners, and an increase of interest earnings on bond proceeds. Additionally, an increase in the water and sewer rate in 2008 resulted in an increase of $10.0 in revenues. The Ballston Public Parking Garage, the 8th Level Ballston Public Parking Garage and the IDA Revenue Bonds experienced a decrease in revenues of $0.5 primarily due to an decrease in interest earnings on bond proceeds.

Chart A-3
Primary Government Sources of Revenue
For Fiscal Years 2008 and 2007
(in milions)



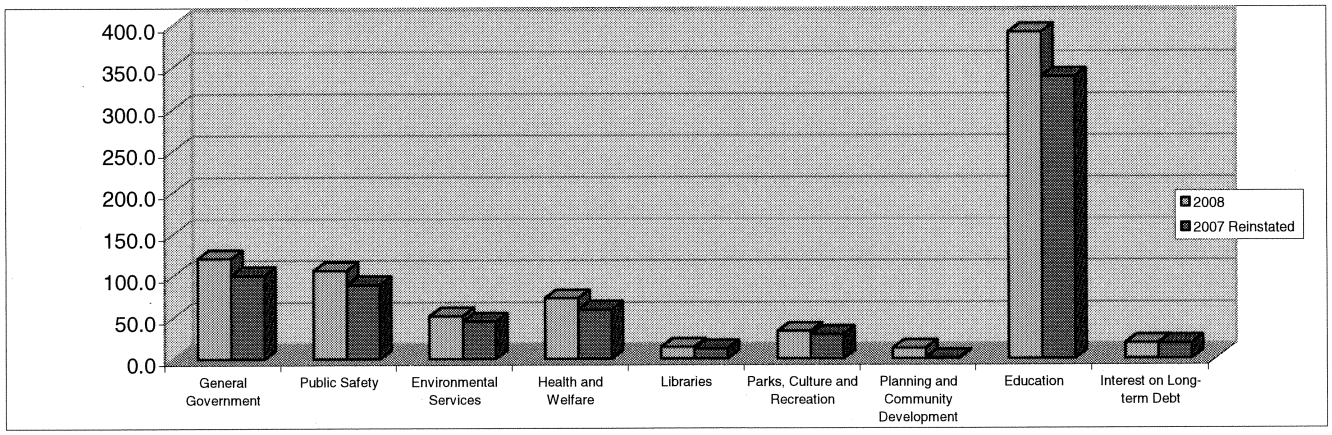
Expenses. Total cost of all the County's governmental activities for fiscal year 2008 was $990.6, representing an increase of $117.6 over fiscal year 2007. The financial reporting impact resulting from the implementation of GASB 45 was the recognition of an additional expense for 2008 of $7.9 in the County's financial statements. As the chart below indicates, education continues to be the County's largest program. Education expenses totaled $391.2 an increase of $52.2 over fiscal year 2007. General government expenses represent the second largest expense, totaling $183.5 in fiscal year 2008. General government expenses increased $19.7 over fiscal year 2007 primarily as a result of $3.2 higher in health insurance cost for retirees and active employees, $4.2 in capital expenditure, $2.9 increased in contributions to regional agencies and $2.4 in OPEB expense.

Expenses for the County's business-type activities totaled $68.9 which provided water and sewer utility services as well as parking operations. The financial reporting impact resulting from the implementation of GASB 45 was the recognition of an additional expense for 2008 of $0.4 in the business-type activities financial statements.

The Schools recognized $11.3 in additional expense on its financial statements in 2008 from the implementation of GASB 45.

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

Chart A-4
Net Cost of Governmental Activities
For Fiscal Years 2008 and 2007 Restated
(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 $286.4, an increase of $18.5 in comparison with the prior year. Approximately, 46.2% of this total amount ($123.2) 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 ($28.8), 2) to build facilities from general obligation bond proceeds and PAYGO monies ($134.3).

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 $114.7 while total fund balance reached $117.7. 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 12.2% of total general fund expenditures, while total fund balance represents 12.6% of that same amount.

The fund balance of the County's general fund increased by $2.2 during the current fiscal year due to an increase in real estate assessments.

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 $42.7. 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 146.7% of total general capital project fund expenditures.

The fund balance of the County's general capital projects fund increased by $2.7 during the current fiscal year. In FY2008, the County received more funding from the master lease financing program ($2.9 in FY08 compared to $0.8 in FY07).

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 $118.1 and the 8th Level of the Ballston Public Parking Garage Fund amounted to $0.2. Restricted net assets of the Ballston Public Parking Garage Fund amounted to ($12.0), the Emergency Communications Center Fund amounted to $12.3, the Trade Center Fund amounted to ($1.5), George Mason Fund amounted to ($0.3), and the ERP Fund amounted to ($1.9). The total change in net assets of the Utilities Fund was $77.0, the 8th Level of the Ballston Public Parking Garage Fund was $0.2, the Ballston Public Parking Garage Fund was ($5.2), the Emergency Communications Center Fund was $1.0, the Trade Center Fund was ($0.4), George Mason ($0.1), and the ERP Fund was ($0.8) 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 $56.5, which consisted of an increase of $28.6 in the revenue budget due to increased federal grants, primarily for HUD/HOME funds, state grants, miscellaneous revenue and an increase of $77.3 in the expenditure budget due to additional appropriations including the following:

- $25.9 in increases allocated to non departmental for affordable housing, primarily for carryover of incomplete projects from prior years.
- $6.0 in increases allocated in which funding was provided through grants to Police department, Office of Emergency Management, Fire department for equipment purchases, family assistance center training, National Incident Management System (NIMS) compliance, citizen preparedness, and enhancing the Metro Medical Response System (MMRS).
- $3.3 in increases allocated to the Department of Environmental Services for carryover of incomplete projects from prior years, and additional funding relating to storm water and commuter services programs.
- $1.2 in increases allocated to the Judicial Administration for equipment and supplies, and the Smooth Operator Traffic Safety Program.
- $7.8 in increases allocated to Planning and Community Development to improve customer services in the Inspection Services, and the Zoning Divisions and for activities related to the Base Realignment and Closure (BRAC) grants.
- $1.1 in increases allocated to the General Government to fund a citizen survey, leadership conference, technology projects and additional staffing for the County Attorney's Office.
- $5.7 increases allocated to the Department of Human Services provided through grants from the State of Virginia to fund Regional Geriatric, Mental Health services, Public Health services, a wide variety of other services for Children and Adults, and HUD funding for Transitional and Permanent Supportive Housing for persons who are homeless.
- $0.7 in increases allocated to the Department of Parks, Recreation, and Community Resources for NEA grant for The Big Read as well as carryover of incomplete projects from the prior year.
- $21.3 increases in transfers out to the Schools.

The difference between the final budget and actuals was $72.4 which consisted of a $11.9 favorable expenditure variance and $60.4 favorable other financing sources variance. The favorable expenditure variance consisted of the following:

- $4.9 favorable in Department of Environmental Services due to position vacancies, delays early in the year in implementing the new Fresh AIRE initiative and delays in spending grant funds for Commuter Services due to reimbursement difficulties with the state.
- $6.6 favorable in Planning and Community Development due to position vacancies, and delays in moving Development Fund staff to new office space and associated occupancy and technology expenses.
- $1.5 favorable in General Government primarily due to Technology Services, due to position vacancies, lower than anticipated expenses for consultants and contracts.
- $5.1 favorable in Department of Human Services due to position vacancies, and under expenditures in contracts and consultants.
- $3.7 favorable in Public Safety due to position vacancies, and under expenditures of seized assets and grant funding which will be carried forward and expended in the next fiscal year.
- $0.3 favorable in Parks and Recreation due to position vacancies.
- $(0.1) unfavorable in Judicial Administration primarily for Sheriff and Jail due to inmate care and medical costs and overtime.

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 as of June 30, 2008 amounts to $1,582.3 (net of accumulated depreciation). This investment in capital assets includes land, building and systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

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

- $4.2 Parks and Recreation center improvements including picnic shelters, parking lot/ park entry roadway renovations.
- $3.6 Transportation and Pedestrian Initiatives to fund curb and gutter improvements and street paving.
- $0.5 Community conservation including installation of sidewalk, street lights, retaining walls, street trees and other landscaping.
- $2.6 Facility maintenance renovation including the replacement the lock system for the Detention Facility, replace the boiler at Madison Center, and upgrade fire alarm system and automation system at the Justice Center.
- $0.7 Technical assets investment including electronic record management for site plans, analytical reporting and electronic record management for Engineering projects.
- $1.1 Contributions capital funding to several regional organizations such as Northern Virginia Regional Park Authority, the Peumansend Creek Regional Jail Authority, Northern Virginia Community College and the Northern Virginia Criminal Justice Academy which provide beneficial services to Arlington residents and visitors.
- $13.9 Schools for building improvements and building constructions.
- $14.4 Utilities improvements for upgrade and expansion at the Water Pollution Control Plant, the Potomac Interceptor and the County share of the Washington Aqueduct residuals disposal project.

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, 2008
With Comparative Totals for June 30, 2007 Restated
(net of depreciation, in millions of dollars)

	Primary Government						Component Units					
	Governmental Activities		Business-type Activities		Total		Schools		Gates Partnership		Total	
	2008	2007 Restated	2008	2007	2008	2007 Restated	2008	2007	2008	2007	2008	2007 Restated
Land	$92.4	$91.4	$1.8	$1.8	$94.2	$93.2	$4.7	$4.7	$13.3	$15.5	$112.2	$113.4
Buildings	165.0	163.0	33.0	33.2	198.0	196.2	319.4	298.7	72.8	59.4	590.2	554.3
Equipment	27.0	28.0	11.0	9.1	38.0	37.1	15.1	17.3	0.1	0.3	53.2	54.7
Infrastructure	125.8	125.4	-	-	125.8	125.4	-	-	-	-	125.8	125.4
Plant -sewer system	-	-	248.1	214.3	248.1	214.3	-	-	-	-	248.1	214.3
Plant - water system	-	-	95.7	95.4	95.7	95.4	-	-	-	-	95.7	95.4
Construction in progress	26.2	19.8	306.1	157.7	306.1	157.7	-	-	-	2.6	307.9	160.3
Internal service funds	23.1	23.5	-	-	23.1	23.5	-	-	-	-	23.1	23.5
Total	$459.5	$451.1	$695.7	$511.5	$1,155.2	$962.6	$339.1	$320.6	$88.0	$77.8	1,582.3	1,361.0

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 $1,169.3. Of this amount, $992.0 comprises bonds, notes payable and related accrued interest and capital leases backed by the full faith and credit of the government.

The OPEB liability of $19.5 is made up of the Annual OPEB cost of $37.9 less payments made during 2008 of $18.4 for current year costs (see Note 17 in Notes to the Financial Statements).

The remainder of the County's debt ($157.8) represents bonds secured solely by specified revenue sources (i.e., revenue bonds) ($92.6), workers compensation reserves ($2.6) and accrued compensated absences ($62.6).

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

Table A-6
Long-term Debt Outstanding
June 30, 2008
With Comparative Totals for June 30, 2007
(in millions of dollars)

	Primary Government						Component Units					
	Governmental Activities		Business-type Activities		Total		Schools		Gates Partnership		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
General obligation bonds**	$638.8	$595.7	$123.3	$100.1	$762.1	$695.8	$-	$-	$-	$-	$762.1	$695.8
Revenue bonds	-	-	13.3	13.8	13.3	13.8	-	-	-	-	13.3	13.8
IDA Revenue Bonds	-	-	55.0	58.4	55.0	58.4	-	-	-	-	55.0	58.4
Mortage payable	-	-	3.4	3.4	3.4	3.4	-	-	20.9	21.0	24.3	24.4
Note payable	-	-	146.1	61.2	146.1	61.2	-	-	8.0	8.0	154.1	69.2
Obligations under capital lease	11.7	10.8	-	-	11.7	10.8	6.5	7.6	-	-	18.2	18.4
Worker's compensation claims	2.6	3.3	-	-	2.6	3.3	-	-	-	-	2.6	3.3
Accrued compensated absences	30.9	30.0	1.4	1.4	32.3	31.4	30.3	26.8	-	-	62.6	58.19
Mortgage and bond interest payable	-	-	18.1	16.3	18.1	16.3	-	-	0.7	0.4	18.8	16.7
Bonds Payable	-	-	-	-	-	-	-	-	28.9	29.0	28.9	29
Development fee payable	-	-	-	-	-	-	-	-	9.7	8.1	9.7	8.1
OPEB	19.5	-	-	-	19.5	-	-	-	-	-	19.5	-
Total	$703.4	$639.7	$360.6	$254.5	$1,064.1	$894.3	$36.8	$34.4	$68.2	$66.5	$1,169.3	$995.1

Note: Totals may not add due to rounding
*** General fund is responsible for bond-financed school capital assets*

The County's total debt increased by $172.4 during the current fiscal year. The key factor in this increase was a $111.2 general obligation bond issuance for the County, Utilities and the Schools, $88.7 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.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County is currently 2.7%, which is an increase of 0.9% a year ago. This compares favorably to the Northern Virginia's average unemployment rate of 3.1% and the national average rate of 6.0%.
- The vacancy rate of the County's office buildings decreased from 10.7% to 9.6%.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the County's budget for the 2009 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, 2008

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	Schools	Gates Partnership	Total Government
ASSETS:						
Equity in pooled cash and investments	$353,234,392	$144,161,610	$497,396,002	$68,504,999	$1,011,942	$566,912,943
Petty cash	5,332	-	5,332	1,353	-	6,685
Cash with fiscal agents	255,257	25,221	280,478	-	-	280,478
Receivables, net	309,500,361	33,991,260	343,491,621	4,600,103	102,816	348,194,540
Receivable from primary government	-	-	-	53,920,158	-	53,920,158
Receivable from other governments	2,710,172	-	2,710,172	-	-	2,710,172
Inventory	-	830,994	830,994	220,974	-	1,051,968
Other assets	19,094,906	2,635,744	21,730,650	-	1,887,223	23,617,873
Reserves and escrow deposits	-	-	-	-	5,597,489	5,597,489
Other non current assets	-	495,478	495,478	-	-	495,478
Capital assets:						
Land	92,430,388	1,792,817	94,223,205	4,697,946	13,257,259	112,178,410
Depreciable, net	340,843,164	387,780,683	728,623,847	334,466,906	72,837,560	1,135,928,313
Construction in progress	26,266,567	306,137,439	332,404,006	-	1,777,784	334,181,790
Total capital assets, net	459,540,119	695,710,939	1,155,251,058	339,164,852	87,872,603	1,582,288,513
Total assets	1,144,340,539	877,851,246	2,022,191,785	466,412,439	96,472,073	2,585,076,297
LIABILITIES:						
Accounts payable	14,786,121	32,255,644	47,041,765	10,709,817	460,231	58,211,813
Unearned revenue	33,647,187	-	33,647,187	725,956	-	34,373,143
Due to other funds	-	3,871,745	3,871,745	-	-	3,871,745
Due to component unit	53,920,158	-	53,920,158	-	-	53,920,158
Accrued liabilities	14,223,044	7,303,248	21,526,292	34,558,544	2,809,892	58,894,728
Other liabilities	16,964,609	-	16,964,609	7,781,922	375,413	25,121,944
Non-current liabilities:						
Development fee payable	-	-	-	-	9,662,405	9,662,405
OPEB liability	7,859,026	376,593	8,235,619	11,260,006	-	19,495,625
Due within one year	56,920,623	37,577,393	94,498,016	4,712,972	209,744	99,420,732
Due in more than one year	626,999,951	323,119,790	950,119,741	32,059,852	58,527,723	1,040,707,316
Total liabilities	825,320,719	404,504,413	1,229,825,132	101,809,069	72,045,408	1,403,679,609
NET ASSETS:						
Invested in capital assets, net of related debt	97,725,016	358,445,993	456,171,009	332,700,082	29,344,880	818,215,971
Restricted for:						
Capital projects	10,418,820	(3,410,453)	7,008,367	53,652,410	-	60,660,777
Other projects	8,110,583	-	8,110,583	-	-	8,110,583
Unrestricted	202,765,401	118,311,293	321,076,694	(21,749,122)	(4,918,215)	294,409,357
Total net assets	$319,019,820	$473,346,833	$792,366,653	$364,603,370	$24,426,665	$1,181,396,688

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, 2008

Functions/Programs	Expenses	Program Revenues: Charges for services (Includes Licenses, Permits & Fees)	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants & Contributions
Primary Government:				
Governmental Activities:				
General government	$183,532,881	$18,106,488	$43,298,910	$1,811,566
Public safety	114,536,445	5,049,238	3,760,627	-
Environmental services	73,697,836	19,684,727	2,494,539	-
Health & welfare	109,949,551	3,072,017	34,229,955	-
Libraries	14,426,350	533,425	217,365	-
Parks, recreation & culture	38,592,964	5,565,210	157,549	-
Planning & community development	46,279,307	12,339,079	21,502,234	-
Education	390,921,262	-	-	-
Interest and other charges	18,430,756	-	-	-
Total governmental activities	990,367,352	$64,350,184	105,661,179	1,811,566
Business-type activities:				
Utilities	57,904,261	102,270,725	-	28,033,520
Ballston Public Parking Garage	9,517,231	3,716,667	-	-
IDA Revenue Bond Funds	1,519,061	-	-	-
8th Level Ballston Public Parking Gara	35,947	203,727	-	-
Total business-type activities	68,976,500	106,191,119	-	28,033,520
Total Primary government	1,059,343,852	170,541,303	105,661,179	29,845,086
Component unit:				
Schools	412,953,520	15,357,287	417,046,873	-
Gates Partnership	7,777,236	4,971,602	-	1,428,953
Total component units	420,730,756	20,328,889	417,046,873	1,428,953
General Revenues:				
Property Taxes:				
Real estate property taxes				
Personal property taxes				
Other Local taxes:				
Business, professional occupancy license taxes				
Sales tax				
Meals tax				
Transient tax				
Utiity tax				
Recordation, car rental and other local taxes				
Investment and interest earnings				
Miscellaneous				
Total general revenues				
Change in net assets				
Net assets, restated				
Net assets, ending				

Governmental Activities	Business-Type Activities	Total	Component Units: Schools	Component Units: Gates Partnership
($120,315,917)	$-	($120,315,917)	$-	$-
(105,726,580)	-	(105,726,580)	-	-
(51,518,570)	-	(51,518,570)	-	-
(72,647,579)	-	(72,647,579)	-	-
(13,675,560)	-	(13,675,560)	-	-
(32,870,205)	-	(32,870,205)	-	-
(12,437,994)	-	(12,437,994)	-	-
(390,921,262)	-	(390,921,262)	-	-
(18,430,756)	-	(18,430,756)	-	-
(818,544,423)	-	(818,544,423)	-	-
-	72,399,984	72,399,984	-	-
-	(5,800,564)	(5,800,564)	-	-
-	(1,519,061)	(1,519,061)	-	-
-	167,780	167,780	-	-
-	65,248,139	65,248,139	-	-
(818,544,423)	65,248,139	(753,296,284)	-	-
-	-	-	19,450,640	-
-	-	-	-	(1,376,681)
-	-	-	19,450,640	(1,376,681)
509,933,075	-	509,933,075	-	-
93,870,189	-	93,870,189	-	-
57,266,956	-	57,266,956	-	-
35,299,283	-	35,299,283	-	-
28,470,325	-	28,470,325	-	-
21,065,573	-	21,065,573	-	-
12,397,249	-	12,397,249	-	-
31,382,788	-	31,382,788	16,906,350	-
17,282,845	6,065,870	23,348,715	467,071	214,473
23,985,005	-	23,985,005	-	-
830,953,288	6,065,870	837,019,158	17,373,421	214,473
12,408,864	71,314,009	83,722,873	36,824,061	(1,162,208)
306,610,956	402,032,824	708,643,780	327,779,309	25,588,873
$319,019,820	$473,346,833	792,366,653	$364,603,370	$24,426,665

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

EXHIBIT 3

ARLINGTON COUNTY, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

ASSETS	General Fund	General Capital Projects Fund	All Other Governmental Funds	Total Governmental Funds
Equity in pooled cash and investments	$165,165,201	$55,489,784	$128,558,520	$349,213,505
Petty cash	5,332	-	-	5,332
Cash with fiscal agents	255,257	-	-	255,257
Receivables, net	287,113,808	-	18,656,335	305,770,143
Due from other funds	2,046,166	-	-	2,046,166
Receivables from other governments	2,051,376	-	658,796	2,710,172
Other assets	15,480,063	-	1,081,096	16,561,159
Totals assets	$472,117,203	$55,489,784	$148,954,747	$676,561,734
LIABILITIES				
Accounts Payable	$11,338,662	$2,128,814	$1,218,760	$14,686,236
Deferred revenue	274,479,454	9,433,755	6,474,345	290,387,554
Due to component unit	53,920,158	-	-	53,920,158
Accrued liabilities	14,223,044	-	-	14,223,044
Other liabilities	459,986	1,242,737	15,261,886	16,964,609
Total liabilities	354,421,304	12,805,306	22,954,991	390,181,601
FUND BALANCES				
Reserved for:				
Encumbrances	2,517,374	14,924,535	11,388,658	28,830,567
Other Purposes	500,000	27,759,943	106,084,860	134,344,803
Unreserved:				
Designated	111,178,525	-	-	111,178,525
Self Insurance	3,500,000	-	-	3,500,000
Special Revenue:				
Section 8 Housing	-	-	8,110,583	8,110,583
Travel & Tourism	-	-	185,061	185,061
Rosslyn Business Improvement District	-	-	155,433	155,433
Crystal City Business Improvement District	-	-	75,161	75,161
Total fund balances	117,695,899	42,684,478	125,999,756	286,380,133
Total liabilities and fund balance	$472,117,203	$55,489,784	$148,954,747	$676,561,734

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

EXHIBIT 3(A)

ARLINGTON COUNTY, VIRGINIA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008

Total governmental fund balances	$286,380,133
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	436,474,677
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	256,740,367
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(680,327,564)
OPEB liabilities are not due and payable in the current period and therefore are not reported in the funds	($7,734,632)
Internal service funds	27,486,839
Net assets of governmental activities	$319,019,820

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

EXHIBIT 4

ARLINGTON COUNTY, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	General Capital Projects Fund	All Other Governmental Funds	Total Governmental Funds
REVENUES:				
General property taxes:				
Real estate property taxes	$460,201,111	$-	$13,300,758	$473,501,869
Personal property taxes	93,870,189	-	-	93,870,189
Other local taxes:				
Business, professional and occupancy license (BPOL) tax	57,266,956	-	-	57,266,956
Sales tax	35,299,283	-	-	35,299,283
Meals tax	28,470,325	-	-	28,470,325
Transient tax	21,065,573	-	-	21,065,573
Utility tax	12,397,249	-	-	12,397,249
Recordation, car rental and other local taxes	25,815,307	-	5,567,481	31,382,788
Fines and forfeitures	8,049,910	-	-	8,049,910
Licenses, permits and fees	17,022,701	-	-	17,022,701
Intergovernmental	87,259,084	2,586,719	17,626,943	107,472,746
Charges for services	38,288,000	989,573	-	39,277,573
Interest and rent	12,401,931	-	$4,880,914	17,282,845
Miscellaneous revenues	5,667,741	1,270,969	-	6,938,710
Total revenues	903,075,360	4,847,261	41,376,096	949,298,717
EXPENDITURES:				
Current operating:				
General government	162,318,710	-	-	162,318,710
Public safety	105,760,328	-	-	105,760,328
Environmental services	62,420,185	-	-	62,420,185
Health and welfare	101,695,722	-	-	101,695,722
Libraries	13,062,000	-	-	13,062,000
Parks, recreation and culture	33,656,140	-	1,344,070	35,000,210
Planning and community development	19,343,774	-	23,453,118	42,796,892
Education	390,921,262	-	-	390,921,262
Debt service				
Principal	28,950,071	-	-	28,950,071
Interest and other charges	18,430,756	-	-	18,430,756
Capital outlay	-	29,148,751	30,988,866	60,137,617
Total expenditures	936,558,948	29,148,751	55,786,054	1,021,493,753
Excess(deficiency) of revenues over expenditures	(33,483,588)	(24,301,490)	(14,409,958)	(72,195,036)
OTHER FINANCING SOURCES(USES):				
Transfers in	5,056,002	24,067,996	247,000	29,370,998
Transfers out	(24,737,941)	-	(4,926,000)	(29,663,941)
Capital leases	2,802,688	2,902,040	-	5,704,728
Premium from sale of bonds	1,491,507	-	-	1,491,507
Issuance of debt	51,076,000	-	32,701,000	83,777,000
Total other financing sources and uses	35,688,256	26,970,036	28,022,000	90,680,292
Net change in fund balances	2,204,668	2,668,546	13,612,042	18,485,256
Fund balances, beginning	115,491,231	40,015,932	112,387,714	267,894,877
Fund balances, ending	117,695,899	$42,684,478	$125,999,756	286,380,133

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

EXHIBIT 4(A)

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, 2008

Net change in fund balances - total governmental funds		$18,485,256
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	24,280,006	
Less: Depreciation expense	(15,275,363)	9,004,643
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		36,431,206
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	47,893,932	
Less: Proceeds from bonds and capital leases	(89,481,728)	
Bond premium to be amortized	(3,899,356)	
Amortization other charges and bond issue costs	515,930	(44,971,222)
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		(202,826)
OPEB 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		($7,734,632)
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 expenses for internal service	(95,279)	
Net operating gain internal service funds	1,491,718	1,396,439
Change in net assets of governmental activities		$12,408,864

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, 2008

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
REVENUES:				
General Property taxes:				
Real estate	$448,482,437	$448,482,437	$460,201,111	$11,718,674
Personal	95,850,000	95,850,000	93,870,189	(1,979,811)
Other Local taxes	171,425,370	171,425,370	180,314,693	8,889,323
Licenses, permits and fees	12,450,732	18,455,650	17,022,701	(1,432,949)
Charges for services	36,742,109	37,023,696	38,288,000	1,264,304
Fines and forfeitures	8,300,500	8,300,500	8,049,910	(250,590)
Grants:				
State grants	62,561,532	67,433,192	64,282,769	(3,150,423)
Federal grants	19,455,104	27,205,314	22,976,314	(4,229,000)
Use of money and property	15,413,783	15,413,783	12,401,931	(3,011,852)
Miscellaneous revenue	3,805,554	13,465,232	5,667,741	(7,797,491)
Total revenues	874,487,121	903,055,174	903,075,359	20,185
EXPENDITURES:				
General Government Administration				
County Board	1,001,157	1,001,157	912,121	89,036
County Manager	4,423,693	4,464,693	4,075,759	388,934
Financial Management	5,494,684	5,494,684	5,166,184	328,500
Civil Service	19,991	19,991	713	19,278
Human Resources	7,123,600	7,316,117	6,869,827	446,290
Technology Services	13,757,763	14,599,361	13,746,103	853,258
County Attorney	1,791,580	1,943,574	2,326,291	(382,717)
Commissioner of Revenue	4,849,835	4,887,188	4,800,622	86,566
Treasurer	5,727,151	5,782,881	5,931,498	(148,617)
Electoral Board	751,288	751,288	906,140	(154,852)
Total General Government	44,940,742	46,260,934	44,735,258	1,525,676
Judicial Administration				
Circuit Court	3,042,361	3,101,311	3,049,155	52,156
District Court	350,338	350,338	272,726	77,612
Juvenile & Domestic Relations Court	5,378,865	5,378,865	5,090,122	288,743
Commonwealth Attorney	3,746,117	3,768,497	3,576,026	192,471
Sheriff & Jail	33,322,517	34,459,927	35,147,846	(687,919)
Total Judicial Administration	45,840,198	47,058,938	47,135,875	(76,937)
Public Safety				
Police	52,864,619	55,930,764	53,917,268	2,013,496
Emergency Communications Center	7,196,889	9,162,454	7,894,564	1,267,890
Fire	42,763,517	44,400,650	43,948,496	452,154
Total Public Safety	102,825,025	109,493,868	105,760,328	3,733,540
Environmental Services	64,091,524	67,364,223	62,420,185	4,944,038
Health & Welfare	101,137,269	106,843,171	101,695,722	5,147,449
Libraries	13,137,774	13,218,762	13,062,000	156,762

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, 2008

	Budgeted Amounts			
	Original	Final	Actual	Variance Positive (Negative)
Planning & Community Development				
Economic Development	3,221,832	4,093,487	4,049,836	43,651
Community Planning, Housing & development	15,017,987	21,841,158	15,293,938	6,547,220
Total Planning & Community Development	18,239,819	25,934,645	19,343,774	6,590,871
Parks and Recreation	33,384,714	33,918,067	33,656,140	261,927
Education	331,301,158	352,552,853	390,921,262	(38,368,409)
Non-Department				
Non-Departmental	43,741,108	73,207,370	45,179,813	28,027,557
Debt Service				
Principal payment	28,924,674	29,031,896	28,950,071	81,825
Interest payment	18,538,529	18,531,307	18,423,089	108,218
Other costs	200,000	100,000	7,667	92,333
Regionals/Contributions	7,726,371	7,831,371	7,867,764	(36,393)
METRO	17,400,000	17,400,000	17,400,000	-
Total Non-Departmental	116,530,682	146,101,944	117,828,404	28,273,540
Total expenditures	871,428,905	948,747,405	936,558,948	12,188,457
Excess of revenues over expenditures	3,058,216	(45,692,231)	(33,483,589)	12,208,642
OTHER FINANCING SOURCES (USES):				
Transfers in	368,223	268,723	5,331,288	5,062,565
Transfers out	(17,102,573)	(24,737,941)	(24,737,941)	-
Captial leases	-	-	2,802,688	2,802,688
Premium from sale of bonds	-	-	1,491,507	1,491,507
Issuance of debt	-	-	51,076,000	51,076,000
Total other financing sources/(uses)	(16,734,350)	(24,469,218)	35,963,542	60,432,760
Net change in fund balance	(13,676,134)	(70,161,449)	2,479,953	72,641,402
Fund Balance - beginning of year	115,491,231	115,491,231	115,491,231	-
Fund Balance - end of year	$101,815,097	$45,329,782	117,971,185	$72,641,403

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

EXHIBIT 6

ARLINGTON COUNTY, VIRGINIA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2008

	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	$119,790,712	$10,891,995	$13,227,940	$-	$250,963	$144,161,610	$4,020,887
Cash with fiscal agents	25,221	-	-	-	-	25,221	-
Receivables, net	33,944,198	6,581	40,266	215	-	33,991,260	3,730,218
Inventory, at cost	830,994	-	-	-	-	830,994	831,413
Other current Assets	2,447,864	187,880	-	-	-	2,635,744	-
Total current assets	157,038,989	11,086,456	13,268,206	215	250,963	181,644,829	8,582,518
Non-current assets:							
Other non current assets	43,206	60,912	205,739	185,621	-	495,478	-
Capital assets:							
Land	1,792,817	-	-	-	-	1,792,817	-
Depreciable, net	344,309,378	12,162,020	3,652,291	27,656,994	-	387,780,683	23,065,442
Construction in progress	286,142,953	-	18,566,558	1,427,928	-	306,137,439	-
Total capital assets, net	632,245,148	12,162,020	22,218,849	29,084,922	-	695,710,939	23,065,442
Total non current assets	632,288,354	12,222,932	22,424,588	29,270,543	-	696,206,417	23,065,442
Total assets	789,327,343	23,309,388	35,692,794	29,270,758	250,963	877,851,246	31,647,960
LIABILITIES:							
Current liabilities:							
Accounts payable	30,058,462	1,030,273	1,166,909	-	-	32,255,644	99,885
Accrued liabilities	456,328	6,846,920	-	-	-	7,303,248	-
Due to other funds	-	-	-	3,871,745	-	3,871,745	343,832
Due within one year	14,128,803	18,074,725	3,404,198	1,969,667	-	37,577,393	979,794
Total current liabilities	44,643,593	25,951,918	4,571,107	5,841,412	-	81,008,030	1,423,510
Non-current liabilities:							
OPEB liability	376,593	-	-	-	-	376,593	124,394
Due in more than one year	259,492,250	13,956,709	26,802,754	22,868,077	-	323,119,790	2,613,216
Total non current liabilities							
Total liabilities	304,512,436	39,908,627	31,373,861	28,709,489	-	404,504,413	4,161,121
NET ASSETS:							
Invested in capital assets, net of related debt	366,754,577	(4,567,659)	(7,988,103)	4,247,178	-	358,445,993	19,472,432
Restricted net assets	-	(12,031,580)	12,307,036	(3,685,909)	-	(3,410,453)	-
Unrestricted	118,060,330	-	-	-	250,963	118,311,293	8,014,407
Total net assets	$484,814,907	($16,599,239)	$4,318,933	$561,269	$250,963	473,346,833	$27,486,839

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, 2008

	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 Business-type Activities	Internal Service Funds
OPERATING REVENUES:							
Water-sewer service charges	$67,434,401	$-	$-	$-	$-	$67,434,401	$-
Water-service hook-up charges	4,810,598	-	-	-	-	4,810,598	-
Water-service connection charges	521,093	-	-	-	-	521,093	-
Sewage treatment service charges	27,675,650	-	-	-	-	27,675,650	-
Other charges for services	1,828,983	-	-	-	-	1,828,983	20,061,784
Parking charges	-	3,716,667	-	-	203,727	3,920,394	-
Total Operating revenues	102,270,725	3,716,667	-	-	203,727	106,191,119	20,061,784
OPERATING EXPENSES:							
Personnel services	12,742,126	-	-	-	-	12,742,126	4,691,143
Fringe benefits	3,611,139	-	-	-	-	3,611,139	1,357,068
Cost of store issuances	-	-	-	-	-	-	5,347,984
Contractual services	9,206,442	6,579,932	-	-	15,840	15,802,214	-
Purchases of water	6,884,704	-	-	-	-	6,884,704	-
Materials and supplies	5,000,012	33,982	-	-	20,107	5,054,101	276,142
Utilities	-	-	-	-	-	-	174,226
Operating Equipment	-	-	-	-	-	-	335
Outside services	-	-	-	-	-	-	2,431,487
Depreciation	5,532,861	507,388	129,418	1,362,999	-	7,532,666	4,167,287
Deferred rent	-	654,996	-	-	-	654,996	-
Equipment (Construction Contracts)	124,876	-	-	-	-	124,876	-
OPEB expense	376,593	-	-	-	-	376,593	124,394
Miscellaneous	5,037,270	-	-	-	-	5,037,270	-
Total Operating expenses	48,516,023	7,776,298	129,418	1,362,999	35,947	57,820,685	18,570,066
Operating income (loss)	53,754,702	(4,059,631)	(129,418)	(1,362,999)	167,780	48,370,434	1,491,718
NON-OPERATING REVENUES(EXPENSES)							
Interest income and other income	4,226,448	602,195	1,132,550	104,677	-	6,065,870	-
Interest expense and fiscal charges	(9,388,238)	(1,740,933)	(12,102)	(14,542)	-	(11,155,815)	-
Interest payment on capital lease	-	-	-	-	-	-	(146,741)
State grant	26,515,090	-	-	-	-	26,515,090	-
Loss on disposal of assets	-	-	-	-	-	-	(241,483)
Total non-operating revenues(expenses)	21,353,300	(1,138,738)	1,120,448	90,135	-	21,425,145	(388,224)
Net Income(loss) before contributions and transfers	75,108,002	(5,198,369)	991,030	(1,272,864)	167,780	69,795,579	1,103,494
Contributions from developers and other sources	1,518,430	-	-	-	-	1,518,430	-
Transfers in	-	-	-	-	-	-	422,945
Transfers out	-	-	-	-	-	-	(130,000)
Total contributions and net transfers	1,518,430	-	-	-	-	1,518,430	292,945
Change in net assets	76,626,432	(5,198,369)	991,030	(1,272,864)	167,780	71,314,009	1,396,439
Net assets - beginning of year	408,188,475	(11,400,870)	3,327,903	1,834,133	83,183	402,032,824	26,090,400
Net assets - end of year	$484,814,907	($16,599,239)	$4,318,933	$561,269	$250,963	$473,346,833	$27,486,839

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, 2008

	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 Business-type Activities	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:							
Cash received from customers	$93,502,973	$3,710,086	$-	$-	$203,727	$97,416,786	($2,299,202)
Cash received from interfund charges	-	-	-	-	(35,947)	(35,947)	19,932,029
Cash paid to suppliers	(2,244,772)	(5,977,326)	-	-	-	(8,222,098)	(8,652,638)
Cash paid to employees	(16,229,748)	-	-	-	-	(16,229,748)	(6,087,083)
Net cash flows from operating activities	75,028,453	(2,267,240)	-	-	167,780	72,928,993	2,893,106
CASH FLOWS FROM INVESTING ACTIVITIES:							
Interest received	4,226,448	602,195	1,190,329	104,982	-	6,123,954	-
Net cash flows from investing activities	4,226,448	602,195	1,190,329	104,982	-	6,123,954	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:							
Transfer out to other funds	-	-	-	-	-	-	(130,000)
Temporary loan from General Fund	-	-	-	-	-	-	33,598
State grant	26,515,090	-	-	-	-	26,515,090	-
Transfers in	-	-	-	-	-	-	422,945
Net cash flows from non-capital financing activities	26,515,090	-	-	-	-	26,515,090	326,543
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Principal payments - bonds	(5,179,814)	(500,000)	($1,170,000)	($1,865,000)	-	(8,714,814)	-
Proceeds from bonds	27,408,000	-	-	-	-	27,408,000	-
Bond Premium	1,098,897	-	-	-	-	1,098,897	-
Payment of principal on capital lease	-	-	-	-	-	-	(1,057,390)
Payment of interest on capital lease	-	-	-	-	-	-	(146,741)
Proceeds of VRA loan payable	88,699,242	-	-	-	-	88,699,242	-
Payment of VRA loan	(3,789,660)	-	-	-	-	(3,789,660)	-
Contributions from other sources	-	-	-	3,871,744	-	3,871,744	-
Interest and other loan expenses paid	(6,142,614)	(521,719)	(214,198)	(99,667)	-	(6,978,198)	-
Purchases of property	(186,695,152)	-	(5,281,747)	(2,012,059)	-	(193,988,958)	(4,228,717)
Proceeds from sale of equipment	-	-	-	-	-	-	231,365
Net cash flows from capital and related financing activities	(84,601,101)	(1,021,719)	(6,665,945)	(104,982)	-	(92,393,747)	(5,201,483)
Net increase(decrease) in cash and cash equivalents	21,168,890	(2,686,764)	(5,475,616)	-	167,780	13,174,290	(1,879,314)
Cash and cash equivalents at beginning of year	98,621,822	13,578,759	18,703,556	-	83,183	130,987,320	5,900,201
Cash and cash equivalents at end of year	$119,790,712	$10,891,995	$13,227,940	$-	$250,963	$144,161,610	$4,020,887
Reconciliation of operating income to net cash flow from operations:							
Operating Income/(loss)	$53,754,702	($4,059,631)	($129,418)	($1,362,999)	$167,780	$48,370,434	$1,491,718
Adjustments to reconcile operating income/(loss) to net cash provided by operating activities:							
Depreciation	5,532,861	507,388	$129,418	$1,362,999	-	7,532,666	4,167,287
OPEB expense	376,593	-	-	-	-	376,593	124,394
(Increase)Decrease in accounts receivable	(8,767,753)	(6,581)	-	-	-	(8,774,334)	(2,428,955)
(Increase)Decrease in inventories	(99,994)	-	-	-	-	(99,994)	(53,585)
Increase (Decrease) in prepaid expenses	-	-	-	-	-	-	-
Increase(Decrease) in vouchers payable	24,108,527	636,589	-	-	-	24,745,116	(368,882)
Increase(Decrease) in compensated absences	123,517	-	-	-	-	123,517	(38,871)
Increase(Decrease) in other accrued liabilities	-	654,995	-	-	-	654,995	-
Net cash flows from operations	$75,028,453	($2,267,240)	$-	$-	$167,780	$72,928,993	$2,893,106
Noncash investing, capital, and financing activities:							
Contributions from developers and other sources	1,518,430	-	-	-	-	1,518,430	-

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

EXHIBIT 9

ARLINGTON COUNTY, VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Pension Trust	All Other Private Purpose Trust Funds	Agency Funds
ASSETS:			
Equity in pooled cash and investments	$44,597,037	$13,302,479	$21,913,505
Contributions receivable:			
Employer	377,373	-	-
Employee	60,142	-	-
Accrued interest and other receivables	11,649,766	288,678	-
Bond issuance costs	-	349,988	-
Capital assets, net	-	26,653,981	-
Receivable from other government	-	-	2,115,186
Investments, at fair value			
Foreign, Municipal and U.S. Government Obligations, including Fixed Instruments in Pooled Funds	139,554,081	-	-
Corporate Fixed Income Obligations	236,110,436	-	-
Domestic and Foreign Equities, including Equities in Pooled Funds	746,625,830	5,948,852	-
Other investments	184,541,926	-	-
Real estate funds	27,382,616	-	-
Collateral on loaned securities	107,645,446	-	-
Total assets	1,498,544,653	46,543,978	24,028,691
LIABILITIES:			
Accounts payable and accrued liabilities	1,049,436	37,373,083	22,049,594
Obligations under security lending program	107,645,446	-	1,979,097
Total liabilities	108,694,882	37,373,083	24,028,691
NET ASSETS	$1,389,849,771	$9,170,895	$-

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

EXHIBIT 10

ARLINGTON COUNTY, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Pension Trust	All Other Private Purpose Trust Funds
ADDITIONS:		
Contributions and Revenues:		
Employer contributions	$30,043,028	$-
Employee contributions	10,143,815	-
Other contributions	58,837	-
Shared revenues	-	14,278,958
Private donations	-	55,978
Total contributions	40,245,680	14,334,936
Investment earnings:		
Interest and other	31,515,828	489,939
Gross income from securities lending	6,018,330	-
Bank fees and expenses from securities lending	(5,375,645)	-
Commissions recapture, gross	25,897	-
Gain on sale of securities	-	28,936
Net change in fair value of investments	(100,354,948)	(36,108)
Total investment earnings	(68,170,538)	482,767
Less investment expenses	5,679,671	1,672,946
Net investment earnings	(73,850,209)	(1,190,179)
Total additions	(33,604,529)	13,144,757
DEDUCTIONS:		
Administrative expenses	814,633	5,416,370
Retirees pension expense	63,521,985	-
Total deductions	64,336,618	5,416,370
Change in net assets	(97,941,147)	7,728,387
Net assets - Beginning of the year	1,487,790,918	1,442,508
Net assets - End of the year	$1,389,849,771	$9,170,895

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

NOTE 1. Summary of Significant Accounting Policies

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

I. Accounting Policies

A. The Financial Reporting Entity

Arlington County, Virginia (the "County") is a jurisdiction of the Commonwealth of Virginia and is governed by a five-member County Board. As required by GAAP, these financial statements present the County (primary government) and its component units, the Arlington County Public Schools (the "Schools"), and the AHC Limited Partnership-10/AHC Limited Partnership-11 ("the Gates Partnership"), entities for which the primary government is considered to be financially accountable. As discretely presented component units, the Schools, and 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, in FY 2006 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.

APAH Courthouse Crossing is no longer considered a part of the financial reporting entity since the IDA and County are no longer responsible for the reimbursement of debt service payments funded through the letter of credit bank, in the event APAH does not make debt service payments. APAH paid off the loan in full March 20, 2008.

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:

- *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.

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, Neighborhood Traffic Calming (NTC) Programs, and Stormwater Drainage Infrastructure.

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.

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 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 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, 2008, there was no arbitrage rebate liability.

L. Long-Term Obligations

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

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

M. Fund Equity

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

N. Comparative data/reclassifications

Comparative total data for the prior year have been presented in the accompanying combining other supplemental information of the financial statements in order to provide an understanding of changes in the government's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand. Certain FY 2007 amounts have been reclassified to conform to the FY 2008 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.

Q. Prior Period Adjustment

The County has restated its capital assets for the year ended June 30, 2007. This restatement is a result of $19,757,346 that was reported as expense in the Statement of Activities instead of properly reporting it as Construction in Progress in the Statement of Net Assets. As a result of the adjustment, the County's total governmental activities expenses for the year ended June 30, 2007 and the capital assets, invested in capital assets, net of related debt, and net assets at June 30, 2007 were restated as follows:

	As Previously Stated	Adjustment	As Restated
Total governmental activities expenses	$892,762,603	($19,757,346)	$873,005,257
Net assets, end of year	286,853,610	19,757,346	306,610,956
Capital assets	431,189,640	19,757,346	450,946,986
Invest in capital assets, net of related Debt	76,687,000	19,757,346	96,444,346

R. Recently Adopted Accounting Standards; GASB Statement No. 45

The County adopted in FY 2008 a new statement issued by the Governmental Accounting Standard Board ("GASB"): GASB Statement No. 45 ("GASB 45") *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* was issued in 2004. As stated in GASB 45, this Statement establishes standards for the measurement, recognition, and display of Other Post Employment Benefits (OPEB) costs and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (e.g., life insurance) when provided by separately from a pension plan. The approach followed in the Statement generally is consistent with the approach adopted in Statement No. 27, *Accounting for Pensions by State and Local Government Employers*, with modifications to reflect differences between pension benefits and OPEB. GASB 45 improves the relevance and usefulness of

financial reporting by: (i) recognizing the cost of benefits in periods when the related services are received by employer; (ii) providing information about the actuarial accrued liabilities for promised benefits associated with the past services and whether and to what extent those benefits have been funded; and (iii) providing information useful in assessing potential demands on the employer's future cash flows.

The financial reporting impact resulting from the implementation of GASB 45 in 2008 was the recognition of an additional expense and liability of $17,895,626 in the County's financial statements for 2008, which is comprised of $6,635,620 attributable to the Primary Government and $11,260,006 attributable to Schools.(see Note 17).

S. Recently Adopted Accounting Standards; GASB Statement No. 50

The County adopted in FY 2008 a new statement issued by the Governmental Accounting Standard Board ("GASB"): GASB Statement No. 50 ("GASB 50") *Pension Disclosures – an amendment of GASB Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 27 Accounting for Pensions by State and Local Governmental Employers.* GASB 50 was issued in May of 2007. GASB 50 establishes and modifies requirements related to financial reporting by pension plans and by employers that provide defined contributions pensions. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, therefore, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The statement is intended to improve the transparency and decision usefulness of reported information about pensions by state and local governmental plans and employers.

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 $(680,327,564) difference as follows:

General obligation bonds - general government	$(350,251,926)
General obligation bonds - Schools	(275,246,419)
Compensated absences - general government	(30,305,745)
Worker's compensation - general government	(2,620,189)
Capital leases - general government	(8,636,047)
Bond issue costs and deferred amount on refunding, net	2 ,313,124
Current year Bond premium to be amortized – County	(8,753,797)
Current year Bond premium to be amortized – Schools	(6,826,565)
	$(680,327,564)

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 $9,004,644 difference are as follows:

Capital acquisitions	$24,280,007
Depreciation expense	(15,275,363)
Net adjustment to increase *net changes in fund balances* total *governmental funds* to arrive at changes *in net assets of governmental activities*	$9,004,644

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 6/30/08	$256,740,367
Deferred property tax revenue 6/30/07	(220,309,161)
Net adjustment to increase net changes in fund balances – total governmental funds arrive at changes in net assets of governmental activities	$36,431,206

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 $(89,481,728) difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds - County	$(32,701,000)
Issuance of general obligation bonds – Schools	(51,076,000)
Capital lease financing – General Government	(5,704,728)
	(89,481,728)
Principal repayments:	
General obligation debt – County	25,915,072
General obligation debt – Schools	18,150,116
Capital leases	3,828,744
Total principal repayments	47,893,932
Bond premium to be amortized	(3,899,356)
Other charges and bond issue costs	515,930
Net adjustment to decrease *net changes in fund balances* - total governmental funds to arrive at *changes in net assets of governmental activities*	$(44,971,222)

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 $202,826 difference are as follows:

Compensated absences	$863,484
Worker's compensation	(660,658)
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of government activities	$202,826

Another element of that reconciliation states that "OPEB expenses reported in the Statement of Activities do no require the use of current financial resources and therefore are not reported as expenditures in governmental funds". $7,734,632

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 expenses – internal service funds	$(95,279)
Net operating income – internal service funds	1,491,718
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	$1,396,439

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 2008 such appropriation amendments totaled $19,722,497 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 2008 for the following departments: the Sheriff's Department; the County Attorney; the Electoral Board; and the Treasurer. The County Board will re-appropriate funds to increase these budgets in the annual closeout package in November of FY 2008. 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 $(16,599,239) at June 30, 2008. 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 negative change in net assets of $52,887 in FY 2008, resulting in ending net assets of $(72,434). Management will evaluate measures to reduce the deficit in FY 2009.

Jail Industries (an Internal Service Fund), incurred a negative change in net assets of $41,511 in FY08, resulting in ending net assets $(19,793). Management will evaluate measures to ensure the program is self-supporting.

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 $209,757,893 and the bank balance was $220,996,365. Of the bank balance, $804,150 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).

Additionally, in order to better manage yield in changing interest rate environments, the Treasurer may decide to contract for external portfolio management. This portion of the investment portfolio designated as the External Portfolio Management may be invested for periods greater than two years but not more than five years.

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, 2008, the County had the following investments and maturities:

		Investment Maturity (in years)		
	Fair Value	Less than 1 year	1-3 years	3-5 years
Commercial Paper	$12,514,450	$12,514,450	$-	$-
Corporate Bonds	14,835,495	2,000,730	9,841,625	2,993,140
Treasury Notes and Bonds	1,489,095	-	1,489,095	-
Government Agency Bonds	16,403,469	3,501,085	6,865,824	6,036,560
Commerce Money Market	253,801	253,801	-	-
Total	45,496,310	$18,270,066	$18,196,544	$9,029,700
Investment not subject to Interest Rate Risk:				
Virginia LGIP	20,465,137			
Virginia State Non-Arbitrage Program	279,021,428			
Total	299,486,565			
Total Investments	$344,982,875			

Investment Portfolio
As of June 30, 2008

	S&P Rating	PAR	Interest Rate	Maturity Date	Market	% of Portfolio
Commercial Paper						
Toyota Motor Credit Co.	A-1+	1,750,000	2.80%	07/16/08	1,747,813	
General Electric	A-1+	900,000	2.80%	08/05/08	897,507	
Citigroup	A-1+	10,000,000	3.06%	11/21/08	9,869,130	
		12,650,000			12,514,450	3.63%
Corporate Bonds						
Allstate Financial	AA	1,000,000	4.25%	09/10/08	1,001,410	
Pacific Life Global Funding	AA	1,000,000	3.75%	01/15/09	999,320	
Proctor & Gamble Co.	AA-	1,000,000	5.30%	07/06/09	1,022,520	
Wells Fargo Company	AA+	1,000,000	4.20%	01/15/10	1,002,920	
Berkshire Hataway Fin	AAA	1,000,000	4.13%	01/15/10	1,009,870	
HSBC Finance Corp	AA-	1,000,000	4.75%	04/15/10	997,890	
Wal-Mart Stores	AA	1,000,000	4.13%	07/01/10	1,013,280	
JP Morgan Chase & Co.	AA-	1,000,000	4.50%	11/15/10	997,730	
Toyota Motor Credit Corp.	AAA	1,750,000	4.35%	12/15/10	1,788,185	
TIAA Global Markets	AAA	1,000,000	4.88%	01/12/11	1,002,390	
Wal-Mart Stores	AA	1,000,000	4.13%	02/15/11	1,006,840	
General Electric Capital Corp.	AAA	1,000,000	5.00%	04/10/12	1,006,930	
Merck & Co. Inc.	AA-	1,000,000	4.38%	02/15/13	1,001,520	
Met Life Global Funding	AA	1,000,000	5.13%	04/10/13	984,690	
		14,750,000			14,835,495	4.30%
Treasury Notes & Bonds						
U.S Treasury Notes	AAA	1,500,000	2.13%	04/30/10	1,489,095	
		1,500,000			1,489,095	0.43%
Government Agency Bonds						
Federal Home Loan Bank	AAA	1,000,000	4.38%	11/13/08	1,006,560	
Federal Home Loan Bank	AAA	2,500,000	2.63%	04/30/09	2,494,525	
Federal Home Loan Bank	AAA	1,000,000	2.50%	10/01/09	994,690	
Federal Home Loan Mortgage Corp.	AAA	1,000,000	3.25%	05/12/10	1,000,140	
Federal National Mortgage Assn	AAA	1,000,000	3.00%	05/28/10	994,380	
Federal Home Loan Bank	AAA	1,000,000	4.63%	11/19/10	1,005,940	
Federal Farm Credit Bank	AAA	1,000,000	4.38%	12/10/10	1,005,940	
Federal Home Loan Mortgage Corp.	AAA	875,000	3.25%	02/25/11	870,354	
Federal Home Loan Bank	AAA	1,000,000	3.38%	06/10/11	994,380	
Federal Home Loan Bank	AAA	1,000,000	4.95%	11/14/11	1,006,880	
Federal Farm Credit Bank	AAA	1,000,000	4.63%	12/05/11	1,006,250	
Federal Home Loan Bank	AAA	1,000,000	4.63%	12/12/11	1,002,500	
Federal Home Loan Bank	AAA	1,000,000	5.00%	11/14/12	1,007,810	
Federal Home Loan Bank	AAA	1,000,000	5.00%	11/14/12	1,007,810	
Federal Home Loan Bank	AAA	1,000,000	4.30%	12/17/12	1,005,310	
		16,375,000			16,403,469	4.75%
Money Market Mutual Funds						
Commerce Cap Ins Sel Gov-Ins	AAA	253,801	1.89%		253,801	
		253,801			253,801	0.07%
Virginia State Non-Arbitrage Program (SNAP)	AAAm	279,021,428			279,021,428	80.88%
State Treasurer's Local Government Investment Pool	AAAm	20,465,137			20,465,137	5.94%
Total Securities		345,015,366			344,982,875	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, 2008, the Trustee Bank had $17,813,587 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 $12,666,849 in U.S. government securities and agency obligation at fair value were held by the Trustee Bank at June 30, 2008.

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, 2008, the US Bank Trust National Association had $18,461,600 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, 2008, the Trustee Bank had $6,687,844 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, 2008, the County had $279,021,428 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's written investment policy provides for investment in all major sectors of the capital markets in order to diversify and minimize total investment program risk. Such sectors include, but are not limited to:

- 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 $83 million, representing 6.0% of assets, of which $43.0 million had been funded at June 30, 2008.
- 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, or 3.6% of assets, of which $44.2 million had been funded at June 30, 2008.
- Fixed income obligations of the U.S. government and its agencies, mortgage-backed securities, corporate bonds, and asset backed securities. In addition, fixed income obligations of non-U.S. governments, companies, and 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 has invested 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 was terminated February 2008.

B. Investment Restrictions

The following summarizes the primary investment restrictions included in 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 fixed income) 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; except in approved security lending programs.

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.

C. Cash and Cash Equivalent

At June 30, 2008, the System had cash and cash equivalents of $44,597,037. Cash deposits in bank accounts totaled $113,497. This amount was insured by the Federal Deposit Insurance Corporation up to $100,000 was raised up to $150,000 subsequent to year end to $250,000 for each System participant. Cash equivalents of $29,038,434 are invested in a Vanguard institutional money market fund, $15,445,106 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, 2008:

Investment Type	Fair Value (in $000s)
U.S. Treasury	$9,028
Mortgage Backed Government Pass-Through	502
Corporate Bonds	152,440
Corporate Asset Backed	556
Private Placements	30,667
Municipal Bonds	3,520
Yankee Bonds	8,284
Supernationals	5,137
Non-U.S. Developed Government/Sovereign	29,652
Non-U.S. Developed Corporate	82,981
Non-U.S. Emerging Government/Sovereign	13,424
Non-U.S. Emerging Corporate	297
Convertible Securities	76,829
U.S. Equity	207,643
Non-U.S. Equity	196,151
Alternative Investments	61,148
Real Estate	27,383
Commingled Equity Funds	345,376
Commingled US Fixed Income	89,249
Commingled Money Market	44,620
Cash	5,556
Total	$1,390,443*

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

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 largest 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, 2008:

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, 2008 is shown below:

	Fair Value	Investment Maturities (years)			
Investment Type:	($000s)	Under 1	1-5	6-10	Over 10
U.S. Treasury	$9,028	$-	$-	$-	$9,028
Mortgage Backed Gov't Pass Through	502	-	-	-	502
Corporate Bonds	152,440	2,251	20,707	30,256	99,226
Corporate Asset Backed	556	-	-	556	-
Private Placements	30,667	540	18,993	4,628	6,507
Municipal Bonds	3,520	-	-	-	3,520
Yankee Bonds	8,284	-	1,084	2,248	4,951
Supernationals	5,137	-	-	5,137	-
Non-U.S. Developed Gov't/Sovereign	29,652	2,013	24,217	-	3,422
Non-U.S. Developed Corporate	82,981	7,209	58,095	14,081	3,597
Non-U.S. Emerging Gov't /Sovereign	13,424	-	4,161	3,422	5,842
Non-U.S. Emerging Corporate	297	-	-	297	-
Convertible Securities	76,829	1,554	40,606	808	33,862
Total	$413,317	$13,567	$167,863	$61,433	$170,457

Investment Type:	Fair Value (in 000's)	Effective Duration (years)
U.S. Treasury	$9,028	13.03
Mortgage Backed Gov't Pass Through	502	4.16
Corporate Bonds	152,440	8.23
Corporate Asset Backed	556	0.39
Private Placements	30,667	5.08
Municipal Bonds	3,520	8.91
Yankee Bonds	8,284	7.03
Supernationals	5,137	6.98
Non-U.S. Developed Gov't/Sovereign	29,652	2.84
Non-U.S. Developed Corporate	82,981	4.06
Non-U.S. Emerging Gov't /Sovereign	13,424	5.62
Non-U.S. Emerging Corporate	297	0.27
Convertible Securities	76,829	5.38
Total	$413,317	6.21

Custodial Credit Risk

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

Concentration of Credit Risk

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

The System's credit quality distribution for fixed income investments at June 30, 2008 is:

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

	Credit Quality							
Investment Type	AAA	AA	A	BBB	BB	B	Below B	Not Rated
U.S. Government	$9,028	$-	$-	$-	$-	$-	$-	$-
U.S. Gov't Agency	502	-	-	-	-	-	-	-
Corporate Bonds	556	-	16,119	70,370	25,335	27,195	8,708	4,713
Private Placement	-	6,535	3,106	6,431	1,768	1,746	-	11,081
Municipal Bonds	-	-	-	3,520	-	-	-	-
Internatioanl Obligations	37,089	4,690	15,229	24,475	4,856	2,103	949	50,384
Convertible Securities	-	1,119	4,015	13,958	7,024	10,571	3,821	36,321
Total	$47,175	$12,344	$38,469	$118,754	$38,983	$41,615	$13,478	$102,499

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, 2008 was as follows:

Currency	Equity	Fixed Income &Convertible	Cash	Total
Australian Dollar	$1,337	$6,225	$11	$7,573
Brazilian Real	-	9,378	-	9,378
Bristish Pound	20,145	6,103	1	26,249
Canadian Dollar	8,952	24,771	128	33,851
Danish Krone	6,420	-	-	6,420
Euro	45,433	53,542	647	99,622
Hong Kong Dollar	5,397	2,247	-	7,644
Indonesia Rupiah	-	2,411	-	2,411
Japanese Yen	34,544	9,191	418	44,153
Malysian Ringgit	-	1,096	-	1,096
Mexican Peso	-	6,534	-	6,534
New Zealand Dollar	-	10,514	-	10,514
Norwegian Krone	2,794	1,204	3	4,001
Renminbi Yen	1,215	-	-	1,215
Singapore Dollar	-	778	42	820
Swedish Krona	15,502	-	-	15,502
Swiss Franc	15,206	3,976	-	19,182
UAE Dirham	-	297	-	297
Total	$156,945	$138,267	$1,250	$296,462

E. Securities Lending

Under authorization of the Board, 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.

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, 2008:

Gross Income from Security Lending	$6,018,330
Less Expense	5,106,812
Less Bank Fees	268,833
Net Income from Security Lending	$642,685

The following table presents the fair value of underlying securities and the value of the collateral pledged at June 30, 2008:

Type of Securities Lent	Fair Value	Value of Cash Collateral
Corporate Fixed Income	$29,630,910	$30,584,828
U.S. Equity	63,311,077	62,275,013
Non-U.S Governments	9,624,435	10,058,362
Non-U.S. Equity	1,606,750	1,727,243
Total	$104,173,172	$107,645,446

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, 2008, were $25,897.

NOTE 4. Receivables, net

Receivables at June 30, 2008 are summarized below.

	Governmental Activities	Business-type Activities
Real estate taxes	$258,630,449	$-
Personal property taxes	4,281,524	-
Omitted business licenses tax	5,234,746	-
Omitted meals tax	987,698	-
Accounts receivable	41,778,193	34,248,071
Interest	1,813,421	40,481
Total	312,726,031	34,288,552
Less: Allowance for uncollectible accounts	(3,225,670)	(297,292)
Net receivables	$309,500,361	$33,991,260

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 $256,740,367, 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

A. Capital asset activity for the year ended June 30, 2007 was restated as follows:

Primary Government

	Balance	Increases	Decreases	Restated Ending Balance
Governmental and Internal Services activities:				
Capital assets, not being depreciated:				
Land	$91,281,802	$124,999	$-	$91,406,801
Construction in progress	-	19,757,346	-	19,757,346
Total capital assets, not being depreciated	91,281,802	19,882,345	-	111,164,147
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	84,495,392	16,115,730	4,232,989	96,378,133
Total capital assets being depreciated	643,715,357	43,924,991	4,232,989	683,407,359
Less accumulated depreciation for:				
Infrastructure	234,740,734	8,741,208	-	243,481,942
Buildings	49,925,210	5,276,991	-	55,202,201
Furniture, fixtures and equipment	40,758,856	7,766,847	3,585,326	44,940,377
Total accumulated depreciation	325,424,800	21,785,046	3,585,326	343,624,520
Total capital assets, being depreciated, net	318,290,557	22,139,945	647,663	339,782,840
Governmental activities capital assets, net	$409,572,359	$42,022,290	$647,663	$450,946,986

B. Capital asset activity for the year ended June 30, 2008 was as follows:

Primary Government

	FY07 Restated Balance	Increases	Decreases	Ending Balance
Governmental and Internal Services activities:				
Capital assets, not being depreciated:				
Construction in progress	$19,757,346	$6,509,221	$-	$26,266,567
Land	91,406,801	1,023,587	-	92,430,388
Total capital assets, not being depreciated	111,164,147	7,532,808	-	118,696,955
Capital assets, being depreciated:				
Infrastructure	368,867,860	6,311,661	2,786,162	372,393,359
Buildings	218,161,366	7,879,784	7,484	226,033,666
Furniture, fixtures and equipment	92,878,133	4,007,661	9,664,038	87,221,756
Capital Lease- County	3,500,000	-	-	3,500,000

Capital Lease- Equipment	-	2,802,688	-	2,802,688
Total capital assets being depreciated	683,407,359	21,001,794	12,457,684	691,951,469
Less accumulated depreciation for:				
Infrastructure	243,481,941	5,841,706	2,786,162	246,537,485
Buildings	55,202,202	5,474,877	7,484	60,669,595
Furniture, fixtures and equipment	44,940,377	7,455,234	9,165,219	43,230,392
Capital Lease- County	-	670,833	-	670,833
	343,624,520	19,442,650	11,958,865	351,108,305
Total capital assets, being depreciated, net	339,782,839	1,559,144	498,819	340,843,164
Governmental activities capital assets, net	$450,946,986	$9,091,952	$498,819	$459,540,119

Business-type activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$1,792,817	$-	$-	$1,792,817
Construction in progress	157,738,077	148,399,362	-	306,137,439
Total capital assets, not being depreciated	159,530,894	148,399,362	-	307,930,256
Capital assets, being depreciated:				
Sewer system	278,387,346	34,319,649	-	312,706,995
Water system	125,461,783	5,209,192	-	130,670,975
Building	42,848,339	938,786	-	43,787,125
Furniture and fixtures and equipment	10,372,910	2,596,778	-	12,969,688
Total capital assets being depreciated	457,070,378	43,064,405	-	500,134,783
Less accumulated depreciation for:				
Sewer system	64,095,354	4,935,934	-	69,031,288
Water system	30,073,172	448,721	-	30,521,893
Building	9,659,249	1,023,474	-	10,682,723
Furniture and fixtures and equipment	1,259,691	1,794,218	935,713	2,118,196
Total accumulated depreciation	105,087,466	8,202,347	935,713	112,354,100
Total capital assets, being depreciated, net	351,982,912	34,862,058	935,713	387,780,683
Business-type activities capital assets, net	$511,513,806	$183,261,420	$935,713	$695,710,939

Discretely presented component units
Schools:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$4,697,946	$-	$-	$4,697,946
Capital assets, being depreciated:				
Buildings	387,771,150	30,382,979	-	418,154,129
Furniture, fixtures and equipment	56,368,262	2,226,408	10,836,898	47,757,772
Total capital assets being depreciated	444,139,412	32,609,387	10,836,898	465,911,901

Less accumulated depreciation for:				
Buildings	89,152,638	9,694,279	-	98,846,917
Furniture, fixtures and equipment	39,112,821	4,322,155	10,836,898	32,598,078
Total accumulated depreciation	128,265,459	14,016,434	10,836,898	131,444,995
Total capital assets, being depreciated, net	315,873,953	18,592,953	-	334,466,906
Schools capital assets, net	$320,571,899	$18,592,953	$-	$339,164,852

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

FUNCTION AND ACTIVITY	Depreciation Expense
Primary government:	
Government activities:	
General government	$8,087,979
Public safety	223,619
Public works, including depreciation of infrastructure assets	5,841,707
Health and welfare	30,023
Libraries	308,068
Parks, recreation and culture	762,399
Planning and community development	21,568
Total Depreciation Expense – Governmental Activities	15,275,363
Internal Service	4,167,287
Total Depreciation Expense- Governmental and Internal Service Activities	$19,442,650
Business-type activities:	
Utilities	$6,207,838
Ballston Public Parking Garage	502,092
IDA Revenue Bond Funds	1,492,417
Total Depreciation Expense- Business-type Activities	$8,202,347
Component unit – Schools	$14,016,434
Total Depreciation Expense – Component units	$14,016,434

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, 2008 the current portion of these liabilities was $6.384 million which represent an estimate of health insurance claims that have been incurred but not reported of $6.122 million, and are included in the accrued payroll liabilities and the current portion of workers' compensation of $.262 million. The non-current portion was $2.358 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, 2006 resulted from the following:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
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
2007 – 2008				
Current	$5,589,332	$42,004,249	$41,209,864	$6,383,717
Long Term	$2,952,761	$1,551,944	$2,146,535	$2,358,170

In addition, the County has designated a General Fund balance self-insurance reserve of $3,500,000 as of June 30, 2008. The County maintains a General Fund operating reserve that totaled $28,262,153 as of June 30, 2008. 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 3% 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:

Fiscal Year	Amount
2009	$12,341,343
2010	12,656,672
2011	11,669,696
2012	7,981,821
2013	8,182,005
2014-2018	37,851,096
	$90,682,633

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, 2008, the County received $871,578 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 $6,846,920 is accrued in the Fund 540, Ballston Public Parking Garage Fund, as of June 30, 2008. In FY 2000, the County entered into a long term operating lease agreement for 145,777 square feet of office space and additional garage space to consolidate the operations of its Department of Human Services at 3033 Clarendon Boulevard.

NOTE 8. Capital Leases

In FY08, the County has financed the acquisitions of capital assets, including eight Arlington Transit (ART) buses, equipment for Fairlington Community Center and Arlington Public Schools as shown below.

Asset Category	Primary Government	Component Unit Schools
Equipment	3,500,000	-
Equipment (CIP)	494,722	261,447
Auto	2,802,688	-
Total Asset, at cost	6,797,410	261,447
Accumulated depreciation	(670,833)	-
Total Asset, net	$ 6,126,577	$ 261,447

The annual future minimum lease payments as of June 30, 2008 are as follows:

General Government:

Year Ending June 30,	Technology Services	Environmental Services	Fire	Parks & Recreation	Libraries	Circuit Court	Sheriff	Total General Government
2009	$2,257,376	$630,778	$127,179	$233,759	$230,747	$30,208	$287,038	$3,797,085
2010	2,199,400	658,263	127,179	233,759	179,105	30,208	287,038	3,714,952
2011	2,032,726	547,549	127,179	233,759	127,461	15,104	287,038	3,370,816
2012	1,761,540	451,628	-	146,000	63,731	-	227,684	2,650,583
2013	902,398	353,475	-	102,344	-	-	227,684	1,585,901
2014	-	337,519	-	-	-	-	125,779	463,298
2015	-	337,519	-	-	-	-	125,779	463,298
2016	-	337,519	-	-	-	-	-	337,519
2017	-	337,519	-	-	-	-	-	337,519
2018	-	168,760	-	-	-	-	-	168,760
Total Minimum Lease payments	$9,153,440	$4,160,529	$381,537	$949,621	$601,044	$75,520	$1,568,040	$16,889,731
Less Imputed Interest	(754,194)	(582,274)	(20,609)	(63,983)	(39,301)	(4,266)	(138,040)	(1,602,667)
Amount deferred	(5,115,489)	-	-	(105,528)	-	-	(1,430,000)	(6,651,017)
Present Value of Minimum Payments	$3,283,757	$3,578,255	$360,928	$780,110	$561,743	$71,254	$-	$8,636,047

Internal Service Funds:

Year Ending June 30,	Internal Service Fund - Auto Equipment
2009	$1,032,467
2010	860,801
2011	362,931
2012	362,931
2013	362,931
2014	221,708
2015	80,485
2016	80,485
2017	3,871
Total Minimum Lease Payments	3,368,610
Less Imputed Interest	(322,766)
Present Value of Minimum Lease Payments	$3,045,844

Component Unit – Schools:

Year Ending June 30,	Component Unit – School Operations
2009	$1,975,892
2010	1,975,892
2011	1,711,031
2012	921,243
2013	866,989
2014	640,766
2015	640,766
2016	640,766
2017	320,384
Total Minimum Lease Payments	9,693,728
Less Imputed Interest	(1,101,610)
Amount Deferred	(2,127,348)
Present Value of Minimum Lease Payments	$6,464,770

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

	GENERAL FUND		SCHOOL FUND		UTILITY FUND		TOTAL G.O. BONDS	
FISCAL YEAR	P	I	P	I	P	I	P	I
2009	27,986,404	15,840,380	20,669,485	11,427,525	7,084,109	5,020,745	55,739,998	32,288,650
2010	28,593,374	14,884,387	20,013,756	11,640,310	7,987,868	5,246,805	56,594,998	31,771,502
2011	28,892,677	13,510,292	19,998,298	10,673,733	8,004,023	4,838,857	56,894,998	29,022,882
2012	28,642,500	11,975,735	19,821,620	9,647,654	7,635,878	4,611,444	56,099,998	26,234,833
2013	25,386,067	10,572,405	18,603,316	8,683,814	7,285,615	4,220,513	51,274,998	23,476,732
2014	23,946,093	9,411,096	18,592,240	7,828,229	7,301,667	3,869,354	49,840,000	21,108,679
2015	23,163,639	8,198,907	17,136,780	6,938,420	5,654,580	3,395,135	45,954,999	18,532,462
2016	20,564,043	7,167,637	15,783,323	6,088,386	5,752,633	3,069,485	42,099,999	16,325,508
2017	20,504,333	6,218,873	15,738,298	5,363,568	5,807,368	2,784,600	42,049,999	14,367,041
2018	18,236,223	5,278,708	14,748,284	4,714,760	5,795,493	2,521,384	38,780,000	12,514,852
2019	17,399,232	4,489,686	13,988,017	4,077,688	5,542,751	2,229,295	36,930,000	10,796,669
2020	15,630,377	3,698,621	12,103,254	3,416,704	5,386,369	2,012,651	33,120,000	9,127,976
2021	14,875,050	3,022,704	11,491,647	2,883,026	5,418,303	1,781,808	31,785,000	7,687,538
2022	12,902,834	2,423,223	9,871,166	2,423,729	5,406,000	1,529,835	28,180,000	6,376,787
2023	11,819,064	1,849,149	8,811,935	2,024,887	5,469,000	1,306,101	26,099,999	5,180,137
2024	10,123,000	1,346,259	8,846,000	1,679,484	5,551,000	1,053,326	24,520,000	4,079,069
2025	8,448,000	899,439	8,689,000	1,257,205	5,638,000	804,851	22,775,000	2,961,495
2026	5,718,000	507,722	6,859,000	851,795	5,418,000	549,314	17,995,000	1,908,831
2027	5,718,000	266,836	7,035,000	579,424	5,497,000	321,428	18,250,000	1,167,688
2028	1,703,016	72,378	5,326,000	289,292	2,066,000	87,805	9,095,016	449,475
2029			1,120,000	53,200			1,120,000	53,200
	350,251,926	121,634,437	275,246,419	102,542,833	119,701,657	51,254,736	745,200,002	275,432,006

FISCAL YEAR	P	IDA I	Total
2009	5,060,000	2,408,988	7,468,988
2010	5,220,000	2,175,069	7,395,069
2011	5,385,000	1,922,700	7,307,700
2012	5,570,000	1,653,363	7,223,363
2013	5,760,000	1,378,750	7,138,750
2014	5,890,000	1,094,075	6,984,075
2015	6,255,000	790,450	7,045,450
2016	1,305,000	607,975	1,912,975
2017	1,305,000	549,250	1,854,250
2018	1,305,000	484,000	1,789,000
2019	1,305,000	418,750	1,723,750
2020	1,305,000	353,500	1,658,500
2021	1,305,000	288,250	1,593,250
2022	1,305,000	223,000	1,528,000
2023	1,305,000	157,750	1,462,750
2024	1,300,000	92,625	1,392,625
2025	1,300,000	30,061	1,330,061
	52,180,000	14,628,556	66,808,556

B. Revenue Bonds – Ballston Public Parking Garage

Revenue Bonds of $22,300,000 were issued by the County in 1984 to provide for the acquisition and construction of a public parking garage facility. The bonds were issued in the form of Variable Rate Revenue Bonds to mature on August 1, 2017, and are subject to redemption as a whole or in part, at any time, at the principal amount thereof, plus accrued interest at the County's discretion. The bonds are not general obligations of the County and are payable solely from gross revenues arising from the operations of the garage facilities, an irrevocable direct pay letter of credit in the initial principal amount of $25,648,055 and other funds which may be available to the project. As "credit support" for the project, the County has agreed to consider appropriating funds should a shortfall in revenues affect the payments to the bondholders. Debt service payments on the bonds are further secured by a deed of trust on the garage facilities and related assets. As of June 30, 2008, $13,300,000 is outstanding under these revenue bonds.

The interest rate on the bonds is determined weekly, using a Variable Interest Index, calculated under the terms of the bond issuance agreements. The rate may be converted to a fixed interest rate at the discretion of the County during the term of the bonds. The initial interest rate was 6.9%, at no time can exceed 15%, and averaged approximately 2.89% in FY 2008. 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 2008, the County drew from the letter of credit $425,649 to pay bondholders for the interest accrued on the revenue bonds. The letter of credit drawdowns were immediately repaid by the County from garage revenues held in trust at the time of the drawdowns. The fees associated with the letter of credit were $41,337 in FY 2008. Also in FY 2008, $500,000 of bond principal was repaid from garage revenues in accordance with the terms of the letter of credit agreement.

C. 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. The long-term portion of this mortgage payable at June 30, 2008 was $1,156,709. The short term portion of mortgage interest payable was $15,301,755. At June 30, 2008, all payments have been deferred.

D. 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, 2008, VRA had provided a loan of VRA bond proceeds in the amount of $100,000,000 including in FY08 bond proceeds of $35,260,184 to the County. Interest will be charged at a rate of 3.10%.

In June 2007, the County entered into second and third Financing Agreements with VRA, with VRA agreeing to issue a total of $80,000,000 Wastewater Revenue Bonds, Series 2007 A and Series 2007 B, and lend the proceeds to the County to continue improvements to the water pollution control plant. These Bonds are also secured by a pledge of County water and sewer revenues. As of June 30, 2008, VRA had provided a loan of VRA bond proceeds in the amount of $53,539,059 including in FY08 bond proceeds of $53,439,058 to the County. Interest rates on the 2007 loans were 3.00 percent per annum.

E. 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, 2008, $52,180,000 is outstanding under these lease revenue bonds.

F. Changes in Long-Term Liabilities

During the year ended June 30, 2008, the following changes occurred in liabilities reported in the County and Schools Long-term Obligations.

	Balance July 1	Additions	Reductions	Balance June 30	Due in one Year
Primary Government:					
Compensated absences ***	$ 29,442,262	$ 26,808,455	($25,944,972)	$30,305,745	$ 3,030,575
Workers' compensation	3,280,847	1,724,381	(2,385,039)	2,620,189	262,019
General obligation bonds-County	343,465,998	32,701,000	(25,915,072)	350,251,926	27,986,404
General obligation bonds-Schools	242,320,535	51,076,000	(18,150,116)	275,246,419	20,669,486
Capital leases	6,760,154	5,602,118	(3,726,225)	8,636,047	3,281,448
Deferred cost on refunding-County	(788,127)	-	4,497	(783,630)	(4,498)
Deferred cost on refunding-Schools	(1,696,250)	-	166,756	(1,529,494)	(166,756)
Bond premium to be amortized- County	7,688,504	1,491,507	(426,214)	8,753,797	500,789
Bond premium to be amortized-Schools	4,679,685	2,407,849	(260,969)	6,826,565	381,362
Total General Government	635,153,608	121,811,310	(76,637,354)	680,327,564	55,940,829
Internal Service:					
Compensated absences	586,038	492,801	(531,673)	547,166	54,717
Capital leases	4,000,715	102,520	(1,057,391)	3,045,844	925,077
Total Internal Service	4,586,753	595,321	(1,589,064)	3,593,010	979,794
Total Governmental Activities	639,740,361	122,406,631	(78,226,418)	683,920,574	56,920,623
Component Unit Schools:					
Compensated absences	26,834,097	3,473,957	-	30,308,054	3,030,805
Capital leases	7,566,568	274,512	(1,376,310)	6,464,770	1,682,167
Total Component Unit-Schools	34,400,665	3,748,469	(1,376,310)	36,772,824	4,712,972
Business-Type Activities:					
Compensated absences - Utilities	1,363,918	1,456,305	(1,332,787)	1,487,436	148,744
General obligation bonds - Utilities	97,473,471	27,408,000	(5,179,814)	119,701,657	7,084,110
Bond and mortgage interest payable - Utilities	2,177,423	2,823,792	(2,177,423)	2,823,792	2,823,792
Revenue bonds -Ballston	13,800,000	-	(500,000)	13,300,000	500,000
Bond and mortgage interest payable - Ballston	14,082,540	1,219,214	-	15,301,754	15,301,754
Long-term notes payable- Ballston	3,429,679	-	-	3,429,679	2,272,908
VRA loan payable	61,164,960	88,699,242	(3,789,660)	146,074,542	3,819,255
Deferred cost of refunding - Utilities	1,248,330	-	(125,024)	1,123,306	125,024
Bond premium to be amortized- Utilities	1,384,014	1,099,224	(72,917)	2,410,321	127,878
Bond premium to be amortized - IDA Bond	3,178,562	-	(313,865)	2,864,697	313,865
IDA Revenue Bond	55,215,000	-	(3,035,000)	52,180,000	5,060,000
Total Business-type Activities	254,517,897	122,705,777	(16,526,490)	360,697,184	37,577,330
Grand Total	$928,658,923	$248,860,877	($96,129,218)	$1,081,390,582	$99,210,925

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

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 $275,246,419 for the Primary Government and the Schools. The effect on the Statement of Activities includes $32,925,884 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, 2008 are reflected in current due to/from accounts of each Fund/Component Unit, as summarized below:

Due to/from other funds:

	Receivables	Payables
General Fund	$2,046,166	$-
Printing Fund	-	67,069
Urban Area Security Initiative	-	744,684
Drug Task Force	-	1,234,413
	$2,046,166	$2,046,166

Due to/from primary government and component units:

	Primary Government	Component Unit
General Fund	$887,903	$54,808,061
School Funds:		
Operating		
Primary Government	45,733,230	-
Other School Funds	-	-
Cafeteria		
Primary Government	351,099	-
Other School Funds	-	-
Community Activities		
Primary Government	930,834	-
Other School Funds	-	-
School – Special & In-Service		
Primary Government	-	483,534
Other School Funds	-	-
Pay-As-You-Go		
Primary Government	7,792,898	-
Other School Funds	-	-
School Capital Projects Bond		
Other School Funds	-	-
CSA		
Primary Government	-	404,369
	$55,695,964	$55,695,964

The primary purpose of interfund transfers is to provide funding for operations and capital projects. Interfund transfers for the year ended June 30, 2008 are as follows:

Transfer	General Fund	Special Revenue Fund	Capital Projects Fund	Total Transfer Out
From General Fund	$-	$247,000	$24,067,996	$24,314,996
Special Revenue	45,086	-	-	45,086
Internal Service Fund	130,000	-	-	130,000
Capital Project Funds	4,880,916	-	-	4,880,916
Total Transfer In	$5,056,002	$247,000	$24,067,996	$29,370,998

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 - $28,262,153 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 $17,800,000 to $28,262,153 during FY 2008.

d. **General Fund** - Designated for FY 2009 Budget - $12,349,499 designated by the County Board at the time of the adoption of the FY 2009 budget to be one of the elements that financed the FY 2009 Adopted General Fund budget.

e. **General Fund** – Designated for Incomplete Projects - $49,107,897 designated by the County Board to fund in FY 2009 projects approved by the County Board in FY 2008 but not yet completed at the close of FY 2008.

f. **General Fund** - Designated for Schools - $17,578,976 designated by the County Board at the time of the reappropriation to the FY 2008 budget to be one of the elements which is planned to finance part of the FY 2009 Adopted School Fund budgets.

g. **School Funds** - Construction funds - $53,652,410 reserved for project construction expenditures and encumbrances.

h. **Special Revenue Funds** - Section 8 Housing - $8,110,583 reserve equivalent to the net difference between earned Section 8 Housing administrative revenues and actual administrative expenditures since inception of the program. Travel & Tourism - $185,061 reserve equivalent to the net difference between earned revenues and actual expenditures since inception of the program. Rosslyn Business Improvement District - $155,433 and Crystal City Business Improvement District - $75,161 reserves equivalent to the net difference between earned tax revenue and expenditures since inception of the program..

i. **Capital Projects Funds** - Construction funds - $133,844,803 reserved for project construction expenditures and encumbrances. Of these funds, $120,624,996 is reserved in construction bond funds and represents bond proceeds and $13,219,807 is reserved for transportation and stormwater funds and respresents tax revenue..

j. **Trust Fund** - Reserved for Trusts - $11,788,948 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 - $1,389,949,771 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 2008, the County paid $17.4 million from its General Fund to subsidize WMATA's bus and rail operating costs.

B. Construction Commitments

As of June 30, 2008 contractual commitments were outstanding in the following funds for the amounts indicated:

Capital Projects Funds	$32,583,685
Utilities Fund	8,132,481
	$40,716,166

These projects include the Transportation Infrastructure Maintenance Capital, Utility Plant Capital Maintenance, Improvements to the Washington Aqueduct, and Assets Preservation Programs.

C. Waste-to-Energy Facility

Arlington Solid Waste Authority

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

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

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

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

In July 1998, the Authorities advance refunded $55,025,000 of the outstanding revenue bonds (Series 1998 A bonds) for the Facility to take advantage of lower interest rates. In November 1998, the Arlington Industrial Development Authority issued $48,550,000 in new retrofit revenue bonds (Series 1998 B bonds) to cover the cost of new pollution abatement equipment at the Facility required by federal law. The proceeds of the Series 1998 B bonds were lent to Authorities to construct the equipment. A promissory note was issued by the ASWA in the amount of $27,651,000 as part of this construction financing. The Series 1998 A bonds matured in January 2008, and the plant was sold to Covanta for $10.00 per bill of sale which was dated February 28, 2008.

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

Since Acceptance testing on each unit was completed in November 2000, the Operating Lease agreement between the ASWA and the Corporation took effect in January 2001. Since in essence the lease is a capital lease, the capital assets completed and covered by the lease and the promissory note are removed from the County records and are now considered a part of the plant. In FY 2008 they have been recorded in the same manner, as is the rest of the plant.

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 $12,232,696 were collected and project-related expenditures of $4,532,424 are incurred in FY 2008.

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 2008, 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 2008 $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

"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 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. APAH-CC repaid the Promissory Note in full on March 20, 2008.

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, 2008 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 2008, the County paid $666,088 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 2008, the County paid $866,666 for capital and operating costs. Financial statements may be obtained from the Peumansend Creek Regional Jail Authority, P. O. Box 1460, Bowling Green, Virginia, 22427.

NOTE 15. Deferred Compensation Plan

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

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

NOTE 16. Employee Retirement Systems

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

The pension plan financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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, 2007, the date of the most recent actuarial valuation, System membership consisted of the following:

	General	Uniformed	School	Total
Current Employees:				
Vested	1,728	582	115	2,425
Non-Vested	964	293	-	1,257
Total	2,692	875	115	3,682
Vested Deferred	121	17	106	244
Retirees and Beneficiaries	1,600	637	1,199	3,436

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 $40,186,843 ($30,043,028 of Employer contributions, $10,143,815 of Employee contributions, and $58,837 other contributions) were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed as of July 1, 2007. Member contributions are established by Arlington County Code, and are deducted from the members' salaries. For FY 2008, 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, 2008. Three-year trend information is presented below.

Schedule of Employer Contributions

Year Ended June 30	Annual Pension Cost (ARC) (in millions)	Percentage Contributed
2006	16.3	100.0%
2007	24.8	100.0%
2008	30.0	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	07/01/07
Actuarial cost method	Entry Age Normal
Remaining amortization period	30 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%

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)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (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]
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%)
7/1/07	1,348.1	1,290.8	(57.3)	104.4%	242.2	(23.7%)

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

Funding Policy

Retirement benefits are funded by employer contributions and by investment earnings. In accordance with State statute, the County is required to contribute at an actuarially determined rate. VRS changed rates for both employee and employer contributions in FY 2002. State statute may be amended only by the Commonwealth of Virginia General Assembly. In FY 2008, the contribution rate

was 16.46%. The County's contributions to the VRS for the years ended June 30, 2008, 2007 and 2006 were $35.4 million, $27.7 million and $23.3 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)			
2006	$42,669	$52,822	$10,153	80.8%	$13,002	78.1%
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%
			State Police Officers' Retirement System (SPORS)			
2006	$539	$730	$191	73.8%	$94	203.2%
2005**	514	673	159	76.4%	91	174.7%
2004	510	656	146	77.8%	82	178.0%
			Virginia Law Officers' Retirement System (VaLORS)			
2006	$656	$1,096	$440	59.9%	$321	137.0%
2005**	575	980	405	58.7%	307	132.0%
2004	509	927	418	54.9%	298	140.3%
			Judicial Retirement System (JRS)			
2006	$302	$424	$122	71.3%	$54	225.9%
2005**	288	402	114	71.5%	52	220.7%
2004	285	366	81	78.0%	48	168.8%

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

NOTE 17. Other Post-Employment Benefits (OPEB)

A. County OPEB

Plan Description

In addition to the pension benefits described in Note 16, the County administers a single-employer defined benefit healthcare plan. The plan provides post-employment health care benefits to all eligible permanent employees who meet the requirements under the County'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 plan does not issue a publicly available financial report.

Funding Policy

The contribution requirements of plan members are established and may be amended by the County Board. Funding for these benefits is currently made on a pay-as-you-go basis; however, the County intends to fund the annual required contribution (ARC) in future years. 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. For FY08 the County contributed

$8,412,546 and $251,835 towards health and life plans respectively. Plan members receiving benefits contributed $2,860,525 and $195,604 towards health and life plans respectively.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the ARC of the employer, an amount that was actuarially determined by using the Entry Age Actuarial Cost Method, an amount actuarially determined in accordance with the parameters of GASB Statement 45. Under this method, the normal cost rate is the percentage of pay contribution which would be sufficient to fund the plan benefits if it were paid from each member's entry into the plan until termination or retirement. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year. Management has chosen to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The County's annual OPEB cost, the percentage of annual OPEB cost contributions to the plan, and the net OPEB obligations for the year ended June 30, 2008 were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2008	$16,900,000	51.3%	$8,235,619

Funded Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $281.0 million and the actuarial value of assets was $10.0 million, resulting in an unfunded actuarial accrued liability of $271.0 million. The covered payroll (annual payroll of active employees covered by the plan) was $152.3 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 178 percent. As of June 30, 2008, the County has a $10.2 million health care reserve.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2008, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included an 5.5 percent investment return, a $10 million initial contribution, salary increases of 4.5 percent (plus merit scale), and an annual healthcare cost trend rate of 9 percent initially, grading to 5.5 percent over fourteen years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period as of June 30, 2008 is twenty nine years.

One year information about the plan is presented below as required supplementary information. This information is intended to help users assess whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Schedule of Funding Progress ($ in millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (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]
1/1/08	$10.0	$281.0	$271.0	0%	$152.3	178%

B. Schools OPEB

Plan Description

In addition to the pension benefits described in Note 16, the Schools administer a single-employer defined benefit healthcare plan. The plan provides post-employment health care benefits to all eligible permanent employees who meet the requirements under the Schools' pension plans. Eligibility is contingent upon the retiree participating in one of the Schools' current health plans at the time of retirement. The plan does not issue a publicly available financial report.

Funding Policy

The contribution requirements of plan members are established and may be amended by the School Board. Funding for these benefits is currently made on a pay-as-you-go basis; however, the School Board intends to fund the annual required contribution (ARC) in future years. For full career employees, the Schools currently contributes between 68% and 83%, based on coverage selected, towards the cost of medical premiums. Dental insurance for retirees is paid 100% by the retiree. Life insurance for retirees is covered by the Virginia Retirement System. For FY08 the Schools' contributed $9,639,994 towards health plans for retirees. Plan members receiving benefits contributed $2,602,798 towards health plans.

Annual OPEB Cost and Net OPEB Obligation

The Schools' annual OPEB cost (expense) is calculated based on the ARC of the employer, an amount that was actuarially determined by using the Entry Age Actuarial Cost Method, an amount actuarially determined in accordance with the parameters of GASB Statement 45. Under this method, the normal cost rate is the percentage of pay contribution which would be sufficient to fund the plan benefits if it were paid from each member's entry into the plan until termination or retirement. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year. Management has chosen to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The Schools' annual OPEB cost, the percentage of annual OPEB cost contributions to the plan, and the net OPEB obligations for the year ended December 31, 2007 were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/07	$20,900,000	46.1%	$11,260,006

Funded Status and Funding Progress

As of December 31, 2007, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $267.9 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $221.8 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 121 percent. The Schools have a $4.2 million health care reserve.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2007, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included an 5.5 percent investment return, a $3.4 million initial contribution, salary increases of 4.5 percent (plus merit scale), and an annual healthcare cost trend rate of 9 percent initially, grading to 5.5 percent over fourteen years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period as of June 30, 2008 is twenty nine years.

One year information about the plan is presented below as required supplementary information. This information is intended to help users assess whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Schedule of Funding Progress ($ in millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (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]
12/31/07	$0.0	$267.9	$267.9	0%	$221.8	121%

NOTE 18. Subsequent Events

A. Pension

The Arlington Board adopted changes to retiree benefits effective January 2009 as outlined in the table below.

	Participants Covered Under Chapter		
	21	35	46
Covers Employees Hired:	Before 2/8/81	Before 2/8/81	2/8/81 or After
Member Contribution Rates for the Respective Employee Groups:			
General	4%	N/A	4%
School Board (Covered by VRS)	0%	0%	0%
Uniformed Employees:			5% through 1/3/09, 7.5% thereafter

- Management	5.62%	N/A	N/A
- Non-Management	6.62%	N/A	N/A
Normal Retirement Age:			
General County Employees	60	N/A	62
School Board Employees	60	62	62
Uniformed Employees	50	N/A	52
"Rule of 80" Applies	Yes	No	Yes
Retirement Benefit-Percentage of Average Final Compensation, as defined by applicable code: (generally, the average of the employees' three highest compensation or contract years) times years of creditable service limited to a 30-year maximum	2.5% for each of the first 20 years plus 2% for each of the next 10 years	2.125% reduced by the VRS benefits under Formula A	Option of: 1.5% through 1/3/09 plus 1.7% thereafter reduced by actual VRS benefits OR 1.7% for all years of service for General; 1.5, 1.7, 2.0 tiered for Uniformed through 1/3/09 plus 2.7% thereafter OR 2.5% for years of service to 1/3/09 and 2.7% thereafter
Refund of employee contributions on leaving County employment	Contributions plus interest	N/A	Contributions plus interest

B. OPEB

Effective July 1, 2008 the County's health subsidy will be calculated based on HMO subsidy levels and years of service (or hours worked, for part-time employees):

- Current retirees and eligible employees who leave the County before January 15, 2012 will receive up to $960/month health care stipend (combined health and dental) in retirement.
- Current employees who retire on or after January 15, 2012 will receive up to $600/month health stipend in retirement.
- Employees hired after July 1, 2008 will receive a maximum stipend of $300/month in retirement based on years of service.

Each of these full benefits is based on 25 years of service by County employees. Under the plan, all employees with at least 10 years of service will receive a stipend (prorated based on years of service), and employees with 5 to 10 years will be eligible for health care but will not receive a stipend.

Employees who qualify for County retiree health coverage when they retire can enter and leave the plan and receive the same health stipend (based on their retirement date), as if they had never left.

With the changes adopted, the County's liability to its current employees and retirees for OPEB is approximately $213 million, the ARC is $15.3 million and the estimated "pay as you go" spending in FY 2009 is estimated to be $10.5 million. In the adopted budget an additional $4.9 million in ongoing payments was provided bringing the ongoing contribution to the required ARC of $15.3 million.

A trust fund for retiree health care is in the process of being created, with an initial contribution of $10 million plus $0.2 million in interest.

C. Virginia Resources Authority Note Payable

In October 2008, the County entered a fourth Financing Agreement with VRA, with VRA agreeing to issue a total of $50,000,000 Wastewater System Revenue Bonds, Series 2008, and lend the proceeds to the County to continue the improvements to the water

pollution control plant. These bonds are secured by a pledge of County water and sewer revenues. An initial draw on the proceeds was made at the October 9th closing in the amount of $4,510,015. The interest rate on the Series 2008 bonds is 3.55 percent.

D. Ballston Public Parking Garage

Arlington County continues paying the debt service for the 1984 Variable Rate Demand Revenue Bonds for the Ballston Public Parking Garage. Citibank, Bank of America, and US Bank continue functioning as the remarketing agent, the letter of credit provider, and the trustee, respectively. In October 2008, for the first time since 1984, the remarketing agent couldn't remarket $1.45 million in bonds; Bank of America, the LOC provider, acquired those bonds and they became Bank Bonds. The adopted budget for FY 2009 estimated on average an interest rate of 4.51 percent, as of October 2008, the average rate for the Bonds is 2.47 percent.

E. Ballston Skating Facility

In July 2008, the IDA signed a two-year Agreement with Dexia Credit Local New York to provide a 4.75 percent interest rate cap for the 2005 Taxable Economic Development Revenue Bonds (Skating Facility Project). In October 2008, and due to the extreme financial condition of Lehman Brothers the remarketing agent for the 2005 Bonds, the IDA, transferred the remarketing agent function to Morgan Keegan. The adopted budget for FY 2009 estimate on average an interest rate of 4.445 percent, as of October 2008, the average rate for the Bonds is 3.26 percent.

ARLINGTON
VIRGINIA

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 and account groups.

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 and account group.

EXHIBIT X

ARLINGTON COUNTY, VIRGINIA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	SPECIAL REVENUE FUNDS					CAPITAL PROJECTS FUNDS									
ASSETS	Travel & Tourism Promotion	Rossyln Business Improvement District	Crystal City Business Improvement District	Community Development Grants	Section 8 Housing Program	Street and Highway Bond Fund	Neighborhood Conservation Bond Fund	Government Facility Bond	Stormwater Fund	Public Recreation Bond Fund	Fire Station Bond Fund	Library Bond Fund	NVTA Fund	Transit Facilities Bond Fund	Total Non-Major Governmental Funds
Equity in pooled cash and investments	$150,787	$1,655,433	$1,161,990	$114,526	$6,957,495	$14,612,823	$14,621,313	$1,087,352	$2,800,987	$38,825,658	$15,221,862	$7,393,525	$10,418,820	$13,535,949	$128,558,520
Receivables, net	-	-	-	18,656,335	-	-	-	-	-	-	-	-	-	-	18,656,335
Receivables from other governments	95,629	-	-	451,377	111,790	-	-	-	-	-	-	-	-	-	658,796
Prepaid	-	-	-	-	1,081,096	-	-	-	-	-	-	-	-	-	1,081,096
Total assets	$246,416	$1,655,433	$1,161,990	$19,222,238	$8,150,381	$14,612,823	$14,621,313	$1,087,352	$2,800,987	$38,825,658	$15,221,862	$7,393,525	$10,418,820	$13,535,949	$148,954,747
LIABILITIES AND FUND BALANCES															
LIABILITIES															
Accounts Payable	$7,649	$-	$-	$136,767	$867	$68,429	$300,668	$8,753	$-	$362,391	$3,004	$330,232	$-	$-	$1,218,760
Other liabilities	-	-	-	15,236,886	-	-	-	-	-	25,000	-	-	-	-	15,261,886
Deferred Revenue	-	1,500,000	1,086,829	3,848,585	38,931	-	-	-	-	-	-	-	-	-	6,474,345
Total liabilities	7,649	1,500,000	1,086,829	19,222,238	39,798	68,429	300,668	8,753	-	387,391	3,004	330,232	-	-	22,954,991
FUND BALANCES															
Reserved for encumbrances	53,706	-	-	-	-	733,320	1,592,504	17,508	-	3,889,570	598,717	4,503,333	-	-	$11,388,658
Rereserved for construction	-	-	-	-	-	13,811,074	12,728,141	1,061,091	2,800,987	34,548,697	14,620,141	2,559,960	10,418,820	13,535,949	106,084,860
Unreserved-special revenue	185,061	155,433	75,161	-	8,110,583	-	-	-	-	-	-	-	-	-	8,526,238
Total fund balances	238,767	155,433	75,161	-	8,110,583	14,544,394	14,320,645	1,078,599	2,800,987	38,438,267	15,218,858	7,063,293	10,418,820	13,535,949	125,999,756
Total liabilities and fund balances	$246,416	$1,655,433	$1,161,990	$19,222,238	$8,150,381	$14,612,823	$14,621,313	$1,087,352	$2,800,987	$38,825,658	$15,221,862	$7,393,525	$10,418,820	$13,535,949	$148,954,747

EXHIBIT Y

ARLINGTON COUNTY, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	SPECIAL REVENUE FUNDS					CAPITAL PROJECTS FUNDS									
REVENUES:	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 Fund	Stormwater Fund	Public Recreation Bond Fund	Fire Station Bond Fund	Library Bond Fund	NVTA Fund	Transit Facilities Bond Fund	Total Non-Major Governmental Funds
Other local taxes	$1,058,881	$2,438,304	$2,070,296	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$-	$5,567,481
Real estate taxes	-	-	-	-	-	-	-	-	2,881,938	-	-	-	10,418,820	-	13,300,758
Intergovernmental	6,814	-	-	3,014,824	14,605,305	-	-	-	-	-	-	-	-	-	17,626,943
Interest income	-	-	-	-	-	518,454	858,790	56,309	-	2,025,798	873,945	94,334	-	453,284	4,880,914
Total revenues	1,065,695	2,438,304	2,070,296	3,014,824	14,605,305	518,454	858,790	56,309	2,881,938	2,025,798	873,945	94,334	10,418,820	453,284	41,376,096
EXPENDITURES:															
Planning and community development	-	2,549,091	2,199,950	3,014,824	15,689,253	-	-	-	-	-	-	-	-	-	23,453,118
Travel and tourism	1,344,070	-	-	-	-	-	-	-	-	-	-	-	-	-	1,344,070
Capital outlay	-	-	-	-	-	5,891,513	4,382,534	192,872	-	9,898,571	869,869	721,896	-	8,950,660	30,988,866
Total expenditures	1,344,070	2,549,091	2,199,950	3,014,824	15,689,253	5,891,513	4,382,534	192,872	80,951	9,898,571	869,869	721,896	-	8,950,660	55,786,054
Revenues over (under) expenditures	(278,375)	(110,787)	(129,654)	-	(1,083,948)	(5,373,059)	(3,523,744)	(136,563)	2,800,987	(7,872,773)	4,076	(627,562)	10,418,820	(8,497,376)	(14,409,958)
OTHER FINANCING SOURCES(USES):															
Proceeds from sale of bonds	-	-	-	-	-	9,000,572	2,019,854	-	-	6,700,000	-	6,000,000	-	8,980,574	32,701,000
Transfers in	247,000	-	-	-	-	-	-	-	-	-	-	-	-	-	247,000
Transfers out	-	(24,383)	(20,703)	-	-	(518,454)	(858,790)	(56,309)	-	(2,025,798)	(873,945)	(94,334)	-	(453,284)	(4,926,000)
Total Other financing sources (uses)	247,000	(24,383)	(20,703)	-	-	8,482,118	1,161,064	(56,309)	-	4,674,202	(873,945)	5,905,666	-	8,527,290	28,022,000
Net change in fund balances	(31,375)	(135,170)	(150,357)	-	(1,083,948)	3,109,059	(2,362,680)	(192,872)	2,800,987	(3,198,571)	(869,869)	5,278,104	10,418,820	29,914	13,612,042
FUND BALANCE, beginning 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
FUND BALANCE, end of year	$238,767	$155,433	$75,161	$-	$8,110,583	$14,544,394	$14,320,645	$1,078,599	$2,800,987	$38,438,267	$15,218,858	$7,063,293	$10,418,820	$13,535,949	$125,999,756



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.

EXHIBIT A-1

ARLINGTON COUNTY, VIRGINIA
GENERAL FUND
BALANCE SHEET
JUNE 30, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	2008	2007
ASSETS		
Equity in pooled cash and investments	$165,165,201	$156,712,820
Petty cash	5,332	6,045
Cash with fiscal agents	255,257	255,257
Receivables(net, where applicable, of allowance for uncollectibles):		
Taxes	265,908,747	230,127,253
Accounts	19,391,640	17,269,853
Accrued interest	1,813,421	409,481
Due from other governments	2,051,376	4,531,500
Temporary Loan To Fund	2,046,166	12,036,260
Due from component unit	887,903	571,904
Other assets	15,480,063	15,097,664
Total Assets	$473,005,106	$437,018,037
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accrued payroll liabilities	$14,223,044	$15,263,696
Vouchers payable	11,338,662	9,226,323
Current maturities of interest payable	267,305	267,305
Other current liabilities	192,681	814,892
Deferred revenue	274,479,454	240,666,795
Due to component unit	54,808,061	55,287,795
Total Liabilities	355,309,207	321,526,806
FUND BALANCE:		
Reserved -		
For Encumbrances	2,517,374	4,570,757
For Four Mile Run	500,000	500,000
Unreserved -		
Designated for operating reserve	28,262,153	17,800,000
Designated for FY 2009 budget	12,349,499	11,676,134
Designated for FY 2009 School budget	17,578,976	25,015,786
Designated for Self Insurance	3,500,000	3,500,000
Designated for Retirement	3,880,000	-
Designated for incomplete projects:		
Capital improvements/other incomplete projects	20,830,283	27,005,653
AHIF	18,066,109	17,533,008
Excess Recordation Tax for Housing	-	889,893
Designated for OPEB	10,211,505	7,000,000
Total Fund Balance	117,695,899	115,491,231
Total Liabilities and Fund Balance	$473,005,106	$437,018,037

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, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	2008			
	BUDGET	ACTUAL	VARIANCE OVER (UNDER)	2007 ACTUALS
REVENUES:				
Taxes	$715,757,807	$734,385,993	$18,628,186	$691,342,254
Licenses and permits	18,455,650	17,022,701	(1,432,949)	13,687,394
From the Commonwealth of Virginia	67,433,192	64,282,769	(3,150,423)	65,542,185
From the federal government	27,205,314	22,976,314	(4,229,000)	23,723,364
Charges for services	37,023,696	38,288,000	1,264,304	37,499,679
Fines and forfeitures	8,300,500	8,049,910	(250,590)	8,338,582
Use of money and property	15,413,783	12,401,931	(3,011,852)	10,745,988
Miscellaneous revenues	10,557,766	5,194,281	(5,363,485)	5,362,811
Total Revenues	900,147,708	902,601,899	2,454,191	856,242,257
EXPENDITURES:				
Current:				
General government	46,260,934	44,735,258	1,525,676	42,106,186
Judicial administration	47,058,938	47,135,875	(76,937)	44,343,051
Public safety	109,493,868	105,760,328	3,733,540	100,650,601
Environmental services	67,364,223	62,420,185	4,944,038	58,491,391
Health and welfare	106,843,171	101,695,722	5,147,449	96,536,913
Parks and recreation	33,918,067	33,656,140	261,927	32,146,657
Libraries	13,218,762	13,062,000	156,762	12,339,879
Planning and community development	25,934,645	19,343,774	6,590,871	17,379,638
Non-departmental	73,207,370	45,179,813	28,027,557	46,959,849
Contributions to regional agencies	25,231,371	25,267,764	(36,393)	22,356,827
Debt service:				
Principal	29,031,896	28,950,071	81,825	27,595,301
Interest on serial bonds	18,531,307	18,423,089	108,218	17,941,603
Other costs	100,000	7,667	92,333	156,470
Total Expenditures	596,194,552	545,637,686	50,556,866	519,004,366
Revenues over Expenditures	303,953,156	356,964,213	53,011,057	337,237,891
OTHER FINANCING SOURCES(USES):				
Transfers in	3,079,327	5,529,462	2,353,273	11,794,522
Transfers from component unit	96,862	275,286	275,286	2,210,800
Transfers out	(24,737,941)	(24,737,941)	-	(14,720,488)
Transfers to component unit	(352,552,853)	(340,120,548)	12,432,305	(322,332,527)
Premium on sales of bonds	-	1,491,507	1,491,507	136,000
Proceeds from capital lease	-	2,802,688	2,802,688	650,489
Total Other Financing Sources(Uses)	(374,114,605)	(354,759,546)	19,355,059	(322,261,204)
Revenues Over (Under) Expenditures and Other Sources(Uses)	-	2,204,667	72,366,116	14,976,687
FUND BALANCE, beginning of year	115,491,231	115,491,231	-	100,514,544
FUND BALANCE, end of year	$115,491,231	$117,695,899	$72,366,116	$115,491,231

ARLINGTON
VIRGINIA

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.

EXHIBIT B-1

ARLINGTON COUNTY, VIRGINIA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	Travel & Tourism Promotion	Rosslyn Business Improvement District	Crystal City Business Improvement District	Community Dev. Grants	Section 8 Housing Program	Totals June 30, 2008	Totals June 30, 2007
ASSETS							
Equity in pooled cash and investments	$150,787	$1,655,433	$1,161,990	$114,526	$6,957,495	$10,040,231	$10,163,800
Receivable from other government	95,629	-	-	451,377	111,790	658,796	498,932
Long-term receivables	-	-	-	18,656,335	-	18,656,335	17,721,693
Prepaid Expenses	-	-	-	-	1,081,096	1,081,096	1,043,031
Total Assets	$246,416	$1,655,433	$1,161,990	$19,222,238	$8,150,381	$30,436,458	$29,427,456
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Vouchers payable	$7,649	$-	$-	$136,767	$867	$145,283	$247,063
Deferred Revenues	-	1,500,000	1,086,829	3,848,585	38,931	6,474,345	4,991,680
Long-term liabilities	-	-	-	15,236,886	-	15,236,886	14,207,919
Total Liabilities	7,649	1,500,000	1,086,829	19,222,238	39,798	21,856,514	19,446,662
FUND BALANCES							
Reserved for encumbrances	53,706	-	-	-	-	53,706	61,054
Unreserved- special revenue	185,061	155,433	75,161	-	8,110,583	8,526,238	9,919,740
Total Fund Balances	238,767	155,433	75,161	-	8,110,583	8,579,944	9,980,794
Total Liabilities and Fund Balances	$246,416	$1,655,433	$1,161,990	$19,222,238	$8,150,381	$30,436,458	$29,427,456

ARLINGTON COUNTY, VIRGINIA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

REVENUES:	Travel & Tourism Promotion	Rosslyn Business Improvement District	Crystal City Business Improvement District	Community Dev. Grants	Section 8 Housing Program	Totals June 30, 2008	Totals June 30, 2007
Other local taxes	$1,058,881	$2,438,304	$2,070,296	$-	$-	$5,567,481	$4,849,993
From the federal government	6,814	-	-	3,014,824	14,605,305	17,626,943	24,227,759
Total revenues	1,065,695	2,438,304	2,070,296	3,014,824	14,605,305	23,194,424	29,077,752
EXPENDITURES:							
Current -							
Community development	-	2,549,091	2,199,950	3,014,824	-	7,763,865	6,479,575
Housing program	-	-	-	-	15,689,253	15,689,253	14,975,976
Travel and tourism	1,344,070	-	-	-	-	1,344,070	1,365,943
Total expenditures	1,344,070	2,549,091	2,199,950	3,014,824	15,689,253	24,797,188	22,821,494
Revenues over (under) expenditures	(278,375)	(110,787)	(129,654)	-	(1,083,948)	(1,602,764)	6,256,258
OTHER FINANCING SOURCES(USES):							
Transfers out	-	(24,383)	($20,703)	-	-	(45,086)	(39,358)
Transfers in	247,000	-	-	-	-	247,000	247,000
Total other financing sources(uses)	247,000	(24,383)	(20,703)	-	-	201,914	207,642
Revenues and other financing sources (uses) over expenditures	(31,375)	(135,170)	(150,357)	-	(1,083,948)	(1,400,850)	6,463,900
FUND BALANCES, beginning of year	270,142	290,603	225,518	-	9,194,531	9,980,794	3,516,894
FUND BALANCES, end of year	$238,767	$155,433	$75,161	$-	$8,110,583	$8,579,944	$9,980,794

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, 2008

	Budget	Actual	Variance-Positive (Negative)
REVENUES:			
Other local taxes	$1,002,678	$1,058,881	$56,203
Revenue from federal government	78,000	6,814	(71,186)
Total revenue	1,080,678	1,065,695	(14,983)
EXPENDITURES:			
Travel and tourism promotion	1,385,914	1,344,070	41,844
Revenues over(under) expenditures	(305,236)	(278,375)	26,861
OTHER FINANCING SOURCES:			
Operating transfers in	247,000	247,000	-
Revenues and other financing sources over (under) expenditures	(58,236)	(31,375)	26,861
FUND BALANCE, beginning of year	270,142	270,142	-
FUND BALANCE, end of year	$211,906	$238,767	$26,861

EXHIBIT B-4

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, 2008

	Budget	Actual	Variance-Positive (Negative)
REVENUES:			
Other local taxes	$2,573,091	$2,438,304	($134,787)
Total revenue	2,573,091	2,438,304	(134,787)
EXPENDITURES:			
Special real estate tax assessments	2,573,091	2,549,091	24,000
Revenues over(under) expenditures	-	(110,787)	(110,787)
OTHER FINANCING SOURCES(USES):			
Transfers out	-	(24,383)	(24,383)
Total other financing sources(uses)	-	(24,383)	(24,383)
Revenues and other financing sources(uses)	-	(135,170)	(135,170)
FUND BALANCE, beginning of year	290,603	290,603	-
FUND BALANCE, end of year	$290,603	$155,433	($135,170)

EXHIBIT B-5

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, 2008

	Budget	Actual	Variance-Positive (Negative)
REVENUES:			
Other local taxes	$2,088,517	$2,070,296	($18,221)
Other	182,992	-	($182,992)
Total revenue	2,271,509	2,070,296	(201,213)
EXPENDITURES:			
Special real estate tax assessments	2,271,509	2,199,950	71,559
Revenues over(under) expenditures	-	(129,654)	(129,654)
OTHER FINANCING SOURCES(USES):			
Transfers out	-	(20,703)	(20,703)
Total other financing sources(uses)	-	(20,703)	(20,703)
Revenues and other financing sources(uses)	-	(150,357)	(150,357)
FUND BALANCE, beginning of year	225,518	225,518	-
FUND BALANCE, end of year	$225,518	$75,161	($150,357)

EXHIBIT B-6

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, 2008

	Budget	Actual	Variance-Positive (Negative)
REVENUES:			
From the federal government	$4,395,945	$3,014,824	($1,381,121)
Total Revenues	4,395,945	3,014,824	(1,381,121)
EXPENDITURES:			
Community development	4,395,945	3,014,824	1,381,121
Revenues over expenditures	-	-	-
FUND BALANCE, beginning of year	-	-	-
FUND BALANCE, end of year	$-	$-	$-

EXHIBIT B-7

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, 2008

	Budget	Actual	Variance-Positive (Negative)
REVENUES:			
From the federal government	$15,381,136	$14,605,305	($775,831)
EXPENDITURES:			
Housing program	15,381,136	15,689,253	(308,117)
Revenues over expenditures	-	(1,083,948)	(1,083,948)
FUND BALANCE, beginning of year	9,194,531	9,194,531	-
FUND BALANCE, end of year	$9,194,531	$8,110,583	($1,083,948)



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, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	General Capital Projects Fund	Street and Highway Bond Fund	Neighborhood Conservation Bond Fund	Government Facility Bond	Stormwater Fund	Public Recreation Bond Fund	Fire Station Bond Fund	Library Bond Fund	NVTA Fund	Transit Facilities Bond Fund	Totals June 30, 2008	Totals June 30, 2007
ASSETS:												
Equity in pooled cash and investments	$55,489,784	$14,612,823	$14,621,313	$1,087,352	$2,800,987	$38,825,658	$15,221,862	$7,393,525	$10,418,820	$13,535,949	$174,008,073	$155,853,477
Due from other government	-	-	-	-	-	-	-	-	-	-	-	193,093
Total Assets	$55,489,784	$14,612,823	$14,621,313	$1,087,352	$2,800,987	$38,825,658	$15,221,862	$7,393,525	$10,418,820	$13,535,949	$174,008,073	$156,046,570
LIABILITIES AND FUND BALANCES												
LIABILITIES:												
Vouchers payable	$2,128,814	$68,429	$300,668	$8,753	$-	$362,391	$3,004	$330,232	$-	$-	$3,202,291	$3,253,329
Contracts payable-retainage	115,528	-	-	-	-	25,000	-	-	-	-	140,528	1,221,603
Deferred Revenue	9,433,755	-	-	-	-	-	-	-	-	-	9,433,755	8,346,126
Other liabilities	1,127,209	-	-	-	-	-	-	-	-	-	1,127,209	802,660
Total Liabilities	12,805,306	68,429	300,668	8,753	-	387,391	3,004	330,232	-	-	$13,903,783	$13,623,718
FUND BALANCES:												
Reserved for encumbrances	14,924,535	733,320	1,592,504	17,508	-	3,889,570	598,717	4,503,333	-	-	26,259,487	32,282,131
Reserved for construction	27,759,943	13,811,074	12,728,141	1,061,091	2,800,987	34,548,697	14,620,141	2,559,960	10,418,820	13,535,949	133,844,803	110,140,721
Total Fund Balances	42,684,478	14,544,394	14,320,645	1,078,599	2,800,987	38,438,267	15,218,858	7,063,293	10,418,820	13,535,949	160,104,290	142,422,852
Total Liabilities and Fund Balances	$55,489,784	$14,612,823	$14,621,313	$1,087,352	$2,800,987	$38,825,658	$15,221,862	$7,393,525	$10,418,820	$13,535,949	$174,008,073	$156,046,570

EXHIBIT C-2

ARLINGTON COUNTY, VIRGINIA
CAPITAL PROJECT FUNDS
COMBINING STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	General Capital Projects Fund	Street and Highway Bond Fund	Neighborhood Conservation Bond Fund	Government Facility Bond	Stormwater Fund	Public Recreation Bond Fund	Fire Station Bond Fund	Library Bond Fund	NVTA Fund	Transit Facilities Bond Fund	Totals June 30, 2008	Totals June 30, 2007
REVENUES:												
From the Commonwealth of Virginia	$2,553,387	$-	$-	$-	$-	$-	$-	$-	$-	$-	$2,553,387	$3,287,513
From the federal government	33,332	-	-	-	-	-	-	-	-	-	33,332	3,085,405
Charges for services	989,573	-	-	-	-	-	-	-	-	-	989,573	2,730,864
Real estate taxes	-	-	-	-	2,881,938	-	-	-	10,418,820	-	13,300,758	-
Use of money and property	-	518,454	858,790	56,309	-	2,025,798	873,945	94,334	-	453,284	4,880,914	6,181,487
Miscellaneous revenue	884,496	-	-	-	-	-	-	-	-	-	884,496	2,574,933
Total Revenues	4,460,788	518,454	858,790	56,309	2,881,938	2,025,798	873,945	94,334	10,418,820	453,284	22,642,460	17,860,202
Capital outlay	29,148,751	5,891,513	4,382,534	192,872	80,951	9,898,571	869,869	721,896	-	8,950,660	60,137,617	61,004,743
Total Expenditures	29,148,751	5,891,513	4,382,534	192,872	80,951	9,898,571	869,869	721,896	-	8,950,660	60,137,617	61,004,743
Revenues Over/(Under) Expenditures	(24,687,963)	(5,373,059)	(3,523,744)	(136,563)	2,800,987	(7,872,773)	4,076	(627,562)	10,418,820	(8,497,376)	(37,495,157)	(43,144,541)
OTHER FINANCING SOURCES/(USES):												
Proceeds from lease purchase	2,902,040	-	-	-	-	-	-	-	-	-	2,902,040	839,020
Proceeds from sale of bonds	-	9,000,572	2,019,854	-	-	6,700,000	-	6,000,000	-	8,980,574	32,701,000	33,230,000
Transfers in	24,454,469	-	-	-	-	-	-	-	-	-	24,454,469	14,396,318
Transfers out	-	(518,454)	(858,790)	(56,309)	-	(2,025,798)	(873,945)	(94,334)	-	(453,284)	(4,880,914)	(6,181,487)
Total Other Financing Sources/(Uses)	27,356,509	8,482,118	1,161,064	(56,309)	-	4,674,202	(873,945)	5,905,666	-	8,527,290	55,176,595	42,283,851
Revenues and Other Financing Sources (Uses) Over/(Under) Expenditures	2,668,546	3,109,059	(2,362,680)	(192,872)	2,800,987	(3,198,571)	(869,869)	5,278,104	10,418,820	29,914	17,681,438	(860,690)
FUND BALANCE, beginning 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
FUND BALANCE, end of year	$42,684,478	$14,544,394	$14,320,645	$1,078,599	$2,800,987	$38,438,267	$15,218,858	$7,063,293	$10,418,820	$13,535,949	$160,104,290	$142,422,852

ARLINGTON
VIRGINIA

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, 2008

A S S E T S

	MAJOR FUNDS		NON MAJOR FUNDS						Totals	
				IDA REVENUE BOND FUNDS						
	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, 2008	June 30, 2007
CURRENT ASSETS:										
Equity in pooled cash and investments	$119,790,712	$10,891,995	$13,227,940	$-	$-	$-	$-	$250,963	$144,161,610	$130,987,320
Cash with fiscal agents	25,221	-	-	-	-	-	-	-	25,221	25,221
Accounts receivable:										
Water-sewer charges	18,137,535	-	-	-	-	-	-	-	18,137,535	11,750,762
Estimated unbilled service charges	10,644,685	-	-	-	-	-	-	-	10,644,685	8,947,926
Other	5,161,978	6,581	-	-	-	-	-	-	5,168,559	4,477,758
Interest receivable	-	-	40,266	215	-	-	215	-	40,481	103,322
Prepaid expenses	2,447,864	187,880	-	-	-	-	-	-	2,635,744	2,635,745
Inventories	830,994	-	-	-	-	-	-	-	830,994	731,000
Total current assets	157,038,989	11,086,456	13,268,206	215	-	-	215	250,963	181,644,829	159,659,054
CAPITAL ASSETS:										
Land	1,792,817	-	-	-	-	-	-	-	1,792,817	1,792,817
Sewer system	312,706,995	-	-	-	-	-	-	-	312,706,995	278,387,346
Water system	130,670,975	-	-	-	-	-	-	-	130,670,975	125,461,782
Furniture and fixtures	1,626,766	-	-	-	-	-	-	-	1,626,766	1,872,910
Building	-	22,315,887	951,245	17,017,493	3,502,500	-	20,519,993	-	43,787,125	42,835,880
Equipment	-	12,458	2,830,464	-	-	8,500,000	8,500,000	-	11,342,922	8,512,458
Construction in progress	286,142,953	-	18,566,558	1,427,928	-	-	1,427,928	-	306,137,439	157,738,077
Less accumulated depreciation	(100,695,358)	(10,166,325)	(129,418)	(425,437)	(87,562)	(850,000)	(1,362,999)	-	(112,354,100)	(105,087,467)
Total capital assets (net of accumulated depreciation)	632,245,148	12,162,020	22,218,849	18,019,984	3,414,938	7,650,000	29,084,922	-	695,710,939	511,513,803
Deferred bond issuance costs	43,206	60,912	205,739	119,249	23,265	43,107	185,621	-	495,478	531,813
Total noncurrent assets	632,288,354	12,222,932	22,424,588	18,139,233	3,438,203	7,693,107	29,270,543	-	696,206,417	512,045,616
Total assets	$789,327,343	$23,309,388	$35,692,794	$18,139,448	$3,438,203	$7,693,107	$29,270,758	$250,963	$877,851,246	$671,704,670

ARLINGTON COUNTY, VIRGINIA
ENTERPRISE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2008

LIABILITIES AND EQUITY

	MAJOR FUNDS		NON MAJOR FUNDS						Totals	
		Ballston	IDA REVENUE BOND FUNDS							
	Utilities	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, 2008	June 30, 2007
CURRENT LIABILITIES:										
Payable from current assets:										
General obligation bonds payable	$7,084,108	$-	$-	$-	$-	$-	$-	$-	$7,084,108	$5,179,814
VRA loan payable	3,819,255	-	-	-	-	-	-	-	3,819,255	1,880,258
Bond and mortgage interest payable	2,823,792	15,301,755	-	-	-	-	-	-	18,125,547	16,259,963
Vouchers payable	30,058,462	1,030,273	1,166,909	-	-	-	-	-	32,255,644	6,569,944
Revenue bonds payable-current	-	500,000	-	-	-	-	-	-	500,000	500,000
Mortgage /notes payable	-	2,272,970	-	-	-	-	-	-	2,272,970	2,011,429
Other accrued liabilities	456,328	6,846,920	-	-	-	-	-	-	7,303,248	6,595,000
Due to other funds	-	-	-	1,625,859	305,112	1,940,774	3,871,745	-	3,871,745	1,989,006
Total current liabilities	44,241,945	25,951,918	1,166,909	1,625,859	305,112	1,940,774	3,871,745	-	75,232,517	40,985,414
LONG-TERM LIABILITIES:										
Compensated absences	1,487,435	-	-	-	-	-	-	-	1,487,435	1,363,918
General obligation bonds payable	3,533,627	-	-	-	-	-	-	-	3,533,627	1,681,906
Revenue bonds payable	-	12,800,000	30,206,952	15,832,998	3,011,638	5,993,108	24,837,744	-	67,844,696	71,693,561
OPEB liability	376,593	-	-	-	-	-	-	-	376,593	-
VRA Loan payable	142,255,287	-	-	-	-	-	-	-	142,255,287	59,284,702
Mortgage payable	-	1,156,709	-	-	-	-	-	-	1,156,709	1,418,250
Bonds payable	112,617,549	-	-	-	-	-	-	-	112,617,549	93,244,095
Total long-term liabilities	260,270,491	13,956,709	30,206,952	15,832,998	3,011,638	5,993,108	24,837,744	-	329,271,896	228,686,432
Total liabilities	304,512,436	39,908,627	31,373,861	17,458,857	3,316,750	7,933,882	28,709,489	-	404,504,413	269,671,846
NET ASSETS:										
Invested in capital assets, net of related debt	366,754,577	(4,567,659)	(7,988,103)	2,186,986	403,300	1,656,892	4,247,178	-	358,445,993	276,500,046
Restricted net assets	-	(12,031,580)	12,307,036	(1,506,395)	(281,847)	(1,897,667)	(3,685,909)	-	(3,410,453)	10,222,745
Unrestricted	118,060,330	-	-	-	-	-	-	250,963	118,311,293	115,310,033
Total net assets	484,814,907	(16,599,239)	4,318,933	680,591	121,453	(240,775)	561,269	250,963	473,346,833	402,032,824
Total liabilities and net assets	$789,327,343	$23,309,388	35,692,794	18,139,448	3,438,203	7,693,107	29,270,758	$250,963	$877,851,246	$671,704,670

ARLINGTON COUNTY, VIRGINIA
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	MAJOR FUNDS		NON MAJOR FUNDS						Totals	
			IDA REVENUE BOND FUNDS							
	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, 2008	June 30, 2007
OPERATING REVENUES:										
Water-sewer service charges	$67,434,401	$-	$-	$-	$-	$-	$-	$-	$67,434,401	$56,850,491
Water-service hook-up charges	4,810,598	-	-	-	-	-	-	-	4,810,598	3,345,476
Water-service connection charges	521,093	-	-	-	-	-	-	-	521,093	787,642
Sewage treatment service charges	27,675,650	-	-	-	-	-	-	-	27,675,650	14,203,879
Other	1,828,983	-	-	-	-	-	-	-	1,828,983	1,687,277
Parking charges	-	3,716,667	-	-	-	-	-	203,727	3,920,394	3,690,603
Total Operating Revenues	102,270,725	3,716,667	-	-	-	-	-	203,727	106,191,119	80,565,368
OPERATING EXPENSES:										
Personnel services	12,742,126	-	-	-	-	-	-	-	12,742,126	12,450,800
Fringe benefits	3,611,139	-	-	-	-	-	-	-	3,611,139	3,368,865
Contractual services	9,206,442	6,579,932		-	-	-	-	15,840	15,802,214	12,056,468
Purchases of water	6,884,704	-	-	-	-	-	-	-	6,884,704	6,639,549
Materials and supplies	5,000,012	33,982	-	-	-	-	-	20,107	5,054,101	4,941,306
Deferred rent	-	654,996	-	-	-	-	-	-	654,996	654,996
Depreciation and amortization	5,532,861	507,388	129,418	425,437	87,562	850,000	1,362,999	-	7,532,666	6,012,261
Equipment (Construction Contracts)	124,876	-	-	-	-	-	-	-	124,876	119,229
OPEB expense	376,593	-	-	-	-	-	-	-	376,593	-
Miscellaneous	5,037,270	-	-	-	-	-	-	-	5,037,270	4,830,473
Total Operating Expenses	48,516,023	7,776,298	129,418	425,437	87,562	850,000	1,362,999	35,947	57,820,685	51,073,947
Operating Income	53,754,702	(4,059,631)	(129,418)	(425,437)	(87,562)	(850,000)	(1,362,999)	167,780	48,370,434	29,491,421
NON-OPERATING REVENUES(EXPENSES):										
Interest income and other income	4,226,448	602,195	1,132,550	45,774	7,745	51,158	104,677	-	6,065,870	3,617,839
Interest expense and fiscal charges	(9,388,238)	(1,740,933)	(12,102)	(7,015)	(1,369)	(6,158)	(14,542)	-	(11,155,815)	(5,970,928)
Contributions from developers and other sources	1,518,430	-	-	-	-	-	-	-	1,518,430	1,994,090
Federal & State grant	26,515,090	-	-	-	-	-	-	-	26,515,090	19,168,904
Total Non-Operating Revenues(Expenses)	22,871,730	(1,138,738)	1,120,448	38,759	6,376	45,000	90,135	-	22,943,575	18,809,905
TRANSFERS IN(OUT):										
Transfers out	-	-	-	-	-	-	-	-	-	(471,344)
Change in net assets	76,626,432	(5,198,369)	991,030	(386,678)	(81,186)	(805,000)	(1,272,864)	167,780	71,314,009	47,829,982
Net assets, beginning of year	408,188,475	(11,400,870)	3,327,903	1,067,269	202,639	564,225	1,834,133	83,183	402,032,824	354,202,842
Net assets, end of year	$484,814,907	($16,599,239)	$4,318,933	$680,591	$121,453	($240,775)	$561,269	$250,963	$473,346,833	$402,032,824

ARLINGTON COUNTY, VIRGINIA
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	MAJOR FUNDS		NON MAJOR FUNDS						Totals	
			IDA REVENUE BOND FUNDS							
	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 2008	June 30 2007
CASH FLOWS FROM OPERATING ACTIVITIES:										
Cash received from customers	$93,502,973	$3,710,086	$-	$-	$-	$-	$-	$203,727	$97,416,786	$69,711,850
Cash paid to suppliers	(2,244,772)	(5,977,326)	-	-	-	-	-	(35,947)	(8,258,045)	(28,345,087)
Cash paid to employees	(16,229,748)	-	-	-	-	-	-	-	(16,229,748)	(15,795,350)
Net cash flows from operating activities	75,028,453	(2,267,240)	-	-	-	-	-	167,780	72,928,993	25,571,413
CASH FLOWS FROM INVESTING ACTIVITIES:										
Interest received	4,226,448	602,195	1,190,329	46,080	7,744	51,158	104,982	-	6,123,954	3,534,064
Net cash flows from investing activities	4,226,448	602,195	1,190,329	46,080	7,744	51,158	104,982	-	6,123,954	3,534,064
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:										
State grant	26,515,090	-	-	-	-	-	-	-	26,515,090	19,168,904
Net cash flows from non-capital financing activities	26,515,090	-	-	-	-	-	-	-	26,515,090	19,168,904
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:										
Principal payments - bonds	(5,179,814)	(500,000)	(1,170,000)	(895,000)	(165,000)	(805,000)	(1,865,000)	-	(8,714,814)	(6,857,382)
Proceeds from bonds	27,408,000	-	-	-	-	-	-	-	27,408,000	67,500,000
Payment of VRA loan	(3,789,660)	-	-	-	-	-	-	-	(3,789,660)	(3,674,856)
Proceeds of VRA loan	88,699,242	-	-	-	-	-	-	-	88,699,242	32,541,361
Bond Premium	1,098,897	-	-	-	-	-	-	-	1,098,897	914,253
Contributions from other sources	-	-	-	1,625,859	305,112	1,940,773	3,871,744	-	3,871,744	1,975,827
Transfer out	-	-	-	-	-	-	-	-	-	(471,344)
Interest and other loan expenses paid	(6,142,614)	(521,719)	(214,198)	(40,765)	(7,744)	(51,158)	(99,667)	-	(6,978,198)	(5,153,536)
Purchases of property	(186,695,152)	-	(5,281,747)	(736,174)	(140,112)	(1,135,773)	(2,012,059)	-	(193,988,958)	(83,073,551)
Net cash flows from capital and related financing activities	(84,601,101)	(1,021,719)	(6,665,945)	(46,080)	(7,744)	(51,158)	(104,982)	-	(92,393,747)	3,700,772
Net increase(decrease) in cash and cash equivalents	21,168,890	(2,686,764)	(5,475,616)	-	-	-	-	167,780	13,174,290	51,975,153
Cash and cash equivalents at beginning of year	98,621,822	13,578,759	18,703,556	-	-	-	-	83,183	130,987,320	79,012,167
Cash and cash equivalents at end of year	$119,790,712	$10,891,995	$13,227,940	$-	$-	$-	$-	$250,963	$144,161,610	$130,987,320
Reconciliation of operating income to net cash flow from operations:										
Operating Income	$53,754,702	($4,059,631)	(129,418)	(425,437)	(87,562)	(850,000)	(1,362,999)	$167,780	$48,370,434	$29,491,421
Adjustments to reconcile operating income to net cash provided by operating activities:										
Depreciation and amortization	5,532,861	507,388	129,418	425,437	87,562	850,000	1,362,999	-	7,532,666	6,012,261
OPEB expense	376,593	-	-	-	-	-	-	-	376,593	-
(Increase)Decrease in accounts receivable	(8,767,753)	(6,581)	-	-	-	-	-	-	(8,774,334)	(10,853,518)
(Increase)Decrease in inventories	(99,994)	-	-	-	-	-	-	-	(99,994)	(3,712)
Increase(Decrease) in vouchers payable	24,108,527	636,589		-	-	-	-	-	24,745,116	590,638
Increase(Decrease) in compensated absences	123,517	-	-	-	-	-	-	-	123,517	24,315
Increase(Decrease) in contract retainage	-	-	-	-	-	-	-	-	-	(344,988)
Increase(Decrease) in other accrued liabilities	-	654,995	-	-	-	-	-	-	654,995	654,996
Net cash flows from operations	$75,028,453	($2,267,240)	$-	$-	$-	$-	$-	$167,780	$72,928,993	$25,571,413
Noncash investing, capital, and financing activities:										
Contributions from developers and other sources	$1,518,430	-	-	-	-	-	-	-	$1,518,430	$1,994,090

ARLINGTON
VIRGINIA

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, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	Automotive Equipment	Printing	Jail Industries	Totals June 30 2008	Totals June 30 2007
ASSETS					
CURRENT ASSETS:					
Equity in pooled cash and investments	$4,013,401	$-	$7,486	$4,020,887	$5,900,202
Accounts receivable	3,730,218	-	-	3,730,218	1,301,262
Inventories	685,054	146,359	-	831,413	777,828
Total Current Assets	8,428,673	146,359	7,486	8,582,518	7,979,292
CAPITAL ASSETS:					
Equipment and other capital assets	45,349,706	-	-	45,349,706	45,429,507
Less-allowance for depreciation	(22,284,264)	-	-	(22,284,264)	(21,952,645)
Net Capital Assets	23,065,442	-	-	23,065,442	23,476,862
Total Assets	$31,494,115	$146,359	$7,486	$31,647,960	$31,456,154
LIABILITIES AND NET ASSETS:					
CURRENT LIABILITIES:					
Vouchers payable	$51,822	$43,563	$4,500	$99,885	$745,530
Capital lease - current portion	925,077	-	-	925,077	1,024,433
Accounts payable	276,763	67,069	-	343,832	33,470
Total Current Liabilities	1,253,662	110,632	4,500	1,368,794	1,803,433
LONG-TERM LIABILITIES					
Compensated absences	435,448	93,058	18,660	547,166	586,038
OPEB liability	100,538	18,744	5,112	124,394	-
Capital lease	2,120,767	-	-	2,120,767	2,976,282
Total Long-Term Liabilities	2,656,753	111,802	23,772	2,792,327	3,562,320
Total liabilities	3,910,415	222,434	28,272	4,161,121	5,365,753
Net assets	27,583,700	(76,075)	(20,786)	27,486,839	26,090,401
Total Liabilities and Net Assets	$31,494,115	$146,359	$7,486	$31,647,960	$31,456,154

ARLINGTON COUNTY, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	Automotive Equipment	Printing	Jail Industries	Totals June 30 2008	Totals June 30 2007
OPERATING REVENUES:					
Charges for services	$17,987,484	$1,803,727	$270,573	$20,061,784	$19,619,185
OPERATING EXPENSES:					
Cost of store issuances	4,851,416	496,568	-	5,347,984	5,108,905
Personnel services	3,950,797	524,394	215,952	4,691,143	4,157,146
Fringe benefits	1,119,421	158,350	79,297	1,357,068	1,212,550
Material and supplies	134,814	138,531	2,797	276,142	274,870
Utilities	166,129	7,799	298	174,226	275,941
Operating equipment	-	-	335	335	-
Outside services	1,705,494	716,707	9,286	2,431,487	2,274,643
OPEB expense	100,538	18,744	5,112	124,394	-
Depreciation	4,167,287	-	-	4,167,287	3,963,818
Total Operating Expenses	16,195,896	2,061,093	313,077	18,570,066	17,267,873
Operating Income (Loss)	1,791,588	(257,366)	(42,504)	1,491,718	2,351,312
NON-OPERATING REVENUES (EXPENSES):					
Interest payment on capital lease	(146,741)	-	-	(146,741)	(132,633)
Gain/(Loss)on disposal of assets	(241,483)	-	-	(241,483)	12,243
Total Non-operating Revenues (Expenses)	(388,224)	-	-	(388,224)	(120,390)
Income Before Transfers	1,403,364	(257,366)	(42,504)	1,103,494	2,230,922
TRANSFERS IN (OUT):					
Transfers in	222,107	200,838	-	422,945	370,969
Transfers out	(130,000)	-	-	(130,000)	(130,000)
Total Operating Transfers	92,107	200,838	-	292,945	240,969
Change in Net Assets	1,495,471	(56,528)	(42,504)	1,396,439	2,471,891
Net Assets, beginning of year	26,088,229	(19,547)	21,718	26,090,400	23,618,510
Net Assets, end of year	$27,583,700	($76,075)	($20,786)	$27,486,839	$26,090,401

ARLINGTON COUNTY, VIRGINIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	Automotive Equipment	Printing	Jail Industries	Totals June 30, 2008	Totals June 30, 2007
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	($2,317,585)	$18,383	$-	($2,299,202)	($184,342)
Cash received from interfund charges	17,875,378	1,786,078	270,573	19,932,029	19,394,025
Cash paid to suppliers	(7,299,410)	(1,340,512)	(12,716)	(8,652,638)	(7,496,717)
Cash paid to employees	(5,103,189)	(698,385)	(285,509)	(6,087,083)	(5,349,065)
Net cash provided (used) by operating activities	3,155,194	(234,436)	(27,652)	2,893,106	6,363,901
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Payment of temporary loan	-	-	-	-	-
Temporary loan from general fund	-	33,598	-	33,598	33,470
Operating transfers in	222,107	200,838	-	422,945	370,969
Operating transfers out	(130,000)	-	-	(130,000)	(130,000)
Net cash provided by financing activities	92,107	234,436	-	326,543	274,439
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from capital lease	102,520	-	-	-	-
Principal payment on capital lease	(1,057,390)	-	-	(1,057,390)	(890,039)
Payment of interest on capital lease	(146,741)	-	-	(146,741)	(132,633)
Purchases of equipment and other fixed assets	(4,228,717)	-	-	(4,228,717)	(6,976,642)
Proceeds from sale of equipment	231,365	-	-	231,365	659,909
Net cash used by capital and related financing activities	(5,098,963)	-	-	(5,098,963)	(7,339,405)
Net increase (decrease) in cash and cash equivalents	(1,851,662)	-	(27,652)	(1,879,314)	(701,065)
Cash and cash equivalents at beginning of year	5,865,063	-	35,138	5,900,201	6,601,267
Cash and cash equivalents at end of period	$4,013,401	$-	$7,486	$4,020,887	$5,900,202
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income (loss)	$1,791,588	($257,366)	($42,504)	$1,491,718	$2,351,312
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	4,167,287	-	-	4,167,287	3,963,818
OPEB expense	100,538	18,744	5,112	124,394	-
(Increase)Decrease in accounts receivable	(2,429,689)	734	-	(2,428,955)	(409,502)
(Increase)Decrease in inventories	(67,837)	14,252	-	(53,585)	(59,801)
Increase(Decrease) in vouchers payable	(373,723)	4,841	-	(368,882)	497,443
Increase(Decrease) in compensated absences	(32,970)	(15,641)	9,740	(38,871)	20,631
Net cash provided (used) by operating activities	$3,155,194	($234,436)	($27,652)	$2,893,106	$6,363,901

ARLINGTON
VIRGINIA

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.

EXHIBIT F-1

ARLINGTON COUNTY, VIRGINIA
COMBINING STATEMENT OF NET ASSETS
TRUST FUNDS
JUNE 30, 2008

		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	$44,597,037	$6,355,111	$6,687,844	$203,681	$55,843	$13,302,479
Contributions Receivable:						
Employer	377,373	-	-	-	-	-
Employee	60,142	-	-	-	-	-
Accrued Interest and Other Receivables	11,649,766	284,694	3,984	-	-	288,678
Deferred Bond Issuance Costs	-	-	349,988	-	-	349,988
Capital Assets, net	-	-	26,653,981	-	-	26,653,981
Investments, at fair value						
Foreign, Municipal and U.S. Government Obligations, including Fixed Instruments in Pooled Funds	139,554,081	-	-	-	-	-
Corporate Fixed Income Obligations	236,110,436	-	-	-	-	-
Domestic and Foreign Equities, including Equities in Pooled Funds	746,625,830	5,948,852	-	-	-	5,948,852
Other Investments	184,541,926	-	-	-	-	-
Real Estate Funds	27,382,616	-	-	-	-	-
Collateral on Loaned Securities	107,645,446	-	-	-	-	-
Total assets	1,498,544,653	12,588,657	33,695,797	203,681	55,843	46,543,978
LIABILITIES						
Accounts payable and accrued liabilities	1,049,436	799,709	36,369,693	203,681	-	37,373,083
Obligations under Security Lending Program	107,645,446	-	-	-	-	-
Total liabilities	108,694,882	799,709	36,369,693	203,681	-	37,373,083
NET ASSETS	$1,389,849,771	$11,788,948	($2,673,896)	$-	$55,843	$9,170,895

ARLINGTON COUNTY, VIRGINIA
COMBINING STATEMENT OF CHANGES IN NET ASSETS
TRUST FUNDS
JUNE 30, 2008

	Private Purpose Trusts				
	Alex/Arlington Waste Disposal Trust	IDA - Ballston Skating Facility	IDA Affordabble Housing Investment Fund (AHIF+)	Other Private Purpose Trusts	Total Private Purpose Trusts
ADDITIONS					
Contributions and Revenues					
Shared revenues	$11,978,958	$2,300,000	$-	$-	14,278,958
Private donations- Others	-	-	-	55,978	55,978
Total contributions	11,978,958	2,300,000	-	55,978	14,334,936
Investment earnings:					
Interest and other	260,910	229,029	-	-	489,939
Gain on sale of securities	28,936	-	-	-	28,936
Net change in fair value of investments	(36,108)	-	-	-	(36,108)
Total investment earnings	253,738	229,029	-	-	482,767
Less investment expenses	-	1,672,946	-	-	1,672,946
Net investment earnings	253,738	(1,443,917)	-	-	(1,190,179)
Total additions	12,232,696	856,083	-	55,978	13,144,757
DEDUCTIONS					
Administrative expenses/ other	4,532,424	843,950	-	39,996	5,416,370
Total deductions	4,532,424	843,950	-	39,996	5,416,370
Change in net assets	7,700,272	12,133	-	15,982	7,728,387
Net assets- Beginning of the year	4,088,676	(2,686,029)	-	39,861	1,442,508
Net assets- Ending of the year	$11,788,948	($2,673,896)	$-	$55,843	$9,170,895

EXHIBIT F-3

ARLINGTON COUNTY, VIRGINIA
PENSION TRUST FUND
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	2008	2007
ADDITIONS:		
Member contributions	$10,143,815	$10,024,725
Employer contributions	30,043,028	24,755,219
Other contributions	58,837	96,490
Investment income:		
Interest and dividends	31,515,828	31,687,515
Net appreciation (depreciation) in fair value	(100,354,948)	187,683,070
Commission recapture	25,897	34,519
Gross income from securities lending	6,018,330	7,182,389
Bank fees and income/expenses from securities le	(5,375,645)	(6,855,885)
Investment expense	(5,679,671)	(4,738,711)
Total Additions	(33,604,529)	249,869,331
DEDUCTIONS:		
Members' benefits	61,938,172	58,501,769
Refund of members' contributions	1,583,813	2,122,141
Administrative expenses	531,873	597,543
Other consulting expenses	282,760	265,708
Total Deductions	64,336,618	61,487,161
Net Increase	(97,941,147)	188,382,170
Net Assets Held in Trust for Plan Benefits, beginning of year	1,487,790,918	1,299,408,748
Net Assets Held in Trust for Plan Benefits, end of year:		
Undesignated	$1,389,849,771	$1,487,790,918

EXHIBIT F-4

ARLINGTON COUNTY, VIRGINIA
COMBINING STATEMENT OF NET ASSETS
AGENCY FUNDS
JUNE 30, 2008

	Commonwealth of Virginia	Urban Area Security Initiative	Drug Task Force Grant	Other Agency Funds	Total Agency Funds
ASSETS					
Equity in pooled cash and investments	$28,705	$-	$-	$21,884,800	$21,913,505
Receivable from other government	13,380	996,944	1,104,862	-	2,115,186
Total assets	42,085	996,944	1,104,862	21,884,800	24,028,691
LIABILITIES					
Accounts payable and accrued liabilities	42,085	252,260	-	21,884,800	22,179,145
Deferred Revenue	-	-	(129,551)	-	(129,551)
Due to primary government	-	744,684	1,234,413	-	1,979,097
Total liabilities	42,085	996,944	1,104,862	21,884,800	24,028,691
NET ASSETS	$-	$-	$-	$-	$-

EXHIBIT F-5

ARLINGTON COUNTY, VIRGINIA
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Commonwealth of Virginia				
ASSETS:				
Cash	$-	$28,705	$-	$28,705
Receivable from other government	30,300	-	16,920	13,380
Total Assets	$30,300	$28,705	$16,920	$42,085
LIABILITIES:				
Vouchers payable	$30,300	$11,785	$-	$42,085
Total Liabilities	$30,300	$11,785	$-	$42,085
Urban Area Security Initiative				
ASSETS:				
Cash & cash equivalents	$-	$351,808	$351,808	$-
Due from other government	-	996,944	-	996,944
Total Assets	$-	$1,348,752	$351,808	$996,944
LIABILITIES:				
Vouchers payable	$-	$252,260	$-	$252,260
Due to primary government	-	744,684	-	744,684
Total Liabilities	$-	$996,944	$-	$996,944
Drug Task Force Fund				
ASSETS:				
Cash & cash equivalents	$-	$-	$-	$-
Due from other government	4,405,626	-	3,300,764	1,104,862
Total Assets	$4,405,626	$-	$3,300,764	$1,104,862
LIABILITIES:				
Vouchers payable	$-	$-	$-	$-
Due to primary government	4,515,787	-	3,281,374	1,234,413
Deferred revenue	(110,161)	(19,390)	-	(129,551)
Total Liabilities	$4,405,626	($19,390)	$3,281,374	$1,104,862
Other Agency Fund				
ASSETS:				
Cash & cash equivalents	$14,684,183	$7,200,617	$-	$21,884,800
Total Assets	$14,684,183	$7,200,617	$-	$21,884,800
LIABILITIES:				
Vouchers payable	$131,403	$34,041	$-	$165,444
Deferred revenue	14,552,780	7,166,576	-	21,719,356
Total Liabilities	$14,684,183	$7,200,617	$-	$21,884,800
Total All Agency Funds				
ASSETS:				
Cash	$14,684,183	$7,581,130	351,808	$21,913,505
Receivable from other government	4,435,926	996,944	3,317,684	2,115,186
Total Assets	$19,120,109	$8,578,074	3,669,492	$24,028,691
LIABILITIES:				
Due to primary government	$4,515,787	$744,684	$3,281,374	$1,979,097
Vouchers Payable	161,703	298,086	-	459,789
Deferred revenue	14,442,619	7,147,186	-	21,589,805
Total Liabilities	$19,120,109	$8,189,956	$3,281,374	$24,028,691

ARLINGTON
VIRGINIA

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, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	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, 2008	June 30, 2007
ASSETS										
Equity in pooled cash and investments	$8,581,195	$-	$-	$-	$59,923,804	$-	$-	$-	$68,504,999	$32,265,504
Petty cash	200	1,078	75	-	-	-	-	-	1,353	507
Accounts receivable	428,123	205,570	62,686	3,487,279	-	12,076	-	404,369	4,600,103	10,985,677
Due from other funds	-	-	-	-	-	-	-	-	-	890,951
Due from primary government	45,733,230	351,099	930,834	-	-	7,792,898	-	-	54,808,061	55,287,795
Inventories	164,998	55,976	-	-	-	-	-	-	220,974	224,508
Total Assets	$54,907,746	$613,723	$993,595	$3,487,279	$59,923,804	$7,804,974	$-	$404,369	$128,135,490	$99,654,942
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accrued salaries payable	$32,472,367	$322,412	$566,245	$1,194,936	$-	$2,584	$-	$-	$34,558,544	$27,619,654
Vouchers payable	6,487,221	179,115	127,783	152,706	2,949,317	813,675	-	-	10,709,817	12,994,311
Other liabilities	7,781,922	-	-	-	-	-	-	-	7,781,922	7,901,832
Deferred revenue	475,342	-	250,614	-	-	-	-	-	725,956	610,012
Due to other funds	-	-	-	-	-	-	-	-	-	890,951
Due to primary government	-	-	-	483,534	-	-	-	404,369	887,903	8,030,108
Total Liabilities	47,216,852	501,527	944,642	1,831,176	2,949,317	816,259	-	404,369	54,664,142	58,046,868
FUND EQUITY AND OTHER CREDITS										
Reserved for encumbrances	1,490,894	112,196	48,953	56,791	3,322,077	6,988,715	-	-	12,019,626	13,875,254
Reserved for construction	-	-	-	-	53,652,410	-	-	-	53,652,410	21,143,761
Unreserved	6,200,000	-	-	1,599,312	-	-	-	-	7,799,312	6,589,059
Total Fund Equity and Other Credits	7,690,894	112,196	48,953	1,656,103	56,974,487	6,988,715	-	-	73,471,348	41,608,074
Total Liabilities, Fund Equity and Other Credits	$54,907,746	$613,723	$993,595	$3,487,279	$59,923,804	$7,804,974	$-	$404,369	$128,135,490	$99,654,942

EXHIBIT G1(A)

ARLINGTON COUNTY, VIRGINIA
Reconciliation of the Fund Balances of Component Unit - Schools
to Net Assets of Component Unit - Schools
JUNE 30, 2008

Total-component unit-Schools fund balances	$73,471,348
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	339,164,852
OPEB liabilities are not due and payable in the current period and therefore are not reported in the funds	($11,260,006)
Long-term liabilities, including capital leases, are not due and payable in the current period and therefore are not reported in the funds	(36,772,824)
Net assets of component unit-Schools	$364,603,370

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, 2008
(WITH COMPARATIVE TOTALS FOR 2007)

	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, 2008	June 30, 2007
REVENUES:										
Sales tax	$16,906,350	$-	$-	$-	$-	$-	$-	$-	$16,906,350	$18,242,577
State/local government	26,534,658	65,438	-	2,230,790	-	569,116	-	1,575,017	30,975,019	29,592,206
Federal	23,622	2,974,686	-	10,302,400	-	-	-	-	13,300,708	15,163,589
Charges for services	4,426,622	2,492,149	5,148,041	3,290,475	-	-	-	-	15,357,287	12,859,590
Use of money and property	191,785	-	-	-	275,286	-	-	-	467,071	2,210,801
Total revenues	48,083,037	5,532,273	5,148,041	15,823,665	275,286	569,116	-	1,575,017	77,006,435	78,068,763
EXPENDITURES:										
Current -										
Community Activities	-	-	12,810,606	-	-	-	-	-	12,810,606	12,554,065
Education	331,028,914	6,598,899	-	15,641,699	-	-	-	3,191,707	356,461,219	346,674,412
Capital projects	-	-	-	-	20,486,776	17,722,360	-	-	38,209,136	53,302,569
Debt service -										
Principal	-	-	-	-	-	-	18,150,115	-	18,150,115	16,252,318
Interest		-	-	-	-	-	10,707,859	-	10,707,859	10,718,791
Total expenditures	331,028,914	6,598,899	12,810,606	15,641,699	20,486,776	17,722,360	28,857,974	3,191,707	436,338,935	439,502,155
Excess (deficiency) of revenues over expenditures	(282,945,877)	(1,066,626)	(7,662,565)	181,966	(20,211,490)	(17,153,244)	(28,857,974)	(1,616,690)	(359,332,500)	(361,433,392)
Other financing sources(uses):										
Transfers in	281,930,053	1,178,822	7,610,126	-	-	18,926,883	28,857,974	1,616,690	340,120,548	322,332,527
Transfers out	-	-	-	-	(275,286)	-	-	-	(275,286)	(2,210,801)
Proceeds from sale of bonds	-	-	-	-	51,076,000	-	-	-	51,076,000	16,630,000
Proceeds from leases	274,512	-	-	-	-	-	-	-	274,512	2,663,811
Total other financing sources(uses)	282,204,565	1,178,822	7,610,126	-	50,800,714	18,926,883	28,857,974	1,616,690	391,195,774	339,415,537
Excess (deficiency) of Revenues and other sources over expenditures and other uses	(741,312)	112,196	(52,439)	181,966	30,589,224	1,773,639	-	-	31,863,274	(22,017,855)
FUND BALANCES, beginning of year	8,432,206	-	101,392	1,474,137	26,385,263	5,215,076	-	-	41,608,074	63,625,929
FUND BALANCES, end of year	$7,690,894	$112,196	$48,953	$1,656,103	$56,974,487	$6,988,715	$-	$-	$73,471,348	$41,608,074

EXHIBIT G2(A)

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, 2008

Net change in fund balances - component unit-Schools		$31,863,274
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	32,609,387	
Less Depreciation expense	(14,016,433)	18,592,954
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	1,376,308	
Less Proceeds from capital leases	(274,512)	1,101,796
OPEB 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		(11,260,006)
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		(3,473,957)
Change in net assets of component unit-Schools		$36,824,061

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, 2008

	School Operating Fund			School Cafeteria Fund			School Community Activities Fund		
	Budget	Actual	Variance-Positive (Negative)	Budget	Actual	Variance-Positive (Negative)	Budget	Actual	Variance-Positive (Negative)
REVENUES:									
Sales tax	$17,695,218	$16,906,350	($788,868)	$-	$-	$-	$-	$-	$-
Intergovernmental									
State	25,635,136	26,534,658	899,522	66,239	65,438	(801)	-	-	-
Federal	-	23,622	23,622	3,279,556	2,974,686	(304,870)	-	-	-
Charges for services	1,902,500	4,426,622	2,524,122	2,368,449	2,492,149	123,700	5,153,214	5,148,041	(5,173)
Use of money and property	-	191,785	191,785	-	-	-	-	-	-
Total revenues	45,232,854	48,083,037	2,850,183	5,714,244	5,532,273	(181,971)	5,153,214	5,148,041	(5,173)
EXPENDITURES:									
Education	334,284,299	331,028,914	3,255,385	5,829,743	6,598,899	(769,156)	-	-	-
Community Activities	-	-	-	-	-	-	14,434,506	12,810,606	(1,623,900)
Capital projects	-	-	-	-	-	-	-	-	-
Debt service:									
Principal retirement	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-
Total expenditures	334,284,299	331,028,914	3,255,385	5,829,743	6,598,899	(769,156)	14,434,506	12,810,606	(1,623,900)
Excess (deficiency) of revenues over expenditures	(289,051,445)	(282,945,877)	6,105,568	(115,499)	(1,066,626)	(951,127)	(9,281,292)	(7,662,565)	(1,618,727)
Other financing sources(uses):									
Transfers in	286,019,239	281,930,053	(4,089,186)	115,499	1,178,822	1,063,323	9,179,900	7,610,126	(1,569,774)
Transfers out	-	-	-	-	-	-	-	-	-
Proceeds from sale of bonds	-	-	-	-	-	-	-	-	-
Proceeds from capital leases	-	274,512	274,512	-	-	-	-	-	-
Total other financing sources(uses)	286,019,239	282,204,565	(3,814,674)	115,499	1,178,822	1,063,323	9,179,900	7,610,126	(1,569,774)
Excess (deficiency) of Revenues and other sources over expenditures and other uses	(3,032,206)	(741,312)	2,290,894	-	112,196	112,196	(101,392)	(52,439)	(48,953)
FUND BALANCES, beginning of year	8,432,206	8,432,206	-	-	-	-	101,392	101,392	-
FUND BALANCES, end of year	$5,400,000	$7,690,894	$2,290,894	$-	$112,196	$112,196	$-	$48,953	($48,953)

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, 2008

	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	2,079,318	2,230,790	151,472	-	-	-	-	-	-
Federal	6,183,655	10,302,400	4,118,745	-	-	-	-	-	-
Charges for services	3,921,231	3,290,475	(630,756)	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	-	-	275,286	275,286
Total revenues	12,184,204	15,823,665	3,639,461	-	-	-	-	275,286	275,286
EXPENDITURES:									
Education	13,532,077	15,641,699	(2,109,622)	-	-	-	-	-	-
Community Activities	-	-	-	-	-	-	-		
Capital projects	-	-	-	-	-	-	77,461,263	20,486,776	56,974,487
Debt service:									
Principal retirement	-	-	-	18,151,616	18,150,115	-	-	-	-
Interest and fiscal charges	-	-	-	11,074,172	10,707,859	366,313	-	-	-
Total expenditures	13,532,077	15,641,699	(2,109,622)	29,225,788	28,857,974	366,313	77,461,263	20,486,776	56,974,487
Excess (deficiency) of revenues over expenditures	(1,347,873)	181,966	1,529,839	(29,225,788)	(28,857,974)	366,313	(77,461,263)	(20,211,490)	57,249,773
Other financing sources(uses):									
Transfers in	-	-	-	27,670,948	28,857,974	1,187,026	-	-	-
Transfers out	-	-	-	-	-	-	-	(275,286)	(275,286)
Proceeds of sale of bonds	-	-	-	-	-	-	51,076,000	51,076,000	-
Proceeds of capital lease	-	-	-	-	-	-	-	-	-
Total other financing sources(uses)	-	-	-	27,670,948	28,857,974	1,187,026	51,076,000	50,800,714	(275,286)
Excess (deficiency) of Revenues and other sources over expenditures and other uses	(1,347,873)	181,966	1,529,839	-	-	-	(26,385,263)	30,589,224	56,974,487
FUND BALANCES, beginning of year	1,474,137	1,474,137	-	-	-	-	26,385,263	26,385,263	-
FUND BALANCES, end of year	$126,264	$1,656,103	$1,529,839	$-	$-	$-	$-	$56,974,487	$56,974,487

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, 2008

	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	$-	$-	$-	$-	$-	$-	$17,695,218	$16,906,350	($788,868)
Intergovernmental									
State	553,736	569,116	15,380	1,842,500	1,575,017	(267,483)	30,176,929	30,975,019	798,090
Federal	-	-	-	-	-	-	9,463,211	13,300,708	3,837,497
Charges for services	-	-	-	-	-	-	13,345,394	15,357,287	2,011,893
Use of money and property	-	-	-	-	-	-	-	467,071	467,071
Total revenues	553,736	569,116	15,380	1,842,500	1,575,017	(267,483)	70,680,752	77,006,435	6,325,683
EXPENDITURES:									
Education	-	-	-	3,650,000	3,191,707	458,293	357,296,119	356,461,219	834,900
Community Activities	-	-	-	-	-	-	14,434,506	12,810,606	1,623,900
Capital projects	33,528,581	17,722,360	15,806,221	-	-	-	110,989,844	38,209,136	72,780,708
Debt service:									
Principal retirement	-	-	-	-	-	-	18,151,616	18,150,115	1,501
Interest and fiscal charges	-	-	-	-	-	-	11,074,172	10,707,859	366,313
Total expenditures	33,528,581	17,722,360	15,806,221	3,650,000	3,191,707	458,293	511,946,257	436,338,935	75,607,322
Excess (deficiency) of revenues over expenditures	(32,974,845)	(17,153,244)	15,821,601	(1,807,500)	(1,616,690)	190,810	(441,265,505)	(359,332,500)	81,933,005
Other financing sources(uses):									
Transfers in	27,759,769	18,926,883	(8,832,886)	1,807,500	1,616,690	(190,810)	353,616,178	340,120,548	(13,495,630)
Transfers out	-	-	-	-	-	-	-	(275,286)	(275,286)
Proceeds of sale of bonds	-	-	-	-	-	-	51,076,000	51,076,000	-
Proceeds from capital lease	-	-	-	-	-	-	-	274,512	274,512
Total other financing sources(uses)	27,759,769	18,926,883	(8,832,886)	1,807,500	1,616,690	(190,810)	404,692,178	391,195,774	(13,496,404)
Excess (deficiency) of Revenues and other sources over expenditures and other uses	(5,215,076)	1,773,639	6,988,715	-	-	-	(36,573,327)	31,863,274	68,436,601
FUND BALANCES, beginning of year	5,215,076	5,215,076	-	-	-	-	41,608,074	41,608,074	-
FUND BALANCES, end of year	$-	$6,988,715	$6,988,715	$-	$-	$-	$5,034,747	$73,471,348	$68,436,601

ARLINGTON
VIRGINIA

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, 2008

	Governmental Funds			Proprietary Funds		Fiduciary Fund	Component Units	
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	Schools	Total (Memorandum Only)
BALANCE, beginning of year	$156,801,637	$10,067,228	$155,853,477	$134,323,315	$5,900,202	$25,040,406	$32,265,504	$520,251,769
Receipts (net):								
Taxes	734,385,993	5,567,481	-	-	-	-	16,906,350	756,859,824
Licenses and permits	17,022,701	-	-	-	-	-	-	17,022,701
Fines and forfeitures	8,049,910	-	-	-	-	-	-	8,049,910
Revenue from use of money and property	12,401,931	-	4,880,914	6,065,870	-	-	467,071	23,815,786
Charges for services	38,288,000	-	989,573	106,191,119	20,061,784	12,232,691	15,357,287	193,120,454
Miscellaneous	5,194,281	-	884,496	1,518,430	-	11,360,762	-	18,957,969
Intergovernmental	87,259,083	17,626,943	2,586,719	26,515,090	-	5,570,263	44,275,727	183,833,825
Proceeds from indebtedness	1,491,507	-	35,603,040	116,107,242	-	-	51,076,000	204,277,789
Proceeds from sale ofl assets	-	-	-	-	(241,483)	-	-	(241,483)
Total Receipts	904,093,406	23,194,424	44,944,742	256,397,751	19,820,301	29,163,716	128,082,435	1,405,696,775
Total Receipts and Balance	1,060,895,043	33,261,652	200,798,219	390,721,066	25,720,503	54,204,122	160,347,939	1,925,948,544
Disbursements (net):								
Warrants(checks)issued	489,766,045	23,423,335	46,363,701	218,410,913	21,948,339	13,829,757	402,620,884	1,216,362,974
Retirement of indebtedness	28,950,071	-	-	12,504,474	-	-	18,150,115	59,604,660
Interest and other debt costs	18,430,756	-	-	11,155,815	146,741	-	10,707,859	40,441,171
Total Disbursements	537,146,872	23,423,335	46,363,701	242,071,202	22,095,080	13,829,757	431,478,858	1,316,408,805
Interfund Transfers:								
Transfers in	5,804,748	247,000	24,454,469	-	422,945	-	340,120,548	371,049,710
Transfers out	(364,858,489)	(45,086)	(4,880,914)	-	(130,000)	-	(275,286)	(370,189,775)
BALANCE, end of year	$164,694,430	$10,040,231	$174,008,073	$148,649,864	$3,918,368	$40,374,365	$68,714,343	$610,399,674

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF TREASURER'S ACCOUNTABILITY
ADJUSTED CASH IN BANKS
JUNE 30, 2008

Assets held by the Treasurer	
Cash on hand	$29,027
Cash in banks:	
Checking	
BB&T	2,042
Burke & Herbert	2,809
Wachovia	27,631,725
SunTrust	113,160
Commerce Bank	107
Citibank	(248,055)
Bank of America	1,054,562
United Bank	1,234
Virginia Commerce Bank	247,029
Total Checking Account	28,804,613
Savings :	
Wachovia Bank	5,725
Total Savings Account	5,725
Certificates of Deposit :	
Access Bank	5,131,743
Bank of Georgetown	14,217,401
BB&T	46,966,696
Virginia Commerce Bank	34,685,261
Total Certificates of Deposit	101,001,101
Held with Trustee :	
Commercial Paper	9,869,130
Total Held with Trustee	9,869,130
Cash and Investments with Trustees :	
US Bank, Ballston Garage Accounts	17,813,587
SunTrust, (Ballston Parking Garage)	72,826
SunTrust Solid Waste	12,666,849
Wells Fargo IDA-Ballston Skating Operation	6,687,844
U.S. Bank-IDA Lease Revenue Bonds (County)	18,461,600
Total Cash and Investments with Trustee	55,702,706
State Treasurer's Local Government Investment Pool	20,465,137
BB&T Money Market	79,873,627
State Non Arbitrage Investment Program (SNAP)	279,021,428
Commerce External Portfolio	35,627,180
Total Cash & Investment Balances, June 30, 2008	$610,399,674

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF TREASURER'S ACCOUNTABILITY
CASH IN BANKS
JUNE 30, 2008

Assets Held by the Treasurer	
Cash on Hand	$29,027
Cash in Banks:	
Checking	
BB & T	2,655
Burke & Herbert	2,809
Wachovia Bank	39,044,760
SunTrust	113,310
Commerce Bank	107
Citibank	(248,055)
Bank of America	1,054,562
United Bank	1,234
Virginia Commerce Bank	106,942
Total Checking Account	40,078,323
Savings:	
Wachovia Bank	5,725
Total Savings Account	5,725
Certificates of Deposit:	
Access Bank	5,131,743
Bank of Georgtown	14,217,401
BB&T	46,966,697
Virginia Commerce Bank	34,685,261
Total Certificates of Deposit	101,001,101
Held with Trustee:	
Commercial Paper	9,869,130
Total Held with Trustee	9,869,130
Cash and Investments with Trustees:	
US Bank, Ballston Garage Accounts	17,813,587
SunTrust, (Ballston Parking Garage)	37,588
SunTrust Solid Waste	12,666,849
Wells Fargo - IDA Ballston Skating Facility	6,687,844
U.S. Bank - IDA Lease Revenue Bonds (County)	18,461,600
Total Cash and Investments with Trustee	55,667,467
State Treasurer's Local Government Investment Pool	20,465,137
BB&T Money Market	79,873,627
State Non Arbitrage Investment Program (SNAP)	279,021,428
Commerce External Portfolio	35,627,180
Total Cash & Investment Balances, June 30, 2008	$621,638,146

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF INVESTMENTS - ALL FUNDS
JUNE 30, 2008

	INTEREST RATE	MATURITY DATE	MARKET VALUE
Certificates of Deposit			
BB&T	5.01%	30-Jun-08	$17,568,202
Virginia Commerce Bank	3.26%	15-Aug-08	9,102,423
Access Bank	4.69%	10-Sep-08	5,131,743
Bank of Georgetown	3.45%	17-Oct-08	14,217,401
Virginia Commerce Bank	3.25%	03-Nov-08	5,000,000
BB&T	3.30%	13-Nov-08	16,000,000
Virginia Commerce Bank	3.26%	26-Dec-08	5,145,709
Virginia Commerce Bank	3.26%	26-Dec-08	5,145,709
Virginia Commerce Bank	3.26%	26-Dec-08	5,145,709
Virginia Commerce Bank	3.26%	26-Dec-08	5,145,710
BB&T	3.30%	28-Dec-08	3,398,495
BB&T	3.30%	30-Jan-09	10,000,000
TOTAL CERTIFICATES OF DEPOSIT			**101,001,101**
Commercial Paper			
Toyota Motor Credit Co.	2.80%	07/16/08	1,747,813
General Electric	2.80%	08/05/08	897,507
Citigroup	3.06%	11/21/08	9,869,130
TOTAL COMMERCIAL PAPER			**12,514,450**
Corporate Bonds			
Allstate Financial	4.25%	09/10/08	1,001,410
Pacific Life Global Funding	3.75%	01/15/09	999,320
Proctor & Gamble Co.	5.30%	07/06/09	1,022,520
Wells Fargo Company	4.20%	01/15/10	1,002,920
Berkshire Hathaway Fin	4.13%	01/15/10	1,009,870
HSBC Finance Corp	4.75%	04/15/10	997,890
Wal-Mart Stores	4.13%	07/01/10	1,013,280
JP Morgan Chase & Co.	4.50%	11/15/10	997,730
Toyota Motor Credit Corp.	4.35%	12/15/10	1,788,185
TIAA Global Markets	4.88%	01/12/11	1,002,390
Wal-Mart Stores	4.13%	02/15/11	1,006,840
General Electric Capital Corp.	5.00%	04/10/12	1,006,930
Merck & Co. Inc.	4.38%	02/15/13	1,001,520
Met Life Global Funding	5.13%	04/10/13	984,690
TOTAL CORPORATE BONDS			**14,835,495**
Treasury Notes & Bonds			
U.S Treasury Notes	2.13%	04/30/10	1,489,095
TOTAL TREASURY NOTES			**1,489,095**
Government Agency Bonds			
Federal Home Loan Bank	4.38%	11/13/08	1,006,560
Federal Home Loan Bank	2.63%	04/30/09	2,494,525
Federal Home Loan Bank	2.50%	10/01/09	994,690
Federal Home Loan Mortgage Corp.	3.25%	05/12/10	1,000,140
Federal National Mortgage Assn	3.00%	05/28/10	994,380
Federal Home Loan Bank	4.63%	11/19/10	1,005,940
Federal Farm Credit Bank	4.38%	12/10/10	1,005,940
Federal Home Loan Mortgage Corp.	3.25%	02/25/11	870,354
Federal Home Loan Bank	3.38%	06/10/11	994,380
Federal Home Loan Bank	4.95%	11/14/11	1,006,880

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF INVESTMENTS - ALL FUNDS
JUNE 30, 2008

Federal Farm Credit Bank	4.63%	12/05/11	1,006,250
Federal Home Loan Bank	4.63%	12/12/11	1,002,500
Federal Home Loan Bank	5.00%	11/14/12	1,007,810
Federal Home Loan Bank	5.00%	11/14/12	1,007,810
Federal Home Loan Bank	4.30%	12/17/12	1,005,310
	TOTAL GOVERNMENT AGENCY BONDS		**16,403,469**
Money Market Funds			
Commerce Cap Ins Sel Gov-Ins	1.89%		253,801
BB&T Money Market	2.80%		79,873,628
	Total Money Market Funds		**80,127,429**
Virginia State Non-Arbitrage Program (SNAP)			279,021,428
State Treasurer's Local Government Investment Pool			20,465,137
TOTAL SECURITIES			**$525,857,604**

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2008

	Amount Authorized and Sold	Date of Bonds	Bonds Outstanding: (Relates to total amount authorized and sold) Interest Rate- %	Principal	Payments: (Relates to total amount authorized and sold) Annual Amount	Maturity Date
General Obligation Debt:						
Serviced by General Fund:						
G.O. Refunding ($42,075,000)		11/15/93				
Police & Jail	$17,449,353		4.80	$4,468,719	$4,468,720	06/01/09
Local & Regional Parks	1,299,365		4.75	3,227,780	3,227,780	06/01/10
Community Conservation	467,340		5.00	3,214,400	3,214,401	06/01/11
Streets & Highways	3,754,697		6.00	3,201,021	3,201,021	06/01/12
Fire Station	814,316					
Central Library	4,361,839			**$14,111,920**		
	$28,146,910					
G.O. Public Improvement & Refunding ($54,740,000)		05/01/98				
Street & Highway	$3,630,000		5.00	$4,667,915	4,667,915	10/01/08
Community Conservation	2,215,000		5.00	4,649,571	4,649,571	10/01/09
Local & Regional Parks	4,000,000		5.00	4,620,299	4,620,299	10/01/10
Metro Rail	4,800,000		5.00	3,529,285	3,529,285	10/01/11
	$14,645,000		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
				$25,069,127		
G.O. Public Improvement ($79,750,000)		06/17/99				
Street & Highway	$15,807,000		5.00	$1,900,000	1,900,000	06/1/09
Central Library	300,000					
Community Conservation	6,423,000			**$1,900,000**		
Local & Regional Parks	10,760,000					
Metro Rail	3,100,000					
	$36,390,000					
G.O. Public Improvement ($90,325,000)		06/18/01				
Street & Highway	$8,222,000		4.70	$15,341,574	2,556,929	02/01/09-14
Central Library	1,001,000					
Community Conservation	5,558,000			**$15,341,574**		
Community Conservation-DPW	5,265,000					
Local & Regional Parks	16,294,000					
Metro Rail	11,476,000					
Fire Station	400,000					
	$48,216,000					
G.O. Public Improvement ($39,545,000)		06/11/02				
Central Library	$5,800,000		3.60	$1,025,189	1,025,189	02/01/09
Local & Regional Parks	5,330,000		3.80	1,025,189	1,025,189	02/01/10
Metro Rail	5,983,500		4.00	2,050,378	1,025,189	02/01/11-12
Fire Station	1,800,000		4.10	1,025,189	1,025,189	02/01/13
Higher Education/University	719,000		4.25	1,025,189	1,025,189	02/01/14
	$19,632,500			**$6,151,134**		
G.O. Public Improvement ($75,000,000)		05/14/03				
Local & Regional Parks	$17,768,000		4.00	$1,755,000	1,755,000	01/15/09
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					
	$33,600,000			**$26,315,000**		

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2008

	Amount Authorized and Sold	Date of Bonds	Bonds Outstanding: (Relates to total amount authorized and sold) Interest Rate- %	Principal	Payments: (Relates to total amount authorized and sold) Annual Amount	Maturity Date
G.O. Public Improvement Refunding ($65,775,000)		05/14/03				
Street & Highway	$3,223,616		4.00	$1,390,215	1,390,215	01/15/09
Community Conservation	1,746,416		5.00	1,371,741	1,371,741	01/15/10
Higher Education	562,909		5.00	1,368,086	1,368,086	01/15/11
Parks & Recreation	3,648,420		5.00	1,363,073	1,363,073	01/15/12
Libraries	522,701		5.00	1,357,104	1,357,104	01/15/13
Jail	4,573,199		5.00	1,351,177	1,351,177	01/15/14
Metrorail	3,204,385		4.00	540,109	540,109	01/15/15
	$17,481,646			**$8,741,505**		
G.O. Public Improvement ($60,070,000)		05/15/04				
Fire Station	$2,760,000		5.00	$11,725,000	1,675,000	05/15/09-15
Higher Education	3,000,000			1,675,000	1,675,000	05/15/24
Community Conservation	3,010,000					
Parks and Recreation	12,267,000			**$13,400,000**		
Metrorail	11,033,000					
	$32,070,000					
G.O. Public Improvement Refunding ($81,005,000)		5/15/04				
Street & Highway	$14,619,000		5.00	$2,027,437	2,027,437	11/1/08
Neighborhood Conservation	9,027,730		5.00	4,212,164	4,212,164	11/1/09
Libraries	1,056,200		5.00	4,213,774	4,213,774	11/1/10
Fire Station	282,150		5.00	4,211,734	4,211,734	11/1/11
Higher Education	113,500		5.00	4,210,567	4,210,567	11/1/12
Parks and Recreation	15,694,000		5.00	4,209,126	4,209,126	11/1/13
Metrorail	3,696,802		5.00	5,278,940	5,278,940	11/1/14
	$44,489,382		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
				$42,414,033		
G.O. Public Improvement ($94,525,000)		05/19/05				
Parks and Recreation	$29,810,850		5.00	$8,205,000	2,735,000	5/15/09-11
Neighborhood Conservation	13,030,962		5.00	21,840,000	2,730,000	5/15/12-19
Higher Education	1,000,000		4.00	5,460,000	2,730,000	5/15/22-23
Fire Station	2,935,000		4.13	2,730,000	2,730,000	5/15/24
Metrorail	5,518,188		5.00	2,730,000	2,730,000	5/15/25
	$52,295,000			**$40,965,000**		
G.O. Public Improvement ($61,335,000)		3/21/06				
Street & Highway	$9,251,218		4.00	$1,720,000	1,720,000	08/01/08
Parks and Recreation	13,600,000		4.00	9,160,000	2,290,000	8/1/2009-12
Neighborhood Conservation	5,690,578		5.00	13,740,000	2,290,000	8/1/13-18
Fire Station	6,690,455		4.00	2,290,000	2,290,000	08/01/19
Metrorail	8,602,749		5.00	4,580,000	2,290,000	8/1/20-21
	$43,835,000		4.20	6,855,000	2,285,000	8/1/22-24
			4.25	4,570,000	2,285,000	8/1/25-26
				$42,915,000		

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2008

	Amount Authorized and Sold	Date of Bonds	Bonds Outstanding: (Relates to total amount authorized and sold) Interest Rate- %	Principal	Payments: (Relates to total amount authorized and sold) Annual Amount	Maturity Date
G.O. Public Improvement Refunding ($89,970,000)		3/21/06				
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
	$47,686,632		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
				$47,686,633		
G.O. Public Improvement ($117,360,000)		6/6/07				
Street & Highway	$12,530,000		5.00	$1,385,000	1,385,000	03/15/09
Neighborhood Conservation	4,000,000		5.00	5,205,000	1,735,000	3/15/10-12
Government Facility Bond	2,200,000		5.00	1,730,000	1,730,000	03/15/13
Parks and Recreation	14,500,000		4.00	1,730,000	1,730,000	03/15/14
	$33,230,000		5.00	3,460,000	1,730,000	3/15/15-16
			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	3/15/19-20
			4.375	1,730,000	1,730,000	03/15/21
			4.125	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	3/15/24-27
				$32,540,000		
G.O. Public Improvement ($32,701,000)		6/18/08				
Street & Highway	$9,000,572		4.00	$680,000	680,000	01/15/09
Neighborhood Conservation	2,019,854		4.00	1,360,000	1,360,000	01/15/10
Parks and Recreation	6,700,000		5.00	3,408,000	1,704,000	1/15/11-12
Library	6,000,000		3.25	1,704,000	1,704,000	01/15/13
Metro	8,980,574		5.00	6,816,000	1,704,000	1/15/14-17
	$32,701,000		4.00	1,703,000	1,703,000	01/15/18
			5.00	5,109,000	1,703,000	1/15/19-21
			4.00	1,703,000	1,703,000	01/15/22
			5.00	5,109,000	1,703,000	1/15/23-25
			4.125	1,703,000	1,703,000	01/15/26
			4.25	3,406,000	1,703,000	1/15/27-28
				$32,701,000		
SUBTOTAL:				**$350,251,926**		
FY 2003 Deferred cost/premium of bond refunding (net)				**$245,658**		
FY 2004 Bond premium to be amortized				**1,769,867**		
FY 2005 Deferred cost/premium of bond refunding (net)				**100,547**		
FY 2005 Bond premium to be amortized				**3,584,549**		
FY 2006 Deferred cost/premium of bond refunding (net)				**(1,129,835)**		
FY 2006 Bond premium to be amortized				**1,479,910**		
FY 2007 Bond premium to be amortized				**427,965**		
FY 2008 Bond premium to be amortized				**1,491,507**		
Total GO Bonds Serviced by General Fund:				**$358,222,094**		

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2008

	Amount Authorized and Sold	Date of Bonds	Bonds Outstanding: (Relates to total amount authorized and sold) Interest Rate- %	Principal	Payments: (Relates to total amount authorized and sold) Annual Amount	Maturity Date
IDA Revenue Bonds ($60,540,000)		08/01/04				
Trade Center Bond	$17,825,000		3.0/5.0	$5,060,000	5,060,000	8/1/08
George Mason Center Bond	3,375,000		3.25/5.0	5,220,000	5,220,000	8/1/09
Emergency Communication Center Bond	31,290,000		3.5/5.0	5,385,000	5,385,000	8/1/10
Enterprise Resource Planning Bond	8,050,000		3.75/5.0	5,570,000	5,570,000	8/1/11
	$60,540,000		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
SUBTOTAL:				**$52,180,000**		
FY2005 IDA Revenue Bonds amortized				**2,864,696**		
Total IDA Revenue Bonds Serviced by General Fund				**$55,044,696**		
Compensated Absences				**30,305,746**		
Estimated Liability for Workers' Comp Claims & Other Judgments				**2,620,189**		
Serviced by General Fund-Capital Leases				**8,636,046**		
Total General Obligation Debt Serviced by General Fund:				**454,828,771**		
Due in one year				**(40,430,602)**		
Total Long Term Liabilities -General Fund				**$414,398,169**		

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2008

	Amount Authorized and Sold	Date of Bonds	Bonds Outstanding: (Relates to total amount authorized and sold) Interest Rate- %	Principal	Payments: (Relates to total amount authorized and sold) Annual Amount	Maturity Date
Serviced by School Operating Fund:						
School share of Refunding $42,075,000		11/15/93				
School Improvements	$10,573,454		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
				$5,301,173		
School share of $87,740,000 Refunding bonds		05/01/98				
School Improvements	$13,560,000		5.00	$908,428	908,428	10/01/08
			5.00	907,304	907,304	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	29,053	29,053	10/01/14
				$2,832,087		
School share of $79,750,000		06/17/99				
School Improvements	$39,360,000		5.00	$2,060,000	2,060,000	06/01/09
				$2,060,000		
School share of $90,325,000		06/18/01				
School Improvements	$39,605,000		4.50	$10,501,409	2,100,282	02/01/09-13
			4.70	2,100,281	2,100,281	02/01/14
				$12,601,690		
School share of $39,545,000		06/11/02				
School Improvements	$19,912,500		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
				$6,238,866		
School share of $75,000,000		05/01/03				
School Improvements	$41,400,000		4.00	$1,660,000	1,660,000	01/15/09
			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
				$33,110,000		

	Amount Authorized and Sold	Date of Bonds	Bonds Outstanding: (Relates to total amount authorized and sold) Interest Rate- %	Principal	Payments: (Relates to total amount authorized and sold) Annual Amount	Maturity Date
School share of Refunding $65,775.00		05/01/03				
School Improvements	$28,877,529		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
				$18,501,368		
School share of $60,070,000		05/12/04				
School Improvements	$28,000,000		5.00	$7,840,000	1,120,000	05/15/09-15
			4.75	1,120,000	1,120,000	05/15/24
				3,360,000	1,120,000	5/15/27-29
				$12,320,000		
School share of $81.005,000 refunding bonds		08/19/04				
School Improvements	$33,598,820		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
				$32,440,636		
School share of $94,525,000		06/01/05				
School Improvements	$36,230,000		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
				$27,170,000		
School share of $61,335,000		3/21/06				
School Improvements	$17,500,000		4.00	$4,375,000	875,000	8/1/08-12
			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
				$16,625,000		

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2008

	Amount Authorized and Sold	Date of Bonds	Bonds Outstanding: (Relates to total amount authorized and sold) Interest Rate- %	Principal	Payments: (Relates to total amount authorized and sold) Annual Amount	Maturity Date
School share of $89,970,000 Refunding Bond		3/21/06				
School Improvements	$39,169,607		4.00	$710,073	710,073	08/01/11
			4.00	700,415	700,415	08/01/12
			5.00	698,935	698,935	08/01/13
			5.00	2,798,007	2,798,007	08/01/14
			5.00	4,002,280	4,002,280	08/01/15
			5.00	4,007,190	4,007,190	08/01/16
			5.00	5,040,244	5,040,244	08/01/17
			5.00	4,317,460	4,317,460	08/01/18
			4.00	6,190,254	6,190,254	08/01/19
			5.00	5,575,647	5,575,647	08/01/20
			5.00	2,140,166	2,140,166	08/01/21
			4.20	1,083,936	1,083,936	08/01/22
			4.20	960,000	960,000	08/01/24
			4.25	945,000	945,000	08/01/25
				$39,169,607		
G.O. Public Improvement ($117,360,000)		6/6/07				
School Improvements	$16,630,000		5.00	$835,000	835,000	03/15/09
			5.00	2,505,000	835,000	3/15/10-12
			5.00	835,000	835,000	03/15/13
			4.00	835,000	835,000	03/15/14
			5.00	1,660,000	830,000	3/15/15-16
			4.00	830,000	830,000	03/15/17
			4.25	830,000	830,000	03/15/18
			4.00	1,660,000	830,000	3/15/19-20
			4.375	830,000	830,000	03/15/21
			4.125	830,000	830,000	03/15/22
			4.50	830,000	830,000	03/15/23
			4.25	3,320,000	830,000	3/15/24-27
				$15,800,000		
G.O. Public Improvement ($51,076,000)		6/18/08				
School Improvements	$51,076,000		4.00	$2,552,000	2,552,000	01/15/09
			4.00	2,552,000	2,552,000	01/15/10
			5.00	2,552,000	2,552,000	01/15/11
			5.00	2,554,000	2,554,000	01/15/12
			3.25	2,555,000	2,555,000	01/15/13
			5.00	2,556,000	2,556,000	01/15/14
			5.00	2,552,000	2,552,000	01/15/15
			5.00	5,110,000	2,555,000	1/15/16-17
			4.00	2,554,000	2,554,000	01/15/18
			5.00	2,556,000	2,556,000	01/15/19
			5.00	2,553,000	2,553,000	01/15/20
			5.00	2,556,000	2,556,000	01/15/21
			4.00	2,556,000	2,556,000	01/15/22
			5.00	2,553,000	2,553,000	01/15/23
			5.00	2,551,000	2,551,000	01/15/24
			5.00	2,554,000	2,554,000	01/15/25
			4.125	2,554,000	2,554,000	01/15/26
			4.25	2,555,000	2,555,000	01/15/27
			4.25	2,551,000	2,551,000	01/15/28
				$51,076,000		
SUB TOTAL				**$275,246,427**		

	Amount Authorized and Sold	Date of Bonds	Bonds Outstanding: (Relates to total amount authorized and sold) Interest Rate- %	Principal	Payments: (Relates to total amount authorized and sold) Annual Amount	Maturity Date
FY 2003 deferred cost/premium of bond refunding				**($298,879)**		
FY 2004 bond premium to be amortized				**1,161,897**		
FY 2005 deferred cost/premium of bond refunding				**(1,092,185)**		
FY 2005 bond premium to be amortized				**2,488,091**		
FY 2006 deferred cost/premium of bond refunding				**(138,431)**		
FY 2006 bond premium to be amortized				**524,397**		
FY 2007 bond premium to be amortized				**244,332**		
FY 2008 bond premium to be amortized				**2,407,849**		
Total Serial Bonds Serviced by School Operating Fund:				**280,543,498**		
Compensated Absences				**30,308,054**		
Capital Leases Serviced by Schools				**6,464,771**		
Total General Obligation Debt Serviced by School Operating Fund:				**317,316,323**		
Due in one year				**(25,597,064)**		
Total Long Term Liabilities - Schools				**291,719,259**		
Total General Obligation Debt Serviced by General Fund and School Operating Fund:				**$706,117,428**		

	Amount Authorized and Sold	Date of Bonds	Bonds Outstanding: (Relates to total amount authorized and sold) Interest Rate- %	Principal	Payments: (Relates to total amount authorized and sold) Annual Amount	Maturity Date
Serviced by Utilities Fund:						
Sewer share of Refunding $42,075,000		11/15/93				
Sewage	$3,354,635		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
				$1,681,906		
Water/AWT share Refunding $87,740,000		05/01/98				
Water share	$1,800,000		5.00	$573,656	573,656	10/01/08
Advanced Water Treatment	5,000,000		5.00	568,126	568,126	10/01/09
	$6,800,000		5.00	565,685	565,685	10/01/10
			5.00	13,598	13,598	10/01/11
			5.00	14,569	14,569	10/01/12
			5.00	13,598	13,598	10/01/13
			5.00	14,570	14,570	10/01/14
				$1,763,802		
		06/15/99				
Water share	$500,000		5.00	$205,000	205,000	06/01/09
Advanced Water Treatment	3,500,000					
	$4,000,000			**$205,000**		
Water share of $99,815,000		06/18/01				
Water share	$2,504,000		4.50	$663,945	132,789	02/01/09-13
			4.70	132,791	132,791	02/01/14
				$796,736		
Water/Sewer share of Refunding $65,775,000		05/01/03				
Water/Sewer share	$19,415,825		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
				$11,122,127		
Water/sewer share of $81.005,000 refunding bonds		08/19/04				
Water/sewer share	$2,916,798		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	197,617	197,617	11/01/18
				$2,815,331		
Water share of $94,525,000		06/01/05				
Public Improvement bonds	$6,000,000		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
				$4,705,000		

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2008

	Amount Authorized and Sold	Date of Bonds	Bonds Outstanding: (Relates to total amount authorized and sold) Interest Rate- %	Principal	Payments: (Relates to total amount authorized and sold) Annual Amount	Maturity Date
Water/Swer/Plant share of $89,970,000		3/21/2006				
Refunding bonds			4.00	$148,658	148,658	08/01/11
Water share	$1,211,244		4.00	143,685	143,685	08/01/12
Sewer share	487,761		5.00	140,680	140,680	08/01/13
Advanced Water Treatment	1,414,755		5.00	377,779	377,779	08/01/14
	$3,113,760		5.00	435,096	435,096	08/01/15
			5.00	433,194	433,194	08/01/16
			5.00	450,863	450,863	08/01/17
			5.00	149,133	149,133	08/01/18
			4.00	437,369	437,369	08/01/19
			5.00	397,303	397,303	08/01/20
				$3,113,760		
Water/Swer/Plant share of $117,360,000		6/6/2007				
Refunding bonds						
Water share	$9,000,000		5.00	$2,815,000	2,815,000	03/15/09
Sewer share	10,000,000		5.00	3,520,000	3,520,000	3/15/10-12
Advanced Water Treatment	48,500,000		5.00	10,545,000	3,515,000	03/15/13
	$67,500,000		4.00	3,515,000	3,515,000	03/15/14
			5.00	7,030,000	3,515,000	3/15/15-16
			4.00	3,515,000	3,515,000	03/15/17
			4.25	3,515,000	3,515,000	03/15/18
			4.00	7,030,000	3,515,000	3/15/19-20
			4.375	3,515,000	3,515,000	03/15/21
			4.125	3,515,000	3,515,000	03/15/22
			4.50	3,515,000	3,515,000	03/15/23
			4.25	14,060,000	3,515,000	3/15/24-27
				66,090,000		
G.O. Public Improvement ($27,408,000)		6/18/08				
Advanced Water Treatment	$27,408,000		4.00	$513,000	513,000	01/15/09
			4.00	913,000	913,000	01/15/10
			5.00	949,000	949,000	01/15/11
			5.00	997,000	997,000	01/15/12
			3.25	1,046,000	1,046,000	01/15/13
			5.00	1,080,000	1,080,000	01/15/14
			5.00	1,134,000	1,134,000	01/15/15
			5.00	1,191,000	1,191,000	01/15/16
			5.00	1,251,000	1,251,000	01/15/17
			4.00	1,313,000	1,313,000	01/15/18
			5.00	1,366,000	1,366,000	01/15/19
			5.00	1,434,000	1,434,000	01/15/20
			5.00	1,506,000	1,506,000	01/15/21
			4.00	1,581,000	1,581,000	01/15/22
			5.00	1,644,000	1,644,000	01/15/23
			5.00	1,726,000	1,726,000	01/15/24
			5.00	1,813,000	1,813,000	01/15/25
			4.125	1,903,000	1,903,000	01/15/26
			4.25	1,982,000	1,982,000	01/15/27
			4.25	2,066,000	2,066,000	01/15/28
				$27,408,000		
SUBTOTAL:				**$119,701,662**		

ARLINGTON COUNTY, VIRGINIA
COMBINED SCHEDULE OF LONG-TERM OBLIGATIONS
JUNE 30, 2008

	Amount Authorized and Sold	Date of Bonds	Bonds Outstanding: (Relates to total amount authorized and sold) Interest Rate- %	Principal	Payments: (Relates to total amount authorized and sold) Annual Amount	Maturity Date
FY2003 deferred cost/premium of bond refunding				**$456,181**		
FY 2005 deferred amount on refunding				**(92,642)**		
FY2005 bond premium to be amortized				**442,556**		
FY2006 deferred cost/premium of bond refunding				**759,767**		
FY2007 bond premium to be amortized				**868,541**		
FY2008 bond premium to be amortized				**1,099,224**		
Compensated Absences				**1,487,435**		
Bond and mortgage interest payable - Utilities Fund				**2,823,792**		
VRA Loans payable				**146,074,542**		
Total Long Term Obligations Serviced by Utilities Fund:				**273,621,058**		
Compensated Absences - Internal Service funds				**547,166**		
Serviced by Auto Equipment Fund-Capital Leases				**3,045,844**		
SUBTOTAL:				**277,214,068**		
Revenue Bonds-Serviced by Ballston Public Garage Fund				**13,300,000**		
Bond and mortgage interest payable				**15,301,754**		
Mortgage Payable-Ballston Public Garage Fund				**3,429,679**		
Total Business-type Activities Obligations:				**309,245,501**		
Due in one year				**(33,183,259)**		
Total Business-type Activities long Term Obligations:				**$276,062,242**		
TOTAL LONG TERM OBLIGATIONS:				**$982,179,670**		

EXHIBIT S-4

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF DELINQUENT PROPERTY TAXES RECEIVABLE
JUNE 30, 2008

FISCAL YEAR	REAL ESTATE	PERSONAL PROPERTY	TOTAL
$2,008	$102,785	$1,241,032	$1,343,817
2007	112,278	682,576	794,854
2006	74,101	905,633	979,734
2005	27,559	694,962	722,521
2004	22,951	757,321	780,272
2003	13,538	-	13,538
2002	2,729	-	2,729
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	$363,493	$4,281,524	$4,645,017

NOTES:

The amounts of delinquent real and personal property taxes receivable at June 30, 2008 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 $32,672 and $768,982, respectively.

EXHIBIT S-5

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF GENERAL FIXED ASSETS - BY SOURCE
JUNE 30, 2008

Primary Government

General Capital Assets:

Land	$92,430,388
Infrastructure	372,393,361
Buildings	226,033,668
Furniture, fixtures and equipment	47,827,873
Construction in Progress	26,266,567
Total General Capital Assets	$764,951,857

Investment in General Capital Assets by Source:

General obligation bonds/ leases	$684,709,086
Federal grants	14,292,825
State literary loans	1,680,040
Donated assets	5,850,055
General fund revenues	58,419,851
Total Investment in General Capital Assets	$764,951,857

Internal Services Fund

Auto Equipment Fund	$45,696,573
Printing Fund	-
Total Internal Services Fund	$45,696,573

Investment in Internal Services Fund by Source:

General Fund revenues	$45,696,573

Component Unit: School Board

School Capital Assets:

Land	$4,697,946
Buildings	418,154,129
Furniture, fixtures and equipment	47,757,772
Total school capital assets	$470,609,847

Investment in School Capital Assets by Source:

General obligation bonds	$332,369,408
Federal grants	7,970,594
State literary loans	484,498
General fund revenues	129,785,347
Total investment in school capital assets	$470,609,847

EXHIBIT S-6

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS- BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2008

Primary Government

FUNCTION AND ACTIVITY:	General Capital Assets			
	Restated FY 2008 Beginning Balance	Additions	Deletions	FY 2008 Ending Balance
Primary Government:				
General Government	$166,251,708	11,267,391	(5,682,157)	$171,836,942
Public Safety	30,252,849	1,427,609	-	31,680,458
Environmental Services	409,109,636	8,145,113	(2,793,646)	414,461,103
Health and Public Welfare	31,012,040	382,323	-	31,394,363
Libraries	11,212,993	946,869		12,159,862
Parks and Recreation	86,724,472	2,049,871	-	88,774,343
Planning and Community Development	14,578,305	66,481	-	14,644,786
Total primary government	$749,142,003	24,285,657	(8,475,803)	764,951,857
Internal Services Fund				
Auto Equipment Fund	45,153,446	4,248,945	(3,705,818)	45,696,573
Printing Fund		-	-	-
Total Internal Services Fund	45,153,446	4,248,945	(3,705,818)	45,696,573
Component Unit - Schools	448,837,358	32,609,387	(10,836,898)	470,609,847
Total Capital Assets	$1,243,132,807	$61,143,989	(23,018,519)	$1,281,258,277

EXHIBIT S-7

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF GENERAL CAPITAL ASSETS - BY FUNCTION AND ACTIVITY
JUNE 30, 2008

Primary Government FUNCTION AND ACTIVITY:	Total	Land	Infrastructure	Buildings	Equipment	Construction in Progress
General Government:						
Control-						
Legislative	$58,579	$-	$-	$-	$58,579	$-
Executive	245,864	-	-	-	245,864	-
Judicial	1,292,973	-	-	-	1,292,973	-
Total Control	1,597,416	-	-	-	1,597,416	-
Staff Agencies-						
Elections	138,310	-	-	-	138,310	-
Management and Finance	239,344	-	-	-	239,344	-
Office of Support Services	104,868,910	11,911,958	-	90,640,052	2,316,900	-
Real Estate Assessment	52,298	-	-	-	52,298	-
Civil Service	805	-	-	-	805	-
Personnel Department	167,306	-	-	-	167,306	-
Office of County Attorney	38,971	-	-	-	38,971	-
Commissioner of the Revenue	48,621	-	-	-	48,621	-
Treasurer	835,309	-	-	-	835,309	-
Department of Technology Service	16,700,152	-	-	-	16,700,152	-
General government buildings	43,796,601	4,041,873	-	36,964,292	2,790,436	-
Other	3,352,898	2,850,042	-	-	27,637	475,219
Total Staff Agencies	170,239,525	18,803,873	-	127,604,344	23,356,089	475,219
Total General Government	171,836,941	18,803,873	-	127,604,344	24,953,505	475,219
Public Safety:						
Police protection	24,163,161	-	-	14,900,189	9,262,972	-
Fire protection	6,594,563	434,103	-	4,795,042	1,341,270	24,148
Emergency communication	922,734	-	-	-	922,734	-
Total Public Safety	31,680,458	434,103	-	19,695,231	11,526,976	24,148
Environmental Services	414,461,104	17,449,096	372,393,361	10,033,959	3,626,710	10,957,978
Health and Public Welfare	31,394,364	272,110	-	28,558,901	2,563,353	-
Libraries	12,159,862	135,048	-	11,283,691	741,123	-
Recreation	88,774,344	55,333,497	-	21,755,375	4,142,352	7,543,120
Community Development	14,644,784	2,661	-	7,102,167	273,854	7,266,102
Total General Capital Assets	$764,951,857	$92,430,388	$372,393,361	$226,033,668	$47,827,873	$26,266,567
Internal Services Fund						
Auto Equipment Fund	45,696,573	$-	$-	$-	45,696,573	$-
Printing Fund		-	-	-		-
Total Internal Services Fund	$45,696,573	$-	$-	$-	$45,696,573	$-
Component Unit: School Board						
Schools	$470,609,847	$4,697,946	$-	$418,154,129	$47,757,772	$-
GRAND TOTALS	$1,281,258,277	$97,128,334	$372,393,361	$644,187,797	$141,282,218	$26,266,567

ARLINGTON COUNTY, VIRGINIA
GENERAL AND SPECIAL REVENUE FUNDS
DETAIL SCHEDULE OF REVENUES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	2008			
	BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	2007 ACTUALS
GENERAL FUND				
General property taxes:				
Real estate	$448,482,437	$460,201,111	$11,718,674	$425,982,688
Personal	95,850,000	93,870,189	(1,979,811)	99,197,669
Total general property taxes	544,332,437	554,071,300	9,738,863	525,180,357
Other local taxes:				
Business, professional and occupatonal license (BPOL) tax	52,500,000	57,266,956	4,766,956	50,898,687
Sales tax	35,129,970	35,299,283	169,313	34,448,601
Meals tax	28,840,618	28,470,325	(370,293)	28,776,029
Transient tax	20,003,561	21,065,573	1,062,012	19,951,433
Utility tax	11,250,000	12,397,249	1,147,249	10,531,817
Recordation, car rental and other local taxes	23,701,221	25,815,307	2,114,086	21,555,330
Total other local taxes	171,425,370	180,314,693	8,889,323	166,161,897
Total taxes	715,757,807	734,385,993	18,628,186	691,342,254
License, permits and fees	18,455,650	17,022,701	(1,432,949)	13,687,394
Fines and forfeitures	8,300,500	8,049,910	(250,590)	8,338,582
Charges for services	37,023,696	38,288,000	1,264,304	37,499,679
Grants:				
State grants	67,433,192	64,282,769	(3,150,423)	65,542,185
Federal grants	27,205,314	22,976,314	(4,229,000)	23,723,364
Total grants	94,638,506	87,259,083	(7,379,423)	89,265,549
Use of money and property	15,413,783	12,401,931	(3,011,852)	10,745,988
Miscellaneous revenue	10,557,766	9,488,476	(1,069,290)	6,149,301
GRAND TOTALS FOR GENERAL FUND	$900,147,708	$906,896,094	$6,748,386	$857,028,747
GENERAL FUND TRANSFERS FROM OTHER FUNDS:				
Rosslyn Business Improvement District	$24,000	$24,383	$383	$20,498
Crystal City Business Improvement District	17,861	20,703	2,842	18,860
Automotive Equipment Fund	130,000	130,000	-	130,000
Street & Highway Bond Fund	-	518,454	518,454	487,546
Utilities Water Bond Fund	-	-	-	471,344
Neighborhood Conservation Bond Fund	-	858,790	858,790	1,147,399
Public Recreation Bond Fund	-	2,082,108	2,082,108	2,394,554
IDA Skating Facilty	2,300,000	-	(2,300,000)	-
Fire Facilities Bond Fund	-	873,945	873,945	999,092
Library Bond Fund	-	94,334	94,334	166,965
Transit Facilities Bond Fund	-	453,285	453,285	985,930
School Capital Improvement Bond Fund	-	275,286	275,286	2,210,800
School Operating Fund	96,862	-	(96,862)	-
Trust & Agency Fund	607,466	473,460	(134,006)	4,972,334
Total transfers	$3,176,189	$5,804,748	$2,628,559	$14,005,322
GRAND TOTALS	$903,323,897	$912,700,842	$9,376,945	$871,034,069

SPECIAL REVENUE FUNDS:

Travel & Tourism Fund	$1,080,678	$1,065,695	($14,983)	$1,126,200
Special Assessment District	2,573,091	2,438,304	(134,787)	2,064,632
Crystal City BID	2,575,514	2,070,296	(505,218)	1,885,952
Community Development Block Grant Fund	4,395,945	3,014,824	(1,381,121)	2,813,215
Section 8 Housing	15,381,136	14,605,305	(775,831)	21,187,752
Total Special Revenue Funds	$26,006,364	$23,194,424	($2,811,940)	$29,077,751

BREAKDOWN OF REVENUE BY FUNCTION:

	Charges for services Includes licenses & fees	Operating grants/Contributions State	Operating grants/Contributions Federal	Capital Grants Contributions
General government	$18,106,488	$39,134,467	$4,164,443	$1,811,566
Public safety	5,049,238	921,308	2,839,319	-
Environmental services	19,684,727	2,357,932	136,607	-
Health & welfare	3,072,017	19,633,599	14,596,356	-
Libraries	533,425	217,365	-	-
Planning & community development	11,349,506	136,751	1,151,821	-
Parks & recreation	5,565,210	69,781	87,768	-
Total General Fund	$63,360,611	$62,471,203	$22,976,314	$1,811,566

ARLINGTON COUNTY, VIRGINIA
GENERAL AND SPECIAL REVENUE FUNDS
DETAIL SCHEDULE OF EXPENDITURES-BUDGET(GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	2008			
	BUDGET	ACTUAL	VARIANCE OVER (UNDER)	2007 ACTUALS
General Government Administration:				
County Board	$1,001,157	$912,121	$89,036	$917,560
County Manager	4,464,693	4,075,759	388,934	3,851,236
Financial Management	5,494,684	5,166,184	328,500	5,094,437
Civil Service	19,991	713	19,278	598
Human Resources	7,316,117	6,869,827	446,290	6,394,203
Technology Services	14,599,361	13,746,103	853,258	12,913,400
County Attorney	1,943,574	2,326,291	(382,717)	2,105,362
Commissioner of Revenue	4,887,188	4,800,622	86,566	4,555,994
Treasurer	5,782,881	5,931,498	(148,617)	5,515,027
Electoral Board	751,288	906,140	(154,852)	758,369
Total General Government	46,260,934	$44,735,258	1,525,676	42,106,186
Judicial Administration:				
Circuit Court	3,101,311	3,049,155	52,156	2,739,019
District Court	350,338	272,726	77,612	256,910
Juvenile & Domestic Relations Court	5,378,865	5,090,122	288,743	4,986,804
Commonwealth Attorney	3,768,497	3,576,026	192,471	3,515,412
Sheriff & Jail	34,459,927	35,147,846	(687,919)	32,844,906
Total Judicial Administration	47,058,938	47,135,875	(76,937)	44,343,051
Public Safety:				
Police	55,930,764	53,917,268	2,013,496	51,022,015
Emergency Communications Center	9,162,454	7,894,564	1,267,890	8,316,701
Fire	44,400,650	43,948,496	452,154	41,311,885
Total Public Safety	109,493,868	105,760,328	3,733,540	100,650,601
Department of Environmental Services:				
DES-Environmental Services	67,364,223	62,420,185	4,944,038	58,491,391
Health & Welfare:				
Human Services	106,843,171	101,695,722	5,147,449	96,536,913
Libraries:	13,218,762	13,062,000	156,762	12,339,879
Planning & Community Development:				
Economic Development	4,093,487	4,049,836	43,651	3,482,138
Community Planning Housing & Development	21,841,158	15,293,938	6,547,220	13,897,500
Total Planning & Community Development	25,934,645	19,343,774	6,590,871	17,379,638
Parks & Recreation:	33,918,067	33,656,140	261,927	32,146,657

ARLINGTON COUNTY, VIRGINIA
GENERAL AND SPECIAL REVENUE FUNDS
DETAIL SCHEDULE OF EXPENDITURES-BUDGET(GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	2008			
	BUDGET	ACTUAL	VARIANCE OVER (UNDER)	2007 ACTUALS
Non-Departmental:				
Non-Departmental	73,207,370	45,179,813	28,027,557	46,959,849
Debt Service				
Principal payment	29,031,896	28,950,071	81,825	27,595,301
Interest payment	18,531,307	18,423,089	108,218	17,941,603
Other costs	100,000	7,667	92,333	156,470
Regionals/Contributions	7,831,371	7,867,764	(36,393)	7,656,827
METRO	17,400,000	17,400,000	-	14,700,000
Total Non-Departmental	146,101,944	117,828,404	28,273,540	115,010,050
Total Expenditures before transfers-out	596,194,552	545,637,686	50,556,866	519,004,366
Transfers -Out				
Travel & Tourism	247,000	247,000	-	247,000
Auto Equipment Fund	222,107	222,107	-	178,665
Printing Fund	200,838	200,838	-	192,304
General Capital Projects Fund	24,067,996	24,067,996	-	14,102,519
Schools				
General Operating	304,619,826	281,930,053	22,689,773	267,584,574
Community Activities/Cable TV	9,164,221	8,337,581	826,640	7,783,677
Special Grants Fund	-	1,178,822	(1,178,822)	354,832
Pay-As-You-Go	9,290,358	18,199,428	(8,909,070)	18,007,543
Debt Service	27,670,948	28,857,974	(1,187,026)	26,971,109
Comprehensive Services Act	1,807,500	1,616,690	190,810	1,630,792
Total Transfers-Out	377,290,794	364,858,489	12,432,305	337,053,015
GRAND TOTALS EXPENDITURES	$973,485,346	$910,496,175	$62,989,171	$856,057,381
SPECIAL REVENUE FUNDS:				
Travel & Tourism Promotion	$1,385,914	$1,344,067	$41,847	$1,365,944
Rosslyn Business Improvement District	2,573,091	2,549,091	24,000	2,024,785
Crystal City Business Improvement District	2,271,509	2,199,950	71,559	1,641,575
Community Development Block Grant	4,395,945	3,014,824	1,381,121	2,813,215
Section 8 Housing	15,381,136	15,689,253	(308,117)	14,975,976
Total Special Revenue Funds	$26,007,595	$24,797,185	$1,210,410	$22,821,495
TOTAL GENERAL AND SPECIAL REVENUE FUNDS	$999,492,941	$935,293,360	$64,199,581	$878,878,876

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF CAPITAL OUTLAYS AND CAPITAL PROJECTS
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2008

EXHIBIT S-10

FUND AND FUNCTION		AMOUNT
GENERAL FUND:		
Capital Outlays:		
General Government	$11,267,391	
Public Safety	1,427,609	
Public Works	8,145,113	
Health & Public Welfare	382,323	
Libraries	946,869	
Parks & Recreation	2,049,871	
Planning & Community development	66,481	
Total General Fund		$24,285,657
CAPITAL PROJECTS FUNDS:		
General Capital Projects Fund:		
Public Works:		
Transportation Projects	598,135	
Government Facilities	24,241,018	
Cultural & Recreation - Community Affairs:		
Government Facilities	2,519,054	
Parks	831,548	
Public Safety	116,880	
Contributions to Regional Agencies	842,115	
Total General Capital Projects Funds	29,148,750	
Street & Highway Bond Fund:		
Capital Projects - Public Works/Transportation/ Street & Highway Improvements	5,891,513	
Neighborhood Conservation Bond Fund:		
Neighborhood Capital Projects	4,382,534	
Public Recreation Bond Fund:		
Capital Projects Parks & Recreation facilities	80,951	
Fire Station Bond Fund:		
Fire Station Facilities	9,898,571	
Library Bond Fund:		
Public Library Facilities	869,869	
Transit Facilities Bond Fund:		
Capital Projects - Transit Facilities	721,896	
SCHOOL BOARD:		
School Capital Projects Bond Fund	20,486,776	
Capital Projects - Education Facilities	17,722,360	
Total School Board	38,209,136	
TOTAL CAPITAL PROJECTS FUNDS		89,203,220
GRAND TOTAL		$113,488,877

ARLINGTON
VIRGINIA

STATISTICAL
(Unaudited)

This part of the Arlington County Comprehensive Annual Financial Report ("CAFR") presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time (Table A, Table B, Table C, Table D, Table E and Table F.).

Revenue Capacity

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

Debt Capacity

These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and its ability to issue additional debt in the future (Table I , Table J1 and Table J2).

Demographic and Economic Information

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

Operating Information

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

Other

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

TABLE A

ARLINGTON COUNTY, VIRGINIA
NET ASSETS BY COMPONENT
LAST THREE FISCAL YEARS (1)
(Accrual Basis of Accounting)

	Fiscal Year		
		Restated	
	2006	2007	2008
Governmental Activities			
Invested in capital assets,			
net of related debt	$62,305,816	$96,444,346	$97,725,016
Restricted for:			
Capital projects	143,283,542	142,422,852	10,418,820
Other projects	2,982,755	9,194,531	8,110,583
Unrestricted	27,283,211	58,549,227	202,765,401
Total governmental activities net assets	$235,855,324	$306,610,956	$319,019,820
Business-Type Activities			
Invested in capital assets,			
net of related debt	$285,517,682	$276,500,046	$358,445,993
Restricted for:			
Capital projects	22,473,812	10,222,745	(3,410,453)
Other projects	-	-	-
Unrestricted	46,211,348	115,310,033	118,311,293
Total business-type activities net assets	$354,202,842	$402,032,824	$473,346,833
Primary government			
Invested in capital assets,			
net of related debt	$347,823,498	$372,944,392	$456,171,009
Restricted for:			
Capital projects	165,757,354	152,645,597	7,008,367
Other projects	2,982,755	9,194,531	8,110,583
Unrestricted	73,494,559	173,859,260	321,076,694
Total primary government activities net assets	$590,058,166	$708,643,781	$792,366,653
School Component Unit			
Invested in capital assets,			
net of related debt	$280,567,468	$313,005,332	$332,700,082
Restricted for:			
Capital projects	5,968,595	21,143,761	53,652,410
Other projects	-	-	-
Unrestricted	30,823,237	(6,369,784)	(21,749,122)
Total schools component unit activities net assets	$317,359,300	$327,779,309	$364,603,370
Other Component Units			
Invested in capital assets,			
net of related debt	($5,634,995)	$20,624,884	$29,344,880
Restricted for:			
Capital projects	-	-	-
Other projects	-	-	-
Unrestricted	32,025,503	8,123,376	(4,918,215)
Total other component units activities net assets	$26,390,508	$28,748,260	$24,426,665

Notes:
(1) GASB Statement No. 44 requires presentation of full accrual financial information, including the presentation of net assets. This statement was implemented in fiscal year 2006; therefore, there are only three years of data presented in this table.

ARLINGTON COUNTY, VIRGINIA
CHANGES IN NET ASSETS
LAST THREE FISCAL YEARS (1)
(Accrual Basis of Accounting)

	Fiscal Year		
Expenses		**Restated**	
Primary government:	**2006**	**2007**	**2008**
Governmental activities:			
General government	$144,413,158	$170,050,920	$183,532,881
Public safety	94,152,505	105,294,735	114,536,445
Environmental services	66,712,584	69,902,804	73,697,836
Health & welfare	104,638,605	100,775,893	109,949,551
Libraries	13,002,989	13,167,711	14,426,350
Parks, recreation & culture	34,366,540	35,953,363	38,592,964
Planning & community development	35,865,238	40,556,577	46,279,307
Education	310,810,349	338,962,527	390,921,262
Interest and other charges	18,031,216	18,098,073	18,430,756
Total governmental activities expenses	821,993,184	892,762,603	990,367,352
Business-type activities:			
Utilities	47,321,964	51,515,377	57,904,261
Ballston Public Parking Garage	5,732,832	5,937,745	9,517,231
IDA Revenue Bond Fund	-	34,170	1,519,061
8th Level Ballston Public Parking Garage	-	28,927	35,947
Total business-type activities expenses	53,054,796	57,516,219	68,976,500
Total primary government expenses	$875,047,980	$950,278,822	$1,059,343,853
Component units:			
Schools	$352,921,809	$388,148,161	412,953,520
Other	2,446,253	6,199,663	7,777,236
Total component units activities expenses	$355,368,062	$394,347,824	$420,730,756
Program Revenues			
Primary government:			
Governmental activities:			
Charges for services			
General government	$21,333,168	$20,079,042	$18,106,488
Environmental services	14,997,675	16,550,927	19,684,727
Public safety	9,281,843	7,676,160	5,049,238
Other activities	16,851,289	17,950,390	$21,509,731
Operating grants and contributions	110,686,562	118,055,710	105,661,179
Capital grants and contributions	1,809,521	1,810,516	1,811,566
Total governmental activities program revenues	174,960,058	182,122,745	171,822,929
Business-type activities:			
Charges for services			
Water-sewer service charges	52,362,162	56,850,491	67,434,401
Water-service hook-up charges	6,468,463	3,345,476	4,810,598
Other activities	9,800,525	20,369,401	33,946,120
Operating grants and contributions	-	-	-
Capital grants and contributions	1,190,249	21,162,994	28,033,520
Total business-type activities program revenues	69,821,399	101,728,362	134,224,639
Total primary government program revenues	$244,781,457	$283,851,107	$306,047,568
Component units:			
Charges for services	$15,122,958	$16,849,867	20,328,889
Operating grants and contributions	332,115,611	365,255,205	416,771,587
Capital grants and contributions	-	-	-
Total component units program revenues	$347,238,569	$382,105,072	$437,100,476

ARLINGTON COUNTY, VIRGINIA
CHANGES IN NET ASSETS
LAST THREE FISCAL YEARS (1)
(Accrual Basis of Accounting)

Net (Expense) Revenue			
Primary government:			
Governmental activities	($647,033,126)	($710,639,858)	($818,544,423)
Business-type activities	16,766,603	44,212,143	65,248,139
Total primary government net expense	($630,266,523)	($666,427,715)	($753,296,284)
Component units:			
Component unit activities	($8,129,493)	($12,242,752)	17,798,673
Total component units net expense	($8,129,493)	($12,242,752)	$17,798,673
General Revenues and Changes in Net Assets			
Governmental activities:			
Property taxes:			
Real estate property taxes	$412,474,942	$441,047,242	$509,933,075
Personal property taxes	81,498,687	100,682,324	93,870,189
Other local taxes:			
Business, professional occupancy license taxes	52,568,059	50,898,687	57,266,956
Other local taxes	109,293,301	118,628,548	128,615,218
Investment and interest earnings	11,792,758	16,927,475	17,282,845
Miscellaneous	27,701,527	33,453,869	23,985,005
Total governmental activities	695,329,274	761,638,145	830,953,288
Business-type activities:			
Investment and interest earnings	4,581,344	3,617,839	6,065,870
Total business-type activities	4,581,344	3,617,839	6,065,870
Total primary government	$699,910,618	$765,255,984	$837,019,158
Component units activities:			
Other local taxes			
Other local taxes	$16,479,189	$18,242,576	$16,906,350
Investment and interest earnings	2,250,409	3,063,000	681,544
Total primary government	$18,729,598	$21,305,576	$17,587,894
Changes in Net Assets			
Primary government:			
Governmental activities	$48,296,148	$50,998,287	$12,408,864
Business-type activities	21,347,947	47,829,982	71,314,009
Total primary government net expense	$69,644,095	$98,828,269	$83,722,873
Component units:			
Component units activities	$10,600,105	$9,062,823	35,386,567
Total component units net expense	$10,600,105	$9,062,823	$35,386,567

Notes:
(1) GASB Statement No. 44 requires presentation of full accrual financial information, including the presentation of changes in net assets. This statement was implemented in fiscal year 2006; therefore, there are only three years of data presented in this table.

TABLE C

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	
General Fund Balance:											
Reserved for											
Encumbrances	$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	$2,517,374	
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	3,000,000	3,500,000	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	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	28,262,153	
Designated for Subsequent Years Budget	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	29,928,475	
Designated for Incomplete Projects	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	49,107,897	
Designated for Retirement	-	-	-	-	-	-	-	-	-	3,880,000	
Total General Fund Balance	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	117,695,899	
General Fund Balance as Percent of General Fund Expenditures and Other Financing Uses	5.80%	8.42%	12.21%	10.39%	8.88%	9.14%	9.41%	12.88%	13.49%	12.93%	
All Other Governmental Funds											
Special revenue funds											
Reserved	-	-	-	-	-	-	-	-	-	53,706	
Unreserved	-	-	-	-	-	-	-	3,516,894	9,919,740	8,526,238	(1)
Capital Project funds											
Reserved	-	-	-	-	-	-	-	32,427,146	32,282,131	26,259,487	(1)
Unreserved	-	-	-	-	-	-	-	110,856,397	110,140,721	133,844,803	(1)
Total all other governmental funds	-	-	-	-	-	-	-	146,800,437	152,342,592	168,630,528	(1)
Component unit - Schools:											
Reserved								58,709,912	35,019,015	65,672,036	(1)
Unreserved								4,916,017	6,589,059	7,799,312	(1)
Total component unit - Schools								63,625,929	41,608,074	73,471,348	(1)

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

TABLE D

ARLINGTON COUNTY, VIRGINIA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST THREE FISCAL YEARS (1)
(Modified Accrual Basis of Accounting)

	Fiscal Year		
	2006	2007	2008
REVENUES:			
General property taxes:			
Real Estate property taxes	$391,213,244	$425,982,688	$473,501,869
Personal property taxes	81,498,687	100,682,324	93,870,189
Other Local taxes:			
BPOL	52,568,059	50,898,687	57,266,956
Other local taxes	109,293,301	118,628,548	128,615,218
Fines and forfeitures	8,900,948	8,338,582	8,049,910
Licenses, permits and fees	14,692,442	13,687,394	17,022,701
Intergovernmental	112,496,082	119,866,226	107,472,746
Charges for services	38,870,586	40,230,543	39,277,573
Interest and rent	11,792,758	16,927,475	17,282,845
Miscellaneous revenues	10,891,786	15,414,677	6,938,710
Total revenues	832,217,893	910,657,144	949,298,717
EXPENDITURES:			
Current operating:			
General government	130,380,468	155,765,913	162,318,710
Public safety	88,875,217	100,650,601	105,760,328
Public works			
Environmental services	55,122,531	58,491,391	62,420,185
Health and welfare	98,926,206	96,536,913	101,695,722
Libraries	12,034,671	12,339,879	13,062,000
Parks, recreation and culture	32,012,711	33,512,601	35,000,210
Planning and community development	33,914,712	38,835,189	42,796,892
Education	310,810,349	338,962,527	390,921,262
Debt service			
Principal	26,480,421	27,595,301	28,950,071
Interest and other charges	18,031,216	18,098,073	18,430,756
Deferred cost of refunding	1,409,185	-	-
Capital outlay	72,029,442	61,004,743	60,137,617
Total expenditures	880,027,129	941,793,131	1,021,493,753
Excess(deficiency) of revenues over expenditures	(47,809,236)	(31,135,986)	(72,195,036)
OTHER FINANCING SOURCES(USES):			
Transfers in	15,423,635	21,171,707	29,370,998
Transfers out	(15,812,365)	(20,941,333)	(29,663,941)
Capital leases	5,776,901	975,020	5,704,728
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	1,491,507
Issuance of debt	61,335,000	49,860,000	83,777,000
Total other financing sources and uses	69,776,701	51,715,883	90,680,292
Net change in fund balances	$21,967,465	$20,579,897	$18,485,256
Debt service as a percentage of noncapital expenditures	5.5%	5.2%	4.9%

Notes:

(1) GASB Statement No. 44 requires presentation of modified accrual financial information, including the changes in fund balances of governmental funds. This statement was implemented in fiscal year 2006; therefore, there are only three years of data presented in this table.

TABLE D -1

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

Fiscal Year	General Government	Public Safety	Public Works/ Environmental Services	Health & Welfare	Culture/ Recreation (2)	Education	Non-Depart-mental	Debt Service(3)	Contributions to Regional Agencies		Total
									Transit	Other	
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
2008	91,871,133	105,760,328	62,420,185	101,695,722	103,669,708	356,461,219	45,179,813	76,238,801	17,400,000	7,867,764	968,564,673

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
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
2008	756,859,824	17,022,701	149,161,753	53,645,287	8,049,910	19,554,790	1,004,294,265

NOTES:

(1) Includes revenues of the General, Special Revenue Funds, and School Board.
(2) BPOL reclassed 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		
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
2008	554,127,644	35,299,283	2,621,265	22,124,454	1,477,629	6,941,848	5,279,450	10,024,166	28,453,021	76,643	74,414	666,499,817

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

	Real Property		Personal Property		Public Property		Total			
Fiscal Year	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	Real Property Tax Rate	Personal Property Tax Rate
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	766,769,589	38,062,505,898	38,062,505,888	.978/.958	4.40
2005	42,275,421,900	42,275,421,900	1,759,391,742	1,759,391,742	682,583,199	682,583,199	44,717,396,841	44,717,396,841	.958/.878	4.40
2006	50,632,673,900	50,632,673,900	1,833,540,112	1,833,540,112	724,577,345	724,577,345	53,190,791,357	53,190,791,357	.878/.818	5.00
2007	54,292,837,200	54,292,837,200	1,926,492,868	1,926,492,868	939,132,732	939,132,732	57,158,462,800	57,158,462,800	.878/.818	5.00
2008	57,469,500,000	57,469,500,000	1,931,899,776	1,931,899,776	884,773,303	884,773,303	60,286,173,079	60,286,173,079	.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)
CURRENT YEAR AND NINE YEARS AGO

Taxpayer/ Type of Business	2008 Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Rank	1999 Assessed Valuation	Percentage of Total Assessed Valuation
Vornado Realty Trust Office buildings, aparts, hotel, land	$5,492,715,000	1	9.56%		-	
JBG/Trizechahn Office building, land	970,750,800	2	1.69%		-	
Albrittain Interests Apartments, general commercial	965,111,600	3	1.68%	6	240,546,400	1.19%
Paradigm Managed Properties Apartments , general commercial	687,674,200	4	1.20%		-	-
Shirley Park Leasing LP(7) Office building, Apartments	609,239,200	5	1.06%		-	-
Fashion Centre Associates Mixed use retail, hotel	601,308,000	6	1.05%	4	384,613,300	1.91%
Beacon capital partners Office buildings	540,177,900	7	0.94%		-	
Arland Towers Company Office buildings, land	418,140,400	8	0.73%	5	292,863,400	1.45%
Kingdon gould/airport plaza assoc Office buildings, land	344,153,000	9	0.60%			
FDIC Office buildings	294,421,300	10	0.51%			
Charles E. Smith Interests Office buildings, aparts, hotel, land	-	-	-	1	$1,354,979,400	6.71%
Commonwealth Atlantic Properties, I Buildings, condos, land	-	-	-	2	538,540,300	2.67%
Richmond Land Corporation Office buildings, land	-	-	-	3	478,936,700	2.37%
Cafritz Interests Apartments, warehouses, land	-	-	-	7	232,439,700	1.15%
Caruthers Interests Retail,office,building,aparts,hotel	-	-	-	8	150,900,600	0.75%
Crystal Holdings Office buildings	-	-	-	9	147,681,800	0.73%
Lehndorff/La Solana Associates Office buildings	-	-	-	10	136,097,400.00	0.67%
Total	$10,923,691,400		19.02%		$3,957,599,000	19.60%

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'sTaxes 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
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	1,069,831	4,861,433	0.92%
2008	577,353,341	2,881,468	574,471,873	99.50%	3,285,410	577,757,283	100.07%	829,482	1,259,192	4,645,017	0.80%

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
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
2008	208,000	60,286,173,079	638,765,592	1.06%	3,071

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	Debt Service Requirements			
				Principal	Interest	Total	Coverage
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
2008	4,318,862	7,268,910	(2,950,048)	500,000	521,719	1,021,719	(2.887)

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	Coverage
1999	43,152,479	27,759,811	15,392,668	2,941,870	2,629,714	5,571,584	2.76
2000	46,895,562	27,244,943	19,650,619	3,429,539	2,614,425	6,043,964	3.25
2001	47,233,296	30,192,015	17,041,281	3,797,788	2,588,040	6,385,828	2.67
2002	45,972,198	25,693,545	16,076,065	3,597,275	2,101,071	5,698,346	2.82
2003	45,309,573	32,842,773	7,905,318	3,636,691	2,095,078	5,731,769	1.38
2004	49,679,885	35,094,277	9,481,925	3,742,624	1,482,369	5,224,993	1.81
2005	59,114,705	41,817,417	17,297,289	3,130,952	2,033,402	5,164,354	3.35
2006	65,044,344	39,453,764	25,590,580	3,074,680	2,585,276	5,659,956	4.52
2007	76,874,765	41,373,056	35,501,709	3,487,382	2,670,385	6,157,767	5.77
2008	102,270,725	42,983,162	59,287,563	5,179,814	6,142,614	11,322,428	5.24

NOTES:

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

(2) Excludes depreciation.

TABLE K

ARLINGTON COUNTY, VIRGINIA
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Personal Income (thousands of dollars)	Per Capita Income (2)	School Enrollment (3)	Unemployment Rate (4)
1999	183,716	8,396,372	45,703	18,265	1.6%
2000	189,453	9,384,744	49,536	18,334	1.1%
2001	189,983	10,226,785	53,830	18,484	2.1%
2002	193,754	10,685,146	55,148	18,469	2.7%
2003	196,925	11,106,570	56,400	18,333	2.3%
2004	198,739	11,497,250	57,851	17,961	2.6%
2005	198,267	11,699,736	59,010	17,600	2.5%
2006	200,226	12,132,694	60,595	18,411	2.3%
2007	204,800	13,004,800	63,500	18,451	2.3%
2008	208,000	14,040,000	67,500	18,684	2.6%

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 2001-2008 population figures are estimates from the Arlington County Planning Division.

(2) Source - U.S. Department of Commerce, Bureau of Economic Analysis, Regional Accounts Data. (hhtp://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- 2008 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 - 2008 figures are 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
CURRENT YEAR AND NINE YEARS AGO

	2008				1999		
Employers	Employees	Rank	Percentage of Total County Employment	Employers (1)	Employees	Rank	Percentage of Total County Employment
United States Government Employment (es	29,500	1	19.06%	Bell Atlantic	3,825	1	1.90%
Arlington County Government & Schools	10,264	2	6.63%	US Airways	2,515	2	1.25%
Virginia Hospital Center	2,127	3	1.37%	MCI/Worldcom	2,130	3	1.06%
Marriott International, Inc.	1,720	4	1.11%	Price Waterhouse	1,926	4	0.96%
Corporate Executive Board	1,659	5	1.07%	Gannet/USA Today	1,800	5	0.89%
Lockheed Martin Group	1,533	6	0.99%	Marriott Corp	1,700	6	0.84%
SAIC	1,448	7	0.94%	Arlington Hospital	1,400	7	0.70%
US Airways	1,294	8	0.84%	Hecht Company	1,164	8	0.58%
CACI	1,246	9	0.81%	SAIC	1,116	9	0.55%
Booz Allen Hamilton	1,203	10	0.78%	C.E Smith Companies	1,045	10	0.52%
Verizon	995	11	0.64%	CACI International	838	11	0.42%
SRA International, Inc.	954	12	0.62%	Quest	800	12	0.40%
Marymount University	651	13	0.42%	ANSER	618	13	0.31%
Virginia State Government	646	14	0.42%	Hyatt	610	14	0.30%
Bureau of National Affairs (BNA)	600	15	0.39%	Nordstorm	527	15	0.26%
Nordstorm	593	16	0.38%	NRECA	525	16	0.26%
The Boeing Campany	579	17	0.37%	Vencor Hospital	500	17	0.25%
Macy's	550	18	0.36%	Nature Conservancy	450	18	0.22%
E*Trade Financial	500	19	0.32%	Marymount University	425	19	0.21%
National Rural Electric Cooperative Associ	500	20	0.32%	Ritz Carlton	405	20	0.20%
Watson Wyatt	500	21	0.32%				
Total	59,062		38.16%		24,319		12.09%

(1) Represents Principal Private Empoyers.
Source: Arlington Economic Development or calculated from space occupancy ratio

TABLE M

ARLINGTON COUNTY, VIRGINIA
OPERATING INDICATORS BY FUNCTION-PROGRAM
JUNE 30, 2008

Form of Government	County Manager Plan
Date of Adoption	January 1, 1932
Area (square miles)	26
Lane Miles	2,478
Number of Street Lights	14,620
Fire Protection:	
Number of Stations	10
Training Academy	1
Number of Employees	315
Police Protection:	
Number of Employees: Police Department	476
Number of Employees: Sheriff/ Jail and Courts	274
Education:	
Attendance Centers	34
Number of Classrooms	1,720
Number of Teachers	1,962
Number of Students	18,684
County Water System:	
Number of consumer service locations	36,828
Average daily consumption (gallons)	24,066,000
Miles of water mains	525
County Sewer System:	
Miles of sanitary sewers	470
Average gallons per day treated	24,700,000
System capacity under construction (gallons per day)	10,000,000
Building Permits:	
Construction Permits	3,289
Plumbing, Electrical & Mechanical Permits	7,132
Fire Permits	974
Elevator Permits	103
Recreation and Culture:	
Number of Parks and Playgrounds	212
Number of Libraries	8
Number of Items (Print and Audiovisual)	619,808
Number of Community Centers	14
Number of Nature Centers	2
Numer of Historical Districts	30
Employees:	
General Government	3,437
School System	3,556

TABLE N

ARLINGTON COUNTY, VIRGINIA
CAPITAL ASSET STATISTICS BY FUNCTION/ PROGRAM
JUNE 30, 2008

Primary Government

FUNCTION AND ACTIVITY:	Total
General Government:	
Control-	
Legislative	$58,579
Executive	245,864
Judicial	1,292,973
Total Control	1,597,416
Staff Agencies-	
Elections	138,310
Management and Finance	239,344
Office of Support Services	104,868,910
Real Estate Assessment	52,298
Civil Service	805
Personnel Department	167,306
Office of County Attorney	38,971
Commissioner of the Revenue	48,621
Treasurer	835,309
Department of Technology Services	16,700,152
General government buildings	43,796,601
Other	3,352,898
Total Staff Agencies	170,239,525
Total General Government	171,836,941
Public Safety:	
Police protection	24,163,161
Fire protection	6,594,563
Emergency communication	922,734
Total Public Safety	31,680,458
Environmental Services	414,461,104
Health and Public Welfare	31,394,364
Libraries	12,159,862
Recreation	88,774,344
Community Development	14,644,784
Total General Capital Assets	$764,951,857
Internal Services Fund	
Auto Equipment Fund	$45,696,573
Printing Fund	-
Total Internal Services Fund	$45,696,573
Component Unit: School Board	
Schools	$470,609,847
GRAND TOTALS	$1,281,258,277

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
1999	21,939,381	16188256	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%
2008	47,100,186	29,138,615	76,238,801	968,564,673	7.87%

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, 2008

Type of Coverage & Insurance Company	Policy Number	Period From	Period To	Summary of Coverage & Limits	Premiums
PROPERTY POLICIES					
Primary Property Lexington Insurance Company **1A**	6651827	7/10/2007	7/1/2008	All Risk Package Policy coverage on real and personal property, valuable papers and records Inland Marine equipments, extra expense and business interruptions, Theatrical Equipment Floater, Fine Arts, Property Floater, EDP, Voting Machines and off premises power failures $50,000 deductible. TIV $636 million subject program limits of $500 million also include flood, earthquakes, boiler & match. Garage keepers liability, physical damage on County vehicles while garaged.	**$ 319,851** Premimum is based on primary policy limits of $25,000,000 includes TRIA
Excess Property RSUI Indemnity Company **1B**	NHD353538	7/1/2007	7/1/2008	All risks excess property policy covering $475,000,000 excess of $25,000,000. All terms and conditions and coverage is the same as underlying primary policy	**$ 52,831** Includes TRIA
Crime Policy Zurich American Ins. Co. **2**	FID902934800	7/1/2007	7/1/2008	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 :$25,000 Final year of 3 year policy.	**$ 13,717** Excludes TRIA
Fine Arts Policy Ace Fire Underwriters Ins. Co. **3**	IMCI2014578A	7/1/2007	7/1/2008	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 scuplture Legal liability $250,000 any one loss	**$ 2,475** Excludes TRIA
Performing Arts Package Business Policy Lexington Insurance Co. **4**	AIP0000223494603	7/1/2007	7/1/2008	Package Ins. Policy for Performing Arts Group DBA at Rosslyn Theater includes $1/2 million GL, $850,000 Property	Package Policy **$ 5,923** Total

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF INSURANCE
JUNE 30, 2008

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**	42UUNBF6896k3	7/1/2007	7/1/2008	Package Policy Cancelled at the end of policy year 08	Property- $128 *GL- $222* ***Total - $350*** Includes TRIA
Woodmont School Workers Comp. Workers's Compensation **6**	42WENYTJ4195	7/1/2007	7/1/2008	Virginia Statutory Benefits for Remunerated Non-County Employee of Project. Policy cancelled at the end of policy year 08.	**$ 2,078**
General Liability, Public Officials Liab **Law Enforcements Liab, Auto Liability** Covers Arlington County employees and Officials conducting County business **7**	County Board Resolution	Continous		Self Insured for Liability Exposures. AL, POL, LEL, GL- Primary $1,000,000	
Excess Liability Policy Genesis Insurance Co. **8**	YXB300839F	7/1/2007	7/1/2008	Excess Pulbic Entity Liability Policy, Excess of $1,000,000 self-insured retention $10/20 million limits excess of SIR	**$ 455,450** Excludes TRIA
Constitutional Officers Business Auto Twin City Fire Insurance company **9**	42UENDE 2638	7/1/2007	7/1/2008	Covers Liability, Uninsured Motorists&Medical Payments. $1,000,000 each occurance for Liability, $1,000 for medical payments.	**$ 36,610**
Constitutional Officers Commercial Package Policy Twin City Insurance Company **10**	42UUNBE8483	7/1/2007	7/1/2008	$1/3 million- General Liability Business Personal Property of Const. Officers	**$ 13,548**

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF INSURANCE
JUNE 30, 2008

Type of Coverage & Insurance Company	Policy Number	Period From	Period To	Summary of Coverage & Limits	Premiums
Constitutional Officers Liability Plan				Combined Program for CGL/POL &LEL covers Public Officials &	
Virginia Risk Coverage				Employees by reason of any wrongful Act, rendered in the discharge of the duties of Public Entity.	
Commonwealth of Virginia (SIR)	Virginia Risk	Continous		Limits: $1 million per loss, $1 million aggregate	
Clerk of Court	Virginia Risk	Continous		Limits: $1 million per loss, $1 million aggregate	
Sheriff	Virginia Risk	Continous		Limits: $1 million per loss, $1 million aggregate	
Commissioner of Revenue	Virginia Risk	Continous		Limits: $1 million per loss, $1 million aggregate	
Commonwealth's Attorney	Virginia Risk	Continous		Limits: $1 million per loss, $1 million aggregate	
Registra of Voters	Virginia Risk	Continous		Limits: $1 million per loss, $1 million aggregate	
Arlington County Treasurer	Virginia Risk	Continous		Limits: $1 million per loss, $1 million aggregate	
11					
HIDTA Task Force	42UUNBE8483K3	7/1/2007	7/1/2008	Liability coverage $1million/2 million	**$ 1,219**
Commercial Package Policy				Business Personal Property - Deduction $250	
Twin City Fire Insurance Company					(Includes TRIA)
12					
Medical Professional Liability	FLP002233600	7/1/2007	7/1/2008	Professional Liability Insurance	$ 259,460
Arch Speciality Insurance				Employed and Contracted Physicians Clinic Staff and EMS	Surplus tax--$5,838
				$100,000 DED. Each claim.	**$265,298**
13					

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF INSURANCE
JUNE 30, 2008

Type of Coverage & Insurance Company	Policy Number	Period From	Period To	Summary of Coverage & Limits	Premiums
Group Accident Coverage				Coverage coordinated with pers. Coverage	
National Union Fire Ins.	SRG0009105405	7/1/2007	7/1/2008	AD&D for volunteers	$ 6,300
National Union Fire Ins.	SRG0009105406	7/1/2007	7/1/2008	AD&D for campers	$ 12,750
National Union Fire Ins.	SRG0009105403	7/1/2007	7/1/2008	AD&D for Recreational Sports	$ 7,500
National Union Fire Ins.	SRG0009105404	7/1/2007	7/1/2008	AD&D for Community Service Program	$ 650
Chesapeake Life Insurance Co.	ZCH05-031301	7/1/2007	7/1/2008	AD&D for Auxiliary Police	$ 600
14				Total Premium	$ 27,800
Personal Services Contractors Hartford Underwriters Ins. Co. Revised 10/1/2008 15	42WEEF4632	7/1/2007	7/1/2008	Va Statutory W/C limits for contracted cook and contracted printer for community services program	$ 891
Personal Services Contractors Commercail Package Policy Twin City Fire Insurance Co. 16	42UENBE1845	7/1/2007	7/1/2008	General Liability and Property Policy for cook and printer Community Service, Cancelled FY09	$ 347
Tenant User Liability Insurance Policy Clarendon America Ins. Co. 17	EGL00185102	7/1/2007	7/1/2008	Provides liability insurance for individuals and groups using Arlington facilities & properties. General liabilities $1,000,000 per occurance	$ 5,150 (Excludes TRIA)
County Board Surety Bond 18	P. Ferguson B. Favola J. Fisstte C. Zimmerman W. Tejada	Continuous until Cancelled		Bond limit $2.500	$ 500 Total
Fire and Rescue Auto Physical Damage VFIS/ American Alternative Insurance Corporation 19	VFISCM1012432-02	7/1/2007	7/1/2008	Provides comprehensive and collision coverage on vehicles owned or operated by ACFD $1,000 Ded per unit.	$ 54,350 (Includes TRIA)
Portable Equipment Policy Hartford Fire Insurance Company 20	42 MS UG3055 K3	7/1/2007	7/1/2008	Inland Marince policy covering portable fire equipment	$ 7,222 (Includes TRIA)

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF INSURANCE
JUNE 30, 2008

Type of Coverage & Insurance Company	Policy Number	Period From	Period To	Summary of Coverage & Limits	Premiums
Portable Equipmen-Fire Command Vehicle VFIS American Alternative **21**	TR-2056525	7/1/2007	7/1/2008	Inland Marince policy covering portable fire equipment	$ 10,872
Fiduciary Liability Policy-Arlington Co. Employee's Suppl. Retirement Sys 2 National Union/Alton Agency **22**	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 Not Incl. IN
VDOT Permit Bond Travelers **23**	53 S 101062299	Continuous		Virginia Highways permit bond for facilities located on the VDOT right-of-way Limit $100,000	$ 150
Worker's Compensation **24**		Continuous		Arlington County is self-insured to statutory limits	
EXCESS LIABILITY- BALLSTON GARAGE					
	ENU720209 01 2007	1/7/2007	1/7/2008	Excess liability coverage required by Federated Department Stores, Inc.	$ 84,356
AXIS SPECIALTY INS. ST. PAUL **25**	QI03800471	1/7/2007	1/7/2008	regarding IceSkating rinks at Ballston Garage. Exp date to be entended to 7/1/06	$ 35,000
Total Premium FY08	Excludes continous bonds or Fiduciary Liability Coverage				$ 1,395,988

TABLE Q

ARLINGTON COUNTY, VIRGINIA
SALARIES AND SURETY BONDS
OF PRINCIPAL OFFICIALS
JUNE 30, 2008

Official Title	Annual Salary Range Minimum	Maximum	Bond (1)
County Board:			
Chairman	-	53,900	2,500
Vice Chairman	-	49,000	2,500
Members	-	49,000	2,500
Clerk	-	78,890	20,000
County Manager	-	223,600	20,000
Commissioner of the Revenue	81,536	134,784	30,000
Commonwealth's Attorney	98,051	162,074	-
Sheriff	85,259	140,941	30,000
Treasurer	81,536	134,784	1,000,000
County Attorney	-	187,512	20,000
Director of Community Housing, Planning & Development	61,963	181,438	20,000
Director of Economic Development	61,963	181,438	20,000
Director of Environmental Services	61,963	181,438	20,000
Fire Chief	61,963	181,438	20,000
Director of Human Services	61,963	181,438	20,000
Director of Libraries	61,963	181,438	20,000
Director of Management and Finance	61,963	181,438	20,000
Director of Human Resources	61,963	181,438	20,000
Chief of Police	61,963	181,438	20,000
Director of Park, Recreation and Community Resources	61,963	181,438	20,000
Director, Office of Technology and Information Services	61,963	181,438	20,000
Director, Office of Support Services	61,963	181,438	20,000
Clerk of the Circuit Courts	81,536	134,784	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
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
2008	132	32,778,000	76	295,231,000	11,331	646,663,518	N/A	31,511,540,600	25,957,959,400	7,208,720,200

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

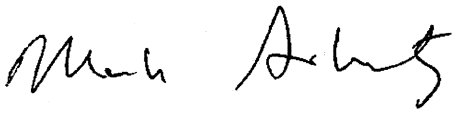
ARLINGTON COUNTY, VIRGINIA
BUSINESS AND PROFESSIONAL LICENSE TAX REVENUES
FISCAL YEARS 1999 - 2008

Fiscal Year	Revenues	Percent Change
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%
2008	57,266,956	11.12%

TABLE T

ARLINGTON COUNTY, VIRGINIA
CERTIFICATE OF NO DEFAULT
June 30, 2008

Pursuant to Section 10.3 of the Financing Agreements between Virginia Resources Authority and Arlington County, I hereby certify that, during the fiscal year ended June 30, 2008, and through the date of this certificate, no event or condition has happened or existed, or is happening or existing, which constitutes, or which would constitute and Event of Default as defined in Section 11.1 of the Financing Agreements for Loan Number C-515319-02, Loan Number C-515378-02, and Loan Number C-515378-02B.



Mark Schwartz
Director, Department of Management and Finance
September 15, 2008

TABLE U

ARLINGTON COUNTY, VIRGINIA
LARGEST USERS OF THE WATER & SEWER SYSTEM
For the twelve months ending June 30, 2008

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	11,264	Pentagon Military	11,676
Marriott Crystal City Hotel	3,138	Ft. Myer Military	11,264
Vornado - 1600 S. Joyce Street Apartments	3,050	Reagan National Airport Aviation	8,573
Pentagon City Mall Retail	2,972	Marriott Crystal City Hotel	3,138
Carlton Condominiums Residential	2,823	Vornado - 1600 S. Joyce Street Apartments	3,050
Vornado - 1400 S. Joyce Street Apartments	2,650	Pentagon City Mall Retail	2,972
Archstone Communities - 1600 S. Eads Residential	2,551	Carlton Condominiums Residential	2,823
Arlington County Detention Center Jail & detention facility	2,548	Vornado - 1400 S. Joyce Street Apartments	2,650
Archstone Communities - 320 S. 23rd St. Residential	2,399	Archstone Communities - 1600 S. Eads Residential	2,551
Dittmar Company - 4001 N. 9th Apartments	2,303	Arlington County Detention Center Jail & detention facility	2,548

NOTE:
(1) Source - County Department of Environmental Services - Utilities Services Office

TABLE V

ARLINGTON COUNTY, VIRGINIA
DESCRIPTION OF THE WASTEWATER & WATER SYSTEM
& WASTEWATER & WATER RATES
JUNE 30, 2008

Wastewater System

Description of System

The County began its pollution abatement program in 1933 with the approval of a bond referendum for a county-wide sewage system to include 100 miles of sanitary sewers and a water pollution control plant (the "Plant") providing primary treatment. The Plant was placed in service in 1937. In response to continued growth, the Plant has been repeatedly expanded, with upgrades providing for advanced treatment, new preliminary treatment, a new dewatering building, and a new equalization tank to minimize fluctuation of flow to the Plant.

The County's system presently consists of 470 miles of gravity sewer lines, eleven pumping stations, three ejector stations, two meter stations and the Plant. The Plant has a rated capacity of 30 million gallons per day (MGD). Current flows average 25 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 minimization 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 $180 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 $48.5 million, and in 2008 for $27.4 million. Grant funds from the Water Quality Improvement Fund under the Department of Environmental Quality Chesapeake Bay Program for approximately $96 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.

Major Customers

The County's wastewater system serves residents and businesses in the County. A list of the top ten retail wastewater customers is included in Table U of the Statistical Section. On a wholesale basis, the County's wastewater system serves Alexandria Sanitation Authority; the City of Alexandria, Virginia; the City of Falls Church, Virginia; and Fairfax County, Virginia (together, the "Inter-Jurisdictional Partners" or "IJ Partners"). Arlington has contractual agreements for wastewater conveyance and treatment with the IJ Partners that set forth the terms of these relationships, including the calculation of both operating and capital charges. A summary of each IJ Partner contract is included in the table below; additional information on the contracts can be requested from the County's Department of Environmental Services, Utilities Service Office at (703)228-3601.

IJ Partner	Share of Plant Capacity	Agreement Expiration Date
Fairfax County	3.0 MGD Peak flow capacity reservation of 6.6 MGD	June 30, 2004 Fairfax provided written notification that contract will be honored until new agreement is negotiated
City of Alexandria & Alexandria Sanitation Authority (ASA)	3.0 MGD Maximum daily flow capacity reservation of 7.5 MGD	June 30, 1987 Agreement provides that it is binding until Arlington system is not in existence and as long as either party is not in default. ASA provided written notification that contract will be honored until new agreement is negotiated
City of Falls Church	0.8 MGD Peak flow capacity of 2.0 MGD	September 9, 2012

Water Distribution System

Description of System

Arlington County purchases water on a wholesale basis from the Washington Aqueduct, a branch of the U.S. Army Corps of Engineers. The water system was established in 1927 after an Act of Congress, approved April 14, 1926, authorized Arlington County to receive water from a water supply pumping station at the Dalecarlia Reservoir Water Treatment Plant in northwest Washington, D.C. Average daily production at Dalecarlia, which also serves the District of Columbia, the City of Falls Church, the Pentagon, and Reagan National Airport, is 110 MGD. Average daily production for the entire Washington Aqueduct system is 175 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 36,800 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 2004 through 2009 are shown in the following table. The typical residential customer pays $61.48 per month, assuming annual consumption of 70,000 gallons. Historically, rate increases have been effective on May 1 prior to the start of the fiscal year.

FY 2004 – FY 2009 Wastewater & Water Rates
Per 1,000 Gallons of Metered Water Usage

Fiscal Year	Water	Wastewater	Total	Percent Change
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%
2009	$3.35	$7.19	$10.54	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, 2008, general obligation debt outstanding attributable to the Utilities Fund totaled $119,701,662. As of June 30, 2008, Wastewater System and Water System Revenue Bonds issued through the VWFRF to the VRA totaled $172,535,485. The following table shows future debt service on these obligations.

Fiscal Year	TOTAL EXISTING GO DEBT SERVICE			VRA BONDS			TOTAL		
Ended June 30	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2009	7,084,110	5,020,745	12,104,855	5,432,420	3,928,782	9,361,202	12,516,530	8,949,527	21,466,057
2010	7,987,869	5,246,805	13,234,674	7,147,818	5,047,517	12,195,335	15,135,687	10,294,322	25,430,009
2011	8,004,024	4,838,858	12,842,881	7,367,953	4,827,383	12,195,336	15,371,977	9,666,241	25,038,217
2012	7,635,879	4,611,444	12,247,323	7,594,869	4,600,467	12,195,336	15,230,748	9,211,911	24,442,659
2013	7,285,617	4,220,513	11,506,129	7,828,775	4,366,561	12,195,336	15,114,392	8,587,074	23,701,465
2014	7,301,667	3,869,354	11,171,021	8,069,887	4,125,449	12,195,336	15,371,554	7,994,803	23,366,357
2015	5,654,580	3,395,135	9,049,716	8,318,426	3,876,910	12,195,336	13,973,006	7,272,045	21,245,052
2016	5,752,633	3,069,485	8,822,118	8,574,623	3,620,713	12,195,336	14,327,256	6,690,198	21,017,454
2017	5,807,368	2,784,600	8,591,968	8,838,711	3,356,624	12,195,335	14,646,079	6,141,224	20,787,303
2018	5,795,493	2,521,384	8,316,877	9,110,936	3,084,399	12,195,335	14,906,429	5,605,783	20,512,212
2019	5,542,751	2,229,295	7,772,046	9,391,547	2,803,788	12,195,335	14,934,298	5,033,083	19,967,381
2020	5,386,369	2,012,651	7,399,020	9,680,804	2,514,532	12,195,336	15,067,173	4,527,183	19,594,356
2021	5,418,303	1,781,808	7,200,111	9,978,971	2,216,364	12,195,335	15,397,274	3,998,172	19,395,446
2022	5,406,000	1,529,835	6,935,835	10,286,325	1,909,011	12,195,336	15,692,325	3,438,846	19,131,171
2023	5,469,000	1,306,101	6,775,101	10,603,148	1,592,188	12,195,336	16,072,148	2,898,289	18,970,437
2024	5,551,000	1,053,326	6,604,326	10,929,731	1,265,605	12,195,336	16,480,731	2,318,931	18,799,662
2025	5,638,000	804,851	6,442,851	11,266,376	928,959	12,195,335	16,904,376	1,733,810	18,638,186
2026	5,418,000	549,314	5,967,314	11,613,394	581,942	12,195,336	17,031,394	1,131,256	18,162,650
2027	5,497,000	321,428	5,818,428	5,172,221	276,520	5,448,741	10,669,221	597,948	11,267,169
2028	2,066,000	87,805	2,153,805	5,328,550	120,190	5,448,740	7,394,550	207,995	7,602,545
	119,701,662	51,254,736	170,956,398	172,535,485	55,043,904	227,579,389	292,237,147	106,298,640	398,535,787

Historical debt service coverage can be found in Table J-2 of the Statistical Section, and additional information on debt attributable to the Utilities Fund can be found in Exhibit S, the Combined Schedule of Long-Term Obligations.

Other Financial & Legal Information

Additional financial information on the Utilities Fund can be found in Exhibits D-1, D-2, and D-3 and the accompanying Notes to the Financial Statements, including a statement regarding significant litigation, if any. Information on insurance coverage can be found in Table P of the Statistical Section. Required certificates from the County and its independent engineer can be found in Tables T and W of the Statistical Section. Information on management of the County and the Department of Environmental Services and the Department of Management and Finance can be found in the Introductory Section.

ARLINGTON
VIRGINIA

PM-AC-00503

August 26, 2008

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, 2008, the County satisfied the Rate Covenant.

3. For the fiscal year that will end on June 30, 2009, the projected Net Revenues will satisfy the Rate Covenant.

Dated: 8/26/08

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

Cc: Elizabeth Craig, Management & Budget Specialist, 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

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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, 2008, and have issued our report thereon dated October 31, 2008. 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 Partnership discretely presented component unit. Those financial statements were audited by other auditors whose report thereon, dated April 15, 2008, has been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for this discretely presented component unit, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 and the report of the other auditor provides a reasonable basis for our opinions.

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

Arlington, Virginia
October 31, 2008

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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, 2008, which collectively comprise Arlington County, Virginia's basic financial statements and have issued our report thereon dated October 31, 2008. 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 Partnership discretely presented component unit. Those financial statements were audited by other auditors whose report thereon, dated April 15, 2008, has been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for this discretely presented component unit, is based solely on the report 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a significant deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs and responses as Finding 2008-01 to be a significant deficiency in internal control over financial reporting.

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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.

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*.

We noted certain matters that we reported to management of the County in a separate letter dated October 31, 2008.

Arlington County, Virginia's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Arlington County, Virginia's response 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

Arlington, Virginia
October 31, 2008

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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, 2008. 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 Partnership, included in Arlington County's financial statements as a discretely presented component unit. This component unit did not receive federal awards. Those financial statements were audited by other auditors whose report thereon dated April 15, 2008, has been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for this discretely presented component unit, is based solely on the report 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, 2008.

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.

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

Arlington, Virginia
October 31, 2008

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

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	31,943
Social Services Block Grant		
(Purchased Services) (765/453-01)	93.667	1,854,668
(Medical Assistance)	93.778	1,231,579
(Child Care Purchased Services)	93.596	837,873
(View Purchased Services)	93.558	934,804
Child Care Development Block Grant (102-586)	93.575	1,497,976
FAMIS Outreach Grant	93.767	42,186
ILP Education & Training Vouchers	93.599	-
Family Preservation	93.556	217,737
Independent Living	93.674	47,756
Foster Care & Adoptions (765/453-01)		
Foster Care	93.658	1,362,046
Adoption	93.659	340,465
Fuel Assistance Program(765/452-06)	93.568	21,075
Total Department of Social Services		8,420,108
Department of Health Services:		
Medical Reserve Group	93.008	5,883
Immunization Grant	93.268	67,262
TB Outreach Grant	93.116	99,330
Total Department of Health Services		172,475
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	67,356
Mental Health -Seriously mentally III	93.958	94,348
SA HIV Aids FBG	93.959	119,545
SA Treatment FBG	93.959	73,504
SA SARPOS FBG	93.959	327,210
SA Primary Prevention	93.959	94,197
MH/SA TOW	93.959	149,452
SA CSAT	93.230	500,000
Early Intervention Funds (PIE-PART C)	84.181	642,556
Total Mental Health Mental Retardation and Substance Abuse		2,068,168
Department for the Aging		
Older Americans Act		
Title III-B-Area Plan	93.044	164,123
Title III-C-Nutrition	93.045	162,607
Title III-D-Disease Prevention	93.046	2,000
Title III-E- National Family Caregiver Support	93.052	53,744
Title VII-Elder Abuse Prevention	93.041	2,002
Senior Medicare Patrol Project	93.048	6,000
Health Insurance Counseling Assistance	73.779	31,760
Total Department for the Aging - OAA		422,236
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES		**$ 11,082,987**

See accompanying notes to Schedule of Federal Awards.

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

	Federal Catalogue Number	Expenditures
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Direct Federal Payments		
Community Development Grants		
Twenty-first Entitlement(B95UC51002)	14.218	27,000
Twenty-third Entitlement(B97UC51002)	14.218	-
Twenty-fourth Entitlement(B98UC51002)	14.218	-
Twenty-fifth Entitlement(B99UC51002)	14.218	-
Twenty-sixth Entitlement(B00UC51002)	14.218	-
Twenty-seventh Entitlement(B00UC51002)	14.218	10,718
Twenty-eighth Entitlement(B01UC51002)	14.218	12,357
Twenty-ninth Entitlement(B03UCS51002)	14.218	11,851
Thirtieth Entitlement(B04UC51002)	14.218	14,178
Thirty-first Entitlement(B05UC51002)	14.218	53,166
Thirty-second Entitlement(B06UC51002)	14.218	44,979
Thirty-third Entitlement(B06UC51002)	14.218	1,693,238
CDBG program income Expended		1,147,337
Total Community Development Grants		3,014,824
Section 8 Housing Assistance-		
New Construction(VAO28NCOOO4)	14.182	80,408
Substantial Rehab(VAO28SBOO3)	14.182	491,596
Moderate Rehab(VAO28MROO1-OO5)	14.856	184,752
Voucher Program(VAO28VO015-023)	14.871	13,073,829
Total Section 8 Housing Assistance		13,830,585
HUD-Federal Emergency Shelter Grant	14.231	9,024
HUD-Permanent Supportive Housing Grant	14.235	41,990
HUD-Adopt-a-Family Grant	14.235	217,245
HUD-Shelter Plus Care (Milestone I and II)	14.240	166,083
HUD-HOPWA	14.241	82,634
Total HUD Grant		516,976
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		**$ 17,362,385**

See accompanying notes to Schedule of Federal Awards.

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

	Federal Catalogue Number	Expenditures
DEPARTMENT OF EDUCATION		
Pass Through Payments:		
Department of Education		
Elementary and Secondary Education Act- Title I (197/171/01)	84.010	3,044,260
Public Law 94-142 Handicapped Program (197/171-02)	84.027	4,158,019
Learning and Library Resources- Title V (Elementary & Secondary Education Act) (197/171/01)	84.298	18,182
Pre-School Incentive	84.173	96,182
Title III, Part A (NCLB) Emergency Immigration (197/171-06)	84.365	640,570
Title IIEESA,Teacher Education Title IV Drug-Free Schools (NCLB) (197/171-05)	84.186	87,536
Vocational Education Act - Carl D Perkins PL-101-392	84.048	296,173
Education for Homeless Children & Youth (Stuart B McKinney	84.196	69,063
ESL/Civics Grant	84.002	323,226
Title II, Part A Class Size Reduction (NCLB)	83.367	603,520
Title II, Part A Add-on (NCLB)	84.367	137,332
Title II, Part D Ed Tech (NCLB)	84.318	46,721
Even Start	84.213	208,412
Title 1 Reading First	84.357	
Total State Pass Through Payments		9,729,196
Total Department of Education		**$ 9,729,196**

See accompanying notes to Schedule of Federal Awards.

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

	Federal Catalogue Number	Expenditures
DEPARTMENT OF LABOR		
Pass Through Payments:		
Department of Social Services		
Work Investment Act		
WIA-Admin. Fund	17.258	48,076
WIA-Adult	17.258	156,688
WIA-Youth	17.259	113,504
WIA-Dislocated	17.260	221,836
WIA-Rapid Response	17.260	-
WIA-Incentive Grant	17.260	74,188
National Emergency Grant	17.260	174,926
National Emergency Grant (Independence Air)	17.260	-
Total Department of Social Services		789,218
Department for the Aging		
Senior Community Services Employment		
Program-Title V, OAA(163/455-04)	17.235	
Total Department of Labor		**$ 789,218**

See accompanying notes to Schedule of Federal Awards.

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

	Federal Catalogue Number	Expenditures
DEPARTMENT OF AGRICULTURE		
Pass Through Payments:		
Department of Education-		
National School Lunch Program		
(197/457-02)	10.555	2,216,591
National School Breakfast Program	10.553	553,203
Parent/Teen Infant	10.555	26,576
Sub total		2,796,370
Dept. Agriculture and Consumer Services		
USDA Donated Commodities	10.555	206,153
WIC Grant	10.577	422,785
FSET-Transportation	10.561	3,017
Administrative Matching Grants for Food Stamps	10.561	1,643,059
Sub total		2,275,014
Department for the Aging		
Older Americans Act Title III USDA		
(163/457-02)	10.570	57,209
Total Pass Through Payments		5,128,593
Total Department of Agriculture		**$ 5,128,593**
DEPARTMENT OF JUSTICE		
Direct Federal Payments:		
Seized Assets	16.000	$357,605
Metropolitan Area Task Force (MATF)	16.000	771,161
High Intensity Drug Trafficking Area (HIDTA)	16.000	3,472,659
High Intensity Drug Residential Treatment	16.000	139,836
COPS Technology 2003 Grant	16.580	382,868
Congressional Mandated Grant (Moran Grant)	16.580	
State and Local Emergency Preparedness	16.000	
Total Department of Justice		**$ 5,124,129**

See accompanying notes to Schedule of Federal Awards.

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

	Federal Catalogue Number	Expenditures
OTHER FEDERAL ASSISTANCE		
Direct Federal Payments:		
Air Force Junior Reserve Officer Training	12.000	63,035
Gear up Program	84.334	-
Adventure of the American Mind	84.244	165,259
Arlington Gang Initiative Grant	33.029	93,627
Emergency Impact Aid	84.938	
EPA Improvement Four Mile Run (PRCR)	66.034	
NPS Assessment North Tact and NPS land (PRCR)	15.916	
Total Direct Federal Payments		321,921
Pass Through Payments:		
Fire Department Programs		
Urban Area Security Initiative (USAI)	97.008	104,915
FEMA Reimbursement for Emergency Preparedness		-
Dept. of Defense-Pentagon Force protection Agency	12.000	136,857.00
National Medical Response Team (NMRT)	97.000	872,558.00
Total State Pass Through Payments		1,114,330
Office of Emergency Management		
Disaster Voucher Program (previously KDHAP)	97.088	-
DHS State Homeland Security Grant	97.073	310,450
Hazardous Mitigation C1 Secure Trades Center	97.039	-
Hazardous Materials C	97.039	-
Metropolitan Medical Response System	97.071	206,189
Total State Pass Through Payments		516,639
Total Other Federal Assistance		$ 1,952,890
TOTAL FEDERALLY ASSISTED PROGRAMS		**$ 51,169,398**

See accompanying notes to Schedule of Federal Awards.

ARLINGTON COUNTY, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2008

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, 2008

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?	____	Yes	X	No
Significant deficiency(ies) identified that are not considered to be material weaknesses	X	Yes	____	None reported
Noncompliance material to financial statements noted?	____	Yes	X	No

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	____	Yes	X	No

Identification of Major Programs

Name of Federal Program or Cluster	CFDA Number(s)
Administrative Matching for Food Stamps	10.561
CDBG	14.218
Special Education Cluster	84.027, 84.173
High Intensity Drug Trafficking	16.000
Social Services (Purchased Services)	96.667

Dollar threshold used to distinguish between type A and type B programs $ 1,535,082

Auditee qualified as low-risk auditee?	X	Yes	____	No

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2008

II. Financial Statement Findings

Finding no. 2008 -01 The County's procedures for reconciling property between the fund financial statements and government-wide financial statements was not sufficient.

Condition: Construction in progress was not properly reflected in the government-wide financial statements as a reconciling item from the fund financial statements.

Criteria: Governmental Accounting Standard No. 34 specifies the reporting criteria for capital assets in government-wide financial statements and the related reconciling items to be included in the reconciliation to fund accounting.

Effect: The effect was to misstate capital assets and the related net assets invested in capital assets, net of related debt, on the government-wide financial statements by $19,757,346 for 2007.

Cause: As a result of conversion to an Oracle based system in the prior year, certain reports were not available, which impacted the reconciliation process between fund and government-wide financial statements.

Response: This finding is a direct result of the system conversion and the capital assets module has been subsequently reconciled to ensure that all capital asset classifications are accounted for.

III. Federal Award Findings and Questioned Costs

None noted

ARLINGTON COUNTY, VIRGINIA
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2008

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.
Current Status:	We selected active tenant cases and reviewed each case to determine if the re-inspection was performed within the allowable timeframe. No exception noted. Resolved
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.
Current status:	We selected active meal applications and reperformed the eligibility determination. No exception noted. Resolved