ARBITRON INC
Form 11-K
June 29, 2006

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 11-K

(Mark One)

þ **Annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended December 31, 2005
OR

o **Transition report pursuant to Section 15(d) of the Securities Exchange Act of 1934**
For the transition period from to
Commission File Number 1-1969

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

Arbitron 401(k) Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Arbitron Inc.
142 West 57th Street
New York, New York 10019
(212) 887-1300

ARBITRON 401(k) PLAN

Index to Financial Statements, Schedule, and Exhibit

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Retirement Committee of
Arbitron Inc. and Participants
of the Arbitron 401(k) Plan:

We have audited the accompanying statements of net assets available for benefits of the Arbitron 401(k) Plan (the Plan) as of December 31, 2005 and 2004, and the related statements of changes in net assets available for benefits for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2005 and 2004, and the changes in net assets available for benefits for the years ended December 31, 2005 and 2004, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2005 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan s management. The supplemental schedule has been subjected to auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ KPMG LLP
Baltimore, Maryland
June 16, 2006

ARBITRON 401(k) PLAN
Statements of Net Assets Available for Benefits
December 31, 2005 and 2004

	2005	2004
Cash and cash equivalents	$	$ 16,910
Investments, at fair value:		
Common stock	1,770,450	1,904,349
Mutual funds	51,410,663	45,326,788
	53,181,113	47,248,047
Participant loans	672,747	610,762
Receivables:		
Participant contributions	185,341	184,271
Employer contributions	666,632	428,749
	851,973	613,020
Net assets available for benefits	$ 54,705,833	$ 48,471,829

See the accompanying notes to the financial statements.

ARBITRON 401(k) PLAN
Statements of Changes in Net Assets Available for Benefits
Years ended December 31, 2005 and 2004

	2005	2004
Additions to net assets attributed to:		
Investment income:		
Net appreciation in fair value of investments	$ 1,572,839	$ 3,769,303
Interest	30,307	29,704
Dividends	1,838,628	936,268
	3,441,774	4,735,275
Contributions:		
Participant	4,909,071	4,682,558
Rollovers	432,197	542,412
Employer	2,108,451	1,777,911
	7,449,719	7,002,881
Total additions	10,891,493	11,738,156
Deductions from net assets attributed to:		
Benefits paid to participants	4,657,489	1,514,432
Net increase	6,234,004	10,223,724
Net assets available for benefits:		
Beginning of year	48,471,829	38,248,105
End of year	$ 54,705,833	$ 48,471,829

See the accompanying notes to the financial statements.

ARBITRON 401(k) PLAN
Notes to the Financial Statements
December 31, 2005 and 2004

1. Description of Plan

General

The following description of Arbitron Inc. s 401(k) plan (the Plan) provides general information only. Participants should refer to the Plan agreement for a more complete description of the Plan s provisions.

The Plan is a defined contribution plan, qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended (IRC), which includes provisions under Section 401(k) allowing an eligible participant to direct the employer to contribute a portion of the participant s compensation to the Plan on a pre-tax basis through payroll deductions. Qualified employees, as defined by the Plan, who are U.S. citizens or resident aliens paid under the U.S. domestic payroll and who perform services for Arbitron Inc. (Arbitron or the Company) primarily within the United States or on a temporary foreign assignment, are eligible to participate in the Plan. The Plan is administered by Arbitron through its Retirement Plan Administrator and through its Retirement Committee, which is appointed by the Chief Executive Officer of the Company. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Description of the Company

Arbitron is an international media and marketing research firm primarily serving radio, cable, advertising agencies, advertisers, outdoor and out-of-home media and, through its Scarborough joint venture, broadcast television and print media.

Arbitron currently has four main services: measuring radio audiences in local markets in the United States and Mexico; measuring national radio audiences and the audience size of network radio programs and commercials in the United States; providing application software used for accessing and analyzing media audience and marketing information data; and providing consumer and media usage information services to radio, cable, retailers, advertising agencies, advertisers, outdoor and out-of-home media, online industries and, through its Scarborough joint venture, broadcast television and print media.

Trust Agreement

Under the terms of a trust agreement between T. Rowe Price Trust Company (the Trustee) and the Company, the Trustee holds, manages and invests contributions to the Plan and income therefrom in funds selected by the Company s Retirement Committee to the extent directed by participants in the Plan. The Trustee carries its own banker s blanket bond insuring against losses caused, among other things, by dishonesty of employees, burglary, robbery, misplacement, forgery and counterfeit money.

Contributions

Participants may contribute up to 17% of eligible earnings, as defined by the Plan, subject to certain limitations. During 2005 and 2004, the Plan administrator, in accordance with the terms of the Plan, limited participant contributions on behalf of highly compensated participants, as defined by the Plan, to 8% of their eligible earnings. For 2005 and 2004, the IRC limited the total salary deferral contributions of any participant to $14,000 and $13,000, respectively for participants under age 50, and $18,000 and $16,000, respectively for participants age 50 and over.

ARBITRON 401(k) PLAN
Notes to the Financial Statements Continued
December 31, 2005 and 2004

Company matching contributions were determined on the basis of 50% for 2005 and 2004 of a participant s contributions, up to a maximum of 6% of eligible earnings (3% for participants who also participated in the Company s defined benefit pension plan), and did not require the satisfaction of performance criteria. The year-end performance-based contribution resulted from the achievement of certain Company economic performance criteria and amounted to 20.0% and 16.5% of a participant s contribution during 2005 and 2004, respectively, up to a maximum of 6% of eligible compensation (3% for participants who also participated in the Company s defined benefit pension plan), for participants who were employees at the respective year ends. The Company made basic monthly matching contributions totaling $1,547,976 and $1,349,162, for the years ended December 31, 2005 and 2004, respectively. The Company also declared a year-end performance matching contribution of $560,475 and $428,749, for 2005 and 2004, respectively. Contributions to participant accounts are limited to the lesser of $42,000 or 100% of a participant s annual salary for 2005.

Participant Accounts and Vesting

The Trustee maintains an account for each participant, including participant directed allocations to each investment fund. Each participant s account is credited with the participant s contribution and allocations of any employer contribution and Plan earnings, less loans and withdrawals, based on the direction of the participant. Participants in the Plan who also participate in the Company s defined benefit pension plan are immediately vested in their contributions and employer contributions, plus actual earnings thereon. Participants in the Plan who do not participate in the Company s defined benefit pension plan are immediately vested in their pretax contributions and employer basic matching contributions, plus earnings thereon, and generally will acquire an interest in performance-based matching contributions in accordance with years of service as noted in the following schedule:

Less than two years	0%
Two years	40%
Three years	60%
Four years	80%
Five or more years	100%

Forfeitures of employer performance-based matching contributions are used to reduce future employer contributions and can be used to pay expenses of administering the Plan. Forfeitures for the years ended December 31, 2005 and 2004 were $25,190 and $16,798, respectively. The amounts of forfeited nonvested accounts not allocated to participant accounts as of December 31, 2005 and 2004, were $40,966 and $10,754, respectively.

Withdrawals

Participants who are age 59 $^{1}/2$ or older may withdraw from their vested account balance. Additionally, participants who are employed by the Company may withdraw from their vested account balance for financial hardship, as defined by federal regulations or for total disability. Participants may also withdraw their rollover contributions and investment earnings on these contributions. Withdrawals are also permitted pursuant to a qualified domestic relations order or in the event of termination of employment, retirement or death.

ARBITRON 401(k) PLAN
Notes to the Financial Statements Continued
December 31, 2005 and 2004

Reconciliation of Financial Statements to Form 5500

The amount allocated to withdrawing participants is recorded on the Form 5500 for benefit claims that were processed and approved for payment prior to the year end December 31, 2004, but not yet paid as of that date. There were no such claims processed and approved prior to the year ended December 31, 2005, but not yet paid as of December 31, 2005.

The following is a reconciliation of net assets available for benefits per the financial statements at December 31, 2005 and 2004 to the Form 5500:

	As of December 31,	
	2005	2004
Net assets available for benefits per the financial statements	$ 54,705,833	$ 48,471,829
Less: Amounts allocated to withdrawing participants		29,246
Net assets available for benefits per the Form 5500	$ 54,705,833	$ 48,442,583

The following is a reconciliation of benefits paid to participants per the financial statements for the years ended December 31, 2005 and 2004 to Form 5500:

	Years Ended December 31,	
	2005	2004
Benefits paid to participants per the financial statements	$ 4,657,489	$ 1,514,432
Add: Amounts allocated to withdrawing participants	(29,246)	29,246
Benefits paid to participants per the Form 5500	$ 4,628,243	$ 1,543,678

Loans

Participants may borrow up to 50% of their before-tax salary deferral contributions, rollover contributions, and investment earnings on those contributions. Loans must be in a multiple of $100, be at least $1,000, and not be more than $50,000 less the amount of the highest loan balance outstanding during the 12-month period that ends the day before the loan is made. Participants may not have more than two short-term loans (maturity of five years or less) and one long-term loan (maturity over five and not to exceed ten years) outstanding. Effective January 1 and July 1 of each year, the Plan administrator sets the interest rate to be charged on all Plan loans made during the subsequent six-month period and the interest rate is based on the prime interest rate charged by major national banks as of that date. The Plan administrator or a delegate approves each loan, and the Trustee maintains a loan receivable account for any participant with an outstanding loan.

Income Tax Status

The Plan obtained its latest determination letter on April 23, 2003, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the IRC. The Plan has been amended since receiving the determination letter. The Plan administrator and Company management believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC and that the trust established thereunder is exempt from federal income taxes under Section 501(a) of the IRC. Contributions to the Plan are not included in the participant s taxable income for federal and, in most states, state income tax purposes until distributed or

ARBITRON 401(k) PLAN
Notes to the Financial Statements Continued
December 31, 2005 and 2004

withdrawn. Each participant s portion of earnings from the investments made with contributions under the Plan are not taxable until distributed or withdrawn.

Related Party Transactions

The Trustee is a party-in-interest with respect to the Plan since the Trustee manages certain Plan investments. In the opinion of the Trustee and management of the Company, transactions between the Plan and the Trustee are exempt from being considered as prohibited transactions under ERISA section 408(b). The Plan, through the Trustee, has invested in shares of the Company s common stock. As of December 31, 2005 and 2004, the Plan s investment in the Company s commons stock consisted of 46,615 and 48,605 shares, respectively, with a fair market value of $1,770,450 and $1,904,349, respectively. The Company pays the cost of administrating the Plan.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements of the Plan have been prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires Plan management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

Investments are stated at fair value. Investments in the Company s common stock are valued at closing prices published in the Consolidated Transaction Reporting System of the New York Stock Exchange. Investments in mutual funds are valued using daily net asset value calculations performed by the funds and published by the National Association of Securities Dealers. Participant loans are valued at the principal amount plus accrued interest, which approximates fair value. Net realized gains or losses are recognized by the Plan upon the sale of its investments or portions thereof on the basis of average cost to each investment program. Purchases and sales of securities are recorded on a trade date basis. Dividends are recorded on the ex-dividend date. Interest is recognized when earned.

The Plan s investments are exposed to certain risks such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, changes in the value of investment securities could occur in the near term, and these changes could materially affect the amounts reported in the statements of net assets available for benefits and the statements of changes in net assets available for benefits.

Payment of Benefits

Benefits are recorded when paid.

Costs and Expenses

The Company pays costs and expenses of administering the Plan.

ARBITRON 401(k) PLAN
Notes to the Financial Statements Continued
December 31, 2005 and 2004

3. Investments

The following table summarizes the Plan s investments that represent 5% or more of the net Plan assets available for benefits as of December 31, 2005 and 2004:

	December 31,	
	2005	**2004**
T. Rowe Price Trust Company Mutual Funds:		
Equity Income Fund	$ 8,384,656	$ 7,826,750
Summit Cash Reserves Fund	8,307,296	7,700,759
New Horizons Fund	6,737,440	6,314,103
Small-Cap Value Fund	5,824,410	5,359,759
Capital Appreciation Fund	5,450,262	4,416,288
Equity Index 500 Fund	4,104,603	4,002,819
International Stock Fund	2,824,596	2,258,861

During the years ended December 31, 2005 and 2004, the Plan s investments (including gains and losses on investments bought and sold, as well as held during the period) appreciated in value by $1,572,839 and $3,769,303, respectively, as follows:

	2005	**2004**
Mutual funds appreciation	$ 1,613,353	$ 3,887,627
Common stock depreciation	(40,514)	(118,324)
Net appreciation	$ 1,572,839	$ 3,769,303

4. Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100% vested in their accounts. Any unallocated net assets of the Plan shall be allocated to participant accounts and distributed in such manner as the Company may determine.

ARBITRON 401(k) PLAN
Schedule H, Line 4i, Schedule of Assets (Held at End of Year)
December 31, 2005

Identity of Issue and Investment Description		Current Value (1)
Common stock:		
Arbitron Inc. *	$	1,770,450
T. Rowe Price Trust Company* mutual funds:		
Equity Income Fund		8,384,656
Summit Cash Reserves Fund		8,307,296
New Horizons Fund		6,737,440
Small-Cap Value Fund		5,824,410
Capital Appreciation Fund		5,450,262
Equity Index 500 Fund		4,104,603
International Stock Fund		2,824,596
Balanced Fund		2,640,070
New Income Fund		2,498,007
International Discovery Fund		1,796,541
Science and Technology Fund		985,632
		49,553,513
Other mutual funds:		
Janus Growth and Income Fund		1,857,150
Participant loans* (Cost =$0: No. of loans = 246) with interest rates ranging from 5.00% to 9.50%		672,747
	$	53,853,860

(1) Current value is based on quoted market prices, except for participant loans, which are based on principal and interest outstanding and approximate fair value.

See the accompanying report of the independent registered public accounting firm.

* Party-in-interest

SIGNATURE

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

ARBITRON 401(k) PLAN

By: /s/ SEAN R. CREAMER

Sean R. Creamer
Executive Vice President of Finance and Planning
and Chief Financial Officer of Arbitron Inc.,
Chairman of the Retirement Committee of the
Arbitron 401(k) Plan

Date: June 29, 2006