October 8, 2009

Revised Sale Date, Sale Time, and Principal Amounts for Arlington County, Virginia, General Obligation Refunding Bonds, Series 2009D

Public Financial Management, Financial Advisor for the sale of $167,225,000 Arlington County, Virginia, General Obligation Refunding Bonds, Series 2009D (the "2009D Bonds") said:

"The 2009D Bonds, which will mature on August 1, in the years and amounts as follows, have been revised as below. The revised aggregate par amount is **$52,610,000**.*

Year	Principal Amount*
2010	20,000
2011	20,000
2012	20,000
2013	9,330,000
2014	3,010,000
2015	3,240,000
2016	3,305,000
2017	20,000
2018	10,805,000
2019	5,675,000
2020	12,350,000
2021	4,815,000

The sale date of 10/15/2009 and sale time of 11:00 AM on the Series 2009D bonds as stated in the Official Notice of Sale is hereby changed to **10/13/2009*** at **12pm**.* Bids on the Series 2009D Bonds must be submitted to the Parity Bid Submission system by 12pm* on 10/13/2009*."

*Preliminary, subject to change, in accordance with the Notice of Sale."

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 7, 2009

NEW ISSUE | **RATINGS: Moody's: ___**
Book-Entry-Only | **Standard & Poor's: ___**
Fitch: ___

In the opinion of Bond Counsel, under existing law and subject to conditions described in the section herein "TAX EXEMPTION," interest on the Bonds (1) will not be included in gross income for federal income tax purposes, (2) will not be a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (3) will be exempt from income taxation by the Commonwealth of Virginia. Interest on the Bonds will be subject to other federal income tax consequences as described in the section herein "TAX EXEMPTION."

$167,225,000*
ARLINGTON COUNTY, VIRGINIA
General Obligation Refunding Bonds, Series 2009D

Dated: Date of Delivery | **Due: August 1, as shown below**

The issue consists of Arlington County, Virginia General Obligation Refunding Bonds, Series 2009D (the "Bonds") in the aggregate principal amount of $167,225,000.* The Bonds will bear interest from their dated date, payable semi-annually on February 1 and August 1, beginning February 1, 2010. The Bonds will be general obligations of the County for the payment of which the full faith and credit and unlimited taxing power of the County is pledged.

The Bonds are issued as fully registered bonds and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. So long as Cede & Co., is registered owner of the Bonds, as the nominee for DTC, (1) references herein to the Bondholder or registered owner shall mean Cede & Co. and (2) principal and interest shall be payable to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases will be made in book-entry form only, in denominations of $5,000 or any integral multiple thereof and individual purchasers will not receive physical delivery of bond certificates. See "**DESCRIPTION OF THE BONDS - Book-Entry-Only System**" herein.

The Bonds maturing on or after August 1, 2020 are subject to optional redemption before their respective maturities, in whole or in part, at the option of the County, on or after August 1, 2019 at any time or from time to time at par plus interest accrued to the date fixed for redemption. See "**DESCRIPTION OF THE BONDS - Optional Redemption**."

$167,225,000*
General Obligation Refunding Bonds,
Series 2009D

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS
Base Cusip Number:

Year (August 1)	Amount*	Interest Rate	Initial Offering Price/Yield	CUSIP Suffix	Year (August 1)	Amount*	Interest Rate	Initial Offering Price/Yield	CUSIP Suffix
2010	$ 680,000	%	%		2020	$22,395,000	%	%	
2011	695,000				2021	13,720,000			
2012	710,000				2022	20,045,000			
2013	10,145,000				2023	12,540,000			
2014	3,755,000				2024	12,645,000			
2015	3,975,000				2025	1,675,000			
2016	3,960,000				2026	2,785,000			
2017	10,110,000				2027	2,740,000			
2018	20,980,000				2028	715,000			
2019	22,955,000								

The Bonds are offered for delivery when, as and if issued, subject to approval of their validity by McGuireWoods LLP, Richmond, Virginia, Bond Counsel as described herein. Certain legal matters will be passed upon for the County by the County Attorney, Stephen A. MacIsaac, Esquire. It is expected that the Bonds will be available for delivery through The Depository Trust Company in New York, New York on or about October 28, 2009.

This cover page contains certain information for quick reference only. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Dated: _______, 2009

* Preliminary, subject to change.

ARLINGTON COUNTY, VIRGINIA

COUNTY BOARD

Barbara A. Favola, Chairman
Jay Fisette, Vice Chairman
Mary Hughes Hynes
J. Walter Tejada
Christopher E. Zimmerman

CERTAIN COUNTY OFFICIALS

Ron Carlee, County Manager
Barbara M. Donnellan, Deputy County Manager
Marsha Allgeier, Deputy County Manager
Mark Schwartz, Director, Department of Management and Finance
Stephen A. MacIsaac, County Attorney
Francis X. O'Leary, County Treasurer

BOND COUNSEL

McGuireWoods LLP
One James Center
Richmond, Virginia 23219

FINANCIAL ADVISOR

Public Financial Management, Inc.
4350 North Fairfax Drive, Suite 580
Arlington, Virginia 22203-1507

CERTIFIED PUBLIC ACCOUNTANTS

Clifton Gunderson LLP
9515 Deereco Road, Suite 500
Timonium, Maryland 20770

FOR ADDITIONAL INFORMATION

www.arlingtonva.us
Michelle Cowan, Department of Management and Finance (703) 228-5023
JoAnne Carter, Public Financial Management (703) 741-0175
Bonnie M. France, McGuireWoods LLP (804) 775-4395

The Bonds will be exempt from registration under the Securities Act of 1933. As obligations of a political subdivision of the Commonwealth of Virginia, the Bonds will also be exempt from registration under the securities laws of Virginia.

No dealer, broker, salesman or other person has been authorized by the County to give any information or to make any representations with respect to the County or the Bonds other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the County. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKTE PRICE OF THE BONDS ABOVE THAT WHICH MIGHT OTERHWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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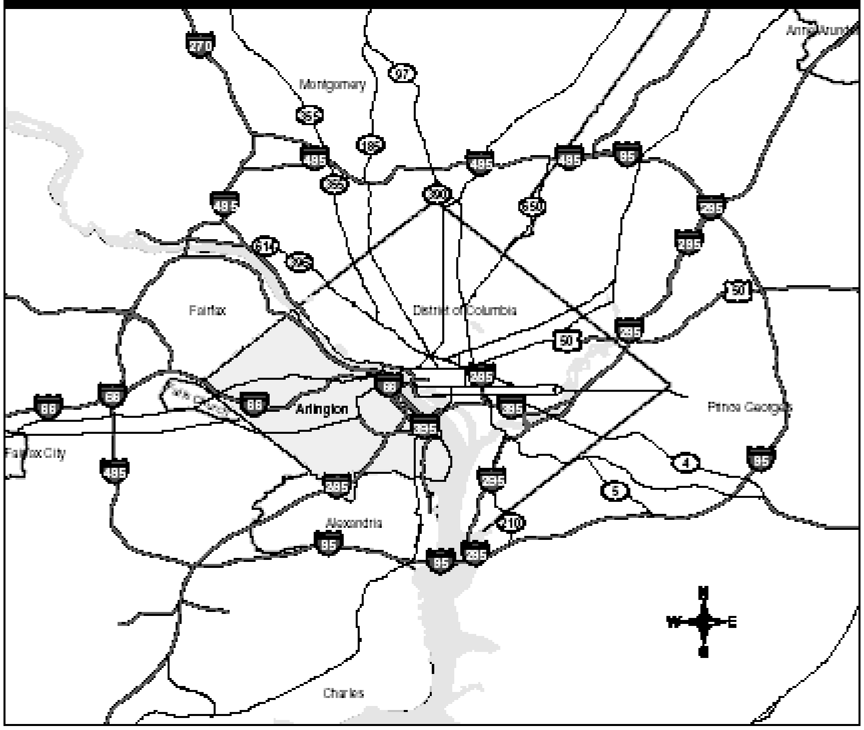
WASHINGTON METRO AREA MAP



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OFFICIAL STATEMENT

$167,225,000*
Arlington County, Virginia
General Obligation Refunding Bonds,
Series 2009D

SECTION ONE: INTRODUCTION

The following material is qualified in its entirety by the detailed information and Financial Statements appearing elsewhere in this Official Statement, reference to which is hereby made for all purposes.

The Issuer

Directly across the Potomac River from the nation's capital, Arlington County, Virginia (the "County" or "Arlington") is at the center of the Washington, D.C. metropolitan area. The County encompasses a land area of 25.8 square miles. The estimated residential population of the County is 209,300 while its daytime population is estimated at 282,100 persons. The County is a full-service County with no incorporated towns, cities, or other political subdivisions within its boundaries. There are no jurisdictions with overlapping debt or taxing powers. The County is authorized to issue general obligation bonds, generally subject to voter referendum. The issuance of general obligation refunding bonds is not subject to voter referendum.

The Bonds

The issue consists of Arlington County, Virginia General Obligation Refunding Bonds, Series 2009D (the "Bonds") in the aggregate principal amount of $167,225,000.* The Bonds will be offered at competitive bidding. See " **SALE AT COMPETITIVE BIDDING**."

The Bonds are dated the date of delivery and mature annually on August 1 in each of the years and in the principal amounts set forth on the cover of this Official Statement. Refer to **"DESCRIPTION OF THE BONDS"** in Section Two for a more complete description.

Security for the Bonds

The Bonds are general obligations of the County, to which the full faith and credit and unlimited taxing power of the County are pledged for the payment thereof. Refer to **"SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS"** in Section Two for a more complete description of the pledge.

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* Preliminary, subject to change.

Use of Proceeds

The Bonds are to be used to refund certain of the County's outstanding general obligation bonds and to pay the costs of issuing the Bonds as described under **"AUTHORIZATION AND PURPOSE OF THE BONDS"** in Section Two.

Optional Redemption

The Bonds maturing on or after August 1, 2020, are subject to optional redemption in whole or in part at the direction of the County on or after August 1, 2019. Refer to the subsection entitled **"DESCRIPTION OF THE BONDS - Optional Redemption"** in Section Two for a more detailed description of the optional redemption features of the Bonds.

Bond Counsel

McGuireWoods LLP is employed as Bond Counsel to the County in connection with the issuance of the Bonds. The scope of engagement of Bond Counsel does not extend to passing upon or assuming responsibility for the accuracy or adequacy of any statements made in the Official Statement other than matters expressly set forth in their opinion and they make no representation that they have independently verified the same.

Tax Exemption

Under existing law, interest on the Bonds will be exempt from income taxation by the Commonwealth of Virginia and the United States of America. Refer to the subsection entitled **"TAX EXEMPTION"** in Section Two for a more complete description of the significant elements of the federal and state income tax status of interest on the Bonds.

Book-Entry-Only

The Bonds will be issued in book-entry-only form and purchasers of the Bonds will not receive physical delivery of bond certificates. The Depository Trust Company, New York, New York will serve as securities depository for the Bonds. See the subsection entitled **"DESCRIPTION OF THE BONDS - Book-Entry-Only System"** in Section Two.

Financial Advisor

The County has retained Public Financial Management, Inc., Arlington, Virginia (the "Financial Advisor") in connection with the preparation of the County's issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

Auditors

The County's general purpose financial statements for the fiscal year ended June 30, 2008 have been audited by the independent public accounting firm of Clifton Gunderson LLP and are included as Appendix A. These financial statements, along with the related notes to financial statements, are intended to provide a broad overview of the financial position and operating results of the County's government wide and various fund financial statements and account groups. The County's financial statements are available for inspection at the

Arlington County Department of Management and Finance, #1 Courthouse Plaza, Suite 501, 2100 Clarendon Blvd., Arlington, Virginia 22201.

Ratings

The ratings shown on the front cover of this Official Statement have been received from Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007, Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., 55 Water Street, New York, New York 10041 and Fitch Ratings, One State Street Plaza, New York, New York 10004. An explanation of the significance of such ratings may be obtained from the rating agency furnishing the same. The County furnished the information contained in this Official Statement and certain publicly available materials and information about the County to these rating agencies.

Such ratings may be changed at any time, and no assurances can be given that they will not be revised downward or withdrawn entirely by any or all such rating agencies if, in the opinion of any or all, circumstances so warrant. Such circumstances may include, without limitation, changes in or unavailability of information relating to the County. Any such downward revision or withdrawal of either of such ratings may have an adverse effect on the market price of the Bonds.

Delivery

The Bonds are offered for delivery when, as, and if issued, subject to the approval of validity by Bond Counsel, and to certain other conditions referred to herein. It is expected that the Bonds will be available for delivery at the expense of the County in New York, New York through the facilities of DTC on or about October 28, 2009.

Continuing Disclosure

This offering is subject to the continuing disclosure requirements of Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule"). For purposes of the Rule, the County is an obligated person with respect to the Bonds. The County has agreed in its Continuing Disclosure Agreement (the "County Undertaking") to comply with the provisions of Rule 15c2-12, promulgated by the Securities and Exchange Commission (the "SEC"), by providing certain annual financial information and material event notices required by the Rule. Such undertaking requires the County to provide only limited information at specified times.

See Appendix C – "Form of Continuing Disclosure Agreement" for a more detailed description of the County's continuing disclosure undertaking.

The County has previously made an undertaking with regard to the Rule in conjunction with its: (i) General Obligation Public Improvement and Refunding Bonds, Series 2009, consisting of General Obligation Public Improvement and Refunding Bonds, Series 2009A, General Obligation Refunding Bonds, Series 2009B and General Obligation Refunding Bonds, Series 2009C, (ii) General Obligation Public Improvement Bonds, Series 2008, (iii) General Obligation Public Improvement Bonds, Series 2007, (iv) General Obligation Public Improvement and Refunding Bonds, Series 2006, (v) General Obligation Public Improvement Bonds, Series 2005, (vi) General Obligation Refunding Bonds, Series 2004B, (vii) Wastewater System Revenue Bond, Series 2004 (viii) General Obligation Public Improvement Bonds, Series 2004, (ix) General Obligation Public Improvement and Refunding Bonds, Series 2003, (x) General Obligation Public Improvement Bonds, Series 2002, (xi) General Obligation Public Improvement Bonds, Series 2001, (xii) General Obligation Public Improvement Bonds, Series 1999, (xiii) General Obligation Refunding Bonds, Series 1998, (xiv) General Obligation Public Improvement Bonds, Series 1997 and (xv) General Obligation Public Improvement Bonds, Series 1996.

The County, agreed in connection with the issuance of Virginia Resources Authority's $160,800,000 Clean Water State Revolving Fund Revenue Bonds, Series 2004, to provide certain financial information to Virginia Resources Authority and to each nationally recognized municipal securities information repository ("NRMSIR") and any Virginia state-based information depository within 270 days of its fiscal years ending June 30, beginning with its fiscal year ending June 30, 2004. The County failed to provide all of the required financial information on a timely basis and to provide timely notice of its failure to provide all of the required financial information for its fiscal year ending June 30, 2004. As of the date hereof, the County has provided all of the required financial information for its fiscal year ending June 30, 2004 to Virginia Resources Authority and to each NRMSIR and has instituted procedures to ensure compliance with its continuing disclosure covenants in future years.

With the exception of the instance noted above, the County is in compliance with all of the requirements under the Rule.

Additional Information

Any questions concerning the contents of this Official Statement should be directed to the following: Michelle Cowan, Department of Management and Finance (703) 228-5023; JoAnne Carter, Public Financial Management (703) 741-0175 and Bonnie M. France, McGuireWoods LLP (804) 775-4395.

While the County encourages interested parties to obtain copies of its official statements and periodic financial reports directly from the Municipal Securities Rulemaking Board, as applicable, the County will provide relevant published information upon request. While the County currently does not charge for copies or mail delivery of financial information to current or prospective bondholders, the County expressly reserves the right to make any reasonable charge for provision of such information by mail as it shall determine. The County also will provide appropriate credit information to the nationally-recognized rating agencies that rate the County's securities to enable these organizations to review the outstanding rating. However, the ratings may be revised or withdrawn at any time and the County's provision of information to the rating agencies does not ensure the continued existence of any rating.

The distribution of this Preliminary Official Statement has been authorized by the County which has deemed this Preliminary Official Statement "final" within the meaning of the Rule, except for the omission of certain pricing and other information permitted to be omitted by the Rule. Its purpose is to supply information to prospective buyers of the Bonds. Financial and other information contained in this Preliminary Official Statement has been prepared by the County from its records, except where other sources are noted. The information is not intended to indicate future or continuing trends in the financial or economic position of the County.

None of the quotations from, and summaries and explanations of, laws contained in this Preliminary Official Statement purport to be complete, and reference is made to said laws for full and complete statements of their provisions. This Preliminary Official Statement speaks only as of its date, and the information contained herein is subject to change.

ARLINGTON COUNTY, VIRGINIA

By: ____________________________________
County Manager

SECTION TWO: THE BONDS

The purpose of this Official Statement is to furnish information in connection with the sale by Arlington County, Virginia (the "County") of $167,225,000* General Obligation Refunding Bonds, Series 2009D (the "Bonds") dated the date of delivery.

The Bonds will be offered at competitive bidding. See "**SALE AT COMPETITIVE BIDDING**."

The Bonds will be general obligations of the County, to the payment of which the full faith and credit and unlimited taxing power of the County are irrevocably pledged. Payment of the principal of and interest on the Bonds is not limited to a particular fund or revenue source. The security for the Bonds is more fully described under the caption **"SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS"** below.

DESCRIPTION OF THE BONDS

General

The Bonds will be dated the date of delivery, and will mature annually on August 1 in each of the years and in the principal amounts set forth on the cover page hereof. Interest on the Bonds is payable on February 1, 2010, and on each February 1 and August 1 thereafter until maturity. Interest will be computed on the basis of a 360-day year of twelve 30-day months. The Bonds are issued as fully registered bonds in denominations of $5,000 and multiples thereof and will be held by The Depository Trust Company ("DTC"), or its nominee, as securities depository. See **"DESCRIPTION OF THE BONDS - Book-Entry-Only System"** below. Purchases of beneficial ownership interests in the Bonds will be made only in book-entry form and purchasers will not receive physical delivery of bond certificates.

Optional Redemption

The Bonds maturing on or before August 1, 2019, are not subject to redemption before maturity. Bonds maturing on or after August 1, 2020, are subject to optional redemption before maturity on or after August 1, 2019, at the direction of the County, in whole or part in installments of $5,000 at any time, in such order as may be determined by the Director of the Department of Management and Finance upon payment of the principal amount to be redeemed together with the interest accrued thereon to the date fixed for redemption. If at any time less than all of the Bonds of any maturity are called for redemption, the particular Bonds of such maturity or portions thereof to be redeemed shall be selected by The Depository Trust Company or any successor securities depository, or if the book-entry-only system is discontinued, by the Bond Registrar by lot in such manner as the Bond Registrar in its discretion may determine.

Book-Entry-Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds and will be deposited with DTC.

DTC the world's largest securities depository is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the

* Preliminary, subject to change.

Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instrument (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities) through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar for the Bonds and request that copies of the notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the Interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of the Bonds as soon as possible after the record date.

The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the County on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the account of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the County. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Bonds are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates for the Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

The County has no responsibility or obligation to the Direct Participants, the Indirect Participants or the Beneficial Owners with respect to: (a) the accuracy of any records maintained by DTC, any Direct Participant or any Indirect Participant: (b) the payment by DTC, any Direct Participant or any Indirect Participant of any amount due to any Beneficial Owner in respect to the principal of and interest on the Bonds; (c) the delivery or timeliness of delivery by any Direct Participant or any Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Bonds to be given to owners of the Bonds; (d) the selection of the Beneficial Owners to receive payments in the event of any partial redemption of the Bonds; or (e) any consent given or other action taken by DTC, or its nominee, Cede & Co., as owners of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references in this Official Statement to Bondholders shall mean Cede & Co. and shall not mean the Beneficial Owners, and Cede & Co. will be treated as the only Bondholders of Bonds for all purposes under the Bonds.

The County may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the Bonds without the consent of Beneficial Owners or Bondholders.

SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS

The Bonds are general obligations of the County for the payment of which the County's full faith and credit are irrevocably pledged. While the Bonds remain outstanding and unpaid, the County is authorized and required, unless other funds are lawfully available and appropriated for the timely payment of the Bonds, to levy and collect an annual ad valorem tax, unlimited as to rate or amount, upon all taxable property within the

County sufficient to pay the principal of and interest on the Bonds as the same become due, which tax shall be in addition to all other taxes authorized to be levied in the County.

Payment Record

The County has never defaulted in the payment of either principal of or interest on any indebtedness.

AUTHORIZATION AND PURPOSE OF THE BONDS

The Bonds were authorized by resolutions adopted by the Arlington County Board (the "Board" or the "County Board") on June 13, 2009 and October 6, 2009 (the "Resolutions"), and the Public Finance Act of 1991, Chapter 26, Title 15.2 of the Code of Virginia of 1950, as amended (the "Act").

Plan of Refunding

The proceeds of the Bonds will be used to refund the following bonds (the "Prior Bonds"):

Issue*	Maturities to be Refunded*	Principal Amount to be Refunded*	Redemption Date	Redemption Price
General Obligation Public Improvement Bonds, Series 2002	February 1, ____	$	February 1, 2012	100%
General Obligation Public Improvement and Refunding Bonds, Series 2003	January 15, ____ through January 15, ____, inclusive	$	January 15, 2013	100%
General Obligation Public Improvement Bonds, Series 2004	May 15, ____ through May 15, ____, inclusive		May 15, 2014	100%
General Obligation Public Improvement Bonds, Series 2005	May 15, ____ May 15, ____		May 15, 2015	100%
General Obligation Public Improvement and Refunding Bonds, Series 2006	August 1, ____ through August 1, ____, inclusive		August 1, 2016	100%
General Obligation Public Improvement Bonds, Series 2007	March 15, ____ through March 15, ____, inclusive		March 15, 2016	100%
General Obligation Public Improvement Bonds, Series 2008	January 15, ____ through January 15, ____, inclusive		January 15, 2017	100%
General Obligation Public Improvement and Refunding Bonds, Series 2009A	August 15, ____ through August 15, ____, inclusive		August 15, 2017	100%

* Preliminary, subject to change.

Upon delivery of the Bonds, a portion of the proceeds of the Bonds will be irrevocably deposited with Regions Bank Corporate Trust, as escrow agent (the "Escrow Agent") under an Escrow Agreement (the "Escrow Agreement"), between the County and the Escrow Agent. The Escrow Agreement creates an irrevocable Escrow Fund, which is to be held by the Escrow Agent and is to be applied solely to the payment of the Prior Bonds. The County will deposit a portion of the Bonds, along with other available funds, with the Escrow Agent for deposit in the Escrow Fund in an amount which will be invested, at the direction of the County, in direct obligations of the United States of America (the "Government Securities") maturing in amounts and bearing interest at rates sufficient, without reinvestment, (i) to pay when due the interest on the Prior Bonds through the first day on which they may be redeemed at the option of the County, (ii) to pay the principal of and accrued interest on the Prior Bonds at their stated redemption dates, and (iii) to pay the applicable redemption premiums due upon such redemption dates. The Government Securities will be purchased from the Treasury Department of the United States of America or in the open market at interest rates which will cause the yield thereon, computed in accordance with the provisions of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and applicable regulations thereunder, not to exceed the yield permitted by such Code. The Escrow Fund, including interest earnings on the Government Securities, is pledged solely for the benefit of the holders of the Prior Bonds.

Robert Thomas, CPA, independent certified public accountants, will verify certain mathematical computations (a) as to the sufficiency of the moneys and investments deposited with the Escrow Agent, (i) to pay, when due, the interest on the Prior Bonds from their last payment date to the respective dates to which they have been called for redemption and (ii) to pay the principal of, and redemption premium, if any, on the Prior Bonds on their respective redemption dates, and (b) as to the yield on the Bonds and on the investments in the escrow account created by the Escrow Agreement, which yields will be relied upon by Bond Counsel in rendering its opinion that interest on the Bonds will not be included in gross income for federal income tax purposes.

Sources and Uses of Bond Proceeds

Sources of Funds

Par Amount	$
Plus Net Original Issue Premium	
Total Sources	$

Uses of Funds

Deposit to Escrow Account	$
Issuance Expenses	
Total Uses	$

BONDHOLDERS REMEDIES IN THE EVENT OF DEFAULT

Section 15.2-2659 of the Code of Virginia of 1950, as amended, provides that upon affidavit filed by or on behalf of any owner of a general obligation bond, or by any paying agent therefor, in default as to payment of principal, premium, if any, or interest, the governor shall immediately conduct a summary investigation. If it is established to the governor's satisfaction that payment of the bond or interest thereon is in default, the governor shall order the state comptroller to withhold all funds appropriated and payable by the Commonwealth to the political subdivision so in default and apply the amount so withheld to payment of the defaulted bonds and interest on them. The State Comptroller advises that to date no order to withhold funds pursuant to section 15.2-2659, or its predecessor statute has ever been issued. Although neither section 15.2-2659 nor its predecessor section 15.1-225 has been approved by a Virginia court, the attorney general of Virginia has ruled that appropriated funds may be withheld by the Commonwealth pursuant to that section. In the fiscal year ended June 30, 2008, the Commonwealth provided $93,351,246 to the County of which $64,282,769 was deposited in the general fund.

Neither the Bonds nor the proceedings with respect thereto specifically provide any remedies to Bondholders if the County defaults in the payment of principal of or interest thereon, nor do they contain any provision for the appointment of a trustee to enforce the interest of the Bondholders upon the occurrence of such default. Upon any default in the payment of principal or interest, a Bondholder could, among other things, seek from an appropriate court a writ of mandamus requiring the County Board to observe the covenants contained in the Bonds. The mandamus remedy, however, may be impracticable and difficult to enforce. Furthermore, the right to enforce payment of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

Although Virginia law currently does not authorize such action, future legislation may enable the County to file a petition for relief under the United States Bankruptcy Code (the "Bankruptcy Code") if it is insolvent or unable to pay its debts. Bankruptcy proceedings by the County could have adverse effects on the Bondholders, including (1) delay in the enforcement of their remedies, (2) subordination of their claims to claims of those supplying goods and services to the County after the initiation of bankruptcy proceedings, and to the administrative expenses of bankruptcy proceedings, or (3) imposition without their consent of a reorganization plan reducing or delaying payment of the Bonds. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the holders of general obligation bonds, such creditors will have the benefit of their original claim or the "indubitable equivalent." The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretation.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters relating to the authorization and validity of the Bonds are subject to the approval of Bond Counsel, whose opinion with respect to the Bonds will be furnished at the expense of the County upon delivery of the Bonds. Bond Counsel has not verified the accuracy, completeness, or fairness of this Official Statement. Accordingly, Bond Counsel will express no opinion of any kind as to the Official Statement, and the opinions of Bond Counsel will be limited to matters relating to the authorization and validity of the Bonds and the exemption of interest on the Bonds under present federal and Virginia income tax laws.

Bond Counsel has not been engaged to investigate the financial resources of the County or its ability to provide for payment of the Bonds, and the opinion of Bond Counsel will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in the decision to purchase the Bonds. The form of the proposed opinion of Bond Counsel for the Bonds is found in Appendix B to this Official Statement.

TAX EXEMPTION

Opinion of Bond Counsel—Federal Income Tax Status of Interest

Bond Counsel's opinion will state that, under current law, interest on the Bonds (including any accrued "original issue discount" properly allocable to the owners of the Bonds) is excludable from gross income for purposes of federal income taxation and that interest on the Bonds is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (a "Specific Tax Preference Item"). No opinion is expressed as to whether interest on any portion of the Bonds is excluded from the adjusted current earnings of a corporation for purposes of calculating the alternative minimum tax imposed on corporations. See "Form of Opinion of Bond Counsel" in Appendix B hereto.

Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the Bonds.

Bond Counsel's opinion speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel's judgment as to the proper treatment of interest on the Bonds for federal income tax purposes. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the future activities of the County or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the Internal Revenue Service (the "IRS"). The County has covenanted, however, to comply with the requirements of the Code.

Reliance and Assumptions; Effect of Certain Changes

In delivering its opinion regarding the Bonds, Bond Counsel is relying upon (i) computations provided by the Financial Advisor, relating to the yield on the Bonds, (ii) certifications of representatives of the County as to facts material to the opinion, which Bond Counsel has not independently verified, and (iii) the verification report of Robert Thomas, CPA.

In addition, Bond Counsel is assuming continuing compliance with the Covenants (as hereinafter defined) by the County. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed or refinanced by the Bonds, limitations on the source of the payment of and the security for the Bonds, the obligation to rebate certain excess earnings on the gross proceeds of the Bonds to the United States Treasury. The County's non-arbitrage certificate (the "Non-Arbitrage Certificate") contains covenants (the "Covenants") under which the County has agreed to comply with such requirements. Failure by the County to comply with its Covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for Federal income tax purposes.

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Non-Arbitrage Certificate, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion concerning any effect on the excludability of interest on the Bonds from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of such Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers including, without limitation, financial institutions, certain insurance companies, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the "branch profits tax," individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

In addition, prospective purchasers should be aware that the interest paid on, and the proceeds of the sale of, tax-exempt obligations, including the Bonds, are in many cases required to be reported to the IRS in a manner similar to interest paid on taxable obligations. Additionally, backup withholding may apply to any such payments made after March 31, 2007 to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the IRS of a failure to report all interest and dividends required to be shown on federal income tax returns. The reporting and withholding requirements do not in and of themselves affect the excludability of such interest from gross income for federal tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Original Issue Discount

The "original issue discount" ("OID") on any Bond is the excess of such bond's stated redemption price at maturity (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of such bond. The "issue price" of a Bond is the initial offering price to the public at which price a substantial amount of such bonds of the same maturity was sold. The "public" does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. The issue price for each maturity of the Bonds is expected to be the initial public offering price set forth on the inside cover of this Official Statement, but is subject to change based on actual sales. To the extent any of the Bonds have OID (the "OID Bonds"), the OID represents interest that is excludable from gross income for purposes of federal and Virginia income taxation. However, the portion of the OID that is deemed to have accrued to the owner of an OID Bond in each year may be included in determining the alternative minimum tax and the distribution requirements of certain investment companies and may result in some of the collateral federal income tax consequences mentioned in the preceding subsection. Therefore, owners of OID Bonds should be aware that the accrual of OID in each year may result in alternative minimum tax liability, additional distribution requirements or other collateral federal and Virginia income tax consequences although the owner may not have received cash in such year.

Interest in the form of OID is treated under Section 1288 of the Code as accruing under a constant yield method that takes into account compounding on a semiannual or more frequent basis. If an OID Bond is sold or otherwise disposed of between semiannual compounding dates, then the OID which would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

In the case of an original owner of an OID Bond, the amount of OID that is treated as having accrued on such OID Bond is added to the owner's cost basis in determining, for federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). The amounts received upon such disposition that are attributable to accrued OID will be excluded from the gross income of the recipients for federal income tax purposes. The accrual of OID and its effect on the redemption, sale or other disposition of OID Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above.

Prospective purchasers of OID Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale or redemption of such OID Bonds and with respect to state and local tax consequences of owning OID Bonds.

Bond Premium

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles. An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Prospective purchasers of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Possible Legislative or Regulatory Action

Legislation and regulations affecting tax-exempt bonds are continually being considered by the United States Congress, the U.S. Department of the Treasury ("Treasury") and the IRS. In addition, the IRS has established an expanded audit and enforcement program for tax-exempt bonds. There can be no assurance that legislation enacted or proposed after the date of issue of the Bonds or an audit initiated or other enforcement or regulatory action taken by the Treasury or the IRS involving either the Bonds or other tax-exempt bonds will not have an adverse effect on the tax status or the market price of the Bonds or on the economic value of the tax-exempt status of the interest thereon.

Opinion of Bond Counsel—Virginia Income Tax Consequences

Bond Counsel's opinion also will state that, under current law, interest on the Bonds is excludable from gross income for purposes of Virginia income taxation. Bond Counsel will express no opinion regarding (i) other Virginia tax consequences arising with respect to the Bonds or (ii) any consequences arising with respect to the Bonds under the tax laws of any state or local jurisdiction other than Virginia. Prospective purchasers of the Bonds should consult their own tax advisors regarding the tax status of interest on the Bonds in a particular state or local jurisdiction other than Virginia.

LITIGATION

There are miscellaneous claims pending against the County, including some claims which are in litigation. In the opinion of the County Attorney, none of these claims will materially affect the County's financial position. The County Attorney is of the opinion that to the best of his knowledge there is no litigation pending against the County in either Virginia or federal courts which would in any way affect the validity of the Bonds or the right of the County to levy and collect ad valorem taxes, without limitation as to rate or amount, for payment of principal of and interest on the Bonds.

COMMITMENTS AND CONTINGENCIES

The County participates in a number of federal and state grants, entitlement, and shared revenue programs. The programs are subject to program compliance audits by the applicable federal or state agency or its representatives. Furthermore, the U.S. Office of Management and Budget, in Circular A-133, established audit requirements for an annual independent organization-wide audit for local governments receiving federal assistance. The amounts, if any, of expenditures which may be disallowed by these audits cannot be determined at this time although the County expects such amount, if any, would be immaterial.

CERTIFICATE CONCERNING OFFICIAL STATEMENT

The County will furnish to the Underwriters a certificate dated the date of delivery of the Bonds, signed by the County Manager and the Director of the Department of Management and Finance or a Deputy County Managers and the Director of the Department of Management and Finance, and stating that, both as of the date of this Official Statement and the date of delivery of the Bonds, this Official Statement (except the section entitled **"LITIGATION"** and the information as to yield or price on the inside cover page) does not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make such statements, in the light of the circumstances under which they were made, not misleading and that no material adverse change has occurred in the financial condition of the County between the date of this Official Statement and the date of delivery of the Bonds other than as contemplated in this Official Statement. Such certificate will state, however, that the County Manager or the Deputy County Managers and the Director of the Department of Management and Finance, did not independently verify the information in this Official Statement indicated as having been obtained or derived from sources other than the County and its officers but that they have no reason to believe that such information is not accurate.

The County will furnish to the Underwriters a certificate dated the date of delivery of the Bonds, signed by the County Attorney and stating that, both as of the date of this Official Statement and the date of delivery of the Bonds, the statements in the section herein entitled **"LITIGATION"** do not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make such statements, in the light of the circumstances under which they were made, not misleading.

SALE AT COMPETITIVE BIDDING

The Bonds were sold at competitive bidding on October _, 2009 to _________________ (the "Underwriter"). The Underwriter has supplied the information as to the interest rates and yields on the Bonds as set forth on the inside cover of this Official Statement. If all of the Bonds are resold to the public at such yields, the Underwriter has informed the County that it anticipates total underwriting compensation of $______ (or approximately ___% of the principal amount of Bonds).

SECTION THREE: ECONOMIC AND DEMOGRAPHIC INFORMATION

Arlington County is located in the northern section of Virginia across the Potomac River from Washington, D.C., and encompasses a land area of 25.8 square miles. The area was originally ceded by Virginia to be included in the ten-mile square Federal District. In 1847, however, Congress allowed it to return to the jurisdiction of Virginia following a vote in favor of retrocession by its members.

There are no incorporated towns, cities or other political subdivisions within Arlington County's boundaries as a result of a 1923 decision by the Supreme Court of Virginia that the County was a continuous, homogenous community and, as such, could not be subdivided for the establishment of a town. Annexation of any part of Arlington County by neighboring jurisdictions is prevented by present law unless the entire County is annexed with the approval of County voters in a referendum.

Almost all of the land in Arlington County has been developed. This development consists of single-family residential areas, as well as commercial, office, and multi-family residential structures. Historically, economic activity in Arlington County has been closely associated with the governmental activities of the Washington, D.C. metropolitan area. Federal, state and local government employment in Arlington County totals 19.2% of the County's jobs. Another 9.6% of the jobs in the County are in the military. Federal Agencies own approximately 18% of the County's land area.

There are no jurisdictions with overlapping debt or taxing powers. The water and sewage systems are operated on a self-supporting basis by the County government.

OVERVIEW OF GOVERNMENTAL ORGANIZATION

The government of Arlington County has been organized according to the County Manager plan of government since 1932. The County was the first county in the United States to adopt a manager form of government by popular vote. The County Board, which establishes policies for the administration of the County, is the governing body of the County. The five members of the County Board are elected from the County at large for staggered four-year terms. No more than two members are elected at one time. The Chairperson of the County Board is elected annually by the members.

The County Board appoints a County Manager to serve as the chief executive and administrator of the County. The County Manager serves at the pleasure of the County Board, implements its policies, directs business and administrative procedures, and appoints department heads. The County Manager is aided by two Deputy County Managers, four Assistant County Managers and 12 departments including: Fire; Police; Office of Emergency Management, Environmental Services; Human Services; Community Planning, Housing and Development; Economic Development; Parks, Recreation and Cultural Resources; Management and Finance; Libraries; Human Resources and the Department of Technology Services. Additional information regarding each of the County's departments and services the County provides can be found at www.arlington.va.us.

The County Board also appoints a County Attorney. The County Attorney provides legal services to the County Board, County agencies and personnel, elected County officials, independent County boards and commissions, and the Arlington School Board.

The operation of public schools in Arlington County is the responsibility of an elected five-member School Board, the members of which serve staggered four-year terms in a sequence similar to that of County Board members. The local share of the cost of operating public schools in the County is met with an appropriation and transfer by the County Board from the County's General Fund as well as aid from the Commonwealth. Operations of the School Board, however, are independent of the County Board and the County administration as prescribed by Virginia law. The Superintendent of Schools is appointed by the School Board for a four-year term to administer the operations of the County's public schools. The elected School Board does not have debt issuance or taxing powers.

In addition to the County Board and the School Board, other elected County officials include the Commonwealth's Attorney, Commissioner of the Revenue, Treasurer, Sheriff, and Clerk of the Circuit Court. The Judges of the Circuit Court, the General District Court and the Juvenile and Domestic Relations District Court are elected by the state legislature.

The executive offices of the County are located at #1 Courthouse Plaza, 2100 Clarendon Boulevard, Arlington, Virginia 22201. The County's central telephone number is (703) 228-3000.

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ORGANIZATION OF ARLINGTON COUNTY GOVERNMENT

CERTAIN ELECTED OFFICIALS AND ADMINISTRATIVE/FINANCIAL STAFF MEMBERS

Elected Officials

Barbara A. Favola, Chairman of the Arlington County Board, has been a member of the Arlington County Board since a Special Election in 1997, and was reelected for three consecutive terms, with the most recent term beginning in January 2009. Ms. Favola was elected as Vice Chairman in 1999 when the current Vice Chairman became Chairman following the resignation of the Chairman, and again in 2003 and 2008. Ms. Favola was elected as Chairman in 2009 and she has previously served as Chairman in 2000 and 2004. In 2006, Ms. Favola was appointed by Governor Timothy Kaine to the State Health Board. She recently completed a two year term as Chairman of the Northern Virginia Regional Commission. Ms. Favola also serves as Chair of the Metropolitan Washington Council of Governments' (COG) Partnership for Affordable Housing and is a member of COG's Chesapeake Bay Policy Committee. She currently serves as Secretary/Treasurer on the Board of Directors of the Virginia Association of Counties (VACo), and is a member of the Committee on Public Finance for this organization. Ms. Favola also serves on the National Association of Counties' (NACo) Human Services and Education Steering Committee. Arlington organizations she is involved with include the Board of the Ballston Science and Technology Alliance, the Advisory Board to the Child and Family Network Centers, Arlington Community Action Program Board, the League of Women Voters, the Committee Management Board of the Veterans Memorial YMCA and the Arlington Committee of 100. Ms. Favola is currently an assistant to the president for government relations at Marymount University, a position she has held since 1995. Prior to 1995, she was a policy advisor for 15 years at the U.S. Department of Health and Human Services (DHHS). Ms. Favola holds a Masters of Public Administration from New York University and a Bachelor of Science degree from Saint Joseph College, West Hartford, Connecticut.

Jay Fisette, Vice Chairman, has been a member of the Arlington County Board since November of 1997 and has since been re-elected twice. Mr. Fisette served as Chairman of the County Board in 2001 and 2005 and was appointed Vice Chairman of the County Board in January 2009. Mr. Fisette is the immediate past-president of the Virginia Municipal League. He is also a member of the Metropolitan Washington Council of Governments Board of Directors, and chairs that organization's Climate Energy and Environment Policy Committee, as well as serves on the Regional Emergency Preparedness Council and the Metropolitan Washington Air Quality Committee. He is a member of the Northern Virginia Transportation Commission and he also represents Arlington on the Greater Washington Initiative of the Board of Trade. Mr. Fisette serves on the Executive Committee of the the Washington District Council of the Urban Land Institute. He was appointed by then-Governor Mark Warner and reappointed by Governor Timothy Kaine as a Commissioner to the Board of the Virginia Housing Development Authority. Mr. Fisette is also a member of the Ashton Heights Civic Association, Unitarian-Universalist Church of Arlington, Arlington Committee of 100, Arlington Gay and Lesbian Alliance, Washington Area Bicyclist Association, and Leadership Greater Washington. Before his election to the County Board, Mr. Fisette served as the Director of the Whitman-Walker Clinic of Northern Virginia from 1990-98, as a staff consultant to the Senate Labor and Human Resources Committee from 1988-89, and as an auditor/investigator with the U.S. General Accounting Office from 1983-88. Mr. Fisette has a Master of Arts degree in Public and International Affairs from the University of Pittsburgh and received his Bachelor of Arts degree from Bucknell University. He has been a resident of Arlington since 1983.

J. Walter Tejada of the Arlington County Board, was first elected to the Board on March 11, 2003, through a Special Election to fill the seat of the late Chairman Charles Monroe, and officially took office on March 14, 2003. He was reelected for a term beginning January 2004 and again for a term beginning in January 2008. He was elected as Vice Chairman in 2007 and was elected as Chairman in 2008. Mr. Tejada has served on Arlington County citizens advisory groups, including the Fiscal Affairs Advisory Commission, the Affordable Housing Task Force, the Sports Commission, the Neighborhood Day Organizing Committee, and the Bicentennial Celebration Task Force. He is the founding chairman and a current board member of the

Shirlington Employment and Education Center. Mr. Tejada is the founding chairman and a current member of the Virginia Coalition of Latino Organizations and a member of the League of United Latin American Citizens. He is also the founding president of the American Salvadoran Association of Virginia, and the founding president of the Latino Democrats of Virginia. He has served on the Arlington Community Foundation Scholarship Review Committee and the United Way Grants Review Committee. In 2003, Mr. Tejada was appointed by then-Governor Mark Warner to serve as Chairman of the Latino Advisory Commission. Most recently, Governor Timothy Kaine appointed him to the Urban Policy Task Force. Mr. Tejada serves on the Metropolitan Washington Council of Governments (COG) Public Safety Policy Committee and continues to serve on COG's Human Services Policy Committee after a two-year Chairmanship. He is currently a member of the Northern Virginia Regional Commission. He also serves as a member of the Virginia Municipal League's Human Development and Education Steering Committee. Mr. Tejada is a member of the Hispanics for a Fair Judiciary Advisory Committee and the Smithsonian National Museum of American History Latino Advisory Council. Prior to his election to the Arlington County Board, Mr. Tejada worked professionally as an investigator, a business consultant and as an aide to U.S. Representative Jim Moran. He studied Government and Communications at George Mason University.

Mary Hughes Hynes was elected to the County Board for a term beginning January 2008. She served on the Arlington County School Board from 1995-2006 and chaired the Board in 1997, 2001, and 2006. Ms. Hynes served several times as the School Board's liaison to the General Assembly and as a representative for the Washington Area Boards of Education (WABE). She was instrumental in establishing the Virginia School Board Association Limited English Proficiency (VSBA-LEP) Caucus and the Board Assembly of the Minority Student Achievement Network (MSAN). From 2003-2006 Ms. Hynes was a member of the VSBA Federal Relations Team. Ms. Hynes currently serves on the Council of Government's (COG) Metropolotian Development Policy Committee and Committee on Noise Abatement and Aviation at National and Dulles Airports. She also serves on the Northern Virginia Transportation Commission (NVTC). Prior to joining the School Board, Ms. Hynes was a school activist. She has been a preschool music teacher for 20 years and served as Executive Director of Bowen McCauley Dance in 2007. She is on the Board of Vanguard Services and Bowen McCauley Dance, and is a member of the Arlington Kiwanis Club, the Roosevelt Society, the Committee of 100 and Our Lady Queen Peace Church. She graduated from the College of St. Benedict in St. Joseph, Minnesota.

Christopher E. Zimmerman was first elected to the County Board through a Special Election in 1996, and reelected for terms beginning in January 1999, 2003, and 2007. He served as Chairman in 1998, 2002, and 2006, and as Vice Chairman in 1997, 2001, and 2005. Mr. Zimmerman serves as one of Virginia's two members on the Board of Directors of the Washington Metropolitan Area Transit Authority ("WMATA"), and has served as Chairman of WMATA for two terms. He served as Chairman of the Northern Virginia Transportation Authority through 2008, where he has represented Arlington since its inception in 2002. In 2004, he was Chairman of the Transportation Planning Board for the National Capital Region; he currently chairs the Northern Virginia Transportation Commission, as well as the Virginia Railway Express Operations Board. From 2004 to 2006 Mr. Zimmerman served as President of the Virginia Transit Association. He also serves as the Region II Representative on the Executive Council of the American Public Transit Association's Transit Board Members Committee. In 2006, Mr. Zimmerman was appointed by Governor Timothy Kaine to a four-year term on the Secure Commonwealth Panel, which monitors and assesses Virginia's emergency response initiatives. Mr. Zimmerman was formerly Chief Economist and Committee Director for Federal Budget and Taxation at the National Conference of State Legislatures, where he worked from 1987-1998. Mr. Zimmerman holds a Master of Arts in Economics from the University of Maryland and a Bachelor of Science in Political Science and Economics from The American University.

Francis X. O'Leary has served as the Treasurer of the County since January 1, 1984. Prior to his election, Mr. O'Leary was active in civic activities and also founded and served as president of NOVA Research Associates, a computer software firm. He received a Bachelor's Degree in Economic Theory from Georgetown University's School of Foreign Service in 1966 and attended the University's graduate school in 1966 and 1967. He is a past president of the Treasurers' Association of Virginia and was Virginia's Treasurer of the Year in 1989-1990. In 1999, Mr. O'Leary received the Jackson R. E. Phillips Award from the Municipal Treasurer's Association of the United States and Canada for his "outstanding leadership in and contributions to the management of public funds."

Appointed Officials

Ron Carlee, retiring County Manager, has thirty years of experience in municipal management across the full range of local government services and functions. Carlee was appointed Arlington's ninth County Manager in 2001 and he will be leaving the County at the end of October 2009 to join the International City/County Management Association. The County Board is conducting a national search for Mr. Carlee's successor. He previously held senior executive positions in health and human services, parks and recreation, and information technology. He held staff and supervisory positions in management and budget, planning, and economic development. As County Manager, Carlee has built on the transit-oriented growth policies that have made Arlington a national model of "Smart Growth" development. Carlee also has moved to preserve economic and cultural diversity in Arlington through the creation of more than 1,100 housing units committed to long-term affordable rents and the articulation of a policy of inclusion that helps define Arlington's character as a welcoming community. In 2005, he led the team that convinced the Base Realignment and Closure (BRAC) Commission to keep the Defense Department's principal research programs in Arlington, affirming the County's scientific "center of excellence," which also includes the National Science Foundation. Carlee's doctorate is in public administration from George Mason University and he serves on the adjunct faculty at The George Washington University. Carlee's academic interests include state and local budgeting and finance, leadership, and inter-organizational relations. He has held positions of leadership in state and local associations and provided consultation and training to other local governments. He is a fellow in The National Academy for Public Administration and an ICMA Credentialed Manager.

Barbara M. Donnellan was appointed Deputy County Manager in October of 2005, with oversight responsibility for the departments of Human Resources, Management and Finance, Libraries, and Technology. She is also responsible for capital, communications, and the legislative program. Additional duties include day-to-day contact with elected Constitutional Officers, Courts, Sheriff, Police, Fire and Office of Emergency Management. Ms. Donnellan will serve as Acting County Manager beginning in November 2009 until a replacement for Mr. Carlee is appointed by the County Board. Ms. Donnellan began her almost 25-year career with Arlington County following four years with the New York City Office of Management and Budget. Prior responsibilities with the County include serving as Director of Management and Finance (DMF), Senior Tax Policy Coordinator and the Director for Libraries. Ms. Donnellan has worked on many public/private partnership projects for the County. Ms. Donnellan has held a number of appointments; she was appointed by Governor Mark Warner in 2002 and reappointed by Governor Timothy Kaine in 2006 to the Virginia Resources Authority. She was appointed by the Arlington County Board to the Rosslyn Business Improvement District (BID) Board (2003, 2007) and by the Arlington County Manager to the Arlington Retirement Board (1999, 2003, 2007). Ms. Donnellan is on the Board of Leadership Greater Washington; she is a member of the Class of 1999 and has served on its Board since 2004. She remains involved in the Youth Leadership Greater Washington program. Ms. Donnellan holds a Bachelor's degree in Public Administration and a Master's degree in Government and Politics from St. John's University in New York.

Marsha Allgeier was appointed Deputy County Manager in the fall of 2005 after serving four-and-a-half years as Director of the Department of Human Services. After two-and-a-half years with the Town of Chapel Hill, North Carolina, Ms. Allgeier started her thirty year career with Arlington County in 1978. Starting as a neighborhood planner, she has held a number of progressively responsible positions in the County, including Community Development target area supervisor, Neighborhood Improvement Section Chief, Chief of the Office of Special Programs in Human Services, Planning and Administration Division Chief, and Acting Director of Human Services. A graduate of Brown University, Ms. Allgeier holds a Bachelor of Arts degree in American Civilization. Having been awarded an Urban Studies Fellowship from the U.S. Department of Housing and Urban Development, she received a Master's degree in Urban and Regional Planning from the University of North Carolina at Chapel Hill. Ms. Allgeier is a graduate of the

Leadership Arlington Class of 2003 and of the Leadership Greater Washington Class of 2007. She is a Board Member of the Northern Virginia Health Foundation and the Arlington-VOA Assisted Living Residence.

Mark J. Schwartz was appointed the Director of Management and Finance in October 2006. After twelve years with the Office of Management and Budget (OMB) in the Executive Office of the President, Mr. Schwartz started his work with Arlington County in December 2005 as Deputy Chief Financial Officer. While at OMB, Mr. Schwartz was branch chief of the Treasury Branch and worked closely with the District of Columbia on local government issues, the Treasury Department, and with financial market regulators. Mr. Schwartz holds a Bachelor of Arts Degree majoring in Government from Harvard University and Juris Doctorate from the University of Pennsylvania Law School. He was a former chair of Arlington County's Fiscal Affairs Advisory Commission, and is currently a board member of the Crystal City Business Improvement District. Mr. Schwartz is a graduate of the Leadership Arlington Class of 2008.

Stephen A. MacIsaac is the County Attorney for Arlington County. He is a graduate of Tufts University in Medford, Massachusetts and received his Juris Doctorate from the Washington College of Law at American University. He has served as the County Attorney since July 31, 2000. Previously, he had been with the Prince William County Attorney's Office for eighteen years, serving as the Deputy County Attorney.

GOVERNMENTAL SERVICES AND FACILITIES

Arlington County provides a comprehensive range of public services characteristic of its form of government under Virginia law and of its integral position within the Washington, D.C. metropolitan area. These services are designed to meet the changing needs of a largely urban county and to provide an environment within which the educational, physical, social and cultural needs of its citizens are met. The County provides general information about itself on its Internet home page (http://www.arlingtonva.us).

PUBLIC SCHOOLS

The Arlington County Public School system is directed by an elected five-member School Board. The School Board employs approximately 2,000 teachers and 450 teacher assistants. Forty-six percent of teachers have master's degrees, another 25% have a master's degree plus 30 credits and another 4% have doctorate degrees.

Summarized below are selected items of information concerning number of facilities and types of programs offered by Arlington Public Schools, total annual school enrollments (actual and projected) and pupil performance data. Arlington Public Schools educate one of the nation's most diverse and sophisticated student populations. Students consistently score well above state and national averages on standardized tests, including the SAT, which is taken by 77% of Arlington high school seniors as compared to 45% nationally. The County average for combined verbal and math SAT scores in 2007-2008 was 1090 (maximum combined verbal and math SAT score in 2007-2008 was 1600). The average for the Commonwealth of Virginia was 1024 and the national average was 1017. The high school graduation rate in the County is 93%. Last year, 90.1% of graduates planned to seek higher education upon graduation.

Public Schools and Programs
2008-2009 School Year

Type of School or Program	Number
High Schools	3
Middle Schools	5
Secondary Alternative Program (6-12)	1
Elementary Schools (including six alternative schools)	22
Adult Vocational Education Program	1
High School Continuation Program	2
Vocational-Technical (9-12)	1
Special Education Program	1

Source: Arlington County Public Schools.

Public School Enrollments
Actual Pre K-12[1]

Fiscal Year	Pre K-12 Total	Percentage Change
2000	18,723	0.9%
2001	18,882	0.8
2002	19,097	1.1
2003	19,140	0.2
2004	19,120	-0.1
2005	18,744	-2.0
2006	18,411	-1.8
2007	18,451	0.2
2008	18,684	1.3
2009	19,534	4.5

Source: Arlington County Public Schools.
(1) Pre-Kindergarten through Grade 12 enrollment is as of September 30 for the fiscal years shown above.

Graduates Pursuing Post-Secondary Education

Arlington County Programs	Percent of Graduates Pursuing Post-Secondary Education	Percent of Graduates Going On To Four-Year College	Percent of Graduates Going On To Two-Year College	Percent of Graduates Going On To Other[1]
1998-1999 School Year	91.1%	61.8%	26.6%	2.7%
1999-2000 School Year	88.6	57.3	27.7	3.6
2000-2001 School Year	92.9	60.8	25.0	7.1
2001-2002 School Year	86.5	62.4	21.4	2.8
2002-2003 School Year	84.3	62.2	18.4	3.7
2003-2004 School Year	85.5	60.3	21.4	3.8
2004-2005 School Year	87.7	63.1	18.3	6.3
2005-2006 School Year	90.5	65.6	22.4	2.6
2006-2007 School Year	88.4	65.2	21.7	1.5
2007-2008 School Year	90.1	68.1	19.6	2.4

Source: Arlington County Public Schools.
(1) Other programs include Business Schools, Trade/Technical Schools, and Apprentice Programs.

POPULATION CHARACTERISTICS

As of April 1, 2000, Arlington County's population was counted by the 2000 Census at 189,453. The estimate for January 2009 is 209,300. The County expects that its population will increase gradually to 247,600 by 2040 based on Arlington County Planning Division estimates prepared for the Metropolitan Washington Council of Government's Round 7.2 Cooperative Forecasts. The following table presents population figures for selected years through the year 2040.

Arlington County
Population and Rates of Change
Actual and Projected

Year	Population	Rate of Change
1940	57,040	---
1950	135,449	137.5%
1960	163,401	20.6
1970	174,284	6.7
1980	152,599	(12.4)
1990	170,936	12.0
2000	190,313(1)	11.3
2009	209,300	10.0
2010	211,400	1.0
2015	226,800	7.3
2020	238,000	4.9
2025	242,400	1.8
2030	245,300	1.2
2035	245,700	0.2
2040	247,600	0.8

Sources: Years 1940 to 1990: U.S. Census Bureau; 2009-2040: Arlington County Planning Division, Metropolitan Washington Council of Governments Round 7.2 Forecasts.

(1) 2000: U.S. Census Bureau, adjusted by the Arlington County Planning Division for observed inaccuracies in the 2000 Census.

Average household size has been a key determinant of the County's population trends over the past two decades. Declining average household size contributed to the reduction of the County's population by 12% in the 1970s despite new household formation and residential construction. Rapid residential construction combined with increasing average household size in the late 1980s reversed the four-decade trend of declining household size and resulted in a 12% increase in the County's population from 1980 to 1990 and an 11% increase from 1990 to 2000. However, there is evidence that the average household size has declined over the last three years and will continue to do so in the future. The estimated average household size in 2009 is 2.08 persons per household, down from 2.15 in 2000.

Arlington County's population is one of the most highly educated in the nation. According to the 2000 Census, almost 90% of Arlington County residents age 25 and older were high school graduates and over 60% had a bachelor's degree. Furthermore, over 30% of the County's residents held a graduate or professional degree. Arlington County has an existing pool of knowledgeable workers and is at the center of a region with high college attainment rates. In the Washington D.C. region, 42% of residents are college graduates, a proportion almost twice the national rate of 24%.

A strong regional economy, the rapid pace of residential construction and substantial increases in immigration contributed to the addition of 20,080 households and 38,364 residents to the County between

1990 and 2009. New immigrants moving to the County to take advantage of economic opportunities and to join family members contributed significantly to the recent population growth. In 2000, 28% of Arlington County residents were born in another country; almost 60% of Arlington County's foreign-born residents came to the United States in the last ten years. The table below shows the change between the 1990 census and the current estimates.

Change in Population, Arlington County 1990 to 2009

Year	Population	Housing Units	Households	Household Population	Group Quarters
1990	170,936	84,847	78,520	166,769	4,167
2009	209,300	103,834	98,600	205,100	4,200
Change (1990-2009)					
Number	38,364	18,987	20,080	38,331	33
Percent	22.44%	23.38%	25.57%	22.98%	0.79%

Sources: U.S. Bureau of the Census, Census of Population and Housing, 1990. Estimates for 2009 were derived by Planning Division staff and are based on data from the 2000 Census and projections made for the Metropolitan Washington Council of Governments Round 7.2 Cooperative Forecasts 2009 figures are rounded.

The age distribution of the population is shown in the table below. The median age in the County was 34 years in 2000.

Change in Age Group Demographics, Arlington County 1990 to 2009

	Ages					
Year	0 – 4	5 – 19	20 – 44	45 - 64	65 – 84	85 +
1990	9,426	19,665	92,171	30,265	17,671	1,738
2009	13,500	28,100	92,700	55,900	15,700	3,500
Change (1990 -2009):						
Number	4,074	8,435	529	25,635	(1,971)	1,762
Percent	43.22%	42.89%	0.57%	84.70%	(11.15%)	101.38%

Sources: U.S. Bureau of the Census, Census of Population and Housing, 1990. Estimates for 2009 were derived by the Planning Division staff and are based on data from the U.S. Census Bureau's 2007 Population Estimates Program and projections made for the Metropolitan Washington Council of Governments Round 7.2 Cooperative Forecasts 2009 figures are rounded.

EMPLOYMENT

Arlington County has a near balance of jobs and residents. In 2009, there are an estimated 99 jobs for every 100 residents. At-place employment (i.e., the total number of jobs in the County) is estimated to be 206,800 in 2009, a gain of 24,224 jobs or 13.3% since 2000. (Estimates of at-place employment cannot be compared to figures in previous reports due to a change in methodology.) According to figures from Arlington County Planning Division, the largest proportion of jobs in Arlington County for 2009 is in government. About 25.9% of all jobs were federal, state, local government, and the military.

The following table provides a breakdown of employment by sector for third quarter 2008.

Covered Employment by Sector
As a Percentage of Total
Fourth Quarter 2008

Construction	1.8%
Retail trade	6.1
Transportation	5.1
Information	3.3
Finance and insurance	2.3
Real estate and rental and leasing	2.1
Professional and technical services	20.5
Other services	26.7
Government	25.9
All other	6.2
	100.0%

Source: Virginia Employment Commission

Federal Government

In Arlington, the federal government employs approximately 34,000 people across agencies and departments. Many of these agencies and departments are headquartered within the County, including the Transportation Security Administration, National Science Foundation, Drug Enforcement Administration, U.S. Marshals Service, U.S. Fish & Wildlife Service, Department of State National Foreign Affairs Training Center, Army National Guard Readiness Center, and the Department of Defense (located at the Pentagon).

Base Realignment and Closure

Nearly four million square feet of the 37 million of leased office space in Arlington will be vacated (primarily in Rosslyn and Crystal City) and 13,000 jobs relocated outside of the County as a result of the 2005 Department of Defense (DOD) Base Realignment and Closure (BRAC) Commission recommendations. It is currently expected that most agencies will move to their new space in 2011 at the earliest and the County has recently learned that some agencies are renewing their leases through 2014.

Based on the work of the County's BRAC Transition Task Force, a grant was secured from the Department of Defense and the Office of Economic Adjustment. The grant funds planning efforts by the Crystal City Planning Task Force, and two County positions to coordinate the BRAC transition. Additionally, a BRAC Transition Center, which provides workforce and business development assistance to individuals or businesses impacted by the BRAC action is funded by grants from the Virginia National Defense Industrial Authority and the U.S. Department of Labor.

Despite BRAC-related uncertainties, the federal government remains active in the Arlington office market, and the Department of Defense is extending many of its leases in Crystal City because certain BRAC-related movements may be delayed.

Private Sector

In 2008, new companies continue to arrive in Arlington. Virginia Tech is currently investing more than $80 million to build a major research center in Ballston, which will bring 300 new jobs to the county in 2010. The center will use high-performance computing to analyze issues such as transportation, public health and national security.

MedStar Health, Inc., a $3.5 billion non-profit, community-based healthcare system with a local hospital network, moved into the Rosslyn submarket, and brought in more than 150 new jobs. At the same time, many companies in Arlington expanded in 2008: BAE Systems, Battelle Memorial Institute, Lockheed Martin, and Cambridge Associates added jobs at their Arlington locations.

A list of Arlington's principal private employers as of January 2009 appears below.

Principal Private Employers
(January, 2009)

Company	Nature of Business	Employees in Arlington
Virginia Hospital Center	Healthcare	2,354
Corporate Executive Board	Business Services	1,534
US Airways	Air Transportation	1,472
Lockheed Martin Corporation	Air Transportation Equipment/Defense Systems	1,453
Marriott International, Inc.	Hotels	1,450
BAE Systems	Consulting Services/Defense	1,407
Booz Allen Hamilton	Consulting Services	1,384
SRA International, Inc.	IT Services/Defense/Strategic Consulting	1,283
SAIC	Technology Consulting/Computer Systems	1,257
CACI	Technology Consulting/Computer Systems/Defense	1,198
Bureau of National Affairs	Business Services	900
Verizon	Telecommunications	790
Marymount University	Higher Education	637
The Boeing Company	Air Transportation/Defense Services	545
Cambridge Associates	Consulting Services	520
Macys	Department Stores	507
Interstate Hotels & Resorts	Hotel Management	501
Watson Wyatt	Business Services	500
National Rural Electric Cooperative Association	Utilities	500
Jacobs Engineering	Engineering Services	500
Nordstrom	Department Stores	500

Source: Arlington Economic Development.

As illustrated in the following table, Arlington has consistently experienced lower unemployment rates than both the Commonwealth of Virginia and the nation.

Unemployment Rate
Annual Average Rates

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Arlington County	1.6%	2.4%	3.1%	2.9%	2.6%	2.5%	1.9%	1.9%	2.5%	4.1%
MSA	1.6	2.5	3.3	3.1	2.7	3.4	2.2	2.3	3.0	4.7
Commonwealth of Virginia	2.3	3.2	4.2	4.1	3.7	3.5	3.1	3.0	4.0	6.5
United States	4.0	4.7	5.8	6.0	5.5	5.1	4.6	4.6	4.6	9.6

Source: Virginia Employment Commission. FY 2009 (August) data are not seasonally adjusted and are not comparable to prior data from prior years.

INCOME

Arlington County has one of the most highly educated populations in the nation and is at the center of a region with high educational attainment rates. In the Washington D.C. metropolitan area, 42% of residents are college graduates, a proportion almost twice the national rate of 24%. In Arlington, almost 90% of residents age 25 and older are high school graduates and over 60% have a bachelor's degree. Furthermore, over 30% of Arlington residents hold a graduate or professional degree.

The educational achievements of Arlington's population are reflected in the County's income statistics. According to the 2000 census, the 1999 median household income in Arlington County was $63,001, compared to $46,677 in Virginia and $41,994 nationally. Similarly, the median family income in Arlington was $78,877, compared to $54,169 in Virginia and $50,046 nationally. In 2007, according to the U.S. Bureau of Economic Analysis, Arlington's per capita personal income was $68,270, among the highest in the Washington, D.C. metropolitan area. According to ESRI Business Analyst, Arlington County had an estimated average household income of $112,630 in 2008.

Selected income data for Arlington County and other jurisdictions in the Washington, D.C. metropolitan area is as follows:

Per Capita Personal Income of Jurisdictions in the Washington, D.C. Metropolitan Area Selected Years

	2003	2004	2005	2006	2007
Arlington County (VA)	$54,298	$57,328	$61,312	$65,946	$68,270
City of Alexandria (VA)	53,864	58,396	62,628	68,013	70,632
Fairfax County	54,301	57,799	62,271	65,844	67,909
Montgomery County (MD)	52,917	56,233	59,989	63,519	67,525
Washington D.C. MSA[1]	43,843	46,466	49,606	52,485	54,971
Commonwealth of Virginia	34,034	35,886	37,988	40,234	41,727
United States	31,530	33,157	34,690	36,794	38,615

Source: U.S. Bureau of Economic Analysis.
(1) Includes 20 cities and counties in Maryland, Virginia, West Virginia and Washington, D.C.

RETAIL ACTIVITY

Arlington's residents, workers and visitors represent a significant retail market to support the more than 2,200 retail stores in Arlington. With nearly $3 billion in retail sales according to 2008 data, Arlington captures approximately 10% of regional retail expenditures.

According to an analysis performed by Arlington Economic Development in October 2008, more than 1,300 stores are independently owned and 444 stores are national chains. Nearly 800 stores in Arlington are located in retail centers, 530 are in retail strips, 325 are located on the first floor of office buildings and 316 are freestanding. Arlington enjoys more than 570 restaurants, nearly 200 apparel shops, and 135 food and beverage stores. The average store employs 12 workers. The largest concentration of retail stores is in Ballston (287 stores) followed by Columbia Pike (225 stores), Crystal City (218 stores) and Pentagon City (211 stores).

The County's major retail centers are listed below.

Major Retail Centers (Existing)

Retail Center	Number of Stores	Size (sq. ft.)
Fashion Centre at Pentagon City	145	994,000
Crystal City Shops	180	715,153
Ballston Common Mall	124	578,000
Village at Shirlington	48	214,000
Pentagon Center	9	330,467
Market Common Clarendon	40	300,827
Pentagon Row	50	296,000
TOTAL	596	3,428,447

Source: Arlington Economic Development.

The performance of retail facilities in Arlington is shown by the increase of taxable retail sales in recent years, as reported by the Virginia Department of Taxation. For calendar year 2008, taxable retail sales in Arlington totaled nearly $3 billion.

Taxable Retail Sales

Year	Taxable Sales	Annual Change
1999	$2,233,586,428	1.9%
2000	2,338,713,951	4.7
2001	2,283,125,622	(2.4)
2002	2,273,461,703	(0.4)
2003	2,422,147,119	6.5
2004	2,585,409,935	6.7
2005	2,438,798,486[1]	N/A
2006	2,755,508,880[2]	N/A
2007	2,887,800,527	4.8
2008	2,991,260,621	3.6

Source: Virginia Department of Taxation.
[1] Underreported due to accounting changes.
[2] Over reported due to accounting changes.

CONSTRUCTION ACTIVITY

The County has experienced a trend of increasing construction activity over the past 10 years. Since 1999, total building permits have increased by over 100%.

Number of Building Permits Issued and Value

Fiscal Year	Residential	Commercial	Miscellaneous[1]	Total Building Permits	Total Value
1999	218	14	5,414	5,646	$305,420,303
2000	165	48	9,245	9,458	804,831,463
2001	309	47	10,343	10,699	696,569,890
2002	195	74	11,102	11,371	559,283,000
2003	206	63	10,813	11,082	633,321,468
2004	251	33	12,069	12,353	885,354,906
2005	245	58	12,810	13,113	948,126,470
2006	309	28	12,570	12,907	1,018,689,504
2007	154	54	11,537	11,745	1,109,503,529
2008	132	76	11,331	11,539	974,672,518

Source: Arlington County Department of Community Planning, Housing and Development, Inspection Services Division, from permit application data.

(1) The miscellaneous category includes alterations and repairs, conversions, (including construction of condominiums and cooperatives in existing buildings), parking lots, garages and accessory buildings, elevators, and other construction activity.

The total value of new construction in the County has increased by three times in the last ten years.

Value of New Construction

Fiscal Year	Residential	Commercial	Miscellaneous[1]	Total Value
1999	$21,379,776	$122,135,417	$161,905,110	$305,420,303
2000	61,047,327	254,556,487	489,227,649	804,831,463
2001	46,686,600	197,959,044	451,924,246	696,569,890
2002	28,942,000	216,085,000	314,256,000	559,283,000
2003	45,190,520	245,828,500	342,302,448	633,321,468
2004	62,734,000	269,927,000	552,693,906	885,354,906
2005	65,578,000	471,549,000	410,999,470	948,126,470
2006	116,622,000	170,648,000	731,419,504	1,018,689,504
2007	42,199,000	279,540,000	787,764,529	1,109,503,529
2008	32,778,000	295,231,000	646,663,518	974,672,518

Source: Arlington County Department of Community Planning, Housing and Development, Inspection Services Division, from permit application data.

(1) Miscellaneous includes alterations and repairs, tenant fit-up, conversions, (including construction of condominiums and cooperatives in existing buildings), parking lots, garages and accessory buildings, elevators, and other construction activity.

Square Feet of New Office Space Construction[1]

Calendar Year	Office Space as of January 1	New Office Space Delivered During Year	Office Space as of December 31[2]
2000	31,800,000	351,363	32,057,089
2001	32,057,089	398,963	32,417,452
2002	32,417,452	1,174,789	33,374,435
2003	33,374,435	330,029	33,704,464
2004	33,704,464	331,178	33,700,836
2005	33,700,836	837,471	34,225,449
2006	34,225,449	1,354,323	35,546,617
2007	35,546,617	739,772	36,286,389
2008	36,286,389	513,574	36,799,963
2009	36,799,963	195,000*	

Source: Arlington County Department of Community Planning Housing and Development.

(1) Excludes office space developed on federal property.
(2) Includes new space delivered net of demolitions; includes owner occupied and lease space.
* 2009 data is as of April 30, 2009

Office Vacancy Rate

According to the U.S. National Office Vacancy Index, published by CB Richard Ellis, as of the fourth quarter of 2008, the average downtown U.S. office vacancy rate was 14.7% and the downtown Washington, D.C. vacancy rate was 7.6%. Arlington's office vacancy rate for this same period was 9.0%. The office vacancy rate, although declining, remains above historical levels due to a combination of factors. Starting in 2001, there were major office construction projects completed, particularly in the Rosslyn-Ballston corridor. The increase in inventory led to an upward trend in vacancy rates. As those spaces began to be filled, the vacancy rate declined, but part of the decline has been offset by the Patent and Trademark Office leaving the Crystal City area, and the impact of Base Realignment and Closure. More than half of the vacant space in Arlington is in Crystal City. As space is vacated and renovated, this situation will change. Lockheed Martin expanded at their site in Crystal City and rented 229,000 square feet of new office space. As redevelopment occurs for the first time in this submarket several older office buildings may be torn down for new construction at higher densities.

Overall Office Vacancy Rate
Arlington County, Virginia

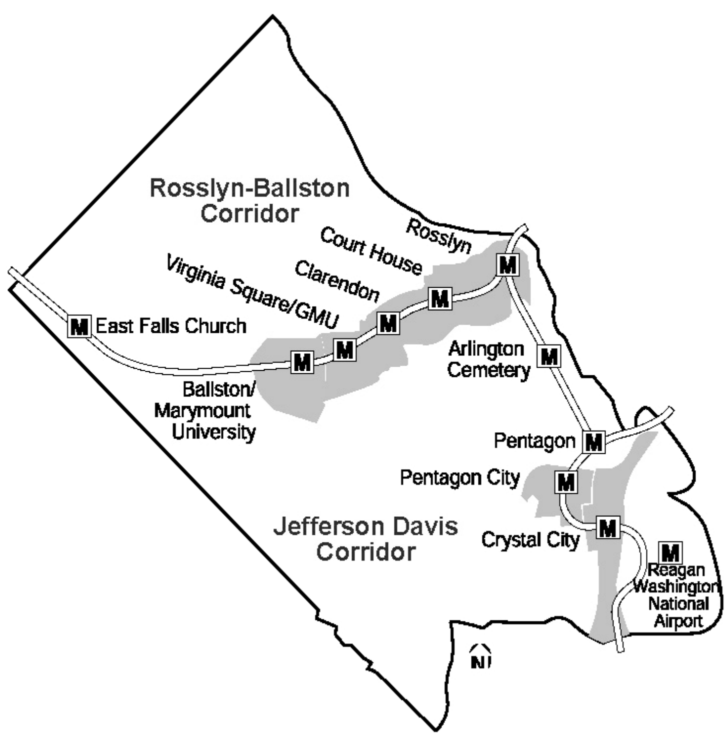
Calendar Year	Vacancy Rate
1999	4.0%
2000	2.4
2001	7.6
2002	10.0
2003	13.0
2004	13.2
2005	9.5
2006	9.4
2007	9.8
2008	9.0

Source: COSTAR (1999-2001, 2005-2008, 4th Quarter data), Cassidy & Pinkard (2002-2004).

DEVELOPMENT TRENDS IN THE COUNTY

In the past decades, Arlington County has experienced a transformation from a predominantly residential community supporting federal government offices in Washington, D.C., to an urban employment center with over 44 million square feet of rentable commercial office space, including seven million square feet of federal owned office space, and nine million square feet of retail development. Since the 1960's, large sections of the County have been replanned and redeveloped from light industrial and commercial uses to high density, mixed-use developments. The new development was organized into two redevelopment corridors, focused on separate Metrorail (Metro) rapid transit system alignments. The east-west alignment is known as the Rosslyn-Ballston (RB Corridor) and the north-south alignment is referred to as the Jefferson Davis Corridor (JD Corridor).

The County's investment in the Metrorail system, starting in 1976, and its master plan targeting development at seven of its eleven Metro stations achieved the desired effect. The ten-year period following the opening of the Metrorail system in 1979 ushered in a development boom that continues today, resulting in high density, mixed-use development that occurred in the immediate vicinity of the Metro stations, generally within a quarter-mile radius. Currently, the Rosslyn-Ballston Corridor has over 22 million square feet of office space, 2.4 million square feet of retail space, 22,154 dwelling units, and 3,886 hotel rooms. The Jefferson Davis Corridor has 12.2 million square feet of office space, 2.6 million square feet of retail space, 12,418 dwelling units, and 5,243 hotel rooms. The type of development activity located at each metro station in the County is summarized below.



Source: Community Planning & Housing Development Planning Department.

Ballston Metro Station Area

Ballston, the western anchor of the Rosslyn-Ballston Metro corridor, is Arlington's hub of science and technology and contains the nation's greatest concentration of scientific research agencies. Ballston is also home to the Kettler Capitals Iceplex, headquarters of the Washington Capitals, and three major hotels are located in the area. The Ballston submarket contains more than 6.7 million square feet of office, over 6,000 housing units, 892 hotel rooms, and more than 1 million square feet of retail.

In addition to the National Science Foundation, major employers in Ballston include the Office of Naval Research, Virginia Tech Advanced Research Institute, CACI International, The Nature Conservancy, the National Rural Electric Cooperative Association, AES Corporation (a global energy company), Watson Wyatt Worldwide Inc., American Trucking Association, Interstate Hotels & Resorts, Solers Inc., SAIC, Vangent Inc., and Marymount University.

Three important development projects are planned for Ballston, to be completed between 2010 and 2012. Founders Square, 800/900 North Glebe Road, and The Fairmont site combined will offer an addition of 1.1 million square feet of office space, 689 new residential units (including 90 affordable housing units, 28 new townhomes, and 35,492 additional square feet of retail space. Additionally, the Ballston Science and Technology Alliance will occupy nearly 10,000 square feet on Glebe Road.

Virginia Square Metro Station Area

Virginia Square, one Metro stop east of Ballston in the Rosslyn-Ballston Metro corridor, is Arlington's home to some of Arlington's top new residential development projects and the Arlington campuses of George Mason University and The George Washington University, the state-of-the-art Arlington Central Library and the Arlington Arts Center. It is expected that much of George Mason's growth over the next 10 years will take place at its Arlington graduate and law school campus. The Virginia Square submarket contains nearly 1.9 million square feet of office, 2,770 housing units, 484 hotel rooms, and nearly 200,000 square feet of retail.

Major organizations in Virginia Square include SRA International, Frontier Systems, System Planning Corporation, Turner Construction Company, Booz Allen Hamilton, Strategic Analysis, SRS Technologies, Defense Advanced Research Projects Agency, and FDIC.

Under construction in Virginia Square is George Mason University Phase II. The Phase II expansion is a $50 million, 244,000 square foot project, with projected completion by the second quarter of 2010. Project elements include offices, classrooms, a library, computer labs, television studio, a 300-seat auditorium, multi-purpose rooms and a public plaza. The project will be LEED Certified.

Also under construction is a residential project that will deliver 108 rental units in 2009.

Clarendon Metro Station Area

Arlington's original urban village, Clarendon has maintained throughout its evolution a true international atmosphere and a commitment to both tradition and diversity. The approval of the 2006 Clarendon Sector Plan has spurred new growth, and will ultimately add new commercial office space and condominium units to the neighborhood, as well as new restaurants and retail, all within easy walking distance of the Clarendon Metro station. Clarendon is also the center of Arlington's nightlife and dining scene.

The Clarendon submarket contains nearly 1 million square feet of office, over 2,100 housing units, and more than 500,000 square feet of retail. Three development projects, either underway or planned for completion by 2011, will add 241,676 square feet of office space, 540 residential units, eight live/work units, 83,764 square feet of retail space, and 600 parking spaces.

Major employers in Clarendon include DMJM & Harris Inc., Stanely Inc., Cambridge Associates, Henninger Media Services, Comcast, Gerogetown University, and GridPoint.

Courthouse Metro Station Area

Long the center of official Arlington, as well as a high-technology hub, Courthouse is a community where business, government, residential and retail come together to create one of Arlington's most sought after locations. Soon, Courthouse will undergo changes as it welcomes an upscale Marriott Residence Inn, along with a redesigned Courthouse Plaza, which will include a mix of shops and restaurants. Major employers in the area are Arlington County Government, Strayer University, National Science Teachers Association, the Navy League, MedStar, Battelle Memorial Institute, Sapient, Bean, Kinney & Korman PC, and Arnold Worldwide. The Courthouse submarket contains more than 3.5 million square feet of office, nearly 6,200 housing units, 376 hotel rooms, and more than 200,000 square feet of retail.

Three projects are currently under construction in Courthouse. These projects will add 380,000 square feet of office space, 176 hotel rooms, 10,000 square feet of retail space, and 89 luxury condominim units to the Courthouse area. All three projects are expected to be completed in 2009. Five additional projects are planned for the area, which will add an additional 583 residential units to the area (including 18 affordable housing units), 87,339 square feet of retail space, 488,419 feet of office space, and 778 parking spaces.

At the east end of the Courthouse Plaza complex, preliminary planning is underway for a major, urban mixed use project that would include new commercial development, a civic urban plaza with underground parking and a new homeless shelter. The site is comprised of County-owned land currently occupied by a surface parking lot and the Court Square West office building. The highest priority is to ensure that County objectives are met in any new development.

Rosslyn Metro Station Area

Rosslyn, the eastern anchor of the Rosslyn-Ballston Metro corridor, and Washington's gateway to Arlington, has new planned development that will result in a new level of sophistication for Rosslyn. Overall, Rosslyn boasts more than 8 million square feet of office space, over 5,000 housing units, more than 2,100 hotel rooms, and 510,000 square feet of retail.

Major corporate employers in Rosslyn include Corporate Executive Board, BAE Systems, The Boeing Company, Raytheon, Northrop Grumman, Argosy University, NatureServe, MCG Capital Corporation, SPARTA, American Psychiatric Association and EADS North America, and WSLA-TV.

Three major projects are scheduled to be completed in Rosslyn between 2009 and 2012. These will include 786 residential units, both condominium and rental, and 570,550 square feet of new office space. Three additonal projects are planned, but completion dates are not established. These projects will add 678,492 square feet of office space, 51,651 square feet of retail space, 454 housing units to include 92 units of affordable housing, and 25 townhomes. Two of these proposed projects will meet LEED silver standards, and one of the projects will be the first LEED platinum building in Virginia.

Pentagon City Metro Station Area

A shopping and dining hub, Pentagon City receives the attention of shoppers from around the region and the world. Pentagon City's wide variety of residential, office and commercial development includes 1.2 million square feet of office space in addition to the Pentagon, the world's largest office building. It's also a convenient place to live, just across the Potomac River from the Nation's Capital, Washington, D.C. There are currently more than 5,100 residential units, 1.7 million square feet of retail and 665 luxury hotel rooms. Pentagon Row, Pentagon City's newest addition located next to the Fashion Centre, includes 300,000 square feet of retail and 502 residential units. Major corporate employers in Pentagon City include The RAND Corporation and Unisys Corporation.

Currently under construction and expected to deliver in 2009 is The Millennium, the second building of the eight-phase, 10 building, Metropolitan Park project. The 18-story building will have 300 apartments and 8,119 square feet of first floor retail space. The third phase of this project will add 411 residential units and 16,350 square feet of retail space. In July 2008, the County Board approved the Pentagon Centre 4.1 Site Plan and Phased Development Site Plan (PDSP) for a 16.8 acre site currently occupied by retail stores. The long-term PDSP includes 600 residential units, 327,070 square feet of retail space, 776,982 square feet of office space, and 250 hotel rooms. The project will include two new office towers and a parking garage.

Crystal City Metro Station Area

Crystal City, Arlington's largest downtown, features more than 11 million square feet of office, 7,300 housing units, and an abundance of restaurants, cafes, a theater, specialty stores, and bike trails. With its quick access to D.C. and proximity to Ronald Reagan Washington National Airport, the area attracts nonprofits, artists, tourists and residents. Already an award-winning, mixed-use development with views of the Washington monuments, Crystal City has 10 hotels with more than 4,600 rooms and 170,000 square feet of meeting space, as much office space as many medium-sized cities, plus access to the heart of the U.S. defense industry, the Pentagon.

Major corporate employers in Crystal City include KBR1, Conservation International, Public Broadcasting Service, DeVry University, Mantech International Corporation, Raytheon, Battelle Memorial Institute, Scitor, EMCOR Government Services, Wyle Laboratories, Food Marketing Institute Bureau of National Affairs, National Cooperative Bank, Lockheed Martin, The Boeing Company, and Galaxy Scientific.

Arlington County is developing a long-range master plan for Crystal City to strengthen its position as an office market and bring about a more-balanced mix of uses over the next fifty years. The master plan identifies many development and redevelopment opportunities, with overall goals to increase economic activity in Crystal City and improve transportation networks and open space systems in this area. At full build-out the master plan results in the construction of over 9.6 million square feet of office space, 1.2 million square feet of retail space, 8,300 residential units, and 2,900 hotel rooms.

Projects to be completed in 2009 and 2010 will add 373,057 square feet of office space, 71,418 square feet of retail space, 625 hotel rooms, and 350 residential units, and 242 parking spaces. Future development will include 323,300 square feet of office space, 19,565 square feet of retail space, and 959 residential units.

Other planned projects include a park and office building in Potomac Yard. Center Park at Potomac Yard is a two acre park envisioned as the grand outdoor room for the Potomac Yard development. Four office buildings totaling 1,064,000 square feet of office and 41,300 square feet of retail space will be developed along with a 1.6 acre urban park to be known as the North Park Plaza.

Columbia Pike

Columbia Pike is a mix of the old and new that truly represents Arlington's diversity. Classic art deco buildings, small-scale, specialty retail and Arlington's greatest concentration of ethnic restaurants make "The Pike" a unique living and working experience. Columbia Pike feeds traffic to several large federal government agencies (most notably the Pentagon) and more than 40,000 commuters travel on it every day. Direct bus routes link Columbia Pike with the Ballston and Pentagon Metro stations. Millions of dollars in capital improvements are preserving the area's urban feel, and the Columbia Pike Form Based Code has enabled a comprehensive plan for growth that will provide incentives for new retail, residential and commercial development, while maintaining the character of Columbia Pike. This submarket contains more than 500,000 square feet of office, 4,800 housing units, 493 hotel rooms, and nearly 600,000 square feet of retail.

Development activity in Columbia Pike includes one recently completed project, two projects under construction and four planned projects. These projects add 692 residential units to the area, 76,691 sqaure feet of retail space, 14,650 square feet of office space, 128 parking spaces, and the Arlington Free Clinic will be housed in the area.

A proposed development in the Columbia Pike area will include 299 residential units, 98,575 square feet of retail space, and 713 public and private parking spaces. The Arlington Mill project will add 192 residential units, a new community center, plaza and gymnasium, some retail space, and underground parking. Timelines are under development for these proposed projects.

Shirlington

With its established café culture, live theater and pedestrian promenade, Shirlington has become the arts and entertainment capital of Arlington. Anchoring the Village at Shirlington is a multi-million dollar theater-library complex, home to Arlington's Tony award winning Signature Theatre, and the state-of-the-art Shirlington Library. Added to the mix are new condominiums, restaurants and shops, all with easy access to Washington and close-in proximity to Interstate-395, the Pentagon and Ronald Reagan Washington National Airport. The Shirlington submarket contains nearly 600,000 square feet of office, nearly 1,300 housing units, 325 hotel rooms, and 300,000 square feet of retail.

The Hilton Garden Inn Hotel, a 7-story, 142 room hotel, has recently been completed in the Shirlington area.

HOUSING

As of January 2009, there were 103,824 housing units located in Arlington County, according to Planning Division estimates. Owner-occupied units constituted approximately 45.8% of the total number of units with the remaining 54.2% consisting of rental properties. The average assessed value of a housing unit (detached, duplex, townhouse and condominium units) in 2009 was $511,080, a decline of 2.0% over the prior calendar year. The following chart presents information regarding the composition of the housing stock, by type of structure.

Housing Units By Type of Structure(1)(2)
As of January 2009

Single Family:		
Detached	28,115	27.1 %
Attached	10,710	10.3
Multi-family	64,898	62.5
Other	101	0.1
Total	103,824	100.0%

Source: Estimated by Arlington County Planning Division.

(1) Includes vacant and occupied units.
(2) Figures may not add up due to rounding.

TRAVEL AND TOURISM

Lodging statistics provided by the Virginia Tourism Corporation, show Arlington County's average hotel rates leading all jurisdictions in the Commonwealth of Virginia. The 2008 average room rate of $168.59 is $65.90 higher than the average rate for all hotels in the Commonwealth of Virginia. Revenue from hotels in Arlington County, according to Smith Travel Research, increased 3.1% over calendar year 2007, while overall the Commonwealth of Virginia saw a decrease of 0.2%. Hotel statistics are generally considered a reliable measure of overall visitor spending and activity.

The travel industry is one of Arlington's largest non-government employers. Arlington's hotel industry is the largest segment of this travel economy. As of January 2009, Arlington County had a total of 9,858 hotel rooms in 40 properties. The Residence Inn by Marriott Arlington at Courthouse with 176 rooms will open in August 2009, and the Hilton Garden Inn Shirlington with 142 rooms is slated to open later in the year. Additionally, two new hotels totaling 625 rooms are scheduled to open in winter 2010: The Renaissance Crystal City Potomac Yard Hotel and the Residence Inn Crystal City Potomac Yard. The hotel industry services the domestic and international tourists, business travel, federal agency travel and meetings/conventions. According to Smith Travel Research, an increase in Arlington's Revenue Per Available Room (RevPAR) of 3.1% in 2008 over 2007 indicates significant growth. The proximity of Arlington's hotels to 11 Metrorail stations, Ronald Reagan Washington National Airport, and Interstate 395 gives the County's hospitality community a competitive advantage.

Arlington is home to many of the area's major tourist attractions. Visitor destinations include Arlington National Cemetery (the D.C. area's second-most visited attraction behind the Air and Space Museum), the Marine Corps Memorial (Iwo Jima), the Air Force Memorial, the Netherlands Carillon, the Pentagon, and the DEA Museum. The Pentagon Memorial, Arlington's newest memorial, was dedicated on September 11, 2008. Arlington's largest retail complex, the Pentagon City Fashion Centre is a significant attraction for visitors. The County's Visitor Center is nearby in Pentagon Row.

TRANSPORTATION

The County's central location enables it to be served by various major highways, freight and passenger rails, bus lines and air transportation facilities. These facilities, which have been constructed in cooperation with the Commonwealth of Virginia and the federal government, provide excellent transportation services for County residents, tourists, intra-jurisdictional travelers, as well as others who work or do business in the County.

Streets and Highways

Major highway facilities include Interstates 395 and 66, the George Washington Memorial Parkway, as well as major state routes such as U.S. Route 1 (Jefferson Davis Highway) and U.S. Route 50 (Arlington Boulevard). Since 1932, when the County decided not to become part of the State highway system for its local streets and highways (interstate and state-numbered highways remain within state control), the County has pursued an aggressive program of building and maintaining its streets and highways in order to meet, in a timely manner, the transportation needs of County residents, as well as that of the County commercial corridors. The program has been developed through the periodic preparation and adoption of a Master Transportation Plan and the biennially updated Capital Improvement Program.

Ronald Reagan Washington National Airport

Ronald Reagan Washington National Airport (DCA) is one of the nation's busiest airports. Built in 1941, the airport's original Terminal, now called Terminal A, is on the National Register of Historic Places. In 1987, the Metropolitan Washington Airports Authority was formed to operate Washington National and Dulles International Airports which were built and owned by the federal government. In 1997, Terminal B/C, designed by Cesar Pelli, was opened with a new roadway and parking garages. The airport features more than 40 retail stores and 39 food and beverage establishments. Reagan National is directly linked to the region's Metrorail system.

In 2008 the airport served 18.0 million passengers, a 3.7% decrease from 2007. Seventeen airlines serve the airport, providing nonstop service to 72 destinations, including 3 Canadian/Caribbean markets.

Commuter Rail

Commuter rail service, provided by, Virginia Railway Express (VRE), originates in Manassas and Fredericksburg, Virginia and ends in Washington, D.C. In Arlington, the VRE station at Crystal City, provides approximately over one million passenger trips annually. The station serves both the Manassas and Fredericksburg lines.

Metro Transit System

Arlington County joined other political subdivisions in the Washington, D.C. metropolitan area in an agreement to develop the Metro subway and surface rail transit systems to serve the metropolitan area. The Washington Metropolitan Area Transit Authority (Metro) (the "Authority") was created by an interstate compact in 1967 to plan, develop, build, finance, and operate a balanced regional transportation system in the national capital area. The Authority began building its rail system in 1969, acquired four regional bus systems in 1973, and began operating the first phase of Metrorail in 1976.

The current Metrorail system has 106.3 miles and 86 stations, of which 11 are located in Arlington (see map under "Development Trends in the County"). Arlington has the most Metro stations of all the suburban localities. The Metrorail system provided approximately 215 million passenger trips in fiscal year 2008. Approximately 66 million of these passenger trips used Metrorail for travel to, from, or within Arlington County in fiscal year 2008. Metrobus serves the nation's capital 24 hours a day, seven days a week with 1,500 buses. Metrorail and Metrobus serve a population of 3.4 million within a 1,500-square mile jurisdiction.

SECTION FOUR: COUNTY INDEBTEDNESS & CAPITAL IMPROVEMENT PROGRAM

ISSUANCE AND AUTHORIZATION OF BONDED INDEBTEDNESS

Pursuant to the Constitution of Virginia and the Public Finance Act of 1991, a county in Virginia is authorized to issue general obligation bonds and bond anticipation notes secured by a pledge of its full faith and credit. For the payment of such bonds the governing body of the county is required to levy, if necessary, an annual ad valorem tax on all property in the county subject to local taxation. Although the issuance of bonds by Virginia counties is not subject to any limitation on amount, counties are generally prohibited from issuing general obligation bonds unless the issuance of such bonds has been approved by public referendum.

Payment of general government and school bonded indebtedness is provided for in the General Fund and the School Debt Service Fund of the County, respectively. With the exception of the 2004 Wastewater Bond, the 2007A Wastewater Bond, the 2007B Wastewater Bond, the 2008 Wastewater Bond, and the 2009 Wastewater Bond (hereinafter defined), Utilities Enterprise Fund bonds issued for water, sewer and wastewater treatment purposes are general obligation bonds of the County, payable from the Utilities Enterprise Fund of the County. If monies in the Utilities Enterprise Fund are not sufficient for such purpose, the County Board is obligated to make such payment from the General Fund or from any other available monies. Utilities Enterprise Fund net revenues available for debt service of $59,287,563 in fiscal year 2008 were sufficient to cover debt service on Utilities Enterprise Fund bonds by a coverage ratio of 5.24 times.

The County has general obligation bonds that are authorized but unissued in the amounts of $20,741,150 pursuant to the November 2, 2004 bond referenda, $56,661,428 pursuant to the November 7, 2006 bond referenda and $145,875,000 pursuant to the November 4, 2008 bond referenda. The County intends to issue the remaining bonds authorized by the voters in 2004, 2006 and 2008 over the next few years.

Payment Record

The County has never defaulted in the payment of either principal of or interest on any indebtedness.

No Overlapping Debt

The County is autonomous from any city, town, or political subdivision of the Commonwealth of Virginia. There are no jurisdictions with overlapping debt or taxing powers.

Tax and Revenue Anticipation Note Borrowing

The County has not issued tax and revenue anticipation notes at any time for the past ten fiscal years. The County has no plans to borrow for cash flow purposes in fiscal year 2010.

DEBT INFORMATION

Information on the County's indebtedness is presented in the following tables. Included is information on key debt ratios, rapidity of principal retirement, debt service to expenditure ratios and selected debt service schedules.

The following chart details the County issued general obligation and revenue bond debt. As of September 30, 2009 the County's net tax supported outstanding debt was $732,265,463 (including the County's $80,480,000 General Obligation Public Improvement and Refunding Bonds, Series 2009, issued July 30, 2009 and including the Industrial Development Authority of Arlington County, Virginia's $40,280,000 Revenue Bonds issued August 13, 2009).

Debt Statement
As of September 30, 2009

Bonded Debt Outstanding:

General obligation bonds [1]	$725,240,000
Limited obligation parking revenue bonds	12,800,000
Wastewater system revenue bonds [2]	252,103,065
Lease revenue bonds [3]	41,900,000
2009 IDA revenue bonds [8]	41,280,000
Self-supporting skating facility bonds [4]	35,200,000
Note for affordable housing development [7]	35,962,739
Gross Bonded Debt	$1,144,485,804
Less:	
Wastewater system revenue bonds [2]	$252,103,065
Self-supporting skating facility bonds [4]	35,200,000
Self-supporting G.O. utility bonds [5]	112,117,276
Self-supporting Transportation Investment Fund Bonds [8]	10,724,052
Limited obligation parking revenue bonds [6]	12,800,000
Subtotal	$412,220,341
Net Tax-supported Debt	$732,265,463

Source: Arlington County Department of Management and Finance.

(1) Excludes the Bonds but includes the bonds to be refunded by the Bonds; issuance is scheduled for October 2009.

(2) Includes Arlington County, Virginia Wastewater and Water System Revenue Bond, Series 2004 ("2004 Wastewater Bond"); Arlington County, Virginia Wastewater and Water System Revenue Bond, Series 2007A ("2007A Wastewater Bond"); Arlington County, Virginia Wastewater and Water System Revenue Bond, Series 2007B ("2007B Wastewater Bond"); Arlington County, Virginia Wastewater and Water System Revenue Bond, Series 2008 , and Arlington County, Virginia Wastewater and Water System Revenue Bond, Series 2009 ("2009 Wastewater Bond") (collectively, the "Wastewater Bonds"). These bonds are secured by a pledge of the revenues of the County's water and wastewater system.

(3) In 2004, the Industrial Development Authority of Arlington County, Virginia (the "Authority") issued its Lease Revenue Bonds (Arlington County, Virginia Capital Projects), Series 2004 (the "IDA Bonds") for the benefit of Arlington County. The County is obligated to make rental payments, under a Financing Lease, between the County and the Authority that are pledged to repayment of the IDA Bonds. Such rental payments are subject to appropriation by the County Board and are not a general obligation of the County.

(4) Industrial Development Authority of Arlington County, Virginia (the "Authority") Taxable Economic Development Revenue Bonds, Series 2005 ("2005 Skating Facility Bonds"). Under this transaction, the Washington Capitals make monthly payments of rent that are approximately equal to debt service on the 2005 Skating Facility Bonds. The County has agreed under a Cooperation Agreement between the County and the Authority that subject to appropriation by the County Board, the County will deliver to the Authority sufficient funds to make payments with respect to the 2005 Skating Facility Bonds.

(5) With the exception of the Wastewater Bonds, all outstanding utility bonds are general obligation bonds of the County. As a matter of practice, the County pays such bonds from its Utilities Enterprise Fund, the revenues of which include water, sewer and advanced wastewater treatment system revenues. In the event that monies in the Utilities Enterprise Fund are not sufficient to pay debt service on the general obligation utility bonds, the County is obligated to pay such debt service from the General Fund or another available source.

(6) The bonds are limited obligations of Arlington County payable solely from a pledge of revenues derived from the operation of the parking garage and an irrevocable letter of credit. If revenues from parking operations are anticipated to be insufficient to pay operating costs and debt service the County Manager is obligated by the terms of the agreement related to the bonds to request an appropriation from the Arlington County Board. It is anticipated that parking revenues will be sufficient to pay operating costs and debt service.

(7) In 2009, the County purchased a 140 unit housing development, Buckingham Village 3, financed through a short-term $35.9 million taxable revenue note issued by the Authority. The County and the Authority entered into a Support Agreement under which the County, subject to annual appropriation, will make debt service payments on the note. Debt service payments have been budgeted in the County's Affordable Housing Investment Fund.

(8) In 2009, the Industrial Development Authority of Arlington County, Virginia (the "Authority") issued $41.28 million in Revenue Bonds for the benefit of Arlington County. The bonds were for the funding of the County's Metro Matters obligation and for the acquisition of property for a park and streets in Buckingham Village 1. $31.435 million of the issuance was in the form of taxable Build America Bonds (BABs). Interest on these bonds is subject to a 35% rebate from the IRS. The County has agreed under a Cooperation Agreement between the County and the Authority that subject to appropriation by the County Board, the County will deliver to the Authority sufficient funds to make payments with respect to the 2009 Revenue Bonds. Debt service on $10.8 million will come from the Transportation Investment Fund, revenues for which come from a 12.5 cent tax on commercial real estate.

Key Debt Ratios
Fiscal Years 2004 to 2008

Fiscal Year	Population	Estimated Market Value of Taxable Property Calendar Year Ended December 31[(1)]	Net Bonded Indebtedness At June 30[(2)]	Ratio of Net Bonded Indebtedness[(2)] Per Capita	Net Bonded Indebtedness as a percent of Market Value
2004	198,739	$38,062,505,888	$467,794,521	$2,354	1.23%
2005	198,267	44,717,396,841	563,463,803	2,842	1.26
2006	200,226	53,190,791,357	590,053,260	2,947	1.11
2007	204,800	56,369,131,443	598,848,909	2,924	1.06
2008	208,000	60,286,173,079	677,678,345	3,258	1.12

Sources: Market value and net bonded indebtedness - Arlington County Department of Management and Finance. Population data - Arlington County Department of Community Planning, Housing and Development, Planning Division.

(1) Includes real property, personal property and public service corporation property.

(2) Excludes general obligation bonds payable from the Utilities Enterprise Fund, bonds payable by a pledge of the water and wastewater system, Ballston Parking Garage revenue bonds payable from the Ballston Garage Enterprise Fund and subject to appropriation financings. Beginning in 2008, includes the 2004 IDA Bonds and excludes unamortized bond premium/discount.

Rapidity of Principal Retirement
All General Obligation Bonds as of September 30, 2009[(1) (2)]

Maturing Within	Cumulative Amount Maturing	Percent of Total Debt Outstanding
10 Years	$468,874,270	67.4%
15 Years	609,383,598	87.6
20 Years	680,279,598	97.8
25 Years	693,259,598	99.6

Source: Arlington County Department of Management and Finance.

(1) Excludes self-supporting General Obligation Bonds for utility improvements; includes 2004 and 2009 IDA Bonds.

(2) Excludes the Bonds and includes those bonds to be refunded with the Bonds.

Ratio of Annual Debt Service for General Obligation and School Debt
To Total General Governmental Expenditures
Fiscal Years 2004 to 2008

Fiscal Year	Principal	Interest	Total Debt Service [(1)]	Total Expenditures [(2)]	Ratio of Debt Service to Total Expenditures
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

Source: Arlington County Department of Management and Finance.

(1) Does not include debt service on general obligation bonds payable from the Utilities Enterprise Fund, bonds payable by a pledge of the water and wastewater system, debt service on revenue bonds payable from the Ballston Garage Enterprise Fund or subject to appropriation financings, including 2004 IDA Bonds.

(2) Includes all categories of the County general governmental expenditures.

Total General Obligation Debt Service and Lease Payments[3] As of September 30, 2009[1]

	Total General Obligation Debt Service including Annual Appropriation & Lease Backed Bonds[2]			Total Debt Service on the Bonds			Total General Obligation Debt Service and Lease Payments after Issuance of the Bonds		
Fiscal Year	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service
2010	$53,430,000	$23,229,801	$76,659,801						
2011	64,925,000	34,114,033	99,039,033						
2012	64,530,000	31,119,895	95,649,895						
2013	60,110,000	27,967,639	88,077,639						
2014	58,875,000	25,296,293	84,171,293						
2015	55,190,000	22,514,349	77,704,349						
2016	46,665,000	20,057,506	66,722,506						
2017	46,765,000	17,805,620	64,570,620						
2018	43,525,000	15,767,933	59,292,933						
2019	41,695,000	13,864,775	55,559,775						
2020	37,835,000	12,128,950	49,963,950						
2021	36,540,000	10,481,101	47,021,101						
2022	32,985,000	8,949,251	41,934,251						
2023	30,955,000	7,508,788	38,463,788						
2024	29,425,000	6,159,736	35,584,736						
2025	27,735,000	4,804,450	32,539,450						
2026	21,720,000	3,537,321	25,257,321						
2027	22,045,000	2,590,478	24,635,478						
2028	12,960,000	1,662,365	14,622,365						
2029	5,055,000	1,061,890	6,116,890						
2030	4,010,000	810,040	4,820,040						
2031	2,110,000	644,180	2,754,180						
2032	2,195,000	510,725	2,705,725						
2033	2,285,000	371,845	2,656,845						
2034	2,380,000	227,230	2,607,230						
2035	2,475,000	76,725	2,551,725						
Total	$808,420,000	$293,262, 918	$1,101,682,918						

Source: Arlington County Department of Management and Finance.

(1) Figures may not sum due to rounding.

(2) Excludes the Bonds and includes the bonds to be refunded with the Bonds.

(3) Payments under the Financing Lease with respect to Industrial Development Authority of Arlington County, Virginia Lease Revenue Bonds (Arlington County, Virginia Capital Projects), Series 2004 and also the payments under the Cooperation Agreement for the 2009 IDA Revenue Bonds. This does not include the County's payments under operating leases, capital leases, the Academy Bonds (hereinafter defined) or the 2005 Skating Facility Bonds. Interest on the 2009 IDA Revenue Bonds is gross of the 35% rebate on the Build America Bonds portion of the Bonds.

General Obligation Debt Allocated by Actual Source of Repayment
As of June 30, 2009[1]

Fiscal Year	Total General Obligation Debt Service: Principal	Interest	Total Debt Service	Self-Supporting General Obligation Debt Service[3]: Principal	Interest	Total Debt Service	Net Tax-Supported General Obligation Debt Service[2]: Principal	Interest	Total Debt Service
2010	$53,430,000	$20,498,746	$73,928,746	$7,419,743	$2,788,493	$10,208,236	$46,010,257	$23,287,239	$69,297,497
2011	58,395,000	30,171,965	88,566,965	7,936,562	4,872,364	12,808,926	$50,458,438	35,044,329	85,502,768
2012	57,795,000	27,470,265	85,265,265	7,671,913	4,569,382	12,241,295	$50,123,087	32,039,647	82,162,734
2013	53,160,000	24,616,171	77,776,171	7,313,280	4,183,537	11,496,816	$45,846,720	28,799,708	74,646,428
2014	51,770,000	22,253,550	74,023,550	7,326,725	3,835,897	11,162,622	$44,443,275	26,089,447	70,532,722
2015	47,695,000	19,799,781	67,494,781	5,679,725	3,362,400	9,042,125	$42,015,275	23,162,181	65,177,456
2016	44,095,000	17,552,045	61,647,045	5,752,633	3,065,381	8,818,014	$38,342,367	20,617,426	58,959,792
2017	44,165,000	15,389,303	59,554,303	5,815,154	2,773,343	8,588,497	$38,349,846	18,162,645	56,512,491
2018	40,890,000	13,451,340	54,341,340	5,802,955	2,510,663	8,313,617	$35,087,045	15,962,003	51,049,048
2019	39,020,000	11,664,258	50,684,258	5,548,915	2,219,903	7,768,818	$33,471,085	13,884,161	47,355,246
2020	35,115,000	10,060,888	45,175,888	5,386,369	2,012,651	7,399,020	$29,728,631	12,073,538	41,802,169
2021	33,775,000	8,549,456	42,324,456	5,418,303	1,781,808	7,200,111	$28,356,697	10,331,264	38,687,961
2022	30,170,000	7,157,861	37,327,861	5,406,000	1,529,835	6,935,835	$24,764,000	8,687,696	33,451,696
2023	28,090,000	5,861,713	33,951,713	5,469,000	1,306,101	6,775,101	$22,621,000	7,167,814	29,788,814
2024	26,510,000	4,661,144	31,171,144	5,551,000	1,053,326	6,604,326	$20,959,000	5,714,470	26,673,470
2025	24,765,000	3,456,308	28,221,308	5,638,000	804,851	6,442,851	$19,127,000	4,261,159	23,388,159
2026	19,985,000	2,316,381	22,301,381	5,418,000	549,314	5,967,314	$14,567,000	2,865,695	17,432,695
2027	20,240,000	1,475,738	21,715,738	5,497,000	321,428	5,818,428	$14,743,000	1,797,165	16,540,165
2028	11,085,000	658,025	11,743,025	2,066,000	87,805	2,153,805	$9,019,000	745,830	9,764,830
2029	3,105,000	172,300	3,277,300				$3,105,000	172,300	3,277,300
2030	1,985,000	39,700	2,024,700				$1,985,000	39,700	2,024,700
2031									
2032									
2033									
2034									
2035									
Total	$725,240,000	$247,276,936	$972,516,936	$112,117,276	$43,628,480	$155,745,756	$613,122,724	$290,905,416	$904,028,141

Source: Arlington County Department of Management and Finance.
(1) Figures may not sum due to rounding.
(2) Excludes the Bonds and includes bonds to be refunded with the Bonds.
(3) With the exception of the Wastewater Bonds, all outstanding utilities bonds are general obligation bonds of the County. As a matter of practice, the County pays such utilities bonds from its Utilities Enterprise fund, the revenues of which include water, sewer, and advanced wastewater treatment system revenues. In the event that monies in the Utilities Enterprise Fund are not sufficient to pay debt service on utilities bonds, the County is obligated to pay such debt service from the General Fund or other available sources.

OTHER INDEBTEDNESS

In September 1984, Arlington County issued $22,300,000 of variable rate demand revenue bonds to finance the acquisition, rehabilitation and expansion of a public parking garage in the Ballston area of Arlington. At the same time the bonds were issued, a debt service reserve fund of $3.3 million was established. The garage and the adjacent shopping center opened on September 29 and October 22, 1986, respectively. The bonds, due in 2017, are limited obligations of Arlington County, payable solely from a pledge of revenues derived from the operation of the parking garage and are further secured by an irrevocable letter of credit issued by Bank of America, N.A. that expires September 22, 2011. If revenues from parking operations are anticipated to be insufficient to pay operating costs and debt service, the County Manager is obligated by the terms of the agreement related to the bonds to request an appropriation from the Arlington County Board. It is anticipated that garage revenues including the rebate from the General Fund of real estate taxes paid by garage operations will be sufficient to pay operating costs and debt service. As of June 30, 2009, $12.8 million of the original $22.3 million of bonds was outstanding.

On August 11, 2004, the Industrial Development Authority of Arlington County, Virginia (the "Authority") issued its $60,540,000 Lease Revenue Bonds (Arlington County, Virginia Capital Projects), Series 2004 (the "IDA Bonds") for the benefit of the County. The County is obligated to make rental payments, under a Financing Lease dated as of August 1, 2004, between the County and the Authority that are pledged to repayment of the IDA Bonds. Such rental payments are subject to appropriation by the County Board and are not a general obligation of the County. The IDA Bonds financed the acquisition, construction, improvement, furnishing and equipping of various County capital projects, including the installation of equipment and improvements to the County's Court/Police Facility that are a part of the relocation of the County's Emergency Communication Center, communications equipment, communication tower improvements, improvements to the County's payroll and human resource systems, computer equipment, improvements to the County's George Mason Center and improvements to the County's Trades Center project consisting of a parks and recreation field operations center, a multi-story parking deck, a chain shop, equipment storage facilities, a vehicle maintenance facility and a police impoundment lot and laboratory. As of June 30, 2009, $41,900,000 of the original $60,540,000 of IDA Bonds was outstanding.

On May 5, 2005, the Industrial Development Authority of Arlington County, Virginia (the "Authority") issued its $35,700,000 of variable rate Taxable Economic Development Revenue Bonds (Skating Facility Project), Series 2005 (the "2005 Skating Facility Bonds"). The 2005 Skating Facility Bonds financed, together with funding provided by the County and the Washington Capitals Hockey Club (the "Capitals"), the development and construction of an eighth level on an existing County-owned parking garage containing an ice skating facility and related corporate office space, public parking and other amenities. The Capitals are obligated to make rental payments to the County approximating debt service on the 2005 Skating Facility Bonds. Under a Cooperation Agreement dated May 1, 2005, between the County and the Authority, the County has pledged to pay the Authority, subject to the appropriation of funds by the County Board for such purpose, the amount necessary to pay debt service on the 2005 Skating Facility Bonds and related fees. Such payments are not a general obligation of the County. As of June 30, 2009, $35,200,000 of 2005 Skating Facility Bonds was outstanding.

On August 4, 2009, the Authority issued its $41,280,000 Revenue Bonds, Series 2009 A and B. Series A was issued as tax-exempt, while Series B was issued as taxable Build America Bonds (BABs). The Series B Bonds are subject to a 35% refund from the IRS on the semi-annual interest payments. The IDA Bonds financed the County's Metro Matters funding obligation and the acquisition of real estate related to the Buckingham Village 1 project. Under a Financing Agreement dated August 1, 2009, between the County and the Authority, the County has pledged to pay the Authority, subject to the appropriation of funds by the County Board for such purpose, the amount necessary to pay debt service on the 2009 IDA Revenue Bonds and related fees. Such payments are not a general obligation of the County. As of September 30, 2009, $41,280,000 of 2009 IDA Revenue Bonds will be outstanding.

COUNTY CREDIT SUPPORT OF HOUSING PROJECTS

From time to time, the County provides financial assistance to various housing projects within the County. The type of financial assistance varies. The following describes certain projects for which the County has provided credit support.

Gates of Ballston

In June 2005, the Industrial Development Authority of Arlington County, Virginia (the "Authority" issued $29 million in tax-exempt housing revenue bonds to provide permanent financing to AHC, an affordable housing developer, for the acquisition and renovation of the Gates of Ballston housing complex, a 464-unit affordable housing complex in the Ballston area. In a support agreement among the County, the Developer and the Authority, the County, subject to annual appropriation, will (i) make debt service payments on the Authority bonds to the extent that net revenues of the project are insufficient to pay debt service and (ii) replenish any shortfall in the Debt Service Reserve Fund. The project was successfully completed and is currently fully occupied. To date, the County has not made any debt service payments on behalf of the project. The County's obligation under the Support Agreement is limited to an aggregated amount of $23,000,000 and terminates in June 2023.

Buckingham Village

In March 2009, the County completed its $34.5 million acquisition of Buckingham Village 3, a 140 unit affordable housing development in the Ballston area. The acquisition was financed through a variable rate, taxable revenue note in the amount of $35.9 million issued by the Authority. The County and the Authority entered into a Support Agreement under which the County, subject to annual appropriation, will make debt service payments on the note. Debt service payments have been budgeted in the County's Affordable Housing Investment Fund.

Simultaneous with the acquisition of the property, the County executed a 75-year ground lease with an affiliate of Telesis Corp., a national affordable housing developer. Under this lease, the developer will operate the project and undertake a substantial renovation of this older development. Ninety-two of the units are anticipated to remain as affordable rental units; the remaining 48 units will likely be sold as condominiums. The developer will make a combination of lump sum and annual ground lease payments over the life of the lease which the County anticipates using to pay off a portion of the note.

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OPERATING AND CAPITAL LEASES

Operating Leases

The County is a party to a number of building and equipment lease agreements, most of which involve purchase options. Lease commitments under such lease purchase options are summarized below under Capital Leases.

The building lease commitments are subject to various adjustments during the term of the lease. The County's lease agreements are contingent on the County Board appropriating funds for each year's payments. The following is a summary of the County's future commitments, due in years ending June 30, under operating leases. Almost all of the operating lease amounts listed below are for the County's 15 year rental of approximately 200,000 square feet for administrative offices in the Courthouse Plaza mixed-use development and for the County's 10-year rental of approximately 150,000 square feet of administrative office space at 3033 Clarendon Boulevard. The Courthouse Plaza development represents a major cooperative effort between the County and the private sector in order to develop the 581,000 square feet of office space, 396 rental residential apartments and potentially 170-190 hotel rooms on County-owned land adjacent to the Courthouse Metrorail station. In this arrangement, the County has leased most of the land for a 75-year period to the developer. The County has then leased office space for its own use and receives as land rental payments, a share of the profits of the project, as well as a share of any future recapitalization.

Year Ending June 30	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
Total	$90,682,633

Source: Arlington County, Virginia, 2008 Comprehensive Annual Financial Report.

The County (as lessee) has entered into a lease agreement for approximately 4.41 acres of land used for construction and operation of the Ballston public parking garage facility. (See subsection entitled **"OTHER INDEBTEDNESS"** in this Section Four). The term of the lease, dated August 1, 1984, continues for a 45-year period. Annual lease payments become due, under certain cash flow conditions, on September 29 of each year during the 45-year period, which began on October 22, 1986. The base annual rental amounts are summarized below.

Years	Amount
1-5	$ 129,996
6-10	255,000
11-15	279,996
16-20	405,000
21-25	654,996
26-27	904,992
28-45	1,279,992

Source: Arlington County, Virginia – Department of Management and Finance.

Capital Leases

The County is a party to a number of capital leases periodically executed to finance over a three to ten year period the acquisition of computer hardware and software, communications equipment, school vehicles, refuse collection vehicles, office systems, fire fighting equipment and other equipment. The County's obligations under these leases are subject to annual appropriation by the County Board. The annual future minimum lease payments as of June 30, 2009 are listed below.

Fiscal Year Ending June 30	Lease Amount
Arlington County	
2009	$3,797,085
2010	3,714,952
2011	3,370,816
2012	2,650,583
2013	1,585,901
2014	463,298
2015	463,298
2016	337,519
2017	337,519
2018	168,760
Total minimum lease payments	$16,889,731
Less: imputed interest	(1,602,667)
Amount deferred	(6,651,017)
Present value of minimum lease payments	$8,636,047
Schools	
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 Pmt.	$6,464,770

Source: Arlington County, Virginia 2008 Comprehensive Annual Financial Report.

Long Term Agreements

Waste-to-Energy: The County entered into a long-term service contract through 2013 with the Arlington Solid Waste Authority, the Alexandria Sanitation Authority and a private company. Pursuant to this contract the County has agreed to deliver or cause to be delivered specified guaranteed quantities of solid waste each year to a waste-to-energy facility located in the City of Alexandria (the "City") and to pay per ton disposal fees. The obligations of the County under this service contract are subject to annual appropriations and the County has not incurred any debt in connection with the facility. The Arlington Solid Waste Authority has no power to pledge the full faith and credit of Arlington County.

The construction of the waste-to-energy facility was originally financed with revenue bonds issued by the Alexandria Industrial Development Authority in 1984. The Arlington Solid Waste Authority, together with the Alexandria Sanitation Authority (the "Authorities") and the private company, refinanced these bonds in July, 1998 to achieve debt service savings. Upon the maturity of the bond in January 2008, the ownership of the plant passed to the private company. The Authorities issued new bonds in November, 1998 to finance the retrofit of the facility to meet Clear Air Act requirements. This retrofit was completed by November 9, 2000 in advance of the EPA deadline of December 19, 2000. The retrofit assets continue to be owned by the Authorities.

To date, the waste-to-energy plant is operating properly, all scheduled preventative maintenance is being performed timely, trash volume continues at high levels, and debt service payments are being made each month.

Northern Virginia Criminal Justice Academy: In 2006, the County Board approved a resolution which committed the County to enter into an Agreement with the Northern Virginia Criminal Justice Academy (the "Academy"). The principal members of the Academy, the Counties of Arlington, Loudoun and Prince William and the City of Alexandria (the "Principal Members"), agreed to facilitate the financing of the acquisition and construction of a Emergency Vehicle Operating Center (EVOC) on property to be owned by the Academy; refinance existing indebtedness issued by the Industrial Development Authority of Loudoun County, Virginia previously issued for the benefit of the Academy; establish a debt service reserve fund, if needed; and finance costs of issuance related to the transaction. The financing of the EVOC was accomplished by the issuance of lease revenue bonds (the "Academy Bonds") by the Industrial Development Authority of Loudoun County, Virginia (the "Authority") in the aggregate principal amount of $18,650,000.

The Academy Bonds are payable solely from the revenues derived by the Authority from a financing lease between the Authority and the Principal Members. The Authority leases the EVOC to the Principal Members who have agreed to make rental payments, subject to annual appropriations, sufficient to pay the principal and interest on the Academy Bonds, maintain certain reserve requirements and pay other costs, if any, associated with the EVOC. In fiscal year 2009, the County paid $766,855 for capital and operating costs. Arlington's portion of the outstanding bonds at June 30, 2009 was $4,389,585.

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

Metrorail: In October 2004, the County and other WMATA contributing jurisdictions signed the Metro Matters Funding Agreement (MMFA) with WMATA for fiscal years 2005-2010 providing for $3.3 billion in projects. MMFA 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 MMFA.

The Metro Matters Program covered by the MMFA 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; and (d) Security Program, which to provide continued operation during an emergency and to implement other security protective measures.

The County's contribution of $79.6 million in funding over the six-year period of the MMFA, is subject to annual appropriation of funds, and other limitations on expenditures or obligations under applicable law. The 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 fiscal year 2008, the County paid $17.7 million from its General Fund to subsidize WMATA's bus and rail operating costs.

Ballston Public Parking Garage: The County is party to an agreement, dated August 1, 1984, for the purchase of the present Ballston Public Parking Garage facility at a total purchase price of $3,929,879. The effective date of this purchase was October 22, 1986, when the first mortgage installment of $500,000 was paid. Payment for the purchase of the facility is scheduled over a 45-year period, at an interest rate of 8%, payable solely from revenues derived from garage operations.

Inter-jurisdictional Wastewater Treatment: Arlington County provides wastewater treatment services for areas of Fairfax County and the cities of Alexandria and Falls Church. Under provisions of these inter-jurisdictional agreements, a portion of the capital costs of the Arlington County Wastewater Treatment Plant will be paid by these jurisdictions. In addition, Fairfax County, by contract with the District of Columbia, provides wastewater treatment services for Arlington. Arlington paid Fairfax County a total of $375,312 in fiscal year 2008 for its prorated share of capital expenditures at District of Columbia Blue Plains wastewater treatment facility.

Regional Commuter Rail: In August 1988, the County approved a Northern Virginia Transportation Commission (NVTC) regional commuter rail Master Agreement. Revisions to the agreement were approved in 1989 and 2007. Under this agreement, the County initially agreed to contribute $100,000 per year subsequently to be adjusted by 5% per year for inflation to the regional commuter rail effort. However, in the Master Agreement, as contributory jurisdictions, neither the County nor the City of Alexandria, have any obligation related to NVTC commuter rail debt or financial liability related to tort claims arising from commuter rail operations. Commuter rail service began in June 1993.

Regional Jail: On June 22, 1994 the County signed a Reimbursement Agreement with the Commonwealth of Virginia whereby the Commonwealth has agreed to reimburse the County for $35,400,000 of the capital and financing costs paid for the construction of the regional jail, which the County operates through a service agreement with the Cities of Alexandria and Falls Church. The reimbursement, pursuant to the provisions of Section 53.1-80-82 of the Code of Virginia, is subject to appropriation by the General Assembly and does not constitute a debt of the Commonwealth. Under the Reimbursement Agreement, the County has received and expects to receive $1,800,000 per year in fiscal years 1995-2013.

Peumansend Creek Regional Jail: Arlington County is one of six jurisdictions participating in a low-to-medium security regional jail in Caroline County on land at Fort A.P. Hill transferred by the U.S. Department of Defense. The County has contracted to provide funds for payment of capital costs based on planned allocated beds. Arlington County's share of the capital cost is projected to be $170,000 in fiscal year 2010. The County's portion of the project costs includes approximately $3.8 million over the 20-year period of debt (1997-2017). In fiscal year 2008, the County paid $866,000 for capital and operating costs.

Washington Aqueduct: Arlington County, the District of Columbia Water & Sewer Authority, and the City of Falls Church purchase potable water on a wholesale basis from the U.S. Army Corps of Engineers' (the "Corps") Washington Aqueduct facilities. Arlington purchases approximately 15% of the water sold by the Aqueduct and pays for its pro rata share of capital costs. In FY 2008 the Washington Aqueduct awarded the construction contract for work required by a Consent Order for the residuals process. It was funded out of general obligation bonds ($9 million) and pay-as-you go funding (PAYG) (approximately $6 million). Annual capital costs are also funded out of PAYG. As of June 30, 2009 Arlington County's payments for other capital projects at the Aqueduct totaled $1.6 million.

CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program (CIP) is the primary planning tool for scheduling the County's capital projects. The County's CIP is prepared and revised every other year. The County's CIP for Fiscal Years 2009 – 2014 was adopted in July 2008. The CIP is subject to change as the needs of the community become more defined and the adopted projects move closer to final approval. The effective use of a CIP process provides for considerable advance project identification, planning, evaluation, scope definition, design, public discussion, cost estimating, and financial planning. This plan identifies the capital needs of the community and indicates how these needs will be funded over a six-year period. Arlington's approach to capital investment combines annual Pay-As-You-Go capital budget appropriations with general obligation bonds that must be approved by voters every two years. Fiscal safeguards built into the County's capital funding approach include the scheduling of bond sales based on actual project construction schedules and biennial referenda. This incremental issuance of new debt enables the County to reevaluate capital priorities and defer projects in the unlikely event that economic conditions deteriorate.

The $1.3 billion Adopted FY 2009 – FY 2014 CIP reflects an increase in funding of $422 million. More than half of this increase, or $233 million, was due to the first-time inclusion of: purchases made under the County's Master Lease Agreement; projects funded by newly implemented taxes for transportation and stormwater improvements; and, inclusion of a capital contingency. The balance of the increase, or $189 million, was due to increased spending for Schools, Community Conservation, facilities improvements, and the upgrade and expansion of the Water Pollution Control Plant.

The following tables summarize expenditures by program category and sources of funding for the adopted FY2009-FY2014 CIP, updated with the FY 2010 adopted Pay-As-You-Go appropriations.

Capital Improvement Program
Summary of Project Expenditures by Category and Sources of Financing
Fiscal Years 2009 - 2014
($ in 000's)(1)

Program Category	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	6 Year Total	% of Total Uses
Local Parks & Recreation	$3,300	$200	$10,180	$3,580	$65,680	$3,580	$86,520	6.91%
Transportation & Pedestrian Initiatives	30,931	36,648	44,981	33,247	39,077	50,132	235,016	18.78
Community Conservation	44,000	350	21,700	500	19,500	500	86,550	6.92
Public Facilities	9,400	880	16,400	6,400	16,400	6,400	55,880	4.47
Public Safety	1,825	2,736	0	0	0	0	4,561	0.36
Information Technology Investments	9,000	4,570	3,000	3,000	3,000	3,000	25,570	2.04
METRO	15,500	17,200	20,000	13,200	15,000	3,600	84,500	6.75
Neighborhood Curb & Gutter	0	0	0	0	0	0	0	
Regional Partnerships	1,119	1,128	1,190	1,212	1,233	1,259	7,141	0.57
Capital Contingency	1,735	4,102	4,300	8,000	13,100	14,000	45,237	3.61
Total County Capital	$116,810	$67,814	$121,751	$69,139	$172,990	$82,471	$630,975	50.42%
Water & Sewer Infrastructure	183,258	46,933	22,815	15,797	16,273	15,878	300,954	24.05
Stormwater Management	3,674	3,852	4,227	4,365	4,522	4,632	25,272	2.02
Schools Capital	111,536	5,046	5,107	5,186	161,963	5,396	294,234	23.51
Total Program Cost	$415,278	$123,645	$153,900	$94,487	$355,748	$108,377	$1,251,435	100.00%

CONTINUED

Capital Funding Sources	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Total	% of Total Uses
County G.O. Bonds	$55,300	$0	$60,800	0	84,100	$0	$200,200	16.00%
Schools G.O. Bonds	99,425	0	0	0	156,680	0	256,105	20.46
Utility Fund G.O. Bonds	50,000	0	0	0	0	0	50,000	4.00
Total G.O Bonds	$204,725	$0	$60,800	$0	$240,780	$0	$506,305	40.46%
Utility VRL Financing	$95,000	$15,000	$0	$0	$0	$0	$110,000	8.79%
General Fund Appropriation	19,532	9,543	23,220	23,242	23,263	23,289	122,089	9.76
Utility Fund Appropriation	38,258	31,933	22,815	15,797	16,273	15,878	140,954	11.26
Master Lease Funding	7,083	4,907	2,300	6,000	11,100	12,000	43,390	3.47
Transportation Investment Fund	19,043	22,215	22,538	23,439	24,377	25,352	136,964	10.94
Stormwater Management	3,674	3,852	4,227	4,365	4,522	4,632	25,272	2.02
State & Other Contributions	27,963	36,195	18,000	21,644	35,433	27,226	166,461	13.3
Total Other Sources	$115,553	$108,645	$93,100	$94,487	$114,968	$108,377	$635,130	50.75%
Total Sources	$415,278	$123,645	$153,900	$94,487	$355,748	$108,377	$1,251,435	100.00%

Source: Arlington County Department of Management and Finance.

(1) The CIP includes FY 2009 and FY 2010 Pay-As-You-Go Budget appropriation approved by the County Board. Subsequent fiscal years are for planning purposes and are subject to revision.

Capital Facilities Policies

The County's comprehensive planning process is comprised of nine major plan elements. The comprehensive planning process includes the six-year Capital Improvement Program which is reviewed and updated biennially. The CIP identifies the capital needs of the community and indicates how these capital needs will be funded over the next six years. The six-year CIP brings together for implementation the ten major County comprehensive plans. These nine plans include: the General Land Use Plan, the Master Transportation Plan, the Storm Water Master Plan, the Water Distribution System Master Plan, the Sanitary Sewer System Plan, the Recycling Program Implementation Plan and Map, the Chesapeake Bay Preservation Ordinance and Plan, the Public Spaces Master Plan, and the Historic Preservation Master Plan. Each of the nine plans is periodically updated based upon changing community and infrastructure needs. In addition, the Arlington County school system updates its long-term capital improvement plan for school facilities in the same timeframe as the County's CIP process.

In the development of the Capital Improvement Program, the County establishes its long-range plan for either pay-as-you-go or bond financing of its entire Capital Improvement Program. In determining the level of capital projects to finance and the method of financing, the County considers its financial capability to undertake these projects. The financial capability analysis includes a review of debt capacity factors and the impact of the costs of the proposed Capital Improvement Program on the debt capacity factors. As of June 30, 2008, the ratio of net tax supported debt to the County's assessment base was 1.12%.

FINANCIAL AND DEBT MANAGEMENT POLICIES

Specific County policies and practices have been established in key fiscal areas ranging from the approval of annual budgets and tax rates to the establishment of long range fiscal goals and objectives. In April 2008, the County Board adopted a new set of comprehensive financial policies that affirmed existing policies and included new and expanded policies where appropriate, which were reaffirmed in July 2008 with adoption of the CIP. These policies are summarized below:

Reserves

Operating Reserve – The County Board's new financial policies increased the minimum level of the Operating Reserve to 3% of the County's General Fund budget, with a long-term target of 5%. The County increased funding from the 2% level to the 3% target as part of the FY 2007 close-out process, as of June 30, 2008 the Operating Reserve balance totaled $28.3 million. The policy provides that the 5% target could be met by reserve-equivalents, including discretionary funds which have been designated by the County for a non-essential purpose. Appropriations from the Operating Reserve may only be made by a vote of the County Board to meet a critical, unpredictable financial need.

Self-Insurance Reserve – In addition to the General Fund Operating Reserve, the County maintains a self-insurance reserve equivalent to approximately one to two months' claim payments based on a five-year rolling average and is currently funded at $3,500,000. This reserve complements the County's purchased insurance coverage. The major self-insurance programs of the County include: workers' compensation, employees' health insurance, the self-insured retention portion of general, automobile, and public officials' liability and associated claims and expenses are funded in the General Fund. The County's purchased insurance coverage includes: primary property on real and personal property, automobile physical damage (excluding collision), excess general liability (over $1 million), primary and excess easement liability, group accident liability, Constitutional Officers general, business property, and automobile liability, garage keepers primary liability for Trades Center operations, Ballston Garage excess liability and garage keepers legal liability, volunteer's liability, Employees' Supplemental Retirement System fiduciary liability, primary and excess public officials and employee liability and medical malpractice.

Other Reserves – The County has also historically budgeted a General Fund General Contingent account for unforeseen expenses or new projects that begin after the beginning of a fiscal year. For FY 2009 the adopted amount is $1,000,000. Since FY 1991, the County has annually appropriated a contingent labeled the "Affordable Housing Investment Fund" (formerly the "Housing Fund Contingent") for affordable housing initiatives, which totaled $5.2 million in the adopted FY 2010 budget.

Debt Management

The County maintains debt affordability limits for its tax supported debt. Tax supported debt includes general obligation bonds that are not self supporting and subject to appropriation financings. As part of the financial policy review, the County affirmed its existing debt capacity limits and adopted a fourth policy that limits growth in debt service to historical growth in revenues. The County's four debt capacity targets are as follows:

(1) The ratio of tax supported debt service to General Expenditures should not exceed 10%.

(2) The ratio of outstanding tax supported debt plus all subject to appropriation debt to market valuation of taxable property should not exceed 4%.

(3) The ratio of tax supported debt to income should not exceed 6%.

(4) Growth in debt service should be able to be sustained with the projected growth of revenues. Debt service growth should not exceed the average ten year historical revenue growth.

The County is in compliance with these limitations. The County Board's new policies also provide guidance on debt term and amortization, specifically stating that the term should not exceed the useful life of projects and allowing for use of level debt service or other amortization structures if appropriate.

The County Board reaffirmed its existing policy on variable rate debt which limited the amount of unhedged variable rate debt to 20% of the County's outstanding debt portfolio. The County Board also adopted a policy on the use of derivatives. Key elements of the policy include limiting the notional amount of derivatives to 20% of the County's outstanding debt portfolio; usage of highly rated counterparties; and extensive stress testing before entering into a derivative contract. To date, the County has not entered into any swap agreements.

Other Policies

The County Board's financial policies provide guidance in several other areas. In the area of retirement funding and other post-employment benefits, Board policy states that the County will use an actuarially accepted method of funding its other post-employment and retirement benefits to maintain a fully-funded position. The County's contribution to other post-employment benefit and retirement costs will be adjusted annually as necessary to maintain full funding. If the County reaches its actuarial-required contribution (defined as County and employee contributions that when expressed as a percent of annual covered payroll are sufficient to accumulate assets to pay benefits when due), the County may reduce its contribution provided that the amount reduced from the annual actuarial requirement will only be used for one-time, non-recurring expenses in order to provide the ability to increase contributions as may be required by future market conditions.

The Board also adopted individual financial policies for certain dedicated special revenue and enterprise funds, which include the Transportation Investment Fund and the Stormwater Management & Utilities Fund. The policies provide that each fund will be self-supporting and not require General Fund support; set reserve targets specific to each fund; provide guidance on debt issuance and leveraging, including debt service coverage; and require multi-year financial planning that integrates capital and operating needs.

SECTION FIVE: FINANCIAL INFORMATION

BASIS OF ACCOUNTING AND ACCOUNTING STRUCTURE

The County's financial statements include the following sections:

- Management's discussion and analysis (MD&A).
  - The MD&A introduces the basic financial statements and provides an analytical overview of the government's financial activities.

- Basis 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 report information about the government's fiduciary funds and components units that are fiduciary in nature.
  - Notes to the financial statements provide information that is essential to a user's understanding of the basic financial statements.

- Required supplementary information (RSI). In addition to MD&A, budgetary comparison schedules are presented as RSI along with other types of data as required by GASB pronouncements.

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

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.

CERTIFICATES OF ACHIEVEMENT

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 for its Comprehensive Annual Financial Report for fiscal years 1986 through 2008. For fiscal years 1986 through 2008, the County received GFOA's Award for Distinguished Budget Presentation.

FUND ACCOUNTING

The accounts of the County are organized on the basis of funds, each of which constitutes a separate entity for accounting purposes.

General Fund

The General Fund is the primary operating fund of the County and receives most of the revenue derived by the County from local sources, including general real estate and personal property taxes, other local taxes, licenses, permits and privilege fees. Other sources of revenue to the General Fund include monies from the Commonwealth representing the County's share of Commonwealth-derived non-school revenue and reimbursement of County expenses shared by the Commonwealth. In addition, revenue is received by the General Fund from the federal government to pay a portion of the costs of County programs.

Major General Fund expenditures include the costs of general County government services (including administration, police, fire, community planning, housing, economic development, parks, recreation, public works, environmental services, human services, public transit and courts), payments for debt service (excluding the portion of County general obligation bonds which is payable from the Enterprise Fund and the School Debt Service Fund) and transfers to other funds, including the local share to the School Fund.

General Fund Revenues and Expenditures

The financial data shown below provides a summary of revenues and expenditures of the County's General Fund for the last five fiscal years ended June 30.

Summaries for fiscal years 2004 to 2008 are compiled from the Comprehensive Annual Financial Report that have been audited by the independent auditor for the County. These summaries should be read in conjunction with their related financial statements and notes. See Appendix A. Certain restatements have been made in order to conform to current departmental functions.

Five-Year Summary of General Fund Revenues and Expenditures for the Fiscal Year Ended June 30 ($ in 000's)

	2004	2005	2006	2007	2008
Revenues:					
Taxes	$490,253	$527,981	$579,090	$640,444	$677,118
Licenses and Permits	56,335	58,204	67,261	64,586	74,290
From the Commonwealth	58,694	59,426	63,012	65,542	64,283
From the Federal Government	25,859	24,744	27,941	23,723	22,976
Charges for Services	26,907	34,496	36,979	37,500	38,288
Fines and Forfeitures	9,357	8,427	8,901	8,338	8,050
Miscellaneous Revenues	10,649	14,339	14,922	23,292	18,070
Total Revenue	$678,054	$727,617	$798,105	$863,425	$903,075
Expenditures:					
General Government	$79,762	$73,555	$82,177	$86,449	$91,871
Public Safety	76,415	82,055	88,875	100,651	105,760
Public Works and Environmental Services	38,991	51,313	55,123	58,491	62,420
Health & Welfare	88,197	91,439	98,926	96,537	101,696
Libraries	11,291	11,779	12,035	12,340	13,062
Parks and Recreation	27,450	28,532	30,760	32,147	33,656
Planning and Development	12,654	13,596	15,136	17,379	19,344
Non-Departmental	25,299	35,591	27,999	46,960	45,180
Debt Service	34,817	36,311	44,512	45,693	47,381
Contributions to Regional Agencies	6,343	6,796	7,205	7,657	7,868
Metro (Mass Transit)	11,050	11,800	13,000	14,700	17,400
Total Expenditures	$412,269	$442,767	$475,746	$519,004	$545,638
Excess of Revenues over Expenditures	$265,785	$248,850	$322,359	$344,421	$357,437
Other Financing Sources or (Uses):					
Operating Transfers In	$1,812	$5,484	$6,463	$6,822	$5,056
Proceeds from Capital Leases	1,180	3,962	5,582	136	2,803
Proceeds from Sale of Land	0	0	0	0	0
Proceeds from Notes Payable	0	0	0	0	0
Operating Transfers Out:					
School Operating Fund	(218,593)	(229,653)	(247,842)	(267,585)	(281,930)
Capital Projects Fund	(9,205)	(17,587)	(10,527)	(14,102)	(24,068)
School Capital Fund	(6,782)	(10,312)	(9,978)	(18,008)	(18,199)
Other	(33,436)	(34,066)	(36,256)	(37,358)	(40,386)
Total Other Financing Sources or Uses	$(265,024)	$(282,172)	$(292,558)	$(330,095)	$(356,724)
Total Expenditures and Other Financing Sources or Uses	$677,293	$724,939	$768,304	$849,099	$902,362
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$762	$2,678	$29,801	$14,326	$713
Beginning Fiscal Year Fund Balance	59,201	62,175	69,070	100,515	115,491
Residual Equity Transfers	0	0	0	0	0
Premium from sale of bonds	2,212	4,217	1,644	650	1,492
Ending Fiscal Year Fund Balance	$62,175	$69,070	$100,515	$115,491	$117,696*

Source: Fiscal year 2004 – 2008 Comprehensive Annual Financial Reports.

*The fiscal year 2008 Fund Balance includes $28.3 million designated for the General Fund Operating Reserve and $3.5 million for a self insurance reserve.

At the end of fiscal year 2008, the General Fund revenues and transfers in were higher than expenditures and transfers out by $2.2 million or 0.24% of General Fund revenues, leaving a General Fund balance at June 30, 2008, of approximately $117.7 million. The following table presents a comparison of the County's General Fund balance for fiscal years 2004 to 2008.

General Fund Balance
Fiscal Years 2004-2008
Ended June 30

	2004	2005	2006	2007	2008
General Fund Balance:					
Reserved for Encumbrances	$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
Unreserved Designated for Self Insurance	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
Designated for Operating Reserve	14,400,000	15,200,000	16,600,000	17,800,000	28,262,153
Designated for Subsequent Year's Budgets	24,240,645	22,508,009	33,791,038	36,691,920	29,928,475
Designated for Retirement	0	0	0	0	3,880,000
Designated and Other	15,497,638	23,068,334	42,035,863	52,428,554	49,107,897
Total General Fund Balance	$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	9.14%	9.40%	12.88%	13.49%	12.93%

Source: Fiscal year 2004 to 2008 Comprehensive Annual Financial Report.

OPERATING BUDGET INFORMATION

Fiscal Year 2010 Operating Budget

The FY 2010 operating budget totals $1.192 billion for all funds, a 1.3% increase over the FY 2009 adopted operating budget. This includes a transfer of $352.4 million for the Arlington Public Schools, a 0.7% increase over FY 2009. The General Fund budget, adopted at $946.8 million, increases just 0.5% over the FY 2009 adopted budget, the smallest budget increase in more than 25 years. The General Fund budget reflects a real property tax rate of $0.875 per $100 of assessed valuation an increase of $0.027 over 2009.

The financial strength of the County has been aided by the following factors:

- Balanced, mixed use economy. Although Arlington, along with the rest of Northern Virginia, continued to experience a market correction in real estate values over the last year, the balance between the commercial and residential tax base moderated the impact of the decline in residential assessments. While some neighboring jurisdictions saw significant drops in their overall real estate values in 2009, Arlington saw a 0.4% increase in real estate values, with commercial values increasing modestly, partially offset by a 1.2% average drop in single-family residential properties.
- Continuing economic health. The continued economic health of the County is reflected by modest projected growth in other local tax revenues. Transient occupancy taxes are expected to increase by 3.7%; meals taxes are expected to grow 0.7%; and the Business Professional and Occupational License tax (BPOL) by 5.3%.
- Decisions during the growth years of the past decade to limit both service expansion and tax reduction.

Approximately $19.8 million in budget reductions and $18.4 million in tax and fee increases were implemented as part of the adoption of the fiscal year 2010 budget. The General Fund budget includes the establishment of a $10 million Budget Stabilization Fund for continued economic uncertainties and includes no merit pay increases for employees.

GENERAL FUND EXPENDITURES

Costs of General County Government

General County government services are paid for out of the General Fund. These costs include environmental services, public safety, courts, human services, planning and community development, parks and recreation, libraries, governmental administration, support of regional agencies for services such as mass transit, as well as General Fund debt service. In the fiscal year ended June 30, 2008, these expenditures represented 59.9% of total disbursements from the General Fund.

Transfers to Other Operating Funds

The County makes transfers from the General Fund to the Travel and Tourism Promotion Fund, the Automotive Equipment Fund and the Printing Fund to support their operations and activities. This expenditure totaled less than 0.1% of General Fund disbursements in the fiscal year ended June 30, 2008.

The County transfers monies from the General Fund to the School Funds to pay the County's share of the costs of operating public schools in Arlington County. This expenditure represented 37.4% of total disbursements from the General Fund in the fiscal year ended June 30, 2008. The principal sources of other revenues credited directly to the School Funds are derived from the Commonwealth and the federal government and locally from fees imposed on students.

The County transfers from the General Fund to the County General Capital Projects Fund amounts sufficient to fund various capital projects. Transfers to the County General Capital Projects Fund represented 2.6% of the total General Fund disbursements in the fiscal year ended June 30, 2008.

GENERAL FUND REVENUES

The following table shows the County's principal tax revenues by source for each of the last five fiscal years. Growth in total tax revenues has averaged nearly 8.5% per year over the last five years.

Principal Tax Revenues by Source[(1)]
Fiscal Years 2004 to 2008

Fiscal Year	Real Property Taxes	Personal Property Taxes	General Sales Tax	Business License Taxes	Transient Taxes	Other Taxes[(2)]	Total
2004	$325,543,791	$79,602,097	$29,371,091	$45,090,463	$14,977,887	$40,677,837	$535,263,166
2005	354,179,286	78,051,224	30,969,494	45,698,963	17,236,935	47,543,925	573,679,827
2006	391,213,244	81,743,400	33,115,455	52,568,059	18,512,163	54,505,359	631,657,680
2007	425,982,688	99,197,669	34,448,601	50,898,687	19,951,433	60,863,176	691,342,254
2008	460,201,111	93,870,189	35,299,283	57,266,956	21,065,573	66,682,881	743,385,993

Source: Arlington County Department of Management and Finance.

(1) Reflects budgetary presentation of tax sources, including late fees and penalties.
(2) Includes commercial utility tax, meals tax, communications tax, recordation tax and other taxes.

Real Estate and Personal Property Taxes

An annual ad valorem tax is levied by the County on the assessed value of real and tangible personal property located within the County. State property assessment law requires real property assessments throughout the State to be made at a ratio of 100% of fair market value. Real property is assessed as of January 1 of the calendar year and the taxes are due on June 15 and October 5. Personal property taxes are due on October 5 of the calendar year in which the tax is levied. The penalty for late payment is 10% of the tax due or $10, whichever is greater, but not to exceed the amount of the tax. An additional 15% penalty is added to the outstanding tax due on personal property and business tangible taxes 60 days after the due date. Prior to July 1, 2009, interest charges on unpaid balances commence on the first day of the following month at a rate of 5% per annum for personal property and tangible taxes and 1% on real estate taxes. Beginning on July 1, 2009, the delinquent interest rate is 10% for all taxes. In cases of real estate on which delinquent taxes are not paid after the second year, the County may sell the property at public auction to pay the amounts due. There is no limit at the present time on the property tax rates which may be established by the County. In the fiscal year ended June 30, 2008, real estate property taxes (including penalties and interest for late payment of current years' taxes) represented $460,201,111 or 49.7 % of total General Fund receipts.

In June 2004, the General Assembly adopted their budget (SB 5005) which fundamentally changed the Personal Property Tax Relief Act (PPTRA) enacted in 1998. Beginning in calendar year 2006, Arlington is no longer reimbursed for 70% of vehicle taxes for automobiles assessed below $20,000. Rather, the Commonwealth reimburses Arlington County a fixed amount ($31.3 million) annually as a fixed block grant for vehicle tax reductions.

The Commonwealth requires localities to distribute the fixed block grant to qualifying vehicle value below $20,000. The Commonwealth allows localities wide discretion in determining how the money should be spread among the qualifying vehicle value range. For calendar year 2009, the County Board adopted a method of distribution of the state funds that provides 100% tax relief to all qualified assessed vehicle value below $3,000. In addition, for vehicles designated as "clean special fuel" vehicles by the Virginia Department of Motor Vehicles – a designation that includes most hybrid vehicles – 90% tax relief is provided on remaining portion of vehicle value up to $20,000. Any remaining state funding is then allocated to provide tax relief t owners of conventional fuel vehicles. By state law, no tax relief can be provided on any portion of a vehicle's value in excess of $20,000.

The following table sets forth information concerning the County's real estate and personal property tax collection rate for fiscal years 2004 through 2008.

Real and Personal Property
Tax Levies and Collections[1]
Fiscal Years 2004 through 2008

Fiscal Year Ended	Tax Levy Total	Current Tax Collections	Current Collection as Percent of Tax Levy	Delinquent Tax Collections	Total Tax Collections	Total Tax Collection as Percent of Tax Levy	Total Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as Percent of Total Levy
2004	$406,389,307	$403,083,996	99.19%	$3,172,229	$406,256,225	99.97%	$5,664,046	1.39%
2005	435,567,836	432,613,894	99.32	3,139,508	435,753,402	100.04	5,413,308	1.24
2006	479,686,828	476,534,693	99.34	3,077,161	479,611,854	99.98	5,472,146	1.14
2007	528,570,144	525,863,079	99.49	3,264,676	529,127,755	100.11	4,861,433	0.92
2008	577,353,341	574,471,873	99.50	3,285,410	577,757,283	100.07	4,645,017	0.80

Source: Arlington County Treasurer's Office.

(1) Tax levies, collections and delinquencies for any fiscal year include taxes and penalties. Current tax collections reflect the amount of a fiscal years' tax levy collected during that fiscal year.

Under Virginia law, when real property taxes are assessed, an automatic lien attaches to the property. These liens represent a small portion of the annual real estate tax levy. The County may sell real estate on which taxes are not paid. If taxes are delinquent for more than two years the property may be sold through the bill in equity process (Virginia Code sections 58.1-3965 et seq.). Finally, any property against which a judgment has been rendered may be sold by court order (Virginia Code section 8.01-462).

The following table sets forth the ten largest taxpayers of ad valorem real property taxes and the assessed value of property owned by each taxpayer. The aggregate assessed value of the ten largest taxpayers is equal to $10,923,691,400 and is 19.02% of the total real property at June 30, 2008.

Ten Largest Real Estate Taxpayers
2008 Land Book
June 30, 2008

Taxpayer	Type of Business	Assessed Value	% of Total
1. Vornado Realty Trust	Office buildings, apartment, hotel, land	$5,492,715,000	9.56%
2. JBG/Trizechahn	Office building, land	970,750,800	1.69
3. Albrittain Interests	Apartments, general commercial	965,111,600	1.68
4. Paradigm Managed Properties	Apartments, general commercial	687,674,200	1.20
5. Shirley Park Leasing LP	Office buildings, apartments	609,239,200	1.06
6. Fashion Center Associates	Mixed use retail, hotel	601,308,000	1.05
7. Beacon Capital Partners	Office buildings	540,177,900	0.94
8. Arland Towers Company	Office buildings, land	418,140,400	0.73
9. Kingdon Gould/Airport Plaza Associates	Office buildings, land	344,153,000	0.60
10. FDIC	Office buildings	294,421,300	0.51
Total Taxable Real Property:		$10,923,691,400	19.02%

Source: Arlington County Department of Management and Finance: Real Estate Assessments.

In 2008, the value of tax-exempt property in Arlington County was $7,208,720,200. The table below presents a breakout of tax-exempt property by category. The County does not require nor is it generally permitted to require a payment in lieu of taxes from the entities listed below. However, the County does enter into agreements, or require by ordinance, that these entities pay for locally provided services such as water, sewer, wastewater treatment and solid waste disposal services.

Value of Tax-Exempt Property
Calendar Year 2008

Federal	$3,522,117,000
State and Regional	214,123,100
Local	2,541,379,000
Religious, Charitable, Educational and Other	931,100,600
Total Tax Exempt Property	$7,208,719,700

Source: Arlington County Department of Management and Finance.

The following table sets forth the assessed value of all taxable property in the County from fiscal years 2005 to 2009. Based on valuations as of January 1, 2009, the total value of all taxable property in the County was approximately $60.4 billion. Tax exempt properties owned by the federal government, the Commonwealth, churches and schools, totaling $7,208,720,200 for calendar year 2008, are not included in the table.

Historical Assessed Valuation
Fiscal Years 2005-2009

Fiscal Year	Real Property (1)	Personal Property (2)	Public Service Corporations (3)	Total
2005	42,275,421,900	1,759,391,742	682,583,199	44,717,396,841
2006	50,632,673,900	1,833,540,112	724,577,345	53,190,791,357
2007	54,292,837,200	1,926,492,868	939,132,732	57,158,462,800
2008	57,469,500,000	1,931,899,776	884,773,303	60,286,173,079
2009	57,704,620,000	1,979,877,432	718,392,016	60,402,889,448

Source: Arlington County Department of Management and Finance.

(1) Actual real property values at 100% of fair market value as of January 1 of each calendar year.
(2) Actual personal property values as of January 1 of the fiscal year.
(3) Includes real and personal property.

The County's tax rates and relative residential and commercial tax burdens are among the most competitive in the Washington, D.C. metropolitan area. As presented in the fiscal year 2010 Adopted Budget, the County's real estate tax rate of $0.875 per $100 of assessed valuation, of which $.01 is reserved for storm water management, is one of the lowest in Northern Virginia. The following table sets forth the tax rates on all taxable property in the County from fiscal years 2005 to 2009.

Historical Property Tax Rates
Fiscal Years 2005–2009
(Per $100 of Assessed Valuation)

Fiscal Year[1]	Real Property	Personal Property	Public Service Corporations Real Property	Public Service Corporations Vehicles	Public Service Corporations Other
2005	$0.958/0.878	$4.40	$0.958/0.878	$4.40	$0.958
2006	0.878/0.818	4.40/5.00	0.878/0.818	5.00	0.878
2007	0.818/0.818	5.00	0.818/0.818	5.00	0.818
2008	0.818/0.848	5.00	0.818/0.848	5.00	0.818
2009	0.848/0.875	5.00	0.848/0.875	5.00	0.848

Source: Arlington County Department of Management and Finance.

(1) The tax rate shown in each fiscal year represents the rate applicable to those taxes which became due during the fiscal year. Real property tax rates apply to amounts due in June of the current calendar year and in October of the prior calendar year. The personal property tax rate in any fiscal year represents the rate applicable to amounts that became due in September of the prior calendar year.

Local Sales Tax

A one percent County retail sales tax is added to the 4.0% Commonwealth sales tax. The County sales tax is collected with the Commonwealth sales tax. The tax monies for the local portion are remitted to the County by the Commonwealth during the month following receipt. These receipts were $35,299,283 or 3.8% of the General Fund revenues for the fiscal year ended June 30, 2008. The table below shows revenue from the local sales tax for the past five fiscal years.

Local Sales Tax Revenues
Fiscal Years 2004 through 2008

Fiscal Year	Revenues	Percent Change
2004	$29,371,091	5.83%
2005	30,969,494	5.44
2006	33,115,455	6.93
2007	34,448,601	4.03
2008	35,299,283	2.47

Source: Arlington County Department of Management and Finance.

Business, Professional and Occupational License Taxes

Business, Professional and Occupational License (BPOL) taxes are levied for the privilege of conducting business and engaging in certain professions, trades and occupations in the County. Both flat license fees and rates established as a percent of gross receipts are imposed. The calendar year is the tax year. Beginning calendar year 2001, the license tax due date changed from January 31 to March 1. Certain categories of businesses and all businesses whose tax bills fall within certain dollar parameters may defer up to one-half of their tax payment until June 15th of the same year. Persons liable for the payment of the license tax make application for the license to the Commissioner of the Revenue, and in cases where the tax is based on gross receipts, the applicant must furnish to the Commissioner of the Revenue a sworn statement of the amount of gross receipts from the previous year.

Since FY 1996, the County's business license professional rate tax has been $0.35 per $100 of gross receipts. Businesses with gross receipts of $10,000 or under are required to file, but pay no tax, and those with gross receipts of $10,001 to $50,000 pay a flat fee of $30. However, beginning in April 2009, businesses with gross receipts of less than $10,000 not having significant business tangible assets are exempt from the filing requirement.

Business, Professional and Occupational License Tax Revenues
Fiscal Years 2004 through 2008

Fiscal Year	Revenues	Percent Change
2004	$45,090,463	4.36%
2005	45,699,044	1.35
2006	52,568,059	15.03
2007	50,898,657	(3.18)
2008	57,266,956	12.51

Source: Arlington County Department of Management and Finance.

Utility Tax

In July, 1989, Arlington instituted a utility tax on all commercial users of electricity and on natural gas users. In addition, federal, state and local government properties, as well as property exempt from real estate taxation, are exempt from the utilities tax. In the fiscal year ended June 30, 2008 utility tax revenues were $12,397,249 or 1.3% of total General Fund revenues. Beginning in July 2005, Arlington increased the tax rate on electricity and natural gas approximately 30%. Beginning in FY 2008, Arlington began to assess a utility tax on residential users in addition to commercial users. Revenue from this new tax, which generated $1,477,629 in FY 2008, is used to support environmental initiatives within the County.

Utility Tax Revenue
Fiscal Years 2004 through 2008

Fiscal Year(1)	Revenues	Percent Change
2004	$7,632,495	0.31%
2005	7,802,051	2.22
2006	9,944,398	27.46
2007	10,531,817	5.91
2008	12,397,249	17.71

Source: Arlington County Department of Management and Finance.
(1) Beginning in FY 2008, Utility tax revenue also reflects the residential utility tax.

Transient Tax

Prior to May 1991, a 5% transient tax was levied on the amount charged for hotel and motel rooms. In May 1991, this tax was raised to 5.25% with all of the proceeds from the additional tax increment dedicated to travel and tourism promotion. For the fiscal year ended June 30, 2008 the transient tax generated $21,065,573 for the General Fund, excluding travel and tourism promotion, or 2.3% of General Fund revenues.

Transient Tax Revenues
Fiscal Years 2004 through 2008

Fiscal Year	Revenues[1]	Percent Change
2004	$14,977,887	7.71%
2005	17,236,935	15.08
2006	18,512,163	7.40
2007	19,951,433	7.77
2008	21,065,573	5.58

Source: Arlington County Department of Management and Finance.
(1) Excludes revenue generated from the .25% tax increment dedicated for travel and tourism.

Other Taxes

Revenues received from various other local taxes include a 4% meals tax, a 30 cents per pack cigarette tax, a 4% car rental tax, a recordation tax, and other taxes. For the fiscal year ended June 30, 2008 this classification represented 5.9% of total General Fund revenues.

Other Local Taxes[1]
Fiscal Years 2004 through 2008

Fiscal Year	Revenues	Percent Change
2004	$33,045,342	7.58%
2005	39,741,793	20.26
2006	44,560,960	12.13
2007	50,331,358	12.95
2008	54,285,632	7.86

Source: Arlington County Department of Management and Finance.
(1) Excludes real estate tax, personal property tax, BPOL tax, local sales tax, transient tax and commercial and residential utility tax.

Revenue from the Commonwealth

The County is reimbursed by the Commonwealth of Virginia for a portion of certain shared office and employee expenses involving the Circuit Court Clerk, the Commonwealth's Attorney, Treasurer, Commissioner of the Revenue, Sheriff, Law Enforcement Aid and various health programs. In addition, the Commonwealth provides the County with revenue from the collection of sales and gasoline taxes to be used for the maintenance of secondary roads in the County. Revenue received from the Commonwealth for the fiscal year ended June 30, 2008, represented 6.9% of total General Fund receipts. Arlington County's General Fund State Aid for street and highway maintenance and construction totaled $16.4 million in fiscal year ended June 30, 2008.

Revenue from the Federal Government

Grants by the federal government under the Job Training Partnership Act and social services programs comprise the bulk of the General Fund revenue received from the federal government. In addition, since FY 1989, Arlington has served as the regional administrator of a large federal drug enforcement grant. Starting in FY 1986, Community Development Block Grant ("CDBG") funds provided through the U.S. Department of Housing and Urban Development ("HUD") for the provision of low and moderate income housing and for improving the conditions of low income neighborhoods and areas of sub-standard housing have been accounted for in a special revenue fund due to changes in federal accounting requirements. Beginning in FY 1994, Section 8 funding provided by HUD for housing is also maintained in a special revenue fund. Revenue received by the General Fund from the federal government during FY 2008 equaled approximately 2.5% of total General Fund receipts.

Charges for Services, Fines and Forfeitures and Miscellaneous Revenues

Charges for services include all revenues derived from service or user charges imposed by the County. Fines and forfeitures include moving traffic violation, parking violations, and a variety of court costs. Miscellaneous revenues include income from the investment of idle funds and a variety of small revenue producing sources.

BUDGETARY PROCEDURES

The County's annual budget is based on a fiscal year of July 1 to the following June 30. Under Virginia law, the County Board must adopt an appropriation resolution for the subsequent fiscal year no later than June 30. The appropriation resolution is based on a balanced budget of all fiscal year operating expenditures to be financed from current fiscal year revenues and balances available from prior years.

The County Manager's proposed budget for the following fiscal year is presented to the County Board in February of each year. The proposed budget includes recommended funding levels for all County programs, including a transfer to the Arlington Public Schools for School operations. A separate six-year Capital Improvement Program is also prepared every other year. Estimated revenues are detailed in the proposed budget, along with any recommended new taxes or changes in tax rates or service charges that may be proposed by the County Manager. The proposed budget of the School Board is received by the County Board prior to budget adoption, and under Virginia law the County Board must adopt the school budget no later than May 1.

Public hearings on the proposed budget and tax rates are held in late March. The County Board also holds a series of work sessions, during which preliminary funding decisions regarding proposed operating and capital programs are discussed. Final County Board decisions on proposed expenditure and revenue levels are incorporated into the appropriation resolution for the subsequent fiscal year. This appropriation resolution is approved by the County Board in April, based on a balanced budget of revenues and expenditures.

During the fiscal year, detailed reviews of both expenditures and revenues are conducted by the Department of Management and Finance. Adjustments in appropriations or expenditure rates, if necessary, are implemented at these times so that total General Fund expenditures and revenues will remain in balance throughout the fiscal year.

INVESTMENT POLICIES AND PRACTICES

Arlington County, as an instrumentality of the Commonwealth of Virginia, is limited to investments permitted by Sections 2.2-4400 et seq., 2.2-4500 et seq., 2.2-4600 et seq. and 2.2-4700 et seq. of the Code of Virginia. 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 County

Treasurer's investment practices are generally described in Note (1.F (Equity in Pooled Cash and Investments) in the Notes to the County's financial statements, included in Appendix A (FY 2008 (CAFR). The County's investment policy was last updated on June 1, 2009.

The County Treasurer is responsible for the investment of County's operating and bond funds. The Treasurer invests the County's funds using internal management with custodial agents taking possession of the investments. In January of 1987, the Arlington County Treasurer established a written investment policy that provides policy guidance on the placement of investments by the Treasurer; the most recent revision of the policy was put into place on June 1, 2009. The County has also established a Finance Board pursuant to Sections 58.1-3151 et seq. of the Code of Virginia. The Finance Board includes the Treasurer, a citizen appointed by the Chief Judge of the County Circuit Court, the Commonwealth's Attorney and the County Board Chairperson and it meets at regular intervals (at least quarterly).

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 bonds proceeds with and through the State Non-Arbitrage Program (SNAP). Some additional investment guidelines set forth in the investment policy include:

The portfolio is managed on a hold to maturity basis, with a 60 month maximum maturity on any single instrument.

Investments are purchased through a competitive process and all non depository instruments are settled on a delivery versus payment basis through a third party custodian. All instruments are held in the name of Arlington County.

The investment policy specifies maximum percentages of non federal treasury instruments to ensure diversification

- Investments of $4 million or more must be procured via competitive bid from at least two dealers or financial institutions;
- No more than 35% of the portfolio may be invested in commercial paper;
- No more than 5% the portfolio may be invested in commercial paper of a single entity; and
- Performance is measured relative to the average of the three month Treasury Bill auctions.

Copies of the County's investment policy will be made available upon request from the individuals listed in the first paragraph of Section One: "Additional Information."

The previously described investment policy related to the investment of operational and bond funds *does not apply* to the investment of the County's pension trust funds which are the responsibility of the Board of Trustees of the Arlington County Employees' Retirement System. The pension trust funds are invested by professional fund management firms using a formal asset allocation plan which seeks to diversify investments, maximize long-term returns, while reducing portfolio risk.

The pension trust fund is invested in (see Note 3 of the County's financial statements) equity securities, government securities and agency obligations, real estate, as well as corporate notes and bonds including mortgage-backed securities. These include both domestic and foreign investments, as well as securities lending and currency hedging. The pension trust fund investments and their performance are monitored not only by the Board of Trustees, but also by a professional investment consulting firm. Copies of the Financial Statements and Supplemental Schedules including the related Independent Auditor's Report for the Arlington County Employees' Retirements System and a copy of the Retirement System Comprehensive Annual Financial Report are available from the individuals listed in the first paragraph of Section One: "Additional Information."

COUNTY GOVERNMENT EMPLOYMENT

Employee Retirement Plans

County employees are participants in the Federal Social Security System and most are members of a County provided retirement system. Further information regarding County retirement plans is provided in the "Notes to Financial Statements" in Appendix A.

Other Post-Employment Employee Benefits (OPEB)

The County's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008, details the County and Schools OPEB plans, annual OPEB cost, net OPEB obligation, funding status and progress, and actuarial methods and assumptions. Since June 30, 2008, the County and Schools have taken the following steps:

- On February 24, 2009, the Arlington County Board adopted a resolution establishing an OPEB Trust, providing for an effective date of January 1, 2009. With adoption of the trust, the County Board allocated $15.1 million in County assets to the Trust.

- On April 28, 2009, the Arlington County Board adopted the Fiscal Year 2010 budget. The adopted budget includes $15.4 million in funding to meet OPEB obligations. This includes $8.9 million in pay-as-you-go funding for current retirees and an additional $6.5 million in ongoing funding to meet OPEB liabilities.

- On April 30, 2009, the Arlington County School Board adopted its Fiscal Year 2010 budget. The adopted budget includes $8.2 million in funding to meet OPEB obligations. This includes $6.5 million in pay-as-you-go funding for current retirees and an additional $1.7 million in ongoing funding to meet OPEB liabilities.

- On May 14, 2009, the Arlington County School Board adopted a resolution establishing an OPEB Trust, providing for an effective date of January 1, 2009. With adoption of the trust, the School Board allocated $1.5 million in assets to the Trust.

- The Arlington County Employee Retirement System (ACERS) has agreed to act as trustee for the funds, and the amounts set aside by the County and Schools have been invested in Trust instruments.

In an actuarial analysis dated January 23, 2009, the County's actuary (assuming that an OPEB Trust would be created prior to June 30, 2009, and assuming the cap on retiree health care benefits adopted in April 2008) estimated an OPEB liability of $226 million (for the Fiscal Year ending June 30, 2009) with an Annual Required Contribution (ARC) of $16.3 million and a net OPEB assets of $2.0 million. In addition, the actuarial analysis assumed that the County would be contributing $10.4 million in health care reserves. The County Budget for FY 2010 fully funds the ARC.

In an actuarial analysis dated December 31, 2008, the Schools' actuary (assuming that an OPEB Trust would be created prior to June 30, 2009, and that the School Board would implement a cap on retiree health care benefits) estimated and OPEB liability of $101 million (for the Fiscal Year ending June 30, 2009) with an

ARC of $8.0 million and a net OPEB assets of -$11.3 million. In addition to the $1.5 million being contributed to the OPEB Trust, the Schools have a $3.6 million health care reserve which will be contributed to the OPEB trust in FY 2010 if not needed for other purposes. The Schools' Budget for FY 2010 fully funds the ARC.

Both the County and Schools will receive annual actuarial updates and continue to monitor health care costs and consider additional plan design changes if necessary.

Employee Relations

Over 7,207 positions are budgeted by Arlington County and the Arlington County School Board in permanent and temporary classes. The County has approximately 3,437 full-time equivalent positions and the School Board the remaining 3,770 positions in the FY 2010 adopted budget. Many County employees are members of employee associations; however, Arlington County does not, and may not under Virginia law, bargain collectively with any of its employees. The Virginia General Assembly has rejected several legislative proposals to authorize public employees to engage in collective bargaining. Public employees of Virginia or of any county, city, or town in Virginia do not have a legal right to strike. Any such employee who engages in any organized strike or willfully refuses to perform his/her duties shall, according to Virginia law, be deemed to have terminated his/her employment. Re-employment of any such employee requires court approval.

PUBLISHED FINANCIAL INFORMATION

The County issues and distributes the Comprehensive Annual Financial report on its financial operations for each fiscal year. The report covers the fiscal year ending the prior June 30.

The County's financial statements for the fiscal year ended June 30, 2008 have been audited by the independent public accounting firm of Clifton Gunderson LLP. The County's fiscal year 2008 financial statements and the accountants' reports thereon, are available on the County's website at www.arlingtonva.us/DMF.

Sections of the Comprehensive Annual Financial Report of Arlington County for the fiscal year ended June 30, 2008, which correspond to general purpose financial statements, are presented herein as Appendix A. These financial statements, along with the related Notes to Financial Statements, are intended to provide a broad overview of the financial position and operating results of the County's various funds and account groups.

In addition to the Comprehensive Annual Financial Report, the County also annually publishes a comprehensive Operating Budget document and the six-year Capital Improvement Program document. These documents are available on the County's website: www.arlingtonva.us/DMF.

APPENDIX A

General Purpose Financial Statements
for Fiscal Year Ended June 30, 2008

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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

EXHIBIT 1

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

			Component Units	
Governmental Activities	Business-Type Activities	Total	Schools	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.

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			
	Original	Final	Actual	Variance 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						
	Utilities	Ballston Public Parking Garage	Emergency Communications Center	Other Non-Major IDA Revenue Funds	8th Level Ballston Public Parking Garage	Total	Governmental Activities 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 Internal Service Funds
	Utilities	Ballston Public Parking Garage	Emergency Communications Center	Other Non-Major IDA Revenue Funds	8th Level Ballston Public Parking Garage	Total Business-type Activities	
OPERATING REVENUES:							
Water-sewer service charges	$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						
	Utilities	Ballston Public Parking Garage	Emergency Communications Center	Other Non-Major IDA Revenue Funds	8th Level Ballston Public Parking Garage	Total Business-type Activities	Governmental 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

FISCAL YEAR	GENERAL FUND P	GENERAL FUND I	SCHOOL FUND P	SCHOOL FUND I	UTILITY FUND P	UTILITY FUND I	TOTAL G.O. BONDS P	TOTAL G.O. BONDS 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.

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APPENDIX B

Form of Opinion of Bond Counsel

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[FORM OF OPINION OF BOND COUNSEL]

[Date]

County Board
Arlington County, Virginia
One Courthouse Plaza
2100 Clarendon Boulevard
Arlington, Virginia 22201

Arlington County, Virginia
$__________ General Obligation Refunding Bonds,
Series 2009D

Ladies and Gentlemen:

We have acted as Bond Counsel to Arlington County, Virginia (the "County") in connection with the issuance and sale of its $ _________ General Obligation Refunding Bonds, Series 2009D (the "Bonds"), dated ____________, 2009.

We have examined the Constitutions and the laws of both the United States and the Commonwealth of Virginia and such certified proceedings and other documents of the County as we deem necessary to render this opinion. As to questions of fact material to this opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify them by independent investigation. In addition, we have relied on computations provided by Public Financial Management, Inc. and Robert Thomas, CPA, the mathematical accuracy of which was verified by them, relating to the yield of certain investments purchased with a portion of the proceeds of the Bonds and the yield on the Bonds, without undertaking to verify such computations by independent investigation.

Based on the foregoing, in our opinion, under current law:

1. The Bonds have been duly authorized and issued in accordance with the Constitution and laws of the Commonwealth of Virginia and constitute valid and binding general obligations of the County for the payment of which the County's full faith and credit are pledged.

2. The County Board has the power, and is authorized and required by law, to levy and collect annually, at the same time and in the same manner as other taxes of the County are assessed, levied and collected, a tax upon all taxable property within the County, over and above all other taxes authorized or limited by law and without limitation as to rate or amount, sufficient to pay when due the principal of and interest on the Bonds to the extent other funds of the County are not lawfully available and appropriated for such purpose.

3. Interest on the Bonds, including any accrued "original issue discount" properly allocable to the owners of the Bonds, is excludable from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. No opinion is expressed as to whether interest on any portion of the Bonds is excluded from the adjusted current earnings of corporations for purposes of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes) under Section 56 of the Internal Revenue Code of 1986, as amended (the "Code"). The "original issue discount" on any Bond is the excess of its stated redemption price at maturity over the initial offering price to the public at which price a substantial amount of the Bonds of the same maturity was sold. The "public" does not include bond houses, brokers or similar

persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

In providing the opinions set forth in this paragraph, we are assuming continuing compliance with the Covenants (as hereinafter defined) by the County. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property refinanced by the Bonds, limitations on the source of the payment of and the security for the Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Bonds to the United States Treasury. The County's non-arbitrage certificate dated the date hereof (the "Non-Arbitrage Certificate") contains covenants (the "Covenants") under which the County has agreed to comply with such requirements. Failure by the County to comply with its Covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includible in gross income for federal income tax purposes.

We have no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Non-Arbitrage Certificate, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such document. We express no opinion concerning any effect on the excludability of interest on the Bonds from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than us.

4. Interest on the Bonds is excludable from gross income of the owners thereof for purposes of income taxation by the Commonwealth of Virginia.

Except as set forth in paragraphs 3 and 4, we express no opinion regarding any tax consequences arising with respect to the Bonds.

Our services as Bond Counsel to the County have been limited to rendering the foregoing opinions based on our review of such legal proceedings and other documents as we deem necessary to approve the validity of the Bonds and tax-exempt status of the interest on them. The foregoing opinions are in no respect an opinion as to the business or financial resources of the County or the ability of the County to provide for the payment of the Bonds or the accuracy or completeness of any information, including the County's Official Statement dated ___________, 2009, that anyone may have relied upon in making the decision to purchase the Bonds.

Very truly yours,

APPENDIX C

Form of Continuing Disclosure Agreement

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by Arlington County, Virginia (the "County"), in connection with the issuance by the County of $__________ original aggregate principal amount of its General Obligation Refunding Bonds, Series 2009D (the "Bonds"), pursuant to resolutions adopted by the County Board on June 13, 2009 and October 6, 2009 (the "Resolutions"). Pursuant to the Resolutions, the County Manager approved the sale of the Bonds to a group of underwriters consisting of ____________________, ____________________ (the "Underwriters") and the offering and sale of the Bonds by the Underwriters to the public pursuant to an Official Statement relating to the Bonds, dated October __, 2009 (the "Final Official Statement"). The County hereby represents, covenants and agrees as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the County for the benefit of the Holders (as defined below) and in order to assist the Underwriters in complying with the Rule (as defined below).

Section 2. Definitions. The following capitalized terms shall have the following meanings.

"Annual Financial Information" with respect to any Fiscal Year of the County means the following:

(i) the annual financial statements of the County, which (A) are prepared annually in accordance with generally accepted accounting principles in effect from time to time consistently applied (provided that nothing in this clause (A) will prohibit the County after the date of the Final Official Statement from changing such principles so as to comply with generally accepted accounting principles as then in effect or to comply with a change in applicable Virginia law); and (B) are audited by an independent certified public accountant or firm of such accountants; and

(ii) financial information and operating data with respect to the County of the type and scope that updates the information and data contained in the Final Official Statement under the captions noted below, as follows:

- Section Four: County Indebtedness and Capital Improvement Program
  - Debt Information (but only the tables entitled "Debt Statement" and "Total General Obligation Debt Service")
- Section Five: Financial Information
  - Fund Accounting – General Fund Revenues and Expenditures (but only the tables entitled "Five-Year Summary of General Fund Revenues and Expenditures" and "General Fund Balance")
  - General Fund Revenues – (but only the tables entitled "Principal Tax Revenues by Source," "Real and Personal Property Tax Levies

and Collections," "Historical Assessed Valuation," "Local Sales Tax Revenues," and "Business, Professional and Occupational License Tax Revenues")

"Dissemination Agent" shall mean the County, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the County and which has filed with the County a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access System, described in Securities Exchange Act of 1934 Release No. 59062 and maintained by the MSRB for purposes of the Rule.

"Fiscal Year" shall mean the twelve-month period, at the end of which the financial position of the County and results of its operations for such period are determined. Currently, the County's Fiscal Year begins July 1 and continues through June 30 of the next year.

"Holder" shall mean, for purposes of this Disclosure Agreement, any person who is a record owner or beneficial owner of a Bond.

"Make Public" or "Made Public" has the meaning set forth in Section 4 of this Disclosure Agreement.

"MSRB" means the Municipal Securities Rulemaking Board.

"Rule" means Rule 15c2-12 under the Securities Exchange Act of 1934, as in effect from time to time.

"SEC" means the U.S. Securities and Exchange Commission.

Section 3. Obligations of the County.

(a) The County shall, in accordance with the Rule, Make Public or cause to be Made Public by the Dissemination Agent (if different from the County), the Annual Financial Information not later than 270 days after the end of each Fiscal Year beginning with the Fiscal Year ending June 30, 2009. If audited financial statements are not available as of the date by which the Annual Financial Information is to be Made Public, the County will Make Public such financial statements as may be required by the Rule and will Make Public the audited financial statements when they become available.

(b) The County shall Make Public or cause to be Made Public by the Dissemination Agent (if different from the County), in a timely manner, notice of any of the following events that may from time to time occur with respect to the Bonds, but with respect to the items in (i) through (xi), only if material:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions or events affecting the tax-exempt status of interest on the Bonds;

(vii) modifications to rights of Holders;

(viii) bond calls;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds;

(xi) rating changes; and

(xii) the failure of the County on or before the date required by this Disclosure Agreement to provide Annual Financial Information to the persons and in the manner required by this Disclosure Agreement;

provided that nothing in this subsection (b) shall require the County to maintain any debt service reserve, credit enhancement or credit or liquidity providers with respect to the Bonds or to pledge any property as security for repayment of the Bonds.

(c) The County shall notify the MSRB of any change in its Fiscal Year not later than the date on which it first provides any information to the MSRB in the then current Fiscal Year.

(d) Any information required to be included in the Annual Financial Information may be included by specific reference to other documents previously provided to the MSRB, or filed with the SEC; provided, however, that any final official statement incorporated by reference must be available from EMMA.

Section 4. Information Made Public. Information shall be deemed to have been "Made Public" for purposes of this Disclosure Agreement if transmitted to the MSRB in an electronic format as prescribed by the MSRB, directly or through an intermediary, for publication on EMMA. The MSRB can be contacted as follows:

Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, Virginia 22314
Phone: (703) 797-6600
Fax: (703) 797-6700
www.msrb.org

Section 5. CUSIP Numbers. The County shall reference, or cause the Dissemination Agent (if different from the County) to reference, the CUSIP prefix number for the Bonds in any notice provided to the MSRB pursuant to Sections 3 and 4.

Section 6. Termination of Reporting Obligation. The obligations of the County under this Disclosure Agreement shall terminate upon the earlier to occur of the legal defeasance or payment in full of the Bonds.

Section 7. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the County shall be the Dissemination Agent.

Section 8. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the County may amend this Disclosure Agreement, if such amendment is supported by an opinion of independent counsel with expertise in federal securities laws addressed to the County and the Underwriter of the Bonds to the effect that such amendment is permitted or required by the Rule.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of an event listed in Section 3(b), in addition to that which is required by this Disclosure Agreement. If the County chooses to provide any additional information in addition to that which is specifically required by this Disclosure Agreement, the County shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Financial Information or notice Made Public hereunder.

Section 10. Default. Any Holder, whether acting jointly or severally, may take such action as may be permitted by law, including seeking mandate or specific performance by court order, to secure compliance with the obligations of the County under this Disclosure Agreement. In addition, any Holder, whether acting jointly or severally, may take such action as may be permitted by law to challenge the adequacy of any information provided pursuant to this Disclosure Agreement, or to enforce any other obligation of the County hereunder. A default under this Disclosure Agreement shall not be deemed an event of default under the Resolutions or the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the County to comply herewith shall be an action to compel performance. Nothing in this provision shall be deemed to restrict the rights or remedies of any Holder pursuant to the

Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the County, the Underwriters, and Holders from time to time of the County's Bonds, and shall create no rights in any other person or entity.

Date: October __, 2009

ARLINGTON COUNTY, VIRGINIA

By: ______________________________
County Manager

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APPENDIX D

Notice of Bond Sale

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OFFICIAL NOTICE OF SALE

$167,225,000*
Arlington County, Virginia
General Obligation Refunding Bonds,
Series 2009D

Electronic Bids, as Described Herein
Will Be Accepted Until
11:00 a.m., Local Time, October 15, 2009*

* Preliminary, subject to change

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BiDCOMP/PARITY

Customer Service	(212) 849-5021

Official Notice of Sale

$167,225,000*
Arlington County, Virginia
General Obligation Refunding Bonds, Series 2009D

Time and Date of Sale: Thursday, October 15, 2009, 11:00 a.m. local time*

Electronic bids will be received by Arlington County, Virginia (the "County"), a political subdivision of the Commonwealth of Virginia, for the purchase of its $167,225,000* General Obligation Refunding Bonds, Series 2009D (the "2009D Bonds"), in an aggregate principal amount to be determined by the County and communicated as set forth in "Principal Amounts of the Bonds" herein, provided that such sale will be subject to change as described below. Bids must be submitted via ***PARITY***® ("Parity") by the time and on the sale date indicated above or such other date and time established in accordance with this Official Notice of Sale. See "Submission of Bids" herein.

Change of Date and Time for Receipt of Bids

The County expects to take bids on the 2009D Bonds on Thursday, October 15, 2009. The County reserves the right to accelerate or postpone the date and time established for the receipt of bids. **Any such change will be announced via The Bond Buyer Wire System and/or posted on www.TM3.com not later than one hour prior to the date and time announced for receipt of bids.** If any date fixed for the receipt of bids is changed, any alternative date for receipt of bids will be announced via The Bond Buyer Wire System and/or posted on www.TM3.com, at least 18 hours prior to such alternative sale date, excluding any Federal holiday. Any bidder must submit a bid for the purchase of the 2009D Bonds on such alternative sale date in conformity in all respects with the provisions of this Official Notice of Sale, except for any changes announced via The Bond Buyer Wire System and/or posted on www.TM3.com.

Description of Bonds

The 2009D Bonds will be general obligation bonds of the County in fully registered form consisting of its General Obligation Refunding Bonds, Series 2009D, dated the date of delivery, and will mature on August 1 in the years 2010* through 2028*. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Interest will be payable semiannually on February 1 and August 1, commencing on February 1, 2010. It is expected that the 2009D Bonds will be available for delivery through the Depository Trust Company in New York, New York on or about October 28, 2009.

* Preliminary, subject to change

The 2009D Bonds are being issued (a) to refund certain of the County's outstanding general obligation bonds and (b) to pay certain costs of issuing the 2009D Bonds.

Initial Maturity Schedule*

Year*	Principal Amount*	Year*	Principal Amount*
2010	$680,000	2020	$22,395,000
2011	695,000	2021	13,720,000
2012	710,000	2022	20,045,000
2013	10,145,000	2023	12,540,000
2014	3,755,000	2024	12,645,000
2015	3,975,000	2025	1,675,000
2016	3,960,000	2026	2,785,000
2017	10,110,000	2027	2,740,000
2018	20,980,000	2028	715,000
2019	22,955,000		

Changes to Preliminary Principal Amounts of the Bonds

The County reserves the right to revise the aggregate principal amount (the "Preliminary Aggregate Principal Amount") and the principal amount of each maturity (the "Preliminary Principal Amounts") of the 2009D Bonds as set forth in this Official Notice of Sale. **Any such revisions to the Preliminary Aggregate Principal Amount or the Preliminary Principal Amounts (the "Revised Aggregate Principal Amount" and the "Revised Annual Principal Amounts," collectively, the "Revised Amounts") will be announced via the Bond Buyer Wire System and/or posted on www.TM3.com not later than one hour before the sale. It is anticipated that any such revisions will be posted by 4:00 p.m. local time on the last business day preceding the receipt of bids.** In the event that no such revisions are made, the Preliminary Principal Amounts will constitute the Revised Amounts**. Bidders shall submit bids based on the Revised Amounts**.

Term Bonds and Mandatory Redemption

Bidders may provide in the bid form for all of the 2009D Bonds to be issued as serial bonds or bidders may designate consecutive annual principal amounts of the 2009D Bonds maturing on or after August 1, 2020* to be combined into term bonds. In the event that the bidder specifies a term bond, each such term bond shall be subject to mandatory redemption on August 1 in the years and amounts announced by the County in the amortization schedule posted as set forth in "Principal Amounts of the Bonds" herein for the serial maturities of the 2009D Bonds corresponding to the years which have been combined to form such term bond. The 2009D Bonds to be redeemed in any year by mandatory redemption shall be selected by lot from the 2009D Bonds of the maturity being redeemed and shall be redeemed at par.

Optional Redemption

The 2009D Bonds maturing on or before August 1, 2019 are not subject to optional redemption before maturity. The 2009D Bonds maturing on or after August 1, 2020 are subject to optional redemption prior to their respective maturities, at the option of the County, on or after August 1, 2019 in whole or in part (in installments of $5,000) at any time, at par plus the interest accrued on the principal amount to be redeemed to the date fixed for the redemption.

* Preliminary, subject to change

Changes to Revised Aggregate Principal Amount

The Revised Aggregate Principal Amount and the Revised Annual Principal Amounts of the 2009D Bonds may be revised by the County following acceptance of a bid for the purchase of the 2009D Bonds. In making such adjustment, the County will not increase or reduce the Revised Aggregate Principal Amount by more than 20% of such preliminary amount. **The successful bidder may not withdraw its bid or change the price or interest rate bid at the initial reoffering price, as defined herein, as a result of any adjustment made to the Revised Amounts of the Bonds within these limits.** In the event of any such adjustment, no re-bidding or re-calculation of the bids submitted will be required or permitted. The dollar amount bid by the successful bidder for the 2009D Bonds will be adjusted to reflect the changes in the Revised Aggregate Principal Amount. Such adjusted dollar amount bid will reflect changes in the dollar amount of the underwriter's discount and the original issue discount/premium, if any, but will not change the selling compensation per $1,000 of par amount of the 2009D Bonds from the selling compensation per $1,000 that would have been received based on the purchase price and the initial reoffering prices in the winning bid. The interest rates specified by the successful bidder for each maturity and the initial reoffering prices will not change. The County will notify the successful bidder of any adjustment to the Revised Amounts of the 2009D Bonds within 24 hours after the County's receipt of the bids.

Changes to the Official Notice of Sale

The County reserves the right to change this Official Notice of Sale. The County anticipates that information regarding the principal amount, amortization and other parameters of sale for the Series 2009D Bonds will be announced via TM3 by 4:00 p.m., local time on the date prior to the scheduled date for receipt of bids but no later than one hour prior to the scheduled date and time for receipt of bids.

Form and Places of Payment

Individual purchases will be made in book-entry form only, in the principal amount of $5,000 or any whole multiple thereof. Purchasers will not receive certificates representing their interest in 2009D Bonds purchased. One Bond representing each maturity will be issued to and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as registered owner of the 2009D Bonds and each such Bond will be immobilized in the custody of DTC. DTC will act as securities depository for the 2009D Bonds.

Security

The 2009D Bonds will be general obligations of the County, secured by a pledge of the County's full faith and credit. The County has the power and will be required by law to levy and collect ad valorem taxes without limit as to rate and amount on all property within the County subject to taxation to pay the principal of and interest on the 2009D Bonds as the same become due unless other funds are lawfully available and appropriated therefor.

Bidding Rules

Each bid must be unconditional. Bidders may only bid to purchase all of the 2009D Bonds. Bidders are invited to name the interest rate or rates the 2009D Bonds shall bear, in multiples of one-eighth (1/8) or one-twentieth (1/20) of one percent (1%). Each bidder must specify in its bid an interest rate for each maturity of the 2009D Bonds, and all of the 2009D Bonds maturing on the same date must bear interest at the same rate. Any number of interest rates may be named, provided that no interest rate may exceed 5.00%*. Bids must be for not less than 100%* of the aggregate principal amount of the 2009D Bonds. No bid for less than all of the 2009D Bonds offered or for less than 100%* of par will be entertained.

Award of Bonds

Unless all bids are rejected, the 2009D Bonds will be awarded to the bidder complying with the terms of this Official Notice of Sale and submitting a bid which provides the lowest True Interest Cost. True Interest Cost shall be determined for each bid by doubling the semiannual interest rate, compounded semiannually, necessary to discount the debt service payments to the delivery date of the 2009D Bonds. If more than one bid offers the same lowest True Interest Cost, the County may select the winning bidder. Each bidder shall include in its bid a statement of the True Interest Cost offered in its bid, but this statement shall not be deemed to be part of the bid. The County reserves the right to reject any or all bids (regardless of the interest rates bid) and to waive any irregularity or informality in any bid received.

Submission of Bids

Bids must be submitted electronically via Parity in accordance with this Official Notice of Sale, until the time specified herein. No other form of electronic bidding services will be accepted. Once the bids are communicated electronically via Parity to the County, each bid will constitute an irrevocable offer to purchase the 2009D Bonds pursuant to the terms therein provided.

Registration to Bid - Prospective bidders wishing to submit electronic bids must be contracted customers of Parity. If you do not have a contract with Parity, call (212) 404-8102 to become a customer. By submitting an electronic bid for the 2009D Bonds, a prospective bidder represents and warrants to the County that such bidder's bid for the purchase of the 2009D Bonds (if a bid is submitted in connection with the sale) is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the 2009D Bonds.

If any provisions of this Official Notice of Sale shall conflict with information provided by Parity, as approved provider of electronic bidding services, this Official Notice of Sale shall control. Further information about Parity, including any fee charged, may be obtained from Parity at (212) 404-8102.

The time maintained by Parity shall constitute the official time with respect to all bids submitted.

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* Preliminary, subject to change

Disclaimer

Each prospective bidder shall be solely responsible to register to bid via Parity. Each qualified prospective bidder shall be solely responsible to make necessary arrangements to access Parity for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale. Neither the County nor Parity shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the County nor Parity shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by Parity. The County is using Parity as a communications mechanism, and not as the County's agent, to conduct the electronic bidding for the County's 2009D Bonds. The County is not bound by any advice or determination of Parity as to whether any bid complies with the terms of this Official Notice of Sale and in particular the "Bidding Rules" set forth herein. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via Parity are the sole responsibility of the bidders, and the County is not responsible, directly or indirectly, for any such costs or expenses. If a prospective bidder encounters any difficulty in registering to bid or submitting, modifying or withdrawing a bid for the 2009D Bonds, it should telephone Parity and notify Public Financial Management at (703) 741-0175 (provided that neither Public Financial Management nor the County shall have an obligation to take any action whatsoever upon receipt of such notice).

Good Faith Deposit

Proposals for the purchase of the 2009D Bonds must be accompanied by a Good Faith Deposit ("Good Faith Deposit") to secure the County against any loss resulting from a failure of the bidder to comply with the terms of the proposal submitted. The Good Faith Deposit requirement for the 2009D Bonds is 1% of the aggregate par amount, which will be announced via the Bond Buyer Wire System and/or www.TM3.com.

After receipt of bids is closed and prior to the award, the apparent successful bidder indicated on BidCOMP/Parity must submit the Good Faith Deposit to the County by wire transfer. The award to the apparent successful bidder is contingent upon receipt of the Good Faith Deposit and the 2009D Bonds will not be awarded to such bidder until the County has confirmation of receipt of the Good Faith Deposit.

Wire instructions for the Good Faith Deposit are as follows:

Bank Name	Wachovia Bank
ABA:	051400549
Account Number:	2079900437469
Contact Information:	Brad Lamb 1-800-570-7627

Legal Opinion

The approving opinion of McGuireWoods LLP, Richmond, Virginia, Bond Counsel, with respect to the 2009D Bonds will be furnished to the successful bidder at the expense of the County. The opinion will state that the 2009D Bonds constitute valid and legally binding obligations of the County and that, unless other funds are lawfully appropriated and available for timely payment of the 2009D Bonds, the County Board is authorized and required by law to levy and collect an annual ad valorem tax, without limitation as to rate or amount, on all locally taxable property in the County sufficient to pay the principal of and interest on the 2009D Bonds as the same become due.

Tax Exemption

The opinion of McGuireWoods LLP also will state that interest on the 2009D Bonds (i) will be exempt from income taxation by the Commonwealth of Virginia, (ii) will be excludable from gross income for federal income tax purposes, and (iii) will not be a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations.

The Preliminary Official Statement contains a discussion of the effect of the Code on the exclusion from gross income of interest on the 2009D Bonds and a discussion of the opinion of McGuireWoods LLP, insofar as it concerns such exclusion.

Undertakings of Winning Bidder

The successful bidder of the 2009D Bonds shall, within 30 minutes after being notified of the award, advise the County of the initial public offering prices of the 2009D Bonds. The successful bidder also shall furnish before the delivery of the 2009D Bonds a certificate, in form acceptable to Bond Counsel, to the effect that the successful bidder has made a bona fide public offering of the 2009D Bonds at the initial public offering prices set forth in such certificate and containing such other information as Bond Counsel may request. It shall be the obligation of the successful bidder to furnish to DTC an underwriter questionnaire.

Delivery of Bonds

The 2009D Bonds will be delivered, properly executed, at the expense of the County in New York, New York, through The Depository Trust Company, or in such other place as designated by the successful bidder at the expense of the successful bidder, upon payment of the amount of the successful bid (including any premium) in immediately available funds, less the amount of the Good Faith Deposit. The 2009D Bonds are expected to be delivered on or about October 28, 2009.

The successful bidder will be provided with the usual closing documents, including (1) a certificate signed by the appropriate County officials stating that to their knowledge, no litigation is then pending or threatened against the County to restrain or enjoin the issuance or delivery of the 2009D Bonds or the levy and collection of taxes to pay principal or interest thereon or in any manner questioning the proceedings and authority under which the 2009D Bonds are issued and (2) a certificate signed by the appropriate County officials relating to the County's Official Statement.

Official Statement

The County will furnish up to 250 copies of the final Official Statement to the successful bidder at the expense of the County within seven business days from the date of the award of sale, as specified in Rule 15c2-12 of the Securities and Exchange Commission (the "Rule") and the rules of the Municipal Securities Rulemaking Board ("MSRB"), provided that minor delays in furnishing such final Official Statement will not be a basis for failure to pay for and accept delivery of the 2009D Bonds. Additional copies will be made available at the successful bidder's request and expense. The final Official Statement will include therein such additional information concerning the reoffering of the 2009D Bonds as the successful bidder may reasonably request; provided, however, that the County will not include in the Official Statement a "NRO" ("not reoffered") designation with respect to any maturity of the 2009D Bonds. The County assumes no responsibility or obligation for the distribution or delivery of any copies of the Official Statement to anyone other than the successful bidder.

The successful bidder agrees to provide one copy of the Official Statement to the Municipal Securities Rulemaking Board ("MSRB"), "nationally recognized municipal securities information repository" within the meaning of the Rule upon receipt of the Official Statement from the County and two copies of the Official Statement (with any required forms) to the MSRB or its designee no later than ten business days following the date of sale. The successful bidder shall notify the County as soon as practicable of (1) the date that is the end of the underwriting period (such "underwriting period" is described in the Rule), and (2) the date or dates of filing the Official Statement with the MSRB.

Continuing Disclosure

The County will undertake, pursuant to the Continuing Disclosure Agreement, to provide annual reports and notices of certain material events. A form of this undertaking is set forth as an appendix in the Preliminary Official Statement and in the Official Statement.

CUSIP Numbers

CUSIP numbers for the 2009D Bonds will be applied for by the successful bidder and the County will assume no obligation for the assignment, printing, or correctness of such numbers. Neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of or to pay for the 2009D Bonds. All expenses in connection with the assignment of CUSIP numbers shall be paid by the successful bidder. The successful bidder will provide the CUSIP numbers to the County within two business days following the date of award.

Additional Information

For further information relating to the 2009D Bonds and the County, reference is made to the County's Preliminary Official Statement dated October 7, 2009. The County has deemed the Preliminary Official Statement to be final as of its date within the meaning of the Rule, except for the omission of certain pricing and other information that may be omitted pursuant to the Rule. Bidders may obtain the Preliminary Official Statement via the Internet at www.idealprospectus.com.

ARLINGTON COUNTY, VIRGINIA

Dated: October 7, 2009 By: Mark Schwartz
Director of Management and Finance, Arlington County

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ARLINGTON COUNTY, VIRGINIA • General Obligation Refunding Bonds, Series 2009D

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