City of Alexandria, Virginia

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2007

This year, as part of an agreement with the federal government, the City received a park over the Interstate 495 near the Woodrow Wilson Bridge. One of the park's features is a compass rose highlighting City landmarks. In addition to the park, the City also received monies from the federal government; these funds were used to acquire Freedman's Cemetery. The cemetery, which can be seen from the compass rose at the park, was a abandoned cemetery where approximately 1,800 African Americans were buried in the late 1860s. This year, a team of archaeologists began excavating the property. During this excavation, a 13,000-year-old Clovis Point was found. This is the first time that archaeologists have found a Clovis Point in Alexandria. The Clovis Point is a diagnostic marker for an era known to archaeologists as the Paleoindian period that lasted from as early as 18,000 to about 12,000 years ago. The Clovis Point provides the first concrete evidence that Native Americans were present in Alexandria during the Paleoindian period.

Photos by Justin Thompson and Cover Design by Edward Nartey

CITY OF ALEXANDRIA, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR
JULY 1, 2006 TO JUNE 30, 2007

Alexandria City Council
William D. Euille, *Mayor*
Redella S. Pepper *Vice-Mayor*
Ludwig P. Gaines
Rob Krupicka
Timothy B. Lovain
Paul C. Smedberg
Justin M. Wilson

City Manager.....James K. Hartmann
Deputy City Manager.....Mark B. Jinks
Director of Finance.....Laura B. Triggs, CPA
Director of Real Estate Assessments.....Cindy Smith-Page
City Attorney.....Ignacio B. Pessoa
City Clerk and Clerk of Council.....Jacqueline Henderson
Independent Auditors.....KPMG LLP

Prepared by the Department of Finance
Raymond J. Welch, Jr. Acting Comptroller

alexandriava.gov

CITY OF ALEXANDRIA
VIRGINIA

CITY OF ALEXANDRIA, VIRGINIA
Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2007

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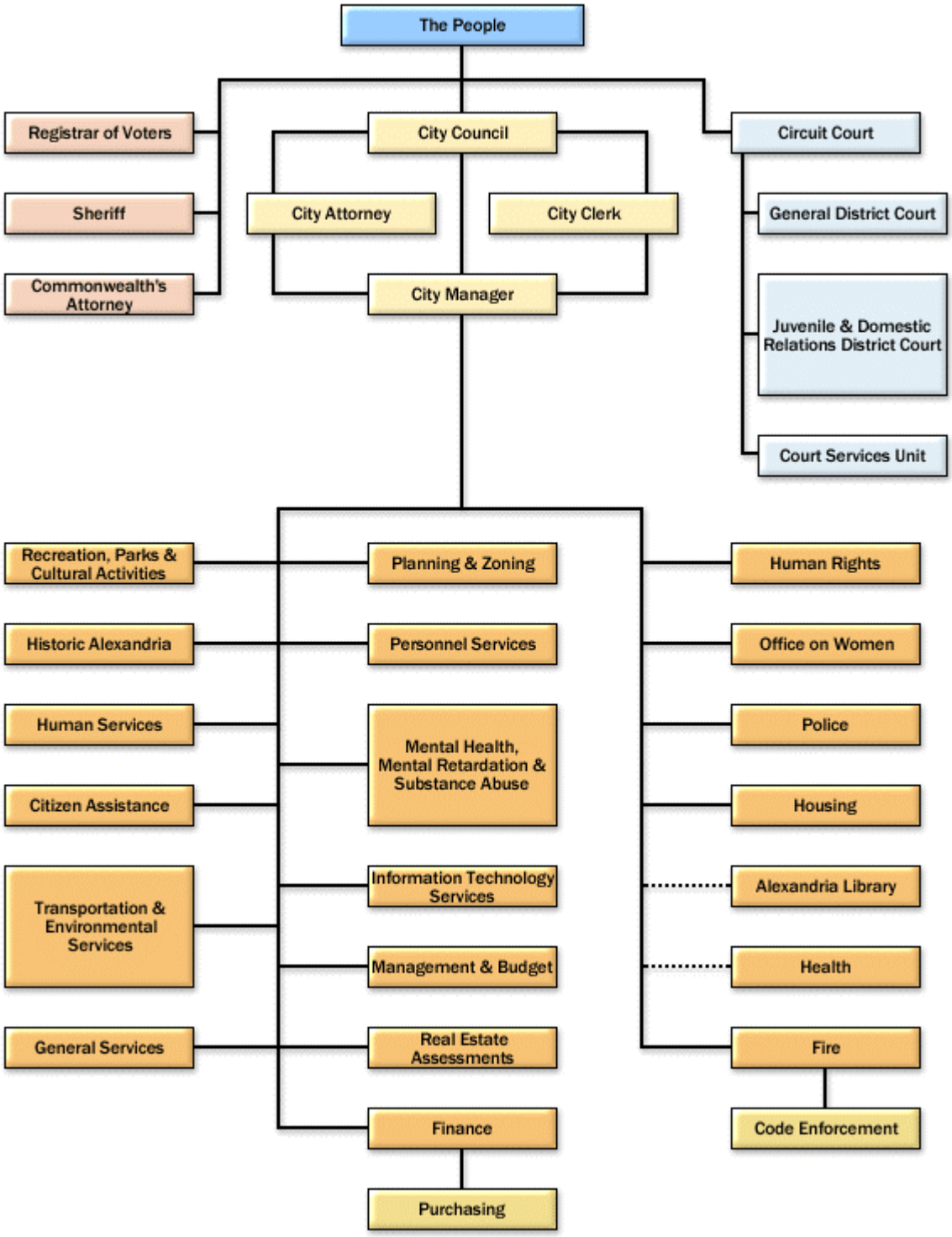
INTRODUCTORY SECTION

ALEXANDRIA CITY GOVERNMENT
ORGANIZATIONAL CHART



November 19, 2007

To the Honorable Mayor and Members of City Council,
the Citizens of the City of Alexandria, and
the Financial Community:

We are pleased to present the City of Alexandria's (the City) **Comprehensive Annual Financial Report** (the CAFR) for the fiscal year ended June 30, 2007. The report is designed to present fairly the financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City in all material respects and to demonstrate compliance with applicable finance-related legal and contractual provisions. The report adheres to the principle of full disclosure so that the reader may gain the maximum understanding of the City's financial affairs.

The Finance Department has prepared this report in accordance with the following standards:

- Accounting principles generally accepted in the United States, which are uniform minimum standards and guidelines for financial accounting and reporting in the United States;
- Governmental accounting and financial reporting statements, interpretations and technical bulletins issued by the Governmental Accounting Standards Board (GASB); and
- Uniform financial reporting standards for counties, cities and towns issued by the Commonwealth of Virginia's Auditor of Public Accounts (APA).

The responsibility for the accuracy, completeness and fairness of the data presented in the report, including all disclosures, rests with the City.

THE CITY

Alexandria, Virginia, which is located on the west bank of the Potomac River across from Washington, D.C., is an integral part of the Washington metropolitan area, serving as a financial, commercial, and transportation center. Alexandria is also one of America's most historic cities. George Washington and George Mason served as two of the City's first Trustees (the forerunner of the Alexandria City Council).

Alexandria is an independent full-service city with sole local government taxing power within its boundaries. The City is autonomous from any county, town or other political subdivision of the Commonwealth of Virginia. Alexandria, which was founded in 1749, derives its governing authority from a charter granted by the General Assembly of the Commonwealth of Virginia.

The City adopted the Council-Manager form of government in 1922. The governing body of the City is the City Council, which formulates policies for the administration of the City. The City Council is composed of a Mayor and six Council Members elected at-large for three-year terms. The Mayor is elected on a separate ballot. City Council appoints the City Manager who serves as the City's chief executive officer and is responsible for implementing the policies established by City Council. The City Charter was first granted in 1852.

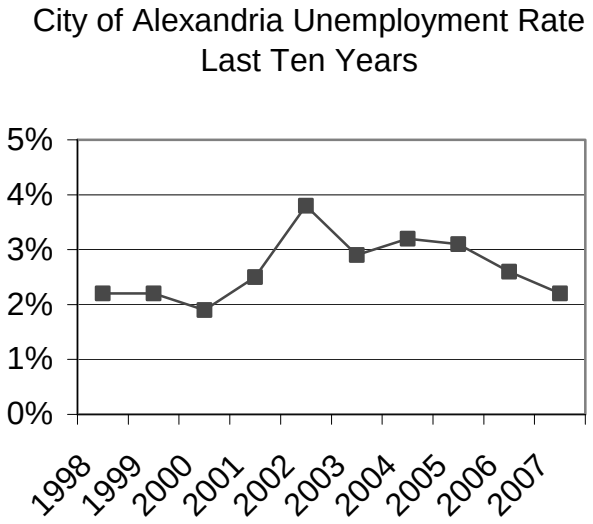
The City provides a comprehensive range of municipal services including education, health, welfare, housing and human services programs, public safety and administration of justice, community development, recreation, library, cultural and historic activities, transportation, environmental services, and planning.

FINANCIAL REPORTING ENTITY

This report includes the financial activities of the City of Alexandria government (the primary government), as well as the financial activities of the City's component units. Component units are legally separate entities for which the primary government is financially accountable. Discretely presented component units are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations, and cash flows from those of the primary government. The School Board, the Library System, and the Alexandria Transit Company are reported as discretely presented component units. This report does not include the financial activities of the City's Deferred Compensation Plan, Alexandria Industrial Development Authority, Alexandria Redevelopment and Housing Authority, Alexandria Economic Development Partnership, Inc., Alexandria Sanitation Authority, or Sheltered Homes of Alexandria because the City Council is not financially accountable for these entities, and therefore, these entities are not component units.

LOCAL ECONOMY

The City continues to enjoy a stable and growing economy. Tourism is strong, unemployment rates low, office vacancy rates moderate, demand for housing moderate, and the number of jobs in the City increasing. As of December 31, 2006, 102,651 persons were employed in the City, an increase of 1,849 compared to 100,802 at the end of December 2005. Both 2006 and 2005 numbers have been adjusted to reflect employees at the U.S. Patent Trademark Office that were not previously reflected. The local jobless rate has continued to decrease from 2.6 percent in 2006 to 2.2 percent in 2007. The following table shows the City's jobless rate for the past 10 years:



The real estate market, which is the principal source of tax revenue for the City, had essentially no growth in FY 2007. Total real property assessments increased in calendar year 2007 by 4.4 percent, or $1.5 billion, all of which is attributable to commercial growth.

MAJOR INITIATIVES

Strong fiscal management remains a hallmark of Alexandria's City government and has enabled the City to respond to priority needs, including public safety, public education, and modernization of heavily used recreation and library facilities. Alexandria is among a select group of cities in the United States to hold the top AAA/Aaa bond ratings from two of Wall Street's major credit rating agencies (Standard & Poor's and Moody's Investors Service).

During the past fiscal year, the City made progress in a number of important areas, including adding to the City's open space, investing in affordable housing projects and acquiring and enhancing the Freedman's Cemetery.

FINANCIAL CONDITION

The City government continues to be in very sound financial condition as demonstrated by the financial statements and schedules included in this report. Within the context of a fiscally prudent budget, the City has continued to provide a wide range of services, has achieved many of its program goals, and enhanced the quality of life in the City. The City's cash and investment position was strong throughout the fiscal year.

The continued need to reduce real estate tax rates continued to exert pressure on maintaining services at existing levels. Keeping existing programs funded and salaries of public employees competitive, and addressing the expanding program needs of the community will require careful budgeting. The City Council has adopted a Strategic Plan to ensure that City resources remain focused on City priorities. The eight goals of the Strategic Plan are:

1. Quality Development and Redevelopment that is Well Planned and Consistent with Alexandria's Vision.
2. An Integrated, Multimodal Transportation System that Efficiently and Effectively Gets People from Point "A" To Point "B".
3. A Caring Community that is Diverse and Affordable.
4. A Strong Local Economy that is Growing in Varied Small Businesses and Job Opportunities
5. A City that Respects, Protects and Enhances the Natural Environment.
6. The City Government that is Financially Sustainable, Efficient and Community Oriented.
7. Public Schools that are Among the Best in Northern Virginia (in Partnership with the Alexandria City Schools).
8. A City that Ensures the Safety, Security, Emergency Preparedness and Well Being of the Community.

Capital investment and the resulting debt service costs are planned to increase. The need for increased operating and capital support to fund a new high school to replace T.C. Williams and the Public Safety Center are two of the City's major capital challenges. During fiscal year (FY) 2008, revenues are budgeted to grow by about 4.4 percent over FY 2007 with revenues reflecting an essentially flat estate tax base offset by an increase in the City real estate tax rate (from 81.5¢ to 83.0¢). One percent of the City's real property taxes collected continues to be dedicated to open space acquisition with another one cent dedicated to affordable housing. The City believes, in general, that the overall state of its infrastructure of streets, bridges, and many public facilities is good, with the increased capital improvement program aimed at maintaining and improving the City's infrastructure. The amount of development in the City will also influence future expenditure and revenue levels.

Over the last five years, the City has been able to maintain its fiscal strength as the result of the City Council's adoption of, and subsequent adherence to, the series of financial policies listed on page 10. These policies are aimed at (1) limiting debt and annual debt service requirements and (2) maintaining an appropriate General Fund fund balance so as to retain the City's AAA/Aaa bond ratings and to keep the City on firm financial footing. When City Council initially adopted the financial policies in 1987, the City's general obligation debt as a percentage of the tax base was 1.4 percent. Because of the City use of "pay-as-you-go" financing for many capital projects, the City has maintained superior debt ratios since their implementation in1987. At the end of FY 2007, the City's debt to tax base ratio was just .85 percent with that projected to rise to .94 percent in FY 2008 (excluding self-supported sewer project related debt). The City's financial policies encourage the use of surplus General Fund revenues and resources derived from spending less than the full budget to fund capital projects.

Additional information on the City's financial status can be found in the Management's Discussion and Analysis section of this report.

GENERAL GOVERNMENT FUNCTIONS

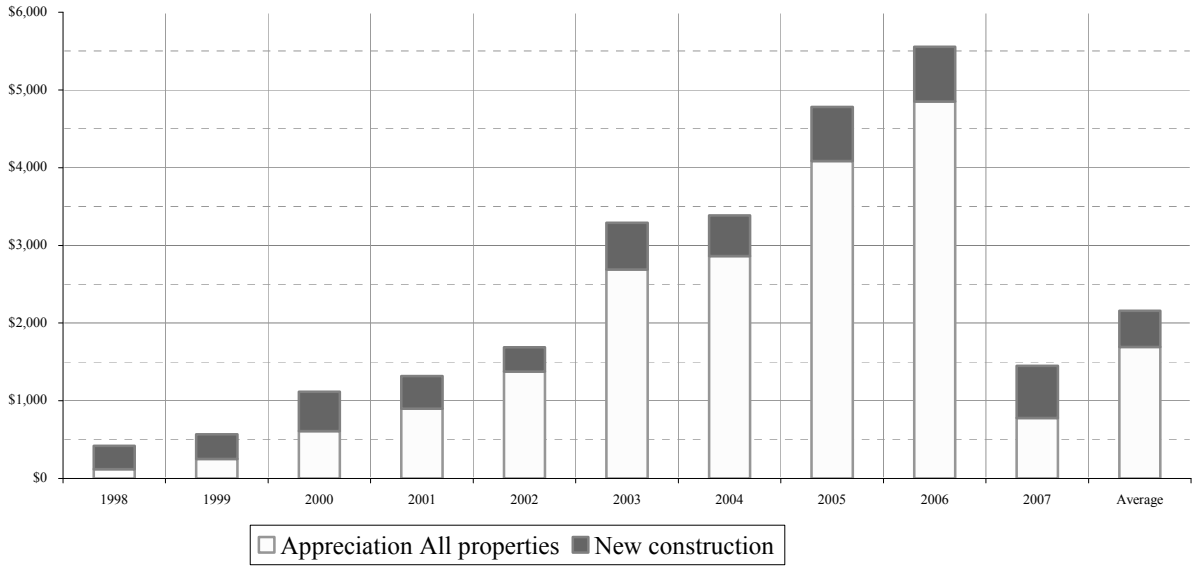
The following table shows that the overall real property assessed value has increased by over $23 billion since 1998, including a 4.4 percent increase from calendar year 2006 to 2007, which is significantly lower than the 19.9 percent increase from calendar year 2005 to 2006. Real property taxes, which are based on assessments as of January 1 of each year, are due in two payments. The first half of the real estate tax is due on June 15 and the second half of the tax is due on November 15.

CHANGE IN ASSESSED VALUE OF REAL PROPERTY
(Amounts in thousands of dollars)

Year	Residential Assessed Value	Residential % Increase (Decrease)	Commercial[1] Assessed Value	Commercial % Increase (Decrease)	Total Assessed Value	Total % Increase (Decrease)
1998	$ 5,882,796	2.4	$ 5,722,494	5.4	$ 11,605,290	3.9
1999	6,169,055	4.9	6,018,465	5.2	12,187,520	4.8
2000	6,716,942	8.9	6,578,366	9.3	13,295,308	9.1
2001	7,573,897	12.8	7,058,452	7.4	14,632,349	10.1
2002	8,889,290	17.4	7,243,699	2.6	16,132,989	10.3
2003	11,191,850	15.9	8,034,076	18.6	19,225,926	19.2
2004	13,245,349	18.3	8,644,147	7.6	21,889,496	13.9
2005	16,272,324	22.9	11,087,326	28.3	27,359,650	25.0
2006	20,371,539	25.2	12,419,023	12.0	32,790,562	19.9
2007	20,205,364	(0.8)	14,037,667	13.0	34,243,031	4.4

1. Includes apartment buildings.

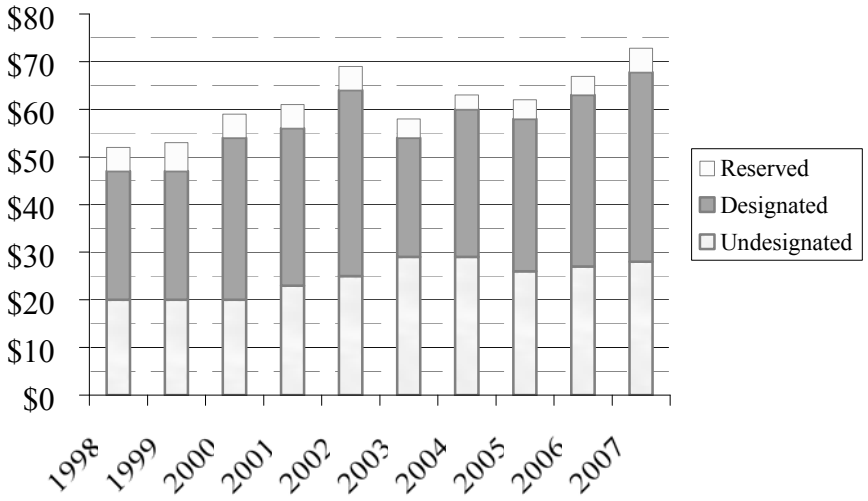
Change in Total Tax Base (in millions)



This chart dissects the increases and decreases in assessed values for the last ten years into appreciation and depreciation of existing properties and new properties. This chart is comprised of single year snapshots and is not cumulative.

The General Fund Unreserved Fund Balance financial policies are one keystone in the City's overall financial strength and stability. At the end of FY 2007, the City's General Fund fund balance was $72.3 million and included legal reservations of fund balance of $4.7 million and several designations totaling $41.1 million, including $11.4 million designated for future capital funding, leaving a remaining undesignated fund balance of $26.5 million. At the end of FY 2007 the City's ending General Fund fund balance condition was consistent with the City's established financial policies.

City of Alexandria General Fund - Fund Balance
(in millions)



CAPITAL FINANCING AND DEBT MANAGEMENT

In conjunction with the annual operating budget preparation, the City Manager annually prepares a six-year Capital Improvement Plan to provide for the financing of improvements to the City's public facilities. The first year of the program constitutes the capital budget for the current fiscal year; the remaining five years serve as a planning guide. The City accounts for capital improvement expenditures in the Capital Projects Fund and finances the projects from the General Fund (including appropriations of Designated Fund Balance), general obligation debt, the sale of surplus property, and intergovernmental grant revenues. The City's Capital Improvement Plan for FY 2008 through FY 2013 represents $389.1 million of City-funded public improvements to the City's schools, public buildings, parks, and transportation systems. In addition, state and federal grants and other sources, such as prior year City funds, will provide $180.8 million in additional planned capital funding for the FY 2008-FY 2013 time period.

To continue a strategy of improving and then maintaining the City's creditworthiness, the City Council established the following key target and ceiling ratios as of June 30 of each year:

	Ceiling	2001	2002	2003	2004	2005	2006	2007	Target
Debt as a Percentage of Fair Market Value	1.6%	0.74%	0.95%	0.75%	0.90%	0.88%	0.90%	0.85%	1.1%
Debt Per Capita as a Percentage of Per Capita Income[1]	3.25%	1.6%	2.2%	2.0%	2.7%	3.1%	3.4%	2.9%	2.25%
Debt Service as a Percentage of General Governmental Expenditures[2]	10.0%	3.1%	3.5%	3.6%	3.6%	4.2%	4.3%	4.5%	8.0%
General Fund Balance as a Percentage of General Fund Revenue:									
Unreserved	10% (floor	16.6%	17.6%	14.4%	14.6%	13.3%	13.2%	13.4%	N/A
Undesignated	4% (floor)	6.6%	6.8%	7.3%	6.9%	5.9%	5.6%	5.2%	5.5%
Unrestricted Net Assets as a Percentage of General Revenue	4% (floor)	8.4%[3]	32.2%	19.8%	18.4%	14.5%	17.7%	19.0%	5.5%

[1] Per capita information from the U.S. Bureau of Economic Analysis, as revised
[2] Data includes School Board and Library component units.
[3] Net Assets percentage decrease associated with School assets. See Note 5.

The adopted financial policies include the following:

- The City will increase its reliance on current revenue to finance its capital improvements.
- The City will consider a designation for pay-as-you-go capital a priority when additional General Fund resources become available at the end of a fiscal year.
- The City will not use General Fund equity to finance current operations for periods of longer than two years.
- The City will annually prepare a six-year Capital Improvement Plan.
- The City will not issue tax or revenue anticipation notes to fund governmental operations.
- The City will not issue bond anticipation notes for a term of longer than two years.

The City's General Obligation Bonds have the top available ratings as follows:

Moody's Investors Service	**Standard & Poor's**
Aaa	AAA

BUDGETARY ACCOUNTING AND INTERNAL CONTROLS

The City Charter requires the City Manager to submit a balanced budget to City Council no later than the first regular meeting in April of each year. The School Board prepares the Schools' budget and transmits it to the City Manager. The City Manager then submits his recommendation to City Council for consideration. If Council does not adopt a budget before June 27, the budget submitted by the City Manager for the upcoming fiscal year has full force and effect as if Council had adopted it.

As a management tool, budgetary control is maintained in the General Fund at the character level (i.e., personnel, non-personnel, capital outlays) and by the encumbrance of estimated purchase amounts before the release of purchase orders to vendors. Management can transfer appropriations at the department appropriation level without approval from City Council. The City follows a similar procedure with the Special Revenue Fund, but the level of control is at the grant or program level. In the Capital Projects Fund, the level of control is at the project level. With the Schools' budget, the level of control is at the total appropriation level.

City management is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft or misuse. Internal controls are intended to provide reasonable, but not absolute, assurance that these objectives are met. In addition to the examination of controls implemented by members of the Finance Department, the City's Internal Audit staff continually reviews and assesses the soundness and adequacy of the City's financial systems.

REPORT FORMAT

The City's Finance Department has prepared this **CAFR** in an effort to present all the information necessary to meet the needs of the many persons and groups that have an interest in the City's financial affairs. The objective of this report is to present financial information on a comparative basis with other governmental entities in Virginia and in accordance with established reporting standards. We believe the data is accurate in all material respects and is reported in a manner designed to present fairly the City's financial position and results of operations.

This **Comprehensive Annual Financial Report** is presented in four sections: introductory, financial, statistical, and single audit. The introductory section includes a list of principal officials, the City's organizational chart, and this transmittal letter. The financial section includes the management's discussion and analysis (MDA), basic, fund, and component unit financial statements, notes to financial statements, budgetary comparison schedules, required supplementary information for public employee retirement systems, and other supplementary information, as well as the independent auditors' report. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The single audit section contains information on the City and School programs that are financed by federal grants. This information is required by the Single Audit Act Amendments of 1996 and by the Auditor of Public Accounts of the Commonwealth of Virginia.

INDEPENDENT AUDIT

Section 5.18 of the City Charter requires an annual audit of the accounting and financial records of the City by independent certified public accountants. This section requires the auditor to examine the funds of the City in accordance with auditing standards generally accepted in the United States of America and the standards set forth in the Government Accountability Office's *Government Auditing Standards*. In addition, the auditor must conduct the compliance examinations required by the Single Audit Act Amendments of 1996, the related U.S. Office of Management and Budget's Circular A-133, and the *Specifications for Audit of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

The Alexandria City Council has selected the firm of KPMG LLP to perform these audit services. Their reports are presented in the Financial Section and the Single Audit Section of this report.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the City of Alexandria a Certificate of Achievement for Excellence in Financial Reporting for the City's **Comprehensive Annual Financial Report** for the 29th consecutive year in 2006. The GFOA awards a Certificate to governmental units that exemplify excellence in financial reporting and conform to stringent reporting requirements promulgated by that Association and various authoritative bodies.

To earn a Certificate of Achievement, a CAFR must tell its financial story clearly, thoroughly, and understandably. The report must be efficiently organized, employ certain standardized terminology and formatting conventions, minimize ambiguities and potentials for misleading inference, enhance understanding of current generally accepted accounting theory, and demonstrate a constructive "spirit of full disclosure."

A Certificate is valid for a period of one year only. The City believes our current report continues to conform to the Certificate of Achievement Program requirements and standards. We are submitting it to GFOA to determine its eligibility for another certificate for FY 2007.

REPORTING REQUIREMENTS

As required by the U.S. Securities and Exchange Commission Rule 15c2-12, the City has agreed for the benefit of the owners of City general obligation bonds and joint enterprise waste-to-energy-revenue bonds, to provide each nationally recognized municipal securities information repository and to any appropriate state information depositor, if any is hereafter created, certain financial information not later than 270 days after the end of each of its fiscal years, commencing with the fiscal year ended June 30, 1996. This CAFR provides the 15c2-12 general bond obligation bond information, which includes the “Debt Statement” found in Note 10 of Notes to the Financial Statements, a “Five Year Summary of General Fund Revenues and Expenditures” found in Table XXII, a summary of debt found in Table XXIII (Summary of Total General Obligation Bonds Debt Service), and “Tax Revenues by Source” found in Table III.

ACKNOWLEDGMENTS

We would like to express our appreciation to everyone in the City who assisted with and contributed to the preparation of this report. Special recognition is extended to the Accounting Division for their dedicated pursuit of excellence and leadership in financial reporting and in memory of Maria Rowencak, a committed member of the accounting division who passed away during this year.

Respectfully submitted,

Mark B. Jinks	Laura B. Triggs, CPA	Raymond J. Welch, Jr.
Deputy City Manager	Director of Finance	Acting Comptroller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

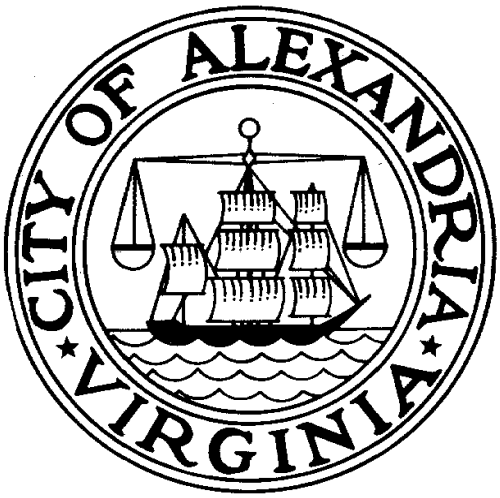
City of Alexandria Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

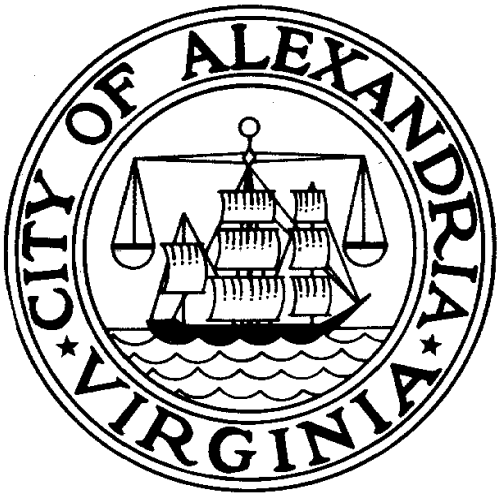
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

President

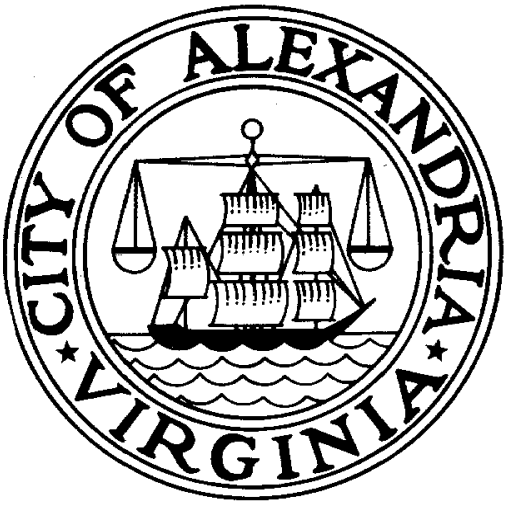
Executive Director


CITY OF ALEXANDRIA
VIRGINIA

FINANCIAL SECTION


CITY OF ALEXANDRIA
VIRGINIA

INDEPENDENT AUDITORS' REPORT


CITY OF ALEXANDRIA
VIRGINIA

KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

The Honorable Mayor and Members of the City Council
City of Alexandria, Virginia:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Alexandria, Virginia (the City), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements identified in Exhibits I through XII in the Financial Section of the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia (Specifications). 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2007, on our consideration of the City's internal control over financial reporting and on 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, the budgetary comparison schedules, and the schedules of funding progress and employer contributions on pages 21 through 32, 98 through 100, and 101 through 102, respectively, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited

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a member of KPMG International, a Swiss cooperative.

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 this information and express no opinion on it.

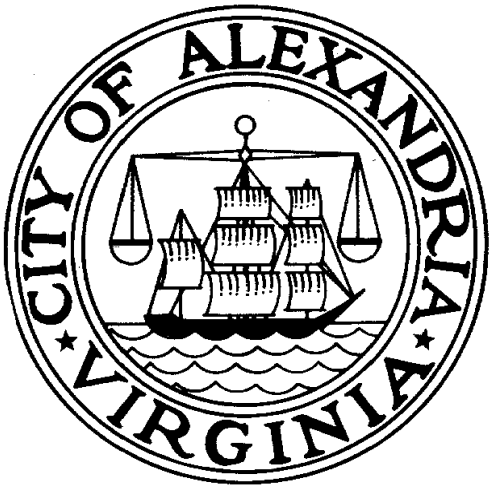
Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The information identified as schedules 1 and 2 in the Financial Section of the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The information identified as the Introductory and Statistical Sections in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

KPMG LLP

November 19, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS


CITY OF ALEXANDRIA
VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the City of Alexandria's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS FOR FY 2007

The General Fund, on a current financial resource basis, reported expenditures and other financing uses in excess of revenues and other financing sources by $4.7 million (Exhibit IV) after making a budgeted $12.9 million transfer to the capital projects fund and a $34.6 million transfer to the special revenue fund.

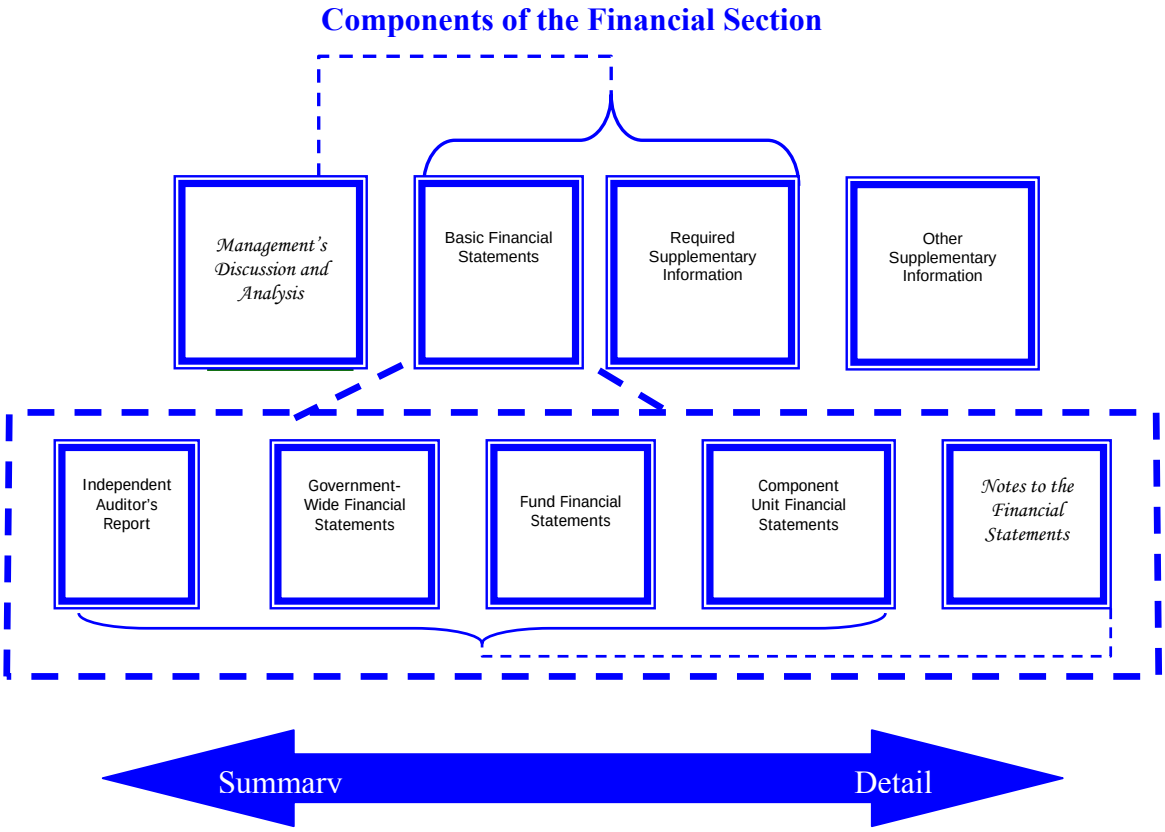
On a government-wide basis for governmental activities, the City's general revenues of $461.6 million were $13.2 million more than the $448.4 million of expenses net of program revenue (Exhibit II).

The City's total net assets, excluding component units, on the government-wide basis, totaled $360.6 million at June 30, 2007. Of this amount, $87.9 million is unrestricted (Exhibit I).

Beginning in FY 2006, the City reported assets for housing activities and sewer activities into separate funds to account for those programs separately. Both funds are included in the Special Revenue fund for financial reporting purposes (Schedules 3 and 4).

USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report consists of four sections: introductory, financial, statistical, and single audit. As the following chart shows, the financial section of this report has four components - *management's discussion and analysis* (this section), the *basic financial statements*, the *required supplementary information* and *the other supplementary information*.



GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. The Statement of Net Assets and the Statement of Activities, which are the government-wide statements, report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in those assets. The City's net assets position - the difference between assets and liabilities - is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors need to be considered, however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

The Statement of Net Assets and the Statement of Activities include the following:

Governmental activities - Most of the City's basic services are reported here: Police, Fire, Transportation and Environmental Services, Recreation, Parks and Cultural Activities Departments, and general administration. Property taxes, other local taxes, and state and federal grants finance most of these activities.

Component units - The City includes three separate legal entities in its report - the City of Alexandria School Board, the Alexandria Library, and the Alexandria Transit Company. Although legally separate, these "component units" are important because the City is financially accountable for them, and provides operating and capital funding to them. The Alexandria Transit Company component unit is also a proprietary fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide additional information about the City's most significant funds - not the City as a whole. The fund financial statements focus on the individual parts of the City government.

The City has three kinds of funds:

Governmental funds - Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statements that explains the relationship (or differences) between them.

Proprietary funds - Services for which the City charges customers or City users a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

The City uses an internal service fund (one kind of proprietary fund) to report activities that provide supplies and services for the City's other programs and activities. The Equipment Replacement Reserve Fund is the City's only internal service fund. Its primary purpose is to provide for the accumulation of money to replace capital equipment used in City operations. The Transit Company component unit is considered an enterprise fund since fees are charged to fund the operations.

Fiduciary funds - The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets (known as agency funds) that - because of a trust arrangement - can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. Agency funds are City custodial funds used to provide accountability of client monies for which the City is custodian. The City excludes pension plans and agency funds from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Statement of Net Assets:

The following table presents the condensed Statement of Net Assets:

Table 1
Summary of Net Assets
As of June 30, 2007 and 2006
(In millions)

	Primary Government Governmental Activities		Component Units	
	2007	**2006**	**2007**	**2006**
Current and other assets	$ 444	$ 498	$ 41	$ 43
Capital assets	469	415	22	22
Total assets	$ 913	$ 913	$ 63	$ 65
Other liabilities	$ 253	$ 251	$ 24	$ 24
Long-term liabilities	299	315	7	6
Total liabilities	$ 552	$ 566	$ 31	$ 30
Net assets:				
Invested in capital assets, net of related debt	$ 171	$ 105	$ 22	$ 22
Restricted	102	160	-	-
Unrestricted	88	82	10	14
Total Net Assets	$ 361	$ 347	$ 32	$ 36

Amounts may not add due to rounding

The City's net assets (which is the City's bottom line) increased four percent, or $14 million, to $361million. The increase is primarily attributable to decrease in liabilities resulting from the repayment of bonds. The decrease in the City's current assets and liabilities is primarily attributable to the use of bond proceeds for capital asset purchases. The decrease in component units' net assets is primarily attributable to the budgeted use of the School's fund balance. The City's capital assets increased $54 million, primarily due to various land acquisitions for recreational facilities (the Witter tract), for purchase and enhancement of the Freedman's Cemetery and additions to the City's construction in progress (Note 5) for the new T. C. Williams high school. Long-term liabilities decreased as bonds were repaid and no General obligation bonds for capital projects were issued.

Statement of Activities

The following chart shows the revenue and expenses of the governmental activities:

Table 2
Changes in Net Assets
For the Fiscal Years Ended June 30, 2007 and 2006
(In millions)

	Total Primary Government Governmental Activities		Component Units	
	2007	2006	2007	2006
Revenues				
Program revenues:				
Charges for services	$ 50	$ 40	$ 5	$ 5
Operating grants and Contributions	61	60	42	37
Capital grant/contributions	18	10	--	--
General revenues:				
Property taxes	311	289	--	--
Other taxes	111	109	--	--
Other	40	41	1	--
Payment to/from from City	--	--	166	177
Total revenues	$ 591	$ 549	$ 214	$ 220
Expenses				
General government	$ 64	$ 48	$ --	$ --
Judicial administration	18	16	--	--
Public safety	112	107	--	--
Public works	44	41	--	--
Library	7	6	7	7
Health and welfare	89	84	--	--
Transit	14	12	11	11
Culture and recreation	27	25	--	--
Community development	35	24	--	--
Education	154	140	200	207
Interest on long-term debt	13	10	--	--
Total expenses	$ 577	$ 515	$ 218	$ 225
Change in net assets	$ 14	$ 35	$ (4)	$ (5)
Net Assets Beginning of Year	$ 347	$ 312	$ 36	$ 41
Net Assets End of Year	$ 361	$ 347	$ 32	$ 36

Amounts may not add due to rounding

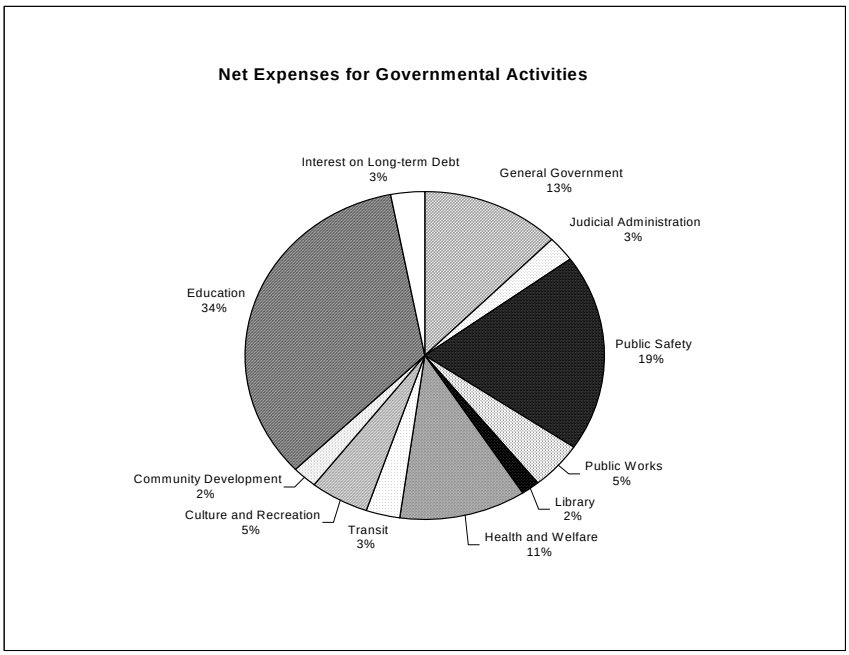
REVENUES

For the fiscal year ended June 30, 2007 revenues from governmental activities totaled $591 million. Real estate tax revenues, the City's largest revenue source, reflecting the recognition of the taxes associated with the last half of calendar year 2006 and the first half of calendar year 2007 real property tax billings, were $275 million. The increase in tax revenues is primarily attributable to an increase in the City's assessed real property tax rate, which increased 1.5¢. One percent of the City's real estate tax was set aside to fund open space initiatives and the equivalent of one cent of the real estate tax rate revenues was transferred to a Special Housing fund for affordable housing initiatives.

In addition:

- The increase in Charges for services is attributable to budgeted increases in sewer and developer fees, and
- The increase in capital grants and contributions reflects the receipt of federal funds for the Woodrow Wilson bridge

Component units' nets assets decreased primarily because of the planned use of prior year fund balance for school operations.



EXPENSES

For the fiscal year ended June 30, 2007 expenses for governmental activities totaled $577 million and include budgeted increases for employee compensation, maintenance of public buildings and budgeted increases in payments for educational expenses to the School Board. For FY 2007 the City provided increased resources to the following areas:

- City's supplemental pension plan,
- Building a new high school to replace the existing T.C. Williams High School building, and
- Open space acquisition and affordable/workforce housing.

Education continues to be one of the City's highest priorities. Capital funding included $0.8 million in addition to the City's operating subsidy to the Schools of $150 million.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

For the fiscal year ended June 30, 2007, the governmental funds reflect a combined fund balance of $198 million (Exhibit III). The fund balance decrease of $58 million is primarily funds committed to affordable/workforce housing and capital projects. In addition, these other changes in fund balance should be noted:

- The General Fund contributed $12.9 million to pay-as-you-go financing of capital projects.
- The City contributed $150 million to the schools for operations.
- The City spent over $94 million in the Capital Projects Fund primarily to fund a new high school.

Except for reservations of fund balances (Exhibit III), there are no significant limitations on fund balances that would affect the availability of fund resources for future uses.

GENERAL FUND BUDGETARY HIGHLIGHTS

Table 3
General Fund Budget
(in millions)

	FY 2007		
	Original Budget	Amended Budget	Actual
Revenues, Transfers, and Other Financial Sources			
Taxes	$ 400	$ 400	$ 421
Intergovernmental	50	50	54
Other	39	41	31
Total	$ 489	$ 491	$ 506
Expenditures, Transfers, and Other Financial Uses			
Expenditures	$ 286	$ 297	$ 290
Transfers and other	206	214	211
Total	$ 492	$ 511	$ 501
Change in Fund Balance	$ (3)	$ (20)	$ 5

Amounts may not add due to rounding

Revenue and other financing sources exceeded expenditures and other financing uses by $5 million in the General Fund for FY 2007 with $2.3 million of this amount reserved for encumbrances and another $2.3 million designated for projects started but not completed in FY 2007.

Actual General Fund revenues and other financial sources exceeded original budgeted revenues by $17 million and the amended budget by $15 million during FY 2007. This is primarily due to an increase in the City's assessed real property tax rate. As a result of supplemental appropriations for encumbrances and cash capital transfers, actual General Fund expenditures and transfers were greater than the original budget by $9 million, while General Fund expenditures were less than the amended budget by $10 million since not all planned projects were completed before the end of the fiscal year.

During FY 2007, City Council amended the budget three times. These budget amendments, or supplemental appropriation ordinances, were primarily for the following purposes:

- To reappropriate monies to pay for commitments in the form of encumbrances established prior to June 30, 2006 but not paid by that date. Encumbrances for General Fund obligations for purchase orders authorized and issued, but for which goods and services were not received or paid by June 30, 2006, totaled $1.8 million.
- To reappropriate monies ($2.6 million) to pay for projects budgeted for FY 2006 but not completed before the end of the fiscal year.

- To reappropriate grant, donation and other revenues authorized in FY 2006 or earlier, but not expended or encumbered as of June 30, 2006.
- To appropriate grants, donations, and other revenues accepted or adjusted in FY 2007.
- To appropriate the designated General Fund balance of $7.4 million to planned capital projects.

CAPITAL ASSETS

At the end of FY 2007, the City's governmental activities had invested cumulatively $469.2 million (see Note 5) in a variety of capital assets and infrastructure, as reflected in the following schedule, which represents a net increase of $54.0 million.

Table 4
Governmental Activities
Change in Capital Assets
(in millions)

	Balance June 30, 2006	Net Additions/ (Deletions)	Balance June 30, 2007
Non-Depreciable Assets			
Land and Land Improvements	$ 64.0	$ 23.7	$ 87.7
Construction in Progress	106.7	1.7	108.4
Other Capital Assets			
Buildings	231.5	25.0	256.3
Infrastructure	125.0	15.5	140.5
Furniture and Other Equipment	48.6	2.5	51.1
Accumulated Depreciation on Other Capital Assets	(160.5)	(14.3)	(174.8)
Totals	$415.2	$ 54.0	$469.2

Amounts may not add due to rounding

The FY 2007 increase in buildings includes the completion of a major school renovation. The increase in land represents a purchase of land from the railroad and the acquisition of the Freedman's Cemetery. The primary component of construction in progress is a new high school building under construction.

The FY 2008 - FY 2013 Approved Capital Improvement Program (CIP), which was approved by City Council in May 2007, sets forth a six-year program with $389.1 million in new City funded and $180.7 million in prior City funded and partially state transportation aid funded program of public improvements for the City and the Alexandria City Public Schools. This represents (in City funding) an increase of approximately $62.6 million above the FY 2007-2012 CIP. The CIP also provides an increased capital investment in quality of life initiatives, including open space acquisition, and increased Metro capital funding, to enhance the quality of life in Alexandria.

LONG-TERM DEBT

At the end of FY 2007, the City had $278.5 million in outstanding general obligation bonds a decrease of $18.0 million, or 6 percent, over last year. In May 2007, the City refunded $23 million in non-taxable general obligation bonds at a present value savings of $1.0 million. The bonds and premium were issued at a true interest cost of 3.9 percent. More detailed information about the City's long-term liabilities is presented in Note 10 to the financial statements.

During 2007, Moody's Investors Services, Inc. and Standard & Poor's (S&P) credit rating agencies reaffirmed the City's triple-A bond ratings. The City received its first triple-A rating from Moody's in 1986 and from S&P in 1992.

The Commonwealth of Virginia limits the amount of general obligation debt the City can issue to ten percent of the assessed value of real property within the City. The City's outstanding debt is significantly below, or less than one-tenth of this state law limit - which would equate to $3.4 billion for the City.

ECONOMIC FACTORS

Job growth in the City has had stable employment in FY 2007, with total employment of 102,651 for March 2007 (the latest data available from the Virginia Employment Commission). Tourism has remained relatively flat, with the hotel occupancy tax, restaurant food tax and sales tax showing only moderate growth in FY 2007.

As of 2005 (the latest data available from the U.S. Bureau of Economic Analysis), the City's per capita income of $61,147 remains one of the highest in the United States, and is now the highest of any major jurisdiction in Virginia. The City's office vacancy rate stood at 12.2 percent by the end of FY 2007, which is slightly lower than the office vacancy rate in Northern Virginia, as well as the Washington D.C. metropolitan area.

OTHER INFORMATION

In preparation for planning related to Governmental Accounting Standard Board Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45), the City had actuaries prepare a preliminary evaluation of post retirement medical and life insurance costs as of January 1, 2007. That evaluation estimated the Unfunded Actuarial Accrued Liability to be $88.8 million and the Annual Required Contribution to be $12.3 million. This information was based on a 30-year amortization of the unfunded actuarial liability and a 7.5 percent discount rate assumption. The 7.5 percent discount rate assumption was based on the assumption that the City would establish a separate investment trust fund to finance the payment of benefits. If a separate investment trust fund is not established, GASB 45 requires the City to use a discount rate assumption that reflects the rate the City receives on its general investments. If a discount rate assumption of 4 percent, to reflect the City's general investment rate, is used for the preliminary evaluation, the Total Actuarial Accrued Liability would increase to $125.5 million and the Annual Required Contribution would increase to $16.3 million.

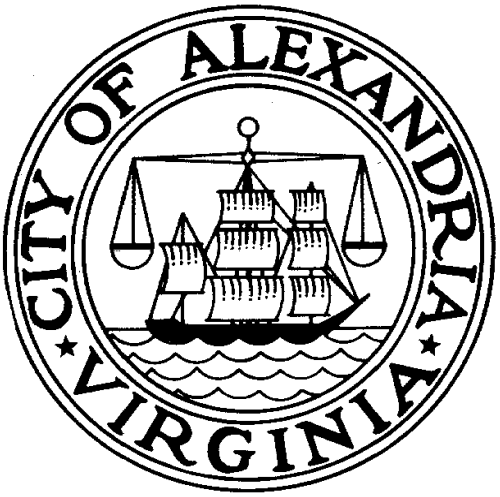
The Alexandria City Public Schools (a component unit of the City) also provides a post retirement health care subsidy per month for each retiree. For FY 2007, the Schools provided a subsidy of $265 per month to cover 300 retirees at a total cost on a "pay-as-you-go" basis of $1.1 million. A preliminary evaluation of their plan as of June 30, 2007, estimated that, with a separate trust fund, the Unfunded Actuarial Accrued Liability would be approximately $39.0 million and the Annual Required Contribution would be $4.9 million; if a separate trust fund is not used, the Unfunded Actuarial Accrued Liability would be approximately $66.0 million and the Annual Required Contribution would be approximately $7.0 million.

In recognition that GASB 45 reported unfunded liabilities should be funded, City Council as part of its FY 2008 budget deliberations increased its designation to $10.7 million of the City's General Fund balance for "Post Retirement Employees Benefits." This is an increase of $2.0 million over the designation as of June 30, 2006. The City has proposed changes to the health insurance program. During FY 2008 funding policies and these options will continue to be reviewed.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Laura Triggs, Director of the City of Alexandria's Finance Department, City Hall, P.O. Box 178, Alexandria, VA 22313, telephone (703) 838-4755, or visit the City's web site at alexandriava.gov.

BASIC
FINANCIAL STATEMENTS


CITY OF ALEXANDRIA
VIRGINIA

CITY OF ALEXANDRIA, VIRGINIA
Statement of Net Assets
As of June 30, 2007

Exhibit I

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash and Cash Equivalents	$ 136,066,989	$ 26,740,209
Cash and Investments with Fiscal Agents	77,452,052	2,488,215
Receivables, Net	184,224,969	114,344
Accrued Interest	665,344	-
Due From Other Governments	39,276,399	4,965,994
Inventory of Supplies	2,347,911	529,076
Prepaid and Other Assets	3,562,584	6,696,107
Capital Assets		
Land and Construction in Progress	196,136,904	7,504,188
Other Capital Assets, Net	273,070,016	14,268,084
Capital Assets, Net	$ 469,206,920	$ 21,772,272
Total Assets	$ 912,803,168	$ 63,306,217
LIABILITIES		
Accounts Payable	$ 15,853,474	$ 4,149,838
Accrued Wages	7,401,445	19,062,590
Accrued Liabilities	3,491,972	-
Unearned Revenue	200,980,814	339,431
Other Short-term Liabilities	2,480,147	319,552
Deposits	1,147,522	-
Long-term Liabilities Due Within One Year	22,394,136	892,586
Long-term Liabilities Due in More Than One Year	298,453,807	6,697,378
Total Liabilities	$ 552,203,317	$ 31,461,375
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	$ 170,869,301	$ 21,772,272
Restricted for:		
Capital Projects	101,587,684	-
Affordable Housing	275,073	-
Unrestricted Net Assets	87,867,792	10,072,570
TOTAL NET ASSETS	$ 360,599,851	$ 31,844,842

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Activities
For the Fiscal Year Ended June 30, 2007

Exhibit II

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants & Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Total	Net (Expense) Revenue and Changes in Net Assets: Component Units
Primary Government:							
Governmental Activities:							
General Government	$ 63,615,719	$ 6,260,097	$ 1,136,244	$ -	$ (56,219,378)	$ (56,219,378)	$ -
Judicial Administration	17,664,564	2,003,438	4,060,225	-	(11,600,901)	(11,600,901)	-
Public Safety	112,254,136	11,492,388	14,238,607	-	(86,523,141)	(86,523,141)	-
Public Works	44,314,613	16,132,953	5,200,264	1,624,002	(21,357,394)	(21,357,394)	-
Library	6,821,877	-	-	-	(6,821,877)	(6,821,877)	-
Health and Welfare	89,445,018	6,393,968	31,903,729	-	(51,147,321)	(51,147,321)	-
Transit	14,092,313	-	-	-	(14,092,313)	(14,092,313)	-
Culture and Recreation	26,932,106	2,429,182	298,539		(24,204,385)	(24,204,385)	-
Community Development	34,985,982	4,864,225	4,203,388	16,619,218	(9,299,151)	(9,299,151)	-
Education	153,715,707	-	-	-	(153,715,707)	(153,715,707)	-
Interest on Long-term Debt	13,445,407	-	-	-	(13,445,407)	(13,445,407)	-
Total Primary Government	$ 577,287,442	$ 49,576,251	$ 61,040,996	$ 18,243,220	$ (448,426,975)	$ (448,426,975)	$ -
Component Units:							
Library	$ 7,414,806	$ 203,458	$ 229,858	$ -	$ -	$ -	$ (6,981,490)
Transit	11,212,588	2,755,622	83,978	-	-	-	(8,372,988)
School Board	199,631,185	2,244,171	41,749,361	-	-	-	(155,637,653)
Total Component Units	$ 218,258,579	$ 5,203,251	$ 42,063,197	$ -	$ -	$ -	$ (170,992,131)
General Revenues:							
Taxes:							
General Property Taxes:							
Real Estate					$ 275,446,314	$ 275,446,314	$ -
Personal Property					35,295,175	35,295,175	-
Other					110,979,367	110,979,367	-
Payment from City of Alexandria					-	-	166,115,776
Grants and Contributions Not Restricted to Specific Programs					32,371,136	32,371,136	-
Interest and Investment Earnings					6,923,097	6,923,097	291,755
Miscellaneous					590,351	590,351	760,434
Total General Revenues					$ 461,605,440	$ 461,605,440	$ 167,167,965
Change in Net Assets					$ 13,178,465	$ 13,178,465	$ (3,824,166)
Net Assets at Beginning of Year					347,421,386	347,421,386	35,669,008
Net Assets at End of Year					$ 360,599,851	$ 360,599,851	$ 31,844,842

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Balance Sheet
Governmental Funds
June 30, 2007

Exhibit III

	General	Special Revenue	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	$ 74,754,105	$ 19,286,317	$ 31,368,472	$ 125,408,894
Cash and Investments with Fiscal Agents	-	3,958,780	73,493,272	77,452,052
Receivables, Net	182,464,578	1,760,391	-	184,224,969
Accrued Interest	665,344	-	-	665,344
Due From Other Governments	32,705,046	6,571,353	-	39,276,399
Inventory of Supplies	2,347,911	-	-	2,347,911
Prepaid and Other Assets	415,658	9,106	-	424,764
Total Assets	$ 293,352,642	$ 31,585,947	$ 104,861,744	$ 429,800,333
LIABILITIES				
Accounts Payable	$ 10,173,991	$ 2,309,325	$ 3,264,661	$ 15,747,977
Accrued Wages	5,919,702	1,472,345	9,398	7,401,445
Accrued Vacation	2,671,002	-		2,671,002
Other Liabilities	2,480,147	-		2,480,147
Deposits	1,147,522	-		1,147,522
Unearned Revenue	198,706,550	4,069,243	-	202,775,793
Total Liabilities	$ 221,098,914	$ 7,850,913	$ 3,274,059	$ 232,223,886
FUND BALANCES				
Reserved for:				
Capital Projects	$ -	$ -	$ 83,700,361	$ 83,700,361
Notes Receivable	-	1,236,283		1,236,283
Inventory of Supplies	2,347,911	-		2,347,911
Encumbrances	2,345,051	1,589,526	17,887,323	21,821,900
Unreserved	67,560,766	20,909,225	-	88,469,991
Total Fund Balances	$ 72,253,728	$ 23,735,034	$ 101,587,684	$ 197,576,446
Total Liabilities and Fund Balances	$ 293,352,642	$ 31,585,947	$ 104,861,743	

Adjustments for the Statement of Net Assets:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds. (Note 5)	458,030,133
Other long-term assets are not available to pay for current period expenditures; the taxes offset by deferred revenue in the governmental funds. (Note 1)	4,932,799
Internal service funds are used by management to charge the costs of equipment replacement; and, therefore, the assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets. (Exhibit V)	21,729,386
Long-term liabilities, including bonds payable, are not reported as liabilities in the governmental funds. (Note 9)	(321,668,913)
Net Assets of Governmental Activities	$ 360,599,851

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

Exhibit IV

	General	Special Revenue	Capital Projects	Total Governmental Funds
REVENUES				
General Property Taxes	$ 310,821,622	$ -	$ -	$ 310,821,622
Other Local Taxes	110,979,367	-	-	110,979,367
Permits, Fees, and Licenses	5,944,363	1,228,963	-	7,173,326
Fines and Forfeitures	3,628,938	-	-	3,628,938
Use of Money and Property	9,712,862	404,865	5,657,952	15,775,679
Charges for Services	10,286,955	12,198,022	754,447	23,239,424
Intergovernmental Revenue	53,608,403	40,601,255	17,279,666	111,489,324
Miscellaneous	590,351	5,268,889	1,413,094	7,272,334
Total Revenues	$ 505,572,861	$ 59,701,994	$ 25,105,159	$ 590,380,014
EXPENDITURES				
Current Operating:				
General Government	$ 44,983,189	$ 426,446	$ -	$ 45,409,635
Judicial Administration	16,024,123	1,089,424	-	17,113,547
Public Safety	105,381,228	4,273,759	-	109,654,987
Public Works	33,072,866	2,389,863	-	35,462,729
Library	6,821,877	-	-	6,821,877
Health and Welfare	20,889,031	68,003,224	-	88,892,255
Transit	14,092,313	-	-	14,092,313
Culture and Recreation	22,855,258	715,751	-	23,571,009
Community Development	9,219,603	22,129,748	-	31,349,351
Education	149,886,169	-	845,545	150,731,714
Debt Service:				
Principal	17,729,329	-	-	17,729,329
Interest and Other Charges	13,307,530	-	-	13,307,530
Capital Outlay	-	-	93,484,928	93,484,928
Total Expenditures	$ 454,262,516	$ 99,028,215	$ 94,330,473	$ 647,621,204
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 51,310,345	$ (39,326,221)	$ (69,225,314)	$ (57,241,190)
OTHER FINANCING SOURCES (USES)				
Sale of Land	$ -	$ -	$ 7,300	$ 7,300
Issuance of Refunding Bonds	22,815,000			22,815,000
Bond Premium (Discount)	1,448,072	-	-	1,448,072
Payment to Refunded Bonds Escrow Agent	(24,104,018)			(24,104,018)
Transfers In	1,063,895	35,089,081	12,905,996	49,058,972
Transfers Out	(47,816,337)	(1,960,796)	-	(49,777,133)
Total Other Financing Sources and Uses	$ (46,593,388)	$ 33,128,285	$ 12,913,296	$ (551,807)
Net Change in Fund Balance	$ 4,716,957	$ (6,197,936)	$ (56,312,018)	$ (57,792,997)
Fund Balance at Beginning of Year	67,378,045	29,932,970	157,899,702	
Increase in Reserve for Inventory	158,726	-	-	158,726
Fund Balance at End of Year	$ 72,253,728	$ 23,735,034	$ 101,587,684	

Adjustments for the Statement of Activities:

Repayment and refunding of bond principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	40,889,329
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which new capital assets exceeded capital expenditures in the current period. (Note 5)	50,686,755
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. (Note 4)	(80,133)
Issuance of debt and premium provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the Statement of Net Assets (Note 9)	(24,263,072)
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. (Note 9)	(1,416,627)
Internal service funds are used by management to charge the costs of certain equipment to individual funds. The net revenue of the internal service fund (except depreciation which is reported in capital outlays above) is reported with governmental activities. (Exhibit VI)	4,996,484
Change in Net Assets of Governmental Activities	$ 13,178,465

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Net Assets
Proprietary Funds – Internal Service Fund
June 30, 2007

Exhibit V

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	10,658,095
Total Current Assets	$	10,658,095
Noncurrent Assets:		
Capital Assets:		
Buildings and Equipment	$	34,216,384
Less Accumulated Depreciation		(23,039,597)
Capital Assets, Net	$	11,176,787
Total Assets	$	21,834,882
LIABILITIES		
Current Liabilities:		
Accounts Payable	$	105,496
Total Current Liabilities	$	105,496
Total Liabilities	$	105,496
NET ASSETS		
Invested in Capital Assets	$	11,176,787
Unrestricted Net Assets		10,552,599
Total Net Assets	$	21,729,386
Total Liabilities and Net Assets	$	21,834,882

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds - Internal Service Fund
For the Year Ended June 30, 2007

Exhibit VI

Operating Revenues:	
Charges for Services	$ 5,070,287
Total Operating Revenues	$ 5,070,287
Operating Expenses:	
Materials and Supplies	$ 758,399
Depreciation	3,217,068
Total Operating Expenses	$ 3,975,467
Operating Income	$ 1,094,820
Nonoperating Expenses:	
Loss on Disposal of Capital Assets	$ (33,565)
Total Nonoperating Expenses	$ (33,565)
Net Profit/Loss Before Operating Transfers	$ 1,061,255
Operating Transfers:	
Transfers In	718,161
Total Net Transfers	$ 718,161
Change in Net Assets	1,779,416
Net Assets at Beginning of Year	$ 19,949,970
Net Assets at End of Year	$ 21,729,386

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007

Exhibit VII

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts From Customers	$	5,070,287
Payments to Suppliers		(772,678)
Net Cash Provided by Operating Activities	$	4,297,609
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Subsidies and Transfers from Other Funds	$	718,161
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	$	(3,389,026)
Net Cash Used By Capital and Related Financing Activities	$	(3,389,026)
Net Increase in Cash and Cash Equivalents	$	1,626,744
Cash and Cash Equivalents at Beginning of Year		9,031,352
Cash and Cash Equivalents at End of Year	$	10,658,096

Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	$	1,094,820
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense		3,217,068
Change in Assets and Liabilities:		
Accounts Payable		(14,279)
Net Cash Provided by Operating Activities	$	4,297,609

Noncash investing, capital and financing activities:
Capital assets with a net book value of $33,565 were retired in non-cash transactions during the year in the Internal Service Fund.

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Fiduciary Net Assets
At June 30, 2007

Exhibit VIII

	Employee Retirement Plans	Private-Purpose Trusts	Agency Funds
ASSETS			
Cash and Short-term Investments	$ -	$ 5,020	$ 10,197
Investments, at Fair Value:			
U.S. Government Obligations	3,137,826	-	812,091
Repurchase Agreements	-	-	97,815
Mutual Funds	197,888,378	-	-
Corporate Stocks	11,183,056	-	-
Guaranteed Investment Accounts	78,060,051	-	-
Domestic Corporate Bonds	602,573	-	-
Other Investments	449,544	-	-
Total Investments	$ 291,321,428	$ -	$ 909,906
Total Assets	$ 291,321,428	$ 5,020	$ 920,103
LIABILITIES			
Refunds Payable and Other	$ -	$ -	$ 920,103
	$ -	$ -	$ 920,103
NET ASSETS			
Held in Trust for Pension Benefits and Other Purposes	$ 291,321,428	$ 5,020	

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Changes in Fiduciary Net Assets
For the Fiscal Year Ended June 30, 2007

Exhibit IX

	Employee Retirement Plans	Private-Purpose Trusts
ADDITIONS		
Contributions:		
Employer	$ 13,457,569	$ -
Plan Members	4,712,452	-
Total Contributions	$ 18,170,021	$ -
Investment Earnings:		
Net Appreciation in Fair Value of Investments	$ 28,297,231	$ -
Interest	8,316,861	751
Total Investment Earnings	$ 36,614,092	$ 751
Less Investment Expense	516,128	-
Net Investment Income	$ 36,097,964	$ 751
Total Additions	$ 54,267,985	$ 751
DEDUCTIONS		
Benefits	$ 13,324,723	$ 500
Refunds of Contributions	2,670,850	-
Administrative Expenses	173,442	-
Total Deductions	$ 16,169,015	$ 500
Change in Net Assets	$ 38,098,970	$ 251
Net Assets at Beginning of Year	253,222,458	4,769
Net Assets at End of Year	$ 291,321,428	$ 5,020

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Net Assets
Component Units
At June 30, 2007

Exhibit X

	School Board	Library	Transit	Total
ASSETS				
Cash and Cash Equivalents	$ 26,081,332	$ 94,590	$ 564,287	$ 26,740,209
Cash and Investments with Fiscal Agents	-	2,488,215		2,488,215
Receivables	57,178	-	57,166	114,344
Due from Other Governments	4,794,985	-	171,009	4,965,994
Inventory of Supplies	142,360	-	386,716	529,076
Prepaid and Other Assets	6,696,107	-		6,696,107
Capital assets				
Land and Construction in Progress	999,381	-	6,504,807	7,504,188
Other Capital Assets, Net	5,766,685	-	8,501,399	14,268,084
Capital Assets, Net	$ 6,766,066	$ -	$ 15,006,206	$ 21,772,272
Total Assets	$ 44,538,028	$ 2,582,805	$ 16,185,384	$ 63,306,217
LIABILITIES				
Accounts Payable	$ 3,939,871	$ 84,693	$ 125,274	$ 4,149,838
Accrued Wages	18,764,444	185,840	112,306	19,062,590
Unearned Revenue	339,431	-		339,431
Other Short-term Liabilities	5,238	-	314,314	319,552
Long-term Liabilities Due Within One Year	892,586	-		892,586
Long-term Liabilities Due in More Than One Year	6,697,378	-		6,697,378
Total Liabilities	$ 30,638,948	$ 270,533	$ 551,894	$ 31,461,375
NET ASSETS				
Invested in Capital Assets	$ 6,766,066	$ -	$ 15,006,206	$ 21,772,272
Unrestricted Net Assets	7,133,014	2,312,272	627,284	10,072,570
TOTAL NET ASSETS	$ 13,899,080	$ 2,312,272	$ 15,633,490	$ 31,844,842

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Activities
Component Units
For the Year Ended June 30, 2007

Exhibit XI

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	School Board	Library	Transit	Totals
School Board							
Instructional	$ 199,631,185	$ 2,244,171	$ 41,749,361	$ (155,637,653)	$ -	$ -	$ (155,637,653)
Total School Board	$ 199,631,185	$ 2,244,171	$ 41,749,361	$ (155,637,653)	$ -	$ -	$ (155,637,653)
Library	$ 7,414,806	$ 203,458	$ 229,858	$ -	$ (6,981,490)	$ -	$ (6,981,490)
Transit	11,212,588	2,755,622	83,978	-	-	(8,372,988)	(8,372,988)
Total Component Units	$ 218,258,579	$ 5,203,251	$ 42,063,197	$ -	$ (6,981,490)	$ (8,372,988)	$ (170,992,131)
General Revenues:							
Payment From City				$ 149,873,621	$ 6,821,877	$ 7,337,024	$ 164,032,522
Capital Payment From City				845,545	-	-	845,545
Capital Contribution From City				-	-	1,237,708	1,237,708
Interest and Investment Earnings				-	291,755	-	291,755
Miscellaneous				559,094	180,519	20,822	760,435
Total General Revenues				$ 151,278,260	$ 7,294,151	$ 8,595,554	$ 167,167,965
Change in Net Assets				$ (4,359,393)	$ 312,661	$ 222,566	$ (3,824,166)
Net Assets Beginning of Year				18,258,473	1,999,611	15,410,924	35,669,008
Net Assets End of Year				$ 13,899,080	$ 2,312,272	$ 15,633,490	$ 31,844,842

See Accompanying Notes to Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Narrative Profile

The City of Alexandria, located in northern Virginia and bordered by the District of Columbia (Potomac River) and Arlington and Fairfax Counties, was founded in 1749 and incorporated in 1779. With a population of 139,000 and a land area of 15.75 square miles, Alexandria is the 7th largest city in the Commonwealth of Virginia and one of the most densely populated cities in the Commonwealth.

The City is governed under the City Manager-Council form of government. Alexandria engages in a comprehensive range of municipal services, including general government administration, public safety and administration of justice, education, health, welfare, housing and human service programs, transportation and environmental services, planning, community development and recreation, cultural, library, and historic activities.

The financial statements of the City of Alexandria, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and U.S. generally accepted accounting principles (GAAP) as specified by the Governmental Accounting Standards Board (GASB). The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

The City follows GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* GASB Statement No. 34 requires the following financial statement components:

Management's Discussion and Analysis – A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

Government-wide financial statements – These include financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable), but also capital assets (such as buildings and infrastructure, including bridges and roads) and long-term liabilities (such as general obligation debt and unfunded pension costs). Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement of Net Assets and the Statement of Activities.

Statement of Net Assets – The Statement of Net Assets displays the financial position of the primary government (governmental and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense – the cost of "using up" capital assets – in the Statement of Activities. The net assets of a government are broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities – The Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the City's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements – The fund financial statements display the financial transactions and accounts of the City based on funds. The operation of each fund is considered to be an independent accounting entity. The fund financial statements also include reconciliation to the government-wide statement, which briefly explains the differences between the fund and government-wide financial statements.

Budgetary Comparison Schedules – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have an interest in following the actual financial progress of their governments over the course of the year. The City Council approves revisions to its original budget over the course of the year for a variety of reasons.

As required by GAAP, these financial statements present the primary government and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The City has no component units that meet the requirements for blending. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. Each of the City's discretely presented component units has a June 30 fiscal year-end.

Component Units:

City of Alexandria School Board

Since FY 1995, the Alexandria City School Board (School Board) has been elected. The School Board is substantially reliant upon the City because City Council approves the School Board's total annual budget appropriation, levies taxes, and issues debt for school projects. The legal liability for the general obligation debt issued for school capital assets remains with the City. The City's primary transaction with the School Board is the City's annual General Fund revenue support, which totaled $150 million for operations and $0.8 million for capital equipment in FY 2007.

The APA establishes financial reporting requirements for all localities in the Commonwealth of Virginia. The APA has determined that all Virginia School Boards shall be reported as discretely presented component units of the locality. The APA has also specified additional reporting requirements with respect to School Boards.

City of Alexandria Library System

City Council appoints the Library Board (Library) and approves the Library budget. The City is responsible for issuing debt, and acquiring and maintaining all capital items on behalf of the Library. The legal liability for the general obligation debt issued on behalf of the Library remains with the City. The City's primary transaction with the Library is the City's annual operating support, which was $6.8 million for FY 2007.

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Alexandria Transit Company

The City Council, acting as sole shareholder, elects members of the Alexandria Transit Company's board of directors. City Council approves bus routes, fares, and budgets. The City funds deficits and may issue debt on behalf of the Alexandria Transit Company. The City's primary transactions with the Alexandria Transit Company are the City's annual subsidy, which was $7.3 million, and a capital contribution, which was $1.2 million, in FY 2007.

Complete financial statements for the School Board and Library component units may be obtained at each entity's administrative offices. The Alexandria Transit Company does not issue separate financial statements and is included as an enterprise fund.

City of Alexandria School Board 2000 North Beauregard Street Alexandria, Virginia 22311	City of Alexandria Library System 5005 Duke Street Alexandria, Virginia 22304-2903

Excluded from Reporting Entity:

City Council is not financially accountable for the Deferred Compensation Plan, Alexandria Economic Development Partnership, Alexandria Industrial Development Authority, Alexandria Redevelopment and Housing Authority, Alexandria Sanitation Authority, or Sheltered Homes of Alexandria, Inc. Accordingly, these entities are excluded from the City of Alexandria's financial statements.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The reporting model focus is on both the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category) and the component units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, the governmental activities column (a) is presented on a combined basis, and (b) is reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Both government-wide and fund financial statements presentations provide information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the financial information. The City generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.). 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 and 2)

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. The City does not allocate indirect expenses. The operating grants and contributions column includes operating-specific and discretionary (either operating or capital) grants, while the capital grants and contributions column reflects capital-specific grants.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with related liabilities, fund balances and net assets, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

The City's fiduciary funds are presented in the fund financial statements by type (pension, private purpose trust and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The following is a brief description of the specific funds used by the City in FY 2007.

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed.

a. General Fund

The General Fund is the primary operating fund of the City. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues is used to finance the operations of the City of Alexandria School Board.

b. Special Revenue Fund

The Special Revenue Fund accounts for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities. The Special Revenue Fund is considered a major fund for reporting purposes. A significant portion of the Special Revenue Fund is used for Health and Welfare programs.

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Capital Projects Fund

The Capital Projects Fund accounts for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds. The Capital Projects Fund is considered a major fund for reporting purposes.

2. Proprietary Funds

Proprietary Funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, net assets, revenues, expenses, and payments relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Operating revenues include charges for services. Operating expenses include costs of services as well as, materials, contracts, personnel, and depreciation. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. In accordance with GASB Statement No. 20, the City has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board, in accounting for enterprise funds to the extent these standards do not conflict with or contradict guidance of the GASB. The City has two proprietary funds – the Internal Service Fund and the component unit Alexandria Transit Company. The Internal Service Fund accounts for the financing of goods or services provided by one department to other departments or agencies of the City on a cost-reimbursement basis and is not considered an enterprise fund. The City established the Equipment Replacement Reserve Account, internal service fund, for the purpose of providing for the accumulation of funds to replace capital equipment items used in City operations. This internal service fund derives its funding from periodic equipment rental charges assessed to the user departments in the governmental funds. This funding is then used to replace capital equipment when the need arises. The internal service fund is included in governmental activities for government-wide reporting purposes and is not considered an enterprise fund. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The excess revenues or expenses for the fund are allocated to the appropriate functional activity. The component unit Alexandria Transit Company is considered an enterprise fund and derives its funding from fare box fees and some support from the City.

3. Fiduciary Funds

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governments. The Fiduciary Funds of the City are the John D. Collins Private Purpose Trust Fund, Employee Retirement Funds, the Human Services Special Welfare Account, the Human Services Dedicated Account, and the Industrial Development Authority Agency Funds. For accounting measurement purposes, the Private Purpose Trust Fund and the Employee Retirement Funds are accounted for in essentially the same manner as proprietary funds. Private Purpose Trust Funds account for assets of which the principal may not be spent. The Employee Retirement Funds account for the assets of the City's pension plans. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds are not included in the government-wide financial statements.

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide Statement of Net Assets and Statement of Activities, all proprietary funds, and private purpose trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the statement of net assets or on the statement of fiduciary net assets. These operating statements present increases (e.g., revenues or additions) and decreases (e.g., expenses or deductions) in total net assets.

The Statement of Net Assets, Statement of Activities, and the financial statements of the Proprietary Fund and Fiduciary Funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The fund financial statements of the General, Special Revenue, and Capital Projects funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within forty-five days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants revenues are considered to be measurable and available as revenue when reimbursements for related eligible expenditures are collected within a year of the date the expenditure was incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

D. Budgets and Budgetary Accounting

The City Council annually adopts budgets for the General Fund and Special Revenue Fund of the primary government. All appropriations are legally controlled at the departmental level for the General Fund and Special Revenue Fund. The School Board appropriation is determined by the City Council and controlled in total by the primary government. On June 17, 2006, the City Council formally approved the original adopted budget (which had been initially approved on April 24, 2006) and on June 16, 2007 approved the revised budget reflected in the required supplemental information. Budgets are prepared for the Capital Projects Fund on a project basis, which covers the life of the project. A Capital Projects Fund appropriation does not lapse until an appropriation reduction is approved by City Council.

Encumbrances

Encumbrance accounting, the recording of purchase orders, contracts, and other monetary commitments in order to reserve an applicable portion of an appropriation, is used as an extension of formal budgetary control in the General and Capital Projects Funds. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

subsequent fiscal year. These encumbrances are subject to reappropriation by Council ordinance in the succeeding fiscal year.

E. Equity in Pooled Cash and Investments

Cash resources of the individual funds, including imprest cash of $19,615 and excluding cash held with fiscal agents in the General Fund, Special Revenue Fund, Capital Projects Fund, Proprietary Funds, Fiduciary Funds, and discretely presented component units (School Board, Library, and Alexandria Transit Company), are combined to form a pool of cash and investments to maximize interest earnings. Investments in the pool consist of repurchase agreements, commercial paper, and obligations of the Federal Government and are recorded at fair value. Income from pooled investments is allocated only when contractually or legally required. All investment earnings not legally or contractually required to be credited to individual accounts or funds are credited to the General Fund.

The Library maintains separate cash and investment accounts consisting of cash and obligations of the federal government and corporate bonds and stocks recorded at fair value. All cash and investments held with fiscal agents for the primary government and its discretely presented component units are recorded at fair value.

For purposes of the statement of cash flows, the Proprietary Funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The fair value of investments is based on quoted market prices. All investments in external investment pools are reported at fair value.

F. Allowance for Uncollectible Accounts

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance at June 30, 2007, is comprised of the following:

GENERAL FUND:	
Taxes Receivable:	
Real Property	$ 537,889
Personal	20,537,999
Penalties and Interest	1,455,689
Total taxes	$ 22,531,577
Accounts Receivable	7,637
Notes Receivable	9,000
	$ 22,548,214
SPECIAL REVENUE FUND:	
Housing Fund Notes Receivable	$ 22,639,019
CAPITAL PROJECTS FUND:	
Capital Projects Fund Notes Receivable	$ 1,475,000

The component units' accounts receivable are considered fully collectible and therefore an allowance for uncollectible accounts is not applicable to those receivables.

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory of Supplies and Prepaid and Other Assets

Primary Government

Inventories of consumable supplies are recorded at cost (determined on a first in, first out basis). Inventory in the General Fund consists of expendable supplies held for consumption. The costs are recorded as expenditures under the purchase method. Reported inventories in the General Fund are equally offset by a reservation of fund balance. Purchases of non-inventory items are recorded as expenses or expenditures under the purchase method. Prepaid expenditures in reimbursable grants are offset by unearned revenues until expenses or expenditures are recognized.

Component Units

Inventory for the School Board is comprised of food and commodities on hand pertaining to the Child Nutrition Cluster of programs. Inventories of consumable supplies are recorded at cost using the weighted average method. Inventories received from the U.S. Department of Agriculture are recorded at fair market value when received and the amounts consumed are recorded as revenue. The amounts of unused food commodities are reported as inventory and deferred revenue.

Inventory for the Alexandria Transit Company is comprised of parts and operating materials held for consumption. These inventories are costed by methods that approximate average cost or market value, whichever is lower.

Other assets in the government-wide statements also include taxes receivable discussed in Note 4, a prepaid pension asset discussed in Note 18 and deferred interest on refunding bonds discussed in Note 9. The total adjustment to these assets was comprised of the following:

Taxes receivable	$ 1,794,988
Deferred interest	3,137,491
Prepaid pension	320
Total adjustment	$ 4,932,799

H. Capital Assets

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold of $5,000 is met. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings.....	40 years
Infrastructure	25 years
Furniture and Other Equipment	3-20 years

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

To the extent the City's capitalization threshold of $5,000 is met, capital outlays of the Internal Service Fund are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the funds and the government-wide financial statements using the straight-line method and the following estimated useful lives:

Leasehold Improvements.....	3-40 years
Equipment.....	3-20 years

All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated assets are valued at their estimated fair market value on the date donated. The City does not capitalize historical treasures or works of art. The City maintains many items and buildings of historical significance. The City uses the proceeds from the sale of historical treasures or works of art to acquire other items for the collection.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

I. Compensated Absences

The City accrues compensated absences (annual and sick leave benefits) when vested. The current portions of the governmental funds' matured compensated absences liabilities are recorded as other liabilities in the General and Special Revenue Funds. The current and noncurrent portions are recorded in the government-wide financial statements. This includes the discretely presented component unit Library, since the City funds all Library personnel costs.

The component unit School Board accrues matured compensated absences (annual, personal, and sick leave benefits) when vested. The current and noncurrent portions of compensated absences are recorded in the School Board component unit government-wide financial statements.

The component unit Transit accrues annual and sick leave benefits in the period in which they are earned.

J. Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

K. Fund Balance

Reservations of Fund Balance

Except for those required to comply with accounting standards, all reservations and designations of fund balances reflect City Council action in the context of adoption of the City's budget.

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Approved Capital Projects – These monies have been reserved for capital projects that City Council has already approved.

Notes Receivable – These monies have been reserved for notes receivable not expected to mature in the current fiscal year.

Inventory of Supplies – These monies have been reserved for reported inventories in the General Fund to comply with accounting standards.

Encumbrances – These monies have been reserved for goods and services encumbered, or ordered, before the end of the fiscal year, for which delivery of goods and services had not been made prior to the close of the fiscal year.

Designations of Fund Balance
General Fund designations at June 30, 2007 consisted of the following:

Subsequent Fiscal Years' Operating Budgets	
FY 2008 – Operating Budget	1,999,550
FY 2009 – Operating Budget	4,000,000
Subsequent Fiscal Years' Capital Program	
FY 2008- 2013	3,643,211
FY2009-2014	7,350,000
Self-Insurance	5,000,000
Retiree Health and Life (OPEB)	10,700,000
Fuel Costs	500,000
Social Services Contingency	530,000
King Street Garden	25,000
National Harbor	700,000
Projects Under Discussion	3,368,000
Ongoing Projects	2,345,870
Total Designations	$ 40,161,631

Subsequent Fiscal Year's Operating Budget – On June 16, 2007, City Council approved the FY 2008 Appropriations Ordinance, which appropriated $2.0 million of General Fund Balance to meet anticipated expenditures. An additional $4.0 million has been designated for FY 2009.

Subsequent Fiscal Years' Capital Program – These monies ($3.7 million) have been designated in the Approved FY 2008 – 2013 Capital Improvement Program Funding Plans to fund a portion of the capital improvement program in FY 2008. An additional $7.4 million has been designated to fund a portion of the FY 2009 capital improvement program.

Self – Insurance – These monies ($5.0 million) have been designated for reserves for the City's self-insurance program.

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Post Employment Benefits - These monies ($10.7 million) have been designated as part of the City's efforts to fund costs related to health and life insurance benefit payments made to retirees.

Fuel Costs - These monies ($0.5 million) have been set aside as a contingency for possible fuel cost increases.

Social Services Contingency– These monies ($0.5 million) have been set aside for possible shortfalls in federal or state grants for social service programs for possible additional City costs for social services grants ($0.3 million) and for the Commonwealth's Comprehensive Services Act ($0.2 million).

King Street Garden - These monies ($0.1 million) were set aside for the King Streeet Garden.

National Harbor – These monies ($0.7 million) have been set aside for 'to be determined' programs or initiatives related to the National Harbor project.

Projects Under Discussion – These monies ($3.4 million) represent funds for projects currently being considered including pier dredging, housing studies and a study of Cameron Run.

Ongoing Projects – These monies ($2.3 million) have been set aside for projects for which funding was available in the FY 2007 budget, but not completed as of the end of the fiscal year.

NOTE 2. LEGAL COMPLIANCE – BUDGETS

After a public hearing and several work sessions, the City Council adopts an annual budget no later than June 27 for the succeeding fiscal year to commence July 1. Transfers of appropriations among departments or projects are made throughout the fiscal year by the City Council. The City Council may also approve supplemental appropriations. In FY 2007, the Council approved a reappropriation of prior fiscal year encumbrances as well as various other supplemental appropriations. The City Manager has authority to transfer appropriations within each department. In FY 2007, a number of intradepartmental transfers were made.

NOTE 3. DEPOSITS AND INVESTMENTS

The City maintains a pool of cash and investments in which each fund participates on a dollar equivalent and daily transaction basis. Interest is distributed monthly based on the funds' average monthly balances. A "zero balance account" mechanism provides for daily sweeps of deposits made to City checking accounts, resulting in an instantaneous transfer to the investment account. Thus, the majority of funds in the City's general account are invested at all times. Exceptions to this are funds in the Library System's checking account, the School Student Activity Fund account, and some bank accounts administered by the Human Services Department. The City's pooled portfolio also excludes pension plans.

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

A. Deposits

Primary Government

At June 30, 2007, the carrying value of the City's deposits was negative $3,889,953 and the bank balance was $1,215,808. The carrying value of the City's deposits represents checks outstanding. This amount will fluctuate depending on the difference between checks issued and checks paid. The funds for these checks remain invested until the checks are presented for payment at the bank. The entire bank balance was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (The Act). The Act provides for the pooling of collateral pledged with the Treasurer of Virginia to secure public deposits as a class. No specific collateral can be identified as security for one public depositor and public depositors are prohibited from holding collateral in their name as security for deposits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loan associations. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance. If any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool's collateral were inadequate to cover the loss, additional amounts would be assessed on a pro rata basis to the members of the pool. Funds deposited in accordance with the requirements of the Act are considered fully secured.

Component Units

At June 30, 2007, the carrying value of deposits for the School Board was negative $4,372,098 and the bank balance was $0. The entire bank balance was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act as defined above.

At June 30, 2007, the carrying value of deposits and bank balance for the Library was $138,293. Of this amount, $108,488 was collateralized at 102 percent with U.S. government agency securities as part of a repurchase agreement with Burke and Herbert Bank and Trust Company. The remaining balance, $29,805 is an uninsured annuity contract.

Transit deposits are included in the City's pooled cash and investments.

B. Investments

State Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool. The City's current investment policy limits investments to obligations of the United States and agencies thereof, commercial paper, and repurchase agreements fully collateralized in obligations of the United States and agencies thereof. During the fiscal year, the City had investments in repurchase agreements and obligations of the United States and agencies thereof.

A designated portfolio manager placed the City's investments during FY 2007. The City has a contract with the portfolio manager which requires that, at the time funds are invested, collateral for repurchase agreements be held in the City's name in the Trust Department of the City's independent third-party custodian, SunTrust Bank.

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

The City and its discretely presented component units maintain nine pension plans. The plan provisions allow the assets of the pension plans to be invested by the pension carriers in accordance with provisions of the Code of the Commonwealth of Virginia.

The City's and its discretely presented component units' investments are subject to interest rate, credit and custodial risk as described below:

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits at least half of the City's investment portfolio to maturities of less than one year.

Credit Risk – State Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivision thereof, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements, and Virginia Local Government Investment Pool. The City's current investment policy limits investments to obligations of the United States and agencies thereof, commercial paper, and repurchase agreements fully collateralized in the Obligations of the United States and agencies thereof. During the fiscal year, the City made investments in repurchase agreements and obligations of the United States and agencies thereof. The investments for five of the City's seven pension plans are handled by Prudential, a company with an A (Excellent) rating, one of the top three, by A.M. Best rating agency. The investments for the two defined contribution plans are directed by employees and are invested in mutual funds and guaranteed investment accounts. The City has directed Prudential to invest funds for the other three defined benefit pension plans in guaranteed investment accounts and mutual funds. The Commonwealth of Virginia manages the investments of the Virginia Retirement System (VRS) and the City has contracted with SunTrust Bank to handle investments for the Firefighters and Police Officers Pension Plan – Disability Component mostly in bonds (U.S., municipal and corporate) and domestic equities.

Custodial Risk – For an investment, custodial risk is the risk that in the event of the failure of the counter party the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. A designated portfolio manager placed the City's investments during the fiscal year. The City has a contract with the portfolio manager which requires that, at the time funds are invested, collateral for repurchase agreements be held in the City's name by a custodial agent for the term of the agreement and investments in obligations of the United States or its agencies be held by the Federal Reserve in a custodial account. Any funds not invested at the end of the day are placed in overnight repurchase agreements in the City's name.

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2007, the City had the following cash, investments and maturities:

Primary Government

		Investment Maturities (in years)		
	Fair Value	Less than 1 year	1-5 years	Long term
Repurchase Agreement	$ 15,139,782	$ 15,139,782	$ ---	$ ---
U.S. Treasuries	28,443,862	20,266,621	8,177,241	---
U.S Government Agencies	97,288,225	89,147,146	8,141,079	---
Total Investments Controlled by City	$ 140,871,869	$ 124,553,549	$ 16,318,320	$ ---
Pension Plan Investments (Exhibit VIII)	$ 291,321,428	$ ---	$ ---	$ 291,321,428
Total	$ 432,193,297	$ 124,553,549	$ 16,318,320	$ 291,321,428

Reconciliation to Total Cash and Investments:	
Add:	
Cash on Hand and in Banks	(3,889,953)
Cash With Fiscal Agent	77,462,248
Total Deposits and Investments	$ 505,765,592

Component Unit
School Board

		Investment Maturities (in years)	
	Fair Value	Less than 1 year	1-5 years
Repurchase Agreement	$ 3,272,972	$ 3,272,972	$ ---
U.S. Treasuries	6,148,901	4,381,172	1,767,729
U.S. Government Agencies	21,031,557	19,271,636	1,759,921
Total Investments Controlled by City	$30,453,430	$ 26,925,780	$ 3,527,650

The cash and investments for the Schools' fiduciary responsibilities are not included in the basic financial statements in accordance with the governmental accounting principles. The financial statements for the Schools' fiduciary responsibilities are available from the School Board.

Other Component Units

		Investment Maturities (in years)	
	Fair Value	Less than 1 year	1-5 years
Repurchase Agreement	$ 70,811	$ 70,811	$ ---
U.S. Treasuries	133,036	94,790	38,246
U.S. Government Agencies	455,030	416,953	38,077
Total Investments Controlled by City	$ 658,877	$ 582,554	$ 76,323

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Reconciliation of total deposits and investments to the government-wide financial statements at June 30, 2007:

	Governmental Activities	Business Type Activities	Fiduciary Responsibilities	Total
Primary Government				
Cash on Hand and In Banks	$ (3,889,953)	$ ---	$ ---	$ (3,889,953)
Cash and Investments	139,956,942	---	914,926	140,871,868
Cash and Investments with Fiscal Agents	77,452,052	---	291,331,625	368,783,677
Total	$ 213,519,041	$ ----	$ 292,246,551	$ 505,765,592
Component Unit School Board				
Cash on Hand and In Banks	$ (4,372,098)	$ ---	$ ---	$ (4,372,098)
Cash and Investments Controlled by City	30,453,430	---	---	30,453,430
Total	$ 26,081,332	$ ---	$ ---	$ 26,081,332
Other Component Units				
Cash and Investments Controlled by City	$ 94,590	$ 564,287	$ ---	$ 658,877
Cash and Investments with Fiscal Agents	2,488,215	---	---	2,488,215
Total	$ 2,582,805	$ $ 564,287	$ ---	$ 3,147,092
Grand Total				$ 534,994,016

Exhibit XII
(Continued)

NOTE 4. RECEIVABLES

Receivables at June 30, 2007 consist of the following:

Primary Government

	General	Special Revenue	Capital Project	Total
Interest	$ 665,344	$ ---	$ ---	$ 665,344
Taxes				
		---	---	
Real Property	144,053,943			144,053,943
Personal Property	48,998,589	---	---	48,998,589
Penalties and Interest	2,774,391	---		2,774,391
Other	730,187	---	---	730,187
Total Taxes	$ 196,557,110	$ ---	$	$ 196,557,110
Accounts	8,446,682	524,108	---	8,970,790
Intergovernmental	32,705,046	6,571,353	---	39,276,399
Notes	9,000	23,875,302	1,475,000	25,359,302
Gross Receivables	$ 237,717,838	$ 30,970,763	$ 1,475,000	$ 270,163,601
Less: Allowance for Uncollectibles	22,548,214	22,639,019	1,475,000	46,662,233
Net Receivables	$ 215,834,968	$ 8,331,744	$ ---	$ 224,166,712

Taxes receivable represents the current and past four years of uncollected tax levies for personal property taxes and the current and past nineteen years for uncollected tax levies on real property. The allowance for estimated uncollectible taxes receivable is 11.5 percent of the total taxes receivable at June 30, 2007 and is based on historical collection rates. Almost all of the uncollectible taxes derive from personal property taxes. Almost all of the real property tax receivables as of June 30, 2007 represent the second-half payment due for real estate taxes on November 15, 2007.

Receivables on a government-wide basis include taxes receivable of $1.8 million that are not available to pay for current period expenditures and, therefore, are offset by the unearned revenue for the governmental funds. Tax revenues and the corresponding unearned revenue reported on a government-wide basis do not include approximately $0.1 million of taxes that are considered current financial resources, and therefore, are reported in the governmental funds.

Exhibit XII
(Continued)

NOTE 4. RECEIVABLES (Continued)

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also include unearned revenue related to resources that have been received but not yet earned. At the end of FY 2007 unearned revenue in the governmental funds consisted of the following:

	Unavailable	Unearned	Total
Property taxes, net of related allowances	$ 195,254,740	$ 3,451,810	$ 198,706,550
Grant proceeds received prior to completion of eligibility requirements	---	4,069,243	4,069,243
Total unearned revenue for governmental funds	$ 195,254,740	$ 7,521,053	$ 202,775,793

Component Units

Receivables at June 30, 2007 consist of following:

	School Board	Transit	Total
Accounts	$ 57,178	$ 57,166	$ 114,344
Intergovernmental	4,794,985	171,009	4,965,994
Total Receivables	$ 4,852,163	$ 228,175	$ 5,080,338

All of the component units' receivables are considered to be collectible.

All deferred revenue in the component units is unearned.

A. Property Taxes

The City levies real estate taxes on all real property on a calendar year basis, at a rate enacted by the City Council on the assessed value of property (except public utility property) as determined by the Director of Real Estate Assessments of the City. The Commonwealth assesses public utility property. Neither the City nor the Commonwealth imposes a limitation on the tax rate. All property is assessed at 100 percent of fair market value and reassessed each year as of January 1. The Director of Real Estate Assessments, by authority of City ordinance, prorates billings for property incomplete as of January 1, but completed during the year.

Real estate taxes are billed in equal semi-annual installments due June 15 and November 15. The taxes receivable balance at June 30, 2007 includes amounts not yet received from the January 1, 2007 levy (due June 15 and November 15, 2007), less an allowance for uncollectibles. The installment due on November 15, 2007 is included as unavailable revenue since these taxes are restricted for use until FY 2008. Liens are placed on the property on the date real estate taxes become delinquent and must be satisfied prior to the sale or transfer of the property. In addition, any uncollected amounts from previous years' levies are incorporated in the taxes receivable balance. The tax rate was 83.0¢ and 81.5¢ per $100 of assessed value during calendar years 2007 and 2006, respectively.

Exhibit XII
(Continued)

NOTE 4. RECEIVABLES (Continued)

Personal property tax assessments on tangible business property and all motor vehicles are based on 100 percent of fair market value of the property as of January 1 of each year. For a vehicle, the tax may be prorated for the length of time the vehicle has situs in the City. Personal property taxes for the calendar year are due on October 5. Personal property taxes do not create a lien on property; however, City vehicle decals, which are required by law for all vehicles garaged in the City, may not be issued to any individual having outstanding personal property taxes. The taxes receivable balance at June 30, 2007 includes amounts not yet billed or received from the January 1, 2007 levy (due October 5, 2007). These taxes are included as unearned revenue since these taxes are restricted for use until FY 2007. The tax rates during calendar years 2007 and 2006 were $4.75 for motor vehicles and tangible property and $4.50 for machinery and tools per $100 of assessed value. In addition, any uncollected amounts from prior year levies are incorporated in the taxes receivable balance. Under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA), the City billed and collected from the State 70 percent of most taxpayers' payments in FY 2007 for the January 1, 2006 levy for the Commonwealth's share of the local personal property tax payment with the remainder collected by the Commonwealth from taxpayers. Unavailable revenues include the state share of the January 1, 2007 levy.

B. Notes Receivable

The gross amount of notes receivable is primarily for the City's housing programs and consisted of the following at June 30, 2007:

Governmental Activities

General Fund	$ 9,000
Special Revenue Fund	23,875,302
Capital Projects Fund	1,475,000
Less Allowance for Uncollectible Accounts	(24,123,019)
Net	$ 1,236,283
Amounts due within one year	$ 94,982
Amounts due in more than one year	$ 1,141,301

Exhibit XII
(Continued)

NOTE 5. CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2007:

Governmental Activities

	Balance June 30, 2006	Increases	Decreases	Balance June 30, 2007
Capital Assets Not Being Depreciated:				
Land and Land Improvements	$ 64,036,283	$ 23,687,609	$ ---	$ 87,723,892
Construction in Progress	106,666,132	68,836,217	67,089,337	108,413,012
Total Capital Assets Not Being Depreciated	$ 170,702,415	$ 92,523,826	$ 67,089,337	$ 196,136,904
Depreciable Capital Assets:				
Buildings	$ 231,489,431	$ 24,969,984	$ 141,915	$ 256,317,500
Infrastructure	124,953,025	15,500,959	---	140,453,984
Furniture and Other Equipment	48,585,770	4,440,361	1,916,327	51,109,804
Total Depreciable Capital Assets	$ 405,028,226	$ 44,911,304	$ 2,058,242	$ 447,881,228
Less Accumulated Depreciation for:				
Buildings	$ 70,281,416	$ 5,324,794	$ 93,746	$ 75,512,464
Infrastructure	57,047,424	5,303,126	---	62,350,550
Furniture and Other Equipment	33,183,683	5,392,153	1,627,578	36,948,258
Total Accumulated Depreciation	$ 160,512,523	$ 16,020,073	$ 1,721,324	$ 174,811,272
Depreciable Capital Assets, Net	$ 244,515,703	$ 28,891,231	$ 336,918	$ 273,070,016
TOTALS	$ 415,218,118	$ 121,415,057	$ 67,426,255	$ 469,206,920

The City acquires and maintains all capital assets for the Library. Accordingly, Library capital assets are included in the governmental activities totals.

Governmental activities capital assets, net of accumulated depreciation at June 30, 2007, are comprised of the following:

General Capital Assets, Net	$ 458,030,133
Internal Service Fund Capital Assets, Net	11,176,787
TOTAL	$ 469,206,920

Exhibit XII
(Continued)

Note 5. CAPITAL ASSETS (Continued)

Depreciation was charged to governmental functions as follows:

General Government	$ 2,184,663
Judicial Administration	551,017
Public Safety	2,128,867
Public Works	7,848,660
Health and Welfare	552,763
Culture and Recreation	1,906,220
Education	501,999
Community Development	345,884
Total	$ 16,020,073

Capital outlays are reported as expenditures in the governmental funds; however, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The adjustment from governmental funds to the government-wide statements is summarized as follows:

Primary Government

City Capital Outlay	$ 93,484,928
Donated Assets	956,252
Depreciation Expense	(16,020,073)
Capital Outlay not Capitalized	(27,734,352)
Total Adjustment	$ 50,686,755

Donated assets are comprised of infrastructure donated by developers and open space and an historic building.

Exhibit XII
(Continued)

Note 5. CAPITAL ASSETS (Continued)

Component Unit - School Board

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2007:

	Balance June 30, 2006	Increases	Decreases	Balance June 30, 2007
Capital Assets Not Being Depreciated:				
Land and Land Improvements	$ 999,381	$ --	$ --	$ 999,381
Total Capital Assets Not Being Depreciated	$ 999,381	$ --	$ --	$ 999,381
Depreciable Capital Assets:				
Buildings	$ 54,486,551	$ --	$ --	$ 54,486,551
Furniture and Other Equipment	8,471,845	1,138,850	258,415	9,352,280
Total Depreciable Capital Assets	$ 62,958,396	$ 1,138,850	$ 258,415	$ 63,838,831
Less Accumulated Depreciation	57,416,242	914,319	258,415	58,072,146
Depreciable Capital Assets, Net	$ 5,542,154	$ 224,531	$ --	$ 5,766,685
TOTALS	$ 6,541,535	$ 224,531	$ --	$ 6,766,066

In FY 2002, the Virginia Assembly passed a general law to respond to GASB Statement No. 34 that establishes the local option of creating, for financial reporting purposes, a tenancy in common with the local school board when a city or county issues bonds for acquisition, construction or improvement of public school property. The sole purpose of the law is to allow cities and counties the ability to record together school assets and related debt liabilities. As a result, certain assets purchased with the City's general obligation bonds are now recorded as part of the primary government. According to the law, the tenancy in common ends when the associated obligation is repaid; therefore, the assets will revert to the Alexandria School Board when the bonds are repaid. Nothing in the law alters the authority or responsibility of the local school board or control of the assets.

All depreciation was charged to education.

Exhibit XII
(Continued)

Note 5. CAPITAL ASSETS (Continued)

Component Unit – Alexandria Transit Company

	Balance June 30, 2006	Increases	Decreases	Balance June 30, 2007
Capital Assets Not Being Depreciated:				
Land and Land Improvements	$ 6,504,807	$ ----	$ ---	$ 6,504,807
Depreciable Capital Assets:				
Equipment	$ 16,731,719	$ 1,304,681	$ 44,718	17,991,682
Less Accumulated Depreciation	8,174,389	1,360,612	44,718	9,490,283
Total Depreciable Capital Assets, Net	$ 8,557,330	$ (55,931)	$ ---	$ 8,501,399
TOTALS	$ 15,062,137	$ (55,931)	$ ---	$ 15,006,206

All depreciation was charged to transit.

Primary Government

Construction in progress is composed of the following at June 30, 2007:

	Project Authorization	Expended Through June 30, 2007	Committed
School Capital Projects	$ 97,859,432	$ 90,405,956	$ ---
Infrastructure	26,660,569	6,815,307	5,781,572
Housing and Community Improvement	350,000	46,104	7,248
Alexandria Transit Facility	2,498,201	1,082,312	---
Parks and Recreation Facilities	7,974,635	820,869	585,871
Public Safety Buildings	16,059,002	9,242,464	3,054,791
TOTALS	$ 151,401,839	$108,413,012	$ 9,429,482

Component Units

There were no construction in progress authorizations for the component units.

Exhibit XII
(Continued)

NOTE 6. RISK MANAGEMENT

The City is exposed to various losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the City to retain risks of losses in those areas where it believes it is more economical to manage its risks internally and account for any claims settlement in the General Fund. Exceptions to the self-insurance program are made when insurance coverage is available and when premiums are cost effective. The City is covered by property/casualty insurance policies on real and personal property (except vehicles) and the following liability insurance policies as of June 30, 2007: public entity and public officials excess liability, medical malpractice liability, voting booths, special events, vacant buildings, volunteer liability, and commercial crime. In addition, the City maintains excess workers' compensation insurance. The City maintains a blanket surety bond on all City workers who handle funds and excess amounts on key officials. There were no material reductions in insurance coverage from coverage in the prior fiscal year, nor did settlements exceed coverage for any of the past three fiscal years.

The City is self insured for workers' compensation claims up to $1,000,000 and for public officers, public entity, physical damage to vehicles, and vehicle general liability under $2 million and over $10 million.

The following Constitutional Officers and City employees are covered by surety bonds issued in the amounts shown below by Aetna Casualty and Surety as of June 30, 2007:

Director of Finance	$ 1,000,000
Treasury Division Chief	$ 500,000
Revenue Division Chief	$ 150,000
Clerk of the Circuit Court	$ 103,000*
Sheriff	$ 30,000*
All other City employees	$ 100,000
Alexandria Historic Restoration and Preservation Commissioners	$ 10,000

* Bond provided by the Commonwealth of Virginia

Self-Insurance

The non-current portion of unpaid workers' compensation claims amounted to approximately $6.9 million as of June 30, 2007 and is reflected in the government-wide statements. The current portion is recorded as an accrued liability in the General Fund and the government-wide financial statements. Liabilities are reported when it is probable that losses have occurred and the amounts of the losses can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported to date. Liabilities are determined using a combination of actual claims experience and actuarially determined amounts and include incremental claim adjustment expenses and estimated recoveries. An independent contractor processes claims and the City records a provision and liability in the government-wide statements and General Fund (current portion only) for an estimate of incurred but not reported claims.

Changes in the estimated claims payable for workers' compensation during the fiscal years ended June 30, 2007 and 2006 were as follows:

	FY 2007	FY 2006
Estimated claims payable at beginning of period	$ 6,954,929	$ 6,433,017
Current fiscal year claims and changes in estimates	2,197,564	2,792,876
Claim payments	(2,275,146)	(2,270,964)
Estimated claims payable at end of period	$ 6,877,347	$ 6,954,929

NOTE 6. RISK MANAGEMENT (Continued)

Insurance Designation

In addition, the City has established a General Fund fund balance self-insurance designation of $5 million as of June 30, 2007.

Risk Pools

On March 15, 1986, the City joined the Commonwealth of Virginia's Law Enforcement Liability plan, called VA Risk, on behalf of the Office of the Sheriff. The Division of Risk Management of the Commonwealth's Department of General Services operates VA Risk. It was created in accordance with Sec. 2.1-526.8:1 of the Code of Virginia, which says that the State shall have the right and duty to defend any suit seeking damages or compensation against the City's officials and employees on account of wrongful acts, even if any of the allegations of the suit are groundless, false, or fraudulent, and may make investigation and settlement of any claims or suit as deemed expedient. The limits of VA Risk coverage are $1 million per claim. The City retains the risk for all claims in excess of $1 million.

Component Units

The School Board carries insurance for all risks of loss, including property insurance, theft, auto liability, physical damage, and general liability insurance through the Virginia Municipal League. The School Board is self-insured for workers compensation. School management has estimated their workers compensation liability to be $0.3 million as of June 30, 2007. Settled claims resulting from these risks have not exceeded commercial insurance coverage. There were no material reductions in insurance coverage from coverage in the prior fiscal year nor did settlements exceed coverage for any of the past three fiscal years.

The Library carries commercial insurance with the Virginia Municipal League for all risks of loss including property insurance, theft, auto liability, physical damage, and general liability insurances. There were no material reductions in insurance coverage from coverage in the prior fiscal year, nor did settlements exceed coverage for any of the past three fiscal years.

On October 1, 1987, the Alexandria Transit Company joined the Virginia Transit Liability Pool. Commercial companies service the Virginia Transit Liability Pool.

The coverage and limits of the pool's liability to the City are as follows:

Commercial General Liability	$10 million
Automobile Liability	$10 million
Uninsured Motorist	$50,000
Automobile Physical Damage	(Actual Value)

In FY 2007 the Alexandria Transit Company paid an annual premium of $ 0.26 million for participation in this pool.

Under the provisions of the Virginia Workers' Compensation Act, the Alexandria Transit Company has secured the payment of Virginia compensation benefits and employers' liability coverage with the Virginia Municipal Group Self-Insurance Association (VMGSIA). VMGSIA is a public entity risk pool providing a comprehensive workers' compensation insurance program to Virginia municipalities and other local government entities. In addition to insurance coverage, the program provides risk management services with emphasis on loss control and claims administration. The Alexandria Transit Company pays an annual premium to VMGSIA for

Exhibit XII
(Continued)

NOTE 6. RISK MANAGEMENT (Continued)

workers' compensation coverage. VMGSIA is self-sustaining through member premiums and will reinsure for claims in excess of $5 million. Each member's premium is determined through an actuarial analysis based upon the individual member's past experience and number of employees. In FY 2007, the Alexandria Transit Company paid an annual premium of $0.13 million for participation in this pool.

NOTE 7. OPERATING LEASES

Rental Costs

The City and the School Board lease office space and equipment under various long-term operating lease agreements expiring at various dates through FY 2021. Certain leases contain provisions for possible future increased rentals based upon changes in the Consumer Price Index.

Scheduled minimum rental payments for succeeding fiscal years ending June 30 are as follows:

Fiscal Year	Primary Government	School Board Component Unit
2008	$ 5,928,123	$ 1,163,792
2009	5,724,610	1,198,406
2010	5,016,832	1,234,358
2011	4,904,378	1,271,389
2012	2,887,151	1,309,531
2013-2017	13,457,517	7,161,050
2018-2022	82,128	--

Total rental costs during FY 2007 for operating leases were $5.8 million for the Primary Government and $3.8 million for the School Board.

Rental Revenues

The City also leases various City-owned properties and buildings under noncancellable long-term lease agreements through FY 2021. The net book value of leased assets of $7.2 million (cost of $8.7 million less accumulated depreciation of $1.5 million) is included in capital assets in the government-wide financial statements. Certain leases contain provisions for future increased revenues based upon changes in the Consumer Price Index.

Scheduled minimum revenues for succeeding fiscal years ending June 30 are as follows:

Fiscal Year	Total Revenues
2008	$ 616,019
2009	159,965
2010	24,477
2011	3,000
2012	3,000
2013-2017	15,000
2018-2022	15,000

Exhibit XII
(Continued)

NOTE 8. COMMITMENTS AND CONTINGENCIES (continued)

A. Washington Metropolitan Area Transit Authority

The City's commitments to the Washington Metropolitan Area Transit Authority (WMATA) are comprised of agreements to make capital contributions for construction of the rail transit system, contributions for replacement and improvement of rail and bus equipment, and payments of operating subsidies for both the rail and bus systems.

The City and other participating jurisdictions have entered into a series of capital contributions agreements with WMATA to fund the local share of the cost of the regional Metrorail transit system. The City's commitments are summarized as follows:

1. Capital contributions - Bus and Rail Replacement

During FY 2004 the WMATA Board, the City and other participating jurisdictions in the Washington D.C. area discussed and negotiated a new "Metro Matters" multi-year capital funding agreement. This agreement reflects some $3.2 billion in Metrorail and Metrobus infrastructure capital improvements, as well as expansion of Metro transit services through the acquisition of new railcars and buses. The participating jurisdictions' share is planned at $1.9 billion over a 20-year period with $0.9 billion planned during the first six years. The City's share is $82.5 million over the 20-year period with $40.7 million planned during the first six years. It is likely that prior to the end of the first six-year period, an updated Metro Matters agreement to provide additional funding beyond the first six years will be considered by WMATA and the participating jurisdictions. The Metro Matters inter-jurisdictional agreement was signed by the City of Alexandria on September 28, 2004. The participating jurisdictions' financial obligations, including the City, per the Metro Matters agreement, are subject to individual jurisdictional annual appropriation consideration.

For the fiscal year ended June 30, 2007, the total City obligation was $6.4 million including $0.2 million from WMATA capital grants for railcar procurement. Of this total, $6.2 million was funded from the City capital project fund.

2. Operating subsidies - Bus and Rail Systems

During the fiscal year ended June 30, 2007, obligations for bus and rail subsidies amounted to $18.6 million. The City paid this obligation from the following sources:

City payments	$ 5,249,462
Revenues and credits available at WMATA.....	209,348
State Aid and State Motor Fuel Sales Tax revenues	13,176,590
TOTAL	$18,635,400

Expected obligations for FY 2008 are $19.7 million, of which $6.3 million is expected to be paid from the City's General Fund.

3. WMATA Transit Revenue Bonds

WMATA issued approximately $1 billion of federally guaranteed transit revenue bonds to fund part of the construction of the rail transit system. Operating revenues have been insufficient to retire this debt. The federal government and WMATA entered into an agreement whereby the federal government agreed to pay two-thirds of the debt service costs for these bonds and to advance part of the remaining one third during the first three years of the agreement. The agreement requires that WMATA repay the federal advances, with interest, and one-third of the debt service on the bonds. WMATA allocated the cost of the advances and the one-third of the debt service costs among the participating jurisdictions. The City has not agreed to any payments for the one-third allocation of debt

Exhibit XII
(Continued)

NOTE 8. COMMITMENTS AND CONTINGENCIES (continued)

service, but the Northern Virginia Transportation Commission (NVTC) has paid, from state aid, all such costs allocated to Northern Virginia jurisdictions, of which $1,418,200 was the City's allocation during the fiscal year ended June 30, 2007. However, NVTC has not paid any of the allocations for federal advances. In July of 1985, the Alexandria City Council authorized NVTC to pay $4.2 million to WMATA, including accrued interest, from state aid on deposit to the credit of the City. This was the total amount allocated to the City by WMATA for advances by the federal government, including accrued interest. The City has thus, with such authorization, satisfied all claims due WMATA for transit revenue bonds.

B. Litigation

The City is contingently liable with respect to lawsuits and other claims that arise in the ordinary course of its operations. It is the opinion of City management and the City Attorney that any losses not covered by insurance that may ultimately be incurred as a result of the suits and claims will not be material.

C. Waste-To-Energy Facility

The City has guaranteed annual tonnage of acceptable waste commitment to the Waste-to-Energy Facility, which is owned and operated by a private corporation. The commitment, which is joint with Arlington County, is based on a percent of solid waste the City and Arlington County expects to collect together. The facility charges fees on each ton based on defined costs, as well as has two multi-year contracts for large haulers where a fee discount applies. It is expected that the City and Arlington County will be able to continue to meet their minimum requirement for annual tonnage of 225,000 tons per year. For FY 2007 and for every year the facility has been open, the City and Arlington County exceeded the minimum annual tonnage requirement. If the City would be required to augment this requirement, the financial effect on the City would be immaterial.

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. The Alexandria Industrial Development Authority issued revenue bonds and proceeds were lent to the Authorities to construct the facility.

On October 22, 1985, the Authorities sold the Facility to a private company ("the Corporation") pursuant to a Conditional Sale and Security Agreement (the 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 City has a guaranteed annual tonnage of acceptable waste commitment to the Facility. The commitment was based on a percent of solid waste the City expects to collect. The Facility charges a fee on each ton based on defined costs, and the City has met its requirement for annual tonnage each year.

Federal law changes in the Clean Air Act and subsequent regulations required the City and Arlington County to invest in a retrofit for new equipment at the Waste-To-Energy Facility. In July 1998, the Authorities advance refunded $55 million 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 $48.6

Exhibit XII
(Continued)

NOTE 8. COMMITMENTS AND CONTINGENCIES (continued)

million 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.

The retrofitting of the Facility's boiler units with certain air pollution control equipment was made necessary by the U. S. Environmental Protection Agency 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 Authorities 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 City records and are now considered a part of the plant. In FY 2007 they have been recorded in the same manner, as is the rest of the plant.

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 million 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 and was $0.6 million for FY 2007.

Expenditures such as capital costs of repairs, replacement/changes to the facility, and waste recycling programs/activities which benefit the two jurisdictions are eligible for reimbursement though the Trust. In addition, in FY 2007 the Trust has been used to pay consulting fees to an engineering firm for operations and maintenance audits of the facility, for oversight of the new construction and for legal consulting fees paid for services related to the issuance of retrofit financing.

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.

Operating costs of the facility are paid for primarily through tipping fees. The City paid $1.9 million in tipping fees in FY 2007. In the event of a revenue shortfall at the facility, the City is not responsible for the repayment of the bonds. The Alexandria Sanitation Authority and the Arlington Solid Waste Authority have certain bond repayment obligations.

D. Northern Virginia Transportation District Bonds

In November 1999, the City signed an agreement with the Commonwealth Transportation Board to provide $256,070 annually, subject to appropriation, to finance certain Northern Virginia Transportation District Bond projects benefiting the City and other jurisdictions in Northern Virginia. The FY 2007 payment of $256,070 was made from the proceeds from the City's telecommunications tax received by the General Fund. The City is not liable for repayment of the 20-year bonds.

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT

General Obligation Bonds - The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are subject to the provisions of the Internal Revenue Code of 1986 related to arbitrage and interest income tax regulations under those provisions. The City currently has no outstanding arbitrage obligation. General obligation bonds outstanding as of June 30, 2007 are composed of the following individual issues:

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (continued)

$22.8 million Public Improvement (tax-exempt) Refunding Bonds of 2007 installments ranging from $2.8 million to $2.9 million through 2021, bearing interest at rates ranging from 4.00 percent to 5.0 percent. The bonds are not subject to redemption prior to their maturity	$	22,815,000
$56 million Public Improvement (tax-exempt) Bonds of 2006 installments ranging from $2.0 million to $2.9 million through 2026, bearing interest at rates ranging from 4.00 percent to 5.0 percent. The bonds maturing on or after June 15, 2017, are subject to optional redemption before maturity on or after June 15, 2016, at the direction of the City, in whole or in part installments of $5,000 at any time or from time to time at par plus the interest accrued on the principal amount to be redeemed to the date fixed for redemption		54,500,000
$15 million Public Improvement (taxable) Bonds of 2006 installments of $0.75 million through 2026, bearing interest at rates ranging from 5.5 percent to 5.95 percent. The bonds maturing before December 15, 2016 are not subject to redemption before maturity. The bonds maturing on or after June 15, 2017, are subject to optional redemption before maturity on or after June 15, 2016, at the direction of the City, in whole or in part installments of $5,000, at any time or from time to time at par plus accrued interest on the principal amount to be redeemed to the date fixed for redemption		14,250,000
$54.8 million Public Improvement Bonds of 2004 installments of $2.74 million through 2024, bearing interest at rates ranging from 3.0 percent to 5.0 percent. The bonds maturing before December 15, 2015 are not subject to redemption before maturity. Beginning December 15, 2014, bonds maturing on or after June 15, 2015 are subject to redemption at the direction of the City, in whole or in part in installments of $5,000, at certain redemption prices that include a redemption premium plus accrued interest		49,335,000
$32.5 million Refunding Bonds of 2004 installments ranging from $0.2 million to $3.205 million through 2020, bearing interest at rates ranging from 2.4 percent to 5.0 percent. The bonds maturing before June 15, 2015 are not subject to redemption before maturity. Beginning June 15, 2015, bonds maturing on or after June 15, 2015 are subject to redemption at the direction of the City, in whole or in part in installments of $5,000, at certain redemption prices that include a redemption premium plus accrued interest		31,400,000
$64.7 million Public Improvement Bonds of 2004 installments ranging from $3.3 million to $3.8 million through 2023, bearing interest at rates ranging from 4.0 percent to 5.0 percent. The bonds maturing before June 15, 2015 are not subject to redemption before maturity. Beginning June 15, 2014, bonds maturing on or after June 15, 2015 are subject to redemption at the direction of the City, in whole or in part in installments of $5,000, at certain redemption prices that include a redemption premium plus accrued interest		54,300,000
$54.5 million Public Improvement Bonds of 2001 installments of $2.9 million through 2021, bearing interest at rates ranging from 4.0 percent to 4.5 percent. The bonds maturing before June 15, 2012 are not subject to redemption before maturity. Beginning June 15, 2011, bonds maturing on or after June 15, 2012 are subject to redemption at the direction of the City, in whole or in part in installments of $5,000, at certain redemption prices that include a redemption premium plus accrued interest		17,390,000
$55 million Public Improvement Bonds of 2000 installments of $2.985 million through 2010, bearing interest at rate at 5.0 percent. ($29.805 million were refunded in October 2004)		8,955,000
$40 million Public Improvement Bonds of 1999 due in annual installments of $2 million through 2019, bearing interest at rates ranging from 3.9 percent to 5.0 percent. The bonds are not subject to redemption prior to maturity		24,000,000
$22.7 million Public Improvement and Refunding Bonds ($10 million refunded) of 1994 due in annual installments of $0.790 million through 2009, bearing interest of 5.1 percent. The bonds are not subject to redemption prior to maturity		1,580,000
Total		$ 278,525,000

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (continued)

The outstanding bonds have been issued as follows:

Refunding Bonds of 2007

CUSIP	Issue	Rate	Maturity Date June 15,
015302ZY1	2,905,000	4.00%	2014
015302ZR6	2,890,000	4.00%	2015
015302ZS4	2,870,000	4.00%	2016
015302ZT2	2,845,000	4.00%	2017
015302ZU9	2,825,000	5.00%	2018
015302ZV7	2,825,000	5.00%	2019
015302ZW5	2,825,000	5.00%	2020
015302ZX3	2,830,000	5.00%	2021
Total	$22,815,000		

Public Improvement Bonds of 2006 (Tax-exempt)

CUSIP	Issue	Rate	Maturity Date June 15,
015302YA4	2,000,000	4.25%	2008
015302YB2	2,920,000	4.25%	2009
015302YC0	2,920,000	5.00%	2010
015302YD8	2,920,000	5.00%	2011
015302YE6	2,920,000	5.00%	2012
015302YF3	2,920,000	5.00%	2013
015302YG1	2,920,000	4.00%	2014
015302YH9	2,915,000	4.00%	2015
015302YJ5	2,915,000	5.00%	2016
015302YK2	2,915,000	5.00%	2017
015302YL0	2,915,000	4.25%	2018
015302YM8	2,915,000	4.38%	2019
015302YN6	2,915,000	4.38%	2020
015302Y91	2,915,000	4.50%	2021
015302YQ9	2,915,000	5.00%	2022
015302YR7	2,915,000	5.00%	2023
015302YS5	2,915,000	4.25%	2024
015302Y73	2,915,000	4.25%	2025
015302YU0	2,915,000	4.38%	2026
Total	$54,500,000		

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (continued)

Public Improvement Bonds of 2006 (Taxable)

CUSIP	Issue	Rate	Maturity Date June 15,
015302YW6	750,000	5.50%	2008
015302YX4	750,000	5.50%	2009
015302YY2	750,000	5.50%	2010
015302YZ9	750,000	5.50%	2011
015302ZA3	750,000	5.50%	2012
015302ZB1	750,000	5.50%	2013
015302ZC9	750,000	5.50%	2014
015302ZD7	750,000	5.55%	2015
015302ZE5	750,000	5.55%	2016
015302ZF2	750,000	5.65%	2017
015302ZG0	750,000	5.70%	2018
015302ZH8	750,000	5.75%	2019
015302ZJ4	750,000	5.80%	2020
015302ZK1	750,000	5.85%	2021
015302ZL9	750,000	5.90%	2022
015302ZM7	750,000	5.95%	2023
015302ZN5	750,000	5.95%	2024
015302ZP0	750,000	5.95%	2025
015302ZQ8	750,000	5.95%	2026
Total	$14,250,000		

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (continued)

Public Improvement Bonds of 2004

CUSIP	Issue	Rate	Maturity Date December 15,
015302XF4	2,745,000	3.00	2007
015302XG2	2,745,000	3.00	2008
015302XH0	2,745,000	3.00	2009
015302XJ6	2,740,000	3.00	2010
015302XK3	2,740,000	5.00	2011
015302XL1	2,740,000	3.00	2012
015302XM9	2,740,000	3.50	2013
015302XN7	2,740,000	5.00	2014
015302XP2	2,740,000	4.50	2015
015302XQ0	2,740,000	4.50	2016
015302XR8	2,740,000	4.00	2017
015302XS6	2,740,000	4.00	2018
015302XT4	2,740,000	4.00	2019
015302XU1	2,740,000	4.00	2020
015302XV9	2,740,000	4.00	2021
015302XW7	2,740,000	4.00	2022
015302XX5	2,740,000	4.25	2023
015302XY3	2,740,000	4.50	2024
Total	$49,335,000		

Refunding Bonds of 2004

CUSIP	Issue	Rate	Maturity Date June 15,
015302WQ1	205,000	2.375	2008
015302WR9	210,000	2.625	2009
015302WS7	215,000	2.875	2010
015302WT5	3,205,000	3.750	2011
015302WU2	3,170,000	3.500	2012
015302WV0	3,130,000	5.000	2013
015302WW8	3,130,000	4.000	2014
015302WX6	3,085,000	4.250	2015
015302WY4	3,060,000	5.000	2016
015302WZ1	3,050,000	4.250	2017
015302XA5	3,015,000	4.250	2018
015302XB3	2,980,000	4.250	2019
015302XC1	2,945,000	4.375	2020
Total	$31,400,000		

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (continued)

Public Improvement Bonds of 2004

CUSIP	Issue	Rate	Maturity Date June 15,
015302VV1	3,800,000	5.00	2008
015302VW9	3,800,000	5.00	2009
015302VX7	3,800,000	5.00	2010
015302VY5	3,300,000	5.00	2011
015302VZ2	3,300,000	5.00	2012
015302WA6	3,300,000	4.00	2013
015302WB4	3,300,000	4.00	2014
015302WC2	3,300,000	4.00	2015
015302WD0	3,300,000	4.00	2016
015302WE8	3,300,000	4.00	2017
015302WF5	3,300,000	4.00	2018
015302WG3	3,300,000	4.00	2019
015302WH1	3,300,000	4.13	2020
015302WJ7	3,300,000	4.25	2021
015302WK4	3,300,000	4.25	2022
015302WL2	3,300,000	4.25	2023
Total	$ 54,300,000		

Public Improvement Bonds of 2001

CUSIP	2000 Issue	Rate	Maturity Date June 15,
015302VC3	2,900,000	4.00	2008
015302VD1	2,900,000	4.00	2009
015302VE9	2,900,000	4.13	2010
015302VF6	2,900,000	4.25	2011
015302VG4	2,895,000	4.40	2012
015302VH2	2,895,000	4.50	2013
Total	$ 17,390,000		

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (continued)

Public Improvement Bonds of 2000

CUSIP	Issue	Rate	Maturity Date June 15,
015302UH3	2,985,000	5.00	2008
015302UJ9	2,985,000	5.00	2009
015302UK6	2,985,000	5.00	2010
Total	$ 8,955,000		

Public Improvement and Refunding Bonds of 1994

CUSIP	Issue	Rate	Maturity Date February 1,
015302TC6	790,000	5.100	2008
015302TD4	790,000	5.100	2009
Total	$ 1,580,000		

Public Improvement Bonds of 1999

CUSIP	Issue	Rate	Maturity Date January 1,
015302TN2	2,000,000	3.90	2008
015302TP7	2,000,000	4.00	2009
015302TQ5	2,000,000	5.00	2010
015302TR3	2,000,000	4.25	2011
015302TS1	2,000,000	4.25	2012
015302TT9	2,000,000	5.00	2013
015302TU6	2,000,000	5.00	2014
015302TV4	2,000,000	4.50	2015
015302TW2	2,000,000	5.00	2016
015302TX0	2,000,000	5.00	2017
015302TY8	2,000,000	5.00	2018
015302TZ5	2,000,000	5.00	2019
Total	$ 24,000,000		

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (continued)

The requirements to pay all long-term bonds as of June 30, 2007, including interest payments of $104.0 million, are summarized as follows:

Fiscal Year	Serial Bonds Principal	Interest
2008	$ 18,175,000	$ 12,344,320
2009	19,100,000	11,514,576
2010	18,315,000	10,685,824
2011	17,815,000	9,851,243
2012	17,775,000	9,060,955
2013-2017	88,395,000	33,630,225
2018-2022	72,770,000	14,535,119
2023-2026	26,180,000	2,399,538
	$ 278,525,000	$ 104,021,800

The General Fund meets debt service requirements for general obligation bonds. The City retains the liability for the portion of general obligation bonds issued to fund capital projects of the School Board.

Legal Debt Margin - The City has no overlapping debt with other jurisdictions. As of June 30, 2007, the City had a legal debt limit of $3.4 billion and a debt margin of $3.1 billion:

Assessed Value of Real Property, January 1, 2007		$34,243,031,000
Debt Limit: 10 Percent of Assessed Value		$ 3,424,303,100
Amount of Debt Applicable to Debt Limit:		
General Obligation Bonds	$278,525,000	
Less Total General Obligation Debt		(278,525,000)
LEGAL DEBT MARGIN REMAINING		$ 3,145,778,100

Unissued Bonds - Bond authorizations expire three years from the effective date of the respective bond ordinances. Authorization of bonds, bonds issued and expired during the fiscal year ended June 30, 2007, are summarized below:

	Authorized and Unissued July 1, 2006	Authorized	Issued	Expired	Authorized and Unissued June 30, 2007
General Obligation Bonds	$ 7,100,000	$ 22,815,000	$ 22,815,000	$ ---	$ 7,100,000

On May 9, 2007, the City Council issued $22.8 million in General Obligation bonds with an effective interest rate of 3.86 to advance refund the callable maturities of the City's 2001 Series outstanding bonds aggregating in principal amount of $23.2 million. The net proceeds of $24.8 million, including a premium of $1.4 million, were used to purchase U.S. government securities. These securities were deposited with an escrow agent to provide for all future debt service payments. Accordingly, the refunded bonds are considered to be defeased and are not included in the City's financial statements. This refunding will achieve a savings for the City of $0.9 million in future debt service payments over the next 14 years and obtain a present value gain of $0.7 million. The premium liability of $1.4 million is being amortized over the life of the bonds in the government-wide statements.

The City did not issue any short-term debt during FY 2007.

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (continued)

Changes in Long-Term Liabilities - Changes in the total long-term liabilities during the fiscal year ended June 30, 2007 are summarized below. The Net Pension Obligation results from contributions to the City Supplemental Retirement Plan, the Pension for Fire and Police Plan, and the Firefighters' and Police Pension Plan that were less than the required amount. In general the City uses the General Fund to liquidate long-term liabilities.

Primary Government – Governmental Activities

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Amounts Due Within One Year
General Obligation Bonds	$ 296,540,000	$ 22,815,000	$40,830,000	$ 278,525,000	$ 18,175,000
Bond Premium	6,236,170	1,448,072	338,854	7,345,388	411,257
Obligations Under Capital Lease	243,754	---	243,754	---	
Workers' Compensation Claims	6,954,929	2,197,564	2,275,146	6,877,347	2,384,908
Accrued Compensated Absences	16,717,166	12,935,500	11,340,897	18,311,769	1,422,971
Net Pension Obligation	10,127,219	622,094	960,875	9,788,438	---
Total	$ 336,819,238	$40,018,230	$ 55,989,526	$ 320,847,943	$ 22,394,136

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

All liabilities – both current and long-term – are reported in the statement of net assets. The adjustment from modified accrual to full accrual is as follows:

Balances at June 30, 2007:	
Long-term liabilities (detail above)	$ 320,847,943
Accrued interest payable	820,970
Adjustment	$ 321,668,913

Under the modified accrual basis of accounting used in the fund financial statements for the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the government-wide statement of activities, however, which is presented on the accrual basis, expenses are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. This adjustment from modified accrual to full accrual is composed of the following items:

Compensated absences	$ 1,594,604
Workers compensation	(77,582)
Change in net pension obligation	(338,781)
Amortization of bond premium, Discount and interest	376,264
Accrued interest on bonds	(137,878)
Adjustment	$ 1,416,627

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (continued)

Component Unit – School Board

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Amounts Due Within One Year
Accrued Compensated Absences	$6,845,406	$10,785,138	$10,584,164	$7,046,380	$ 615,177

NOTE 10. INTERFUND BALANCES AND COMPONENT UNIT TRANSACTIONS

There were no interfund receivables/payables at June 30, 2007.

Interfund transfers and transactions for the year ended June 30, 2007 consisted of the following:

Transfer In/Out:	General	Special Revenue	Capital Projects	Total
Primary Government Transactions				
General Fund	$ ---	$ 1,063,895	$ ---	$ 1,063,895
Special Revenue	34,592,964	496,117	---	35,089,081
Capital Projects	12,887,496	18,500	---	12,905,996
Internal Service	335,877	382,284	---	718,161
Total	$ 47,816,337	$ 1,960,796	$ ---	$ 49,777,133
Component Unit Transactions				
School Board	$ 149,873,621	$ ---	$ 845,545	$ 150,719,166
Library	6,821,877	---	---	6,821,877
Alexandria Transit	7,337,024	---	---	7,337,024
Total	$ 164,032,522	$ ---	$ 845,545	$ 164,878,067

Primary government transfer activities include:

Transfers from the General Fund to the Special Revenue Fund represent City funds required to match grant programs resources and taxes collected for affordable housing projects.

Special Revenue funds are transferred to other funds for capital and equipment purchases as determined by the terms of the grant agreements.

Transfers from the General Fund to the Capital Projects fund represent the City's budgeted pay-as-you go funding of capital projects.

Transfers from Special Revenue funds to Capital Projects represent grants received for capital related expenditures.

Transactions with the component units represent budgeted subsidies for the school operations and capital projects, library operations and transit operations. In addition, the City transferred capital assets totaling $1.2 million to Alexandria Transit.

Exhibit XII
(Continued)

NOTE 11. GRANTS

The City receives financial assistance from numerous federal, state and local governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any unallowed disbursements resulting from such audits could become a liability of the City. In the opinion of City management, no material refunds will be required as a result of unallowed disbursements (if any), by the grantor agencies.

NOTE 12. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues for the City and its component units totaled $153.5 million in FY 2007. Sources of these revenues were as follows:

GOVERNMENTAL FUNDS	
Federal Government	$ 31,669,879
Commonwealth of Virginia	79,819,445
Total Primary Government	$ 111,489,324
COMPONENT UNITS	
Federal Government:	
School Board	$ 11,053,961
Commonwealth of Virginia:	
School Board	$ 30,676,038
Library	229,858
Alexandria Transit Company	83,978
Total Component Units Commonwealth of Virginia	$ 30,989,874
Total Component Units	$ 42,043,835
TOTAL CITY AND COMPONENT UNITS	
Total Federal Government	$ 42,723,840
Total Commonwealth of Virginia	110,809,319
Total Intergovernmental Revenue	$ 153,533,159

Exhibit XII
(Continued)

NOTE 13. DUE FROM OTHER GOVERNMENTS

Due from other governments represents accrued revenue at June 30, 2007, consisting of the following:

Primary Government	
State	
General Fund	$ 31,231,195
Special Revenue Fund	3,089,011
Total State	$ 34,320,206
Federal	
General Fund	$ 1,473,851
Special Revenue Fund	3,482,342
Total Federal	$ 4,956,193
Total Primary Government	$39,276,399
Component Units	
State	
School Board	$ 2,058,445
Alexandria Transit Company	171,009
Total State	$ 2,229,454
Federal	
School Board	$ 2,736,540
Total Component Units	$ 4,965,994
Total	$ 44,242,393

NOTE 14. JOINT VENTURES

A. Northern Virginia Criminal Justice Academy

The City participates in a joint venture with the Counties of Arlington and Loudoun and the Cities of 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 City and the Counties of Arlington and Loudoun have entered into a capital lease with the Industrial Development Authority of Loudoun County. The City maintains an equity interest only in the land and building of the Academy, which is reflected in the City's Statement of Net Assets. The City does not maintain an equity interest in the Academy's operations. This lease was paid in full in FY 2007. New Debt of $18,650,000 was issued in FY 2007. The City does not have an equity interest associated with this debt. The City pays the Northern Virginia Criminal Justice Academy for operating costs based on the pro-rata share of officers trained. In FY 2007, the City paid $0.5 million for operating costs.

Financial statements for the Academy may be obtained at Northern Virginia Criminal Justice Academy, 45299 Research Place, Ashburn, Virginia 22011-2600.

Exhibit XII
(Continued)

NOTE 14. JOINT VENTURES (Continued)

B. Northern Virginia Juvenile Detention Home

The City participates in a joint venture with Arlington County and the City of Falls Church to operate a regional juvenile detention home. In July 1993, the City agreed to fund 55.3 percent of the construction costs of a new facility. The final construction payments were made in FY 1995. In addition, the City pays part of the Northern Virginia Juvenile Detention Home's operating costs based on the number of beds utilized by Alexandria residents. These payments totaled $1.3 million in FY 2007.

The Juvenile Detention commission approved recommendations by a security consultant to make immediate improvements to the security systems at the facility. The participating jurisdictions agreed to fund the immediate improvements. On completion of the project the State will refund to each jurisdiction 50 percent of the project cost incurred. The City of Alexandria spent a total of $0.4 million as agreed in FY 2007. Reimbursement of 50 percent of this amount is expected from the State.

The City does not maintain an equity interest in the detention home. Complete separate financial statements for this operation may be obtained from Northern Virginia Juvenile Detention Home, 200 South Whiting Street, Alexandria, Virginia 22304.

C. Peumansend Creek Regional Jail Authority

In 1992, the City entered into an agreement with the Counties of Caroline, Arlington, Prince William, and Loudoun to form an authority to construct and operate a regional jail in Caroline County. The regional jail, which commenced operations in September 1999, is used primarily to hold prisoners from each member jurisdiction. The Regional Jail 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 has the capacity for 336 prisoners. The City is guaranteed a minimum of 50 beds.

The total project cost of $27 million, with 50 percent of the eligible construction cost ($23.8 million) is expected to be reimbursed by the Commonwealth. The Regional Jail Authority issued $10.2 million in revenue bonds and $12 million of grant anticipation notes in March 1997. The City's total share is $18.2 million, including approximately $3.2 million in capital and debt service costs and $15 million in operating costs over the 20-year period of debt service payments (1997-2016). For FY 2007, the City paid $0.5 million for operating costs and $0.2 million for debt service payments. The City does not maintain an equity interest in the jail and is not responsible for repayment of the debt.

Complete financial statements can be obtained by writing to the Regional Jail Authority at Post Office Box 1460, Bowling Green, Virginia 22427.

Exhibit XII
(Continued)

NOTE 14. JOINT VENTURES (Continued)

D. Washington Metropolitan Area Transit Authority

As discussed in Note 9, the City participates in a joint venture with other local jurisdictions to share in the cost of a regional transportation system. The City does not maintain an equity interest in WMATA. Complete financial statements of WMATA may be obtained from WMATA, 600 5th Street, N.W., Washington, DC 20001.

NOTE 15. RELATED PARTY TRANSACTIONS

Sheltered Homes of Alexandria is a not-for-profit corporation formed to obtain and maintain group homes for mentally and physically disabled or impaired adults. The corporation's trustees also serve on the Alexandria Community Services Board, whose board members are appointed by the City and whose financial activities are therefore included as part of the primary government. During FY 2007, the City made rental payments to Sheltered Homes of Alexandria totaling $0.2 million.

Exhibit XII
(Continued)

NOTE 16. POST EMPLOYMENT BENEFITS

In 1989 City Council voted to establish three classes of post employment health care benefits to supplement the increasing health care burden for City retirees. The three classes are as follows: (a) City employees who are eligible to retire under the Virginia Retirement System and City Supplemental Pension plans who have attained age 55 with at least 5 years of service; (b) fire and police employees who are eligible to retire under the pension plan for fire and police who have attained age 50 with at least 20 years of service; and (c) fire and police employees who are eligible to retire under the retirement income plan for fire and police who have attained 20 years of service, regardless of age. In addition, spouses of deceased retirees are also eligible for benefits. Each fiscal year the City Council appropriates funds to pay for these health benefits. As of June 30, 2007, 682 retirees were both eligible and received benefits from all three classes of this plan. Eligibility is contingent upon the retiree providing proof of participation and payment to a health insurance plan. The City contributed on a "pay-as-you-go" basis at the rate of up to $260.00 per month for each retiree, for a total annual contribution of $1.6 million for FY 2007.

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS

Primary Government

The City participates in seven public employee retirement systems (PERS). One of these systems is handled by Virginia Retirement System (VRS), an agent multi-employer public retirement system that acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia, and is, therefore, not reflected as a City pension trust fund. Of the remaining six, four are single-employer defined benefit systems (City Supplemental, Pension for Fire and Police, Firefighters and Police Officers Pension Plan-defined benefit component, and Firefighters and Police Officers Pension Plan-disability component), where a stated methodology for determining benefits is provided, and two are defined contribution plans (Firefighters and Police Officers Pension Plan-defined contribution component and Retirement Income for Sheriff and Emergency Rescue Technicians (ERT)), where contribution requirements are not actuarially determined. All of these systems are included as part of the City's reporting entity and as such are reflected as Pension Trust Funds.

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Combining Schedule of Ficuciary Net Assets

	Employee Retirement Plans						
			Firefighters and Police Officers Pension Plan				
	City Supplemental Retirement	Pension for Fire and Police	Defined Contribution Component	Defined Benefit Component	Disability Component	Retirement Income for Sheriff and ERT	Total
ASSETS							
Investments, at Fair Value							
U.S. Government Obligations	$ -	$ -	$ -	$ -	$ 3,137,826	$ -	$ 3,137,826
Mutual Funds	58,381,466	-	17,948,061	112,803,304	-	8,755,547	197,888,378
Stocks	-	-	-	-	11,183,056	-	11,183,056
Guaranteed Investment Accounts	18,665,230	30,875,740	9,767,267	9,187,092	-	9,564,722	78,060,051
Domestic Corporate Bonds	-	-	-	-	602,573	-	602,573
Other Investments	-	-	-	-	449,544	-	449,544
Total Investments	$ 77,046,696	$ 30,875,740	$ 27,715,328	$ 121,990,396	$ 15,372,999	$ 18,320,269	$ 291,321,428
Total Assets	$ 77,046,696	$ 30,875,740	$ 27,715,328	$ 121,990,396	$ 15,372,999	$ 18,320,269	$ 291,321,428
NET ASSETS							
Held in Trust for Pension Benefits	$ 77,046,696	$ 30,875,740	$ 27,715,328	$ 121,990,396	$ 15,372,999	$ 18,320,269	$ 291,321,428

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Combining Schedule of Changes in Fiduciary Net Assets

	Employee Retirement Plans						
			Firefighters and Police Officers Pension Plan				
	City Supplemental Retirement	Pension for Fire and Police	Defined Contribution Component	Defined Benefit Component	Disability Component	Retirement Income for Sheriff and ERT	Total
ADDITIONS							
Contributions:							
Employer	$ 4,744,710	$ 1,500,000	$ -	$ 6,374,061	$ 752,470	$ 86,328	$ 13,457,569
Plan Members	2,359,142	5,839	-	2,187,371	160,100	-	4,712,452
Total Contributions	$ 7,103,852	$ 1,505,839	$ -	$ 8,561,432	$ 912,570	$ 86,328	$ 18,170,021
Investment Income:							
Net Appreciation in Fair Value of Investments	$ 7,533,186	$ -	$ 2,833,700	$ 14,612,526	$ 1,867,723	$ 1,450,096	$ 28,297,231
Interest	1,452,928	1,975,101	421,917	3,585,831	525,520	355,564	8,316,861
Total Investment Income	$ 8,986,114	$ 1,975,101	$ 3,255,617	$ 18,198,357	$ 2,393,243	$ 1,805,660	$ 36,614,092
Less Investment Expense	116,796	-	-	399,332	-	-	516,128
Net Investment Income	$ 8,869,318	$ 1,975,101	$ 3,255,617	$ 17,799,025	$ 2,393,243	$ 1,805,660	$ 36,097,964
Total Additions	$ 15,973,170	$ 3,480,940	$ 3,255,617	$ 26,360,457	$ 3,305,813	$ 1,891,988	$ 54,267,985
DEDUCTIONS							
Benefits	$ 3,976,498	$ 4,520,170	$ -	$ 3,241,737	$ 1,586,318	$ -	$ 13,324,723
Refunds of Contributions	-	-	2,186,707	-	-	484,143	2,670,850
Administrative Expenses	93,381	15,842	-	-	64,219	-	173,442
Total Deductions	$ 4,069,879	$ 4,536,012	$ 2,186,707	$ 3,241,737	$ 1,650,537	$ 484,143	$ 16,169,015
Net Increase (Decrease)	$ 11,903,291	$ (1,055,072)	$ 1,068,910	$ 23,118,720	$ 1,655,276	$ 1,407,845	$ 38,098,970
Net Assets at Beginning of Year	65,143,405	31,930,812	26,646,418	98,871,676	13,717,723	16,912,424	253,222,458
Net Assets at End of Year	$ 77,046,696	$ 30,875,740	$ 27,715,328	$ 121,990,396	$ 15,372,999	$ 18,320,269	$ 291,321,428

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

The actuarial valuations for all the defined benefit pension plans are performed annually with the exception of VRS, which is performed biennially; however, an actuarial update is performed in the interim year. In the current valuation report, VRS used the same assumptions and methods as the prior year report. The number of active members shown includes those who have worked for the City at one time, but who are now active in another jurisdiction. Also the number of retirees includes those who retired from the City, as well as those who retired from another jurisdiction with service attributable to the City. The liability for the City's share of the benefits for those employees has been reflected in the pension liabilities and employer contribution rates. Financial statements and required supplementary information are presented in VRS comprehensive annual financial report, which can be obtained by writing to the Virginia Retirement System, Post Office Box 2500, Richmond, Virginia 23218.

The actuarial cost method for City Supplemental pension plan was changed from aggregate to entry age normal cost. Mortality assumption was changed from 1983 Group Annuity Table to RP-2000 Mortality table and investment return rate assumption was lowered from 8 percent to 7.5 percent. These assumption and the cost method changes resulted in 7.5 percent increase in the ARC to its current level of $4,811,560 with a net increase of $0.5 million compared to last year's ARC of $4.3 million.

VRS contribution rate for FY 2007 increased to 6.6 percent from 1.5 percent in FY 2006. This change caused the ARC to go up from $1.5 million in FY 2006 to $7.1 million for FY 2007. The poor performance of the stock market from 2001 through 2003 and recognition of investment gains and losses over a five years "smoothing" method are the main reasons for the rate increase. Lower estimates of future investment gains and revised assumption showing retirees living longer than expected also contributed to the rate increase for VRS.

The recommended contribution for Firefighters and Police Officers pension plan increased by $1.1 million, from $5.9 million (20.38 percent) in FY 2006 to $7.0 million, (21.86 percent) in FY 2007. For Disability pension plan the ARC increased by $1.0 million (1.42 percent to 4.55 percent) of projected payroll). These increases were due to actuarial assumption changes to disabled mortality rate and the assumed annual salary increases and lower than expected earnings on investments.

There were no changes in actuarial assumptions, benefit provisions, or funding method for the Firefighters and Police Officers Pension Plan (the current plan). The major provisions of all the defined benefit pension plans are listed in this disclosure.

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

The following schedules present a description of the plan provisions and membership information, actuarial assumptions, accounting and funding policies, and contribution requirements. Six-year schedules of funding progress and trend information for defined benefit pension plans are provided in Exhibit XVI.

PLAN DESCRIPTION

	(1) VRS	(2)	(3)	(4) Firefighters and Police Officers Pension Plan	(5)	(6)	(7)
	City	City Supplemental Retirement	Pension for Fire and Police	Defined Contribution Component	Defined Benefit Component	Disability Component	Retirement Income for Sheriff and ERT
Administrator	Commonwealth of Virginia	Prudential	Prudential	Prudential	Prudential	SunTrust	Prudential
Employees Covered	General Body	General Body/ Sheriff/ERT	Fire and Police	Fire and Police	Fire and Police	Fire and Police	Sheriff/ERT
Authority for Plan Provisions and Contributions	State Statute	City Ordinance	City Ordinance	City Ordinance	City Ordinance	City Ordinance	City Ordinance
Plan Type	Agent Multi-Employer	Single-Employer	Single-Employer	Single-Employer	Single-Employer	Single-Employer	Single-Employer
	Defined Benefit	Defined Benefit	Defined Benefit	Defined Contribution	Defined Benefit	Defined Benefit	Defined Contribution
Stand Alone Financial Report	Yes	No	No	No	No	No	No
Actuarial Valuation Date	06/30/2006	7/01/2006	07/01/2006	Not applicable	7/01/2006	7/01/2006	Not applicable

Exhibit XII (Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

MEMBERSHIP AND PLAN PROVISIONS

As of:	6/06 (1) VRS	7/06 (2)	7/06 (3)	6/07 (4) Firefighters and Police Officers Pension Plan	7/06 (5)	7/06 (6)	6/07 (7)
	City	City Supplemental Retirement	Pension for Fire and Police	Defined Contribution Component	Defined Benefit Component	Disability Component	Retirement Income For Sheriff And ERT
Active Participants	1,976	2,115	1	119	468	468	239
Retirees and Beneficiaries	621	192	160	-	104	56	-
Terminated Vested and Non-vested	441	611	-	57	9	N/A	11
Normal Retirement Benefits:							
Age	65 50 (30Yrs)	65 50 (30Yrs) 50 (25 Yrs)	60 50 (20Yrs)	60	55 Any age (25 Yrs)	55	60
Benefits Vesting Years	5	5	10	5	5	5	5
Disability and Death Benefits	Disability Death	Disability Death	Disability Death	Not applicable Death	Disability Death	Disability Not Applicable	Not Applicable Death
SIGNIFICANT ACTUARIAL ASSUMPTIONS							
Investment Earnings	7.5%	7.5%	7.5%	Not applicable	7.5%	7.5%	Not applicable
Projected Salary Increases Attributable to:							
Inflation	2.5%	3.0%	N/A	Not applicable	3.0%	3.0%	Not applicable
Seniority/Merit	1.25 – 3.10%	Up to 4%	N/A	Not applicable	Up to 4.5%	Up to 4.5%	Not applicable
Projected Postretirement Increases	2.5%	None	3.0%	Not applicable	3.0%	3.0%	Not applicable
Actuarial Cost Method	Entry Age Normal Cost	Entry Age Normal Cost	Projected Unit Credit With Zero Normal Cost	Not applicable	Entry Age Normal Cost	Entry Age Normal Cost	Not applicable
Amortization Method	Level Percentage	Level Percentage	Level dollar	Not applicable	Level Percentage	Level Percentage	Not applicable
Open/Closed	Open	Not applicable	Closed	Not applicable	Closed	Closed	Not applicable
Remaining Amortization Period	20	15	15	Not applicable	23	12	Not applicable
Asset Valuation Method	Modified Market	Market Value	Book Value	Not applicable	4-year Smoothed Market	4-year Smoothed Market	Not applicable

Exhibit XII (Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

FUNDING POLICY AND ANNUAL PENSION COST

As of:	6/07	6/07	6/07	6/07	6/07	6/07	6/07
	VRS			Firefighters and Police Officers Pension Plan			
	City	City Supplemental Retirement	Pension for Fire and Police	Defined Contribution Component	Defined Benefit Component	Disability Component	Retirement Income for Sheriff and ERT
PERCENTAGE OF COVERED PAYROLL CONTRIBUTED							
Employee %	5.00%	2.00%	8.0%	Not applicable	7.5%	0.50%	--
Employer	6.60%	3.32% 8.75%	$1.5 million/yr	Not applicable	20.0%	2.35%	$0.1 million
AMOUNT CONTRIBUTED							
Employee	$ 5,434,946	* $ 2,359,142	* $ 5,839	$ --	$ 2,187,371	$ 160,100	$ -
Employer	7,077,570	4,744,710	1,500,000	--	6,374,061	752,470	86,328
Total Amount Contributed	$ 12,512,516	$ 7,103,852	$ 1,505,839	$ --	$ 8,561,432	$ 912,570	$ 86,328

* The City assumed the responsibility of payment of employees' share of contributions. Some of the administrative costs of all the pension plans are financed through investment earnings except Firefighters and Police Officers Pension Plan (Defined Benefit Component) and Sheriff /ERT plans, where the City assumes the cost.

The Contribution requirements for all pension plans (except VRS) are established and may be amended by City Ordinance. VRS requirements are established and may be amended by State statutes.

COVERED PAYROLL							
Dollar Amount	$ 108.0 Million	$ 118.0 Million	$ 0.1 Million	--	$ 32.0 Million	$ 32.0 Million	$ 15.6 Million
Legally Required Reserves	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Long Term Contribution Contracts	N/A	N/A	N/A	N/A	N/A	N/A	N/A
INVESTMENT CONCENTRATIONS							
Investments in any one organization that represent 5 percent or more of plan assets.							
Prudential General Account (Long Term)	ɵ	24%	100%	35%	8%	-	52%
Prudential Mutual Funds	ɵ	-	-	65%	92%	-	48%
US Government Obligations	ɵ	-	-	-	-	20%	-
Stocks	ɵ	60%	-	-	-	73%	-
Bonds	ɵ	16%	-	-	-	4%	-
Cash and Cash Equivalents	ɵ	-	-	-	-	3%	-

ɵ Investment information not available on an individual jurisdiction basis.

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Calculation of Net Pension Obligation (Asset)

	City Supplemental Retirement	Pension For Fire and Police	Firefighters and Police Officers Pension Plan: Defined Benefit Component	Firefighters and Police Officers Pension Plan: Disability Component
Actuarially Required Contribution	$ 4,811,560	$ 1,187,836	$ 6,985,282	$ 1,455,223
Interest on Net Pension Obligation	595,166	105,745	58,630	(54,037)
ARC Adjustment	(1,150,446)	(266,026)	(47,757)	71,573
Annual Pension Cost	$ 4,256,280	$ 1,027,555	$ 6,996,155	$ 1,472,759
Actual Deposit	(4,744,710)	(1,500,000)	(6,374,061)	(752,470)
Change in NPO	$ (488,430)	$ (472,445)	$ 622,094	$ 720,289
NPO/A Beginning of Year	7,935,549	1,409,936	781,734	(720,609)
NPO/A End of Year (6/30/07)	$ 7,447,119	$ 937,491	$ 1,403,828	$ (320)

THREE-YEAR TREND INFORMATION

		Actuarial Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation/(Asset)
	City Supplemental Retirement	06/30/2005	$ 2,662,038	98.56%	$ 8,557,828
		06/30/2006	3,689,500	116.86%	7,935,549
		06/30/2007	4,256,280	111.48%	7,447,119
	Pension for Fire and Police	06/30/2005	$ 1,456,493	61.93%	$ 1,697,771
		06/30/2006	770,165	137.37%	1,409,936
		06/30/2007	1,027,555	145.98%	937,491
Firefighters and Police Officers Pension Plan	Defined Benefit Component	06/30/2005	$ 4,907,811	107.94%	$ 645,667
		06/30/2006	5,948,646	137.37%	781,734
		06/30/2007	6,996,155	91.11%	1,403,828
	Disability Component	06/30/2005	$ 349,942	179.69%	$ (456,352)
		06/30/2006	422,604	162.53%	(720,609)
		06/30/2007	1,472,759	51.09%	(320)
	Virginia Retirement System	06/30/2005	$ 1,386,592	100.00%	$ -
		06/30/2006	1,470,239	100.00%	-
		06/30/2007	7,077,570	100.00%	-

Firefighters and Police Officers Pension Plan defined benefit component commenced in FY04 and the disability component converted from a defined contribution to a defined benefit plan at that time.

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

DESCRIPTION OF BENEFITS:

VRS – City - Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service and at age 50 with 30 years of service. Employees who retire with a reduced benefit at age 55 with at least 5 years of credited service are entitled to an annual retirement benefit payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS) for each year of credited service. An optional reduced retirement benefit is available as early as age 50 with 10 years of credited service. In addition, retirees qualify for annual cost-of-living (COLA) increases on July 1 of the second calendar year after retirement. These benefit provisions and all other requirements are established and may be amended by State statutes.

City Supplemental Retirement Plan- Regular City employees who retire at or after age 65 or after age 50 with 30 years of credited service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to the sum of (1) and (2), increased by 50 percent, plus (3):

(1) 1.625 percent of the participant's past service compensation up to $100, plus 0.25 percent of the participant's past service compensation in excess of $100, multiplied by number of years of credited service earned after July 31, 1960, but prior to August 1, 1970.
(2) 1.625 percent of the participant's average earnings up to $100, plus 0.25 percent of the participant's average earnings in excess of $100, multiplied by the number of years of credited service earned after July 31, 1970, but prior to January 1, 1988.
(3) 0.80 percent of average earnings multiplied by credited service earned after December 31, 1987.

The Sheriff's Deputies, ERT and Fire Marshals who retire at age 65 or after age 50 with 25 years of service are entitled to the sum of (1), (2) and (3):

(1) 0.6 percent of average earnings multiplied by first five years of credited service,
(2) 0.9 percent of average earnings multiplied by next ten years of credited service, and
(3) 1.0 percent of average earnings multiplied by all years of credited service in excess of fifteen years.

Benefit provisions are established and may be amended by City Ordinance.

Pension Plan for Fire Fighters and Police Officers (closed plan) - Employees who retired on or after age 60 are entitled to an annual retirement defined benefit, payable monthly for life, in an amount equal to 2.5 percent of final average earnings multiplied by years of credited service, up to a maximum of 30 years. The plan also provided early retirement on or after age 50 with 20 years of credited service or on or after age 56 with 10 years of credited service. This plan further provided early retirement on or after age 50 with 10 years of service with an actuarially reduced benefit. Benefit provisions are established and may be amended by City Ordinance. This plan was closed to new participants in FY 1979.

Firefighters and Police Officers Pension Plan - defined contribution component (closed plan) - The employees are entitled to contributions made on their behalf after 100 percent vesting. Benefit provisions are established and may be amended by City Ordinance. This plan was closed to new members in FY 2004 and converted to a defined benefit plan. Employees in the plan at date of conversion could leave their contributions in the defined contribution component or purchase prior service with the assets associated with their contributions.

Firefighters and Police Officers Pension Plan - defined benefit component - The plan provisions were approved by City Council in FY 2004 and provide retirement benefits for covered employees who retire at age 55 with 5 years of service or any age with 25 years of service. The retirees are entitled to 2.5 % of the participant's average monthly compensation (AMC), multiplied by the years of credited service up to 20 years; plus 3.2 % of the participant's AMC, multiplied by years of credited service in excess of 20 years. The maximum benefit is 82% of the AMC. The plan also allows for early retirement at age 50 with 20 years of service with reduced benefits.

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Firefighters and Police Officers Pension Plan - disability component - The plan provisions provide disability benefits for firefighters and police officers. The benefits for service-connected total and permanent disability are 70 percent of final average earnings, 66 2/3 percent for non-service connected total and permanent disability and service-connected partial disability, and 50 percent for non-service connected partial disability. Benefits provisions are established and may be amended by City Ordinance. Effective January 1, 2004, this plan was merged with the Firefighters and Police Officers Pension Plan. Separate actuarial calculations have been performed for the defined benefit and disability components.

Retirement Income Plan for Deputy Sheriffs and Emergency Rescue Technicians - This plan provides for benefits to be distributed in the case of termination, retirement, death, or disability to deputy sheriffs, fire marshals and emergency rescue technicians. Distribution options include cash distribution, annuities, or a combination of the two. Benefit provisions are established and may be amended by City Ordinance.

NOTE 18. ACCOUNTING CHANGES

During the fiscal year ended June 30, 2007, the City adopted:

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.* There is no fiscal impact on the financial statements.

GASB Statement No. 49 *Accounting and Financial Reporting for Pollution Remediation Obligations*. There is no fiscal impact on the financial statements.

GASB Statement No. 50 *Pension Disclosures — an amendment of GASB Statements No. 25 and No. 27.* There is no fiscal impact on the financial statements.

GASB Statement No 51, *Accounting and Reporting for Intangible Assets*. There is no fiscal impact on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

In accordance with the Governmental Accounting Standards Board Statements No. 25, No. 27 and No. 34, the following information is a required part of the basic financial statements.

CITY OF ALEXANDRIA, VIRGINIA
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2007

EXHIBIT XIII

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget - Positive (Negative)
Revenues:				
General Property Taxes	$ 298,646,462	$ 299,746,462	$ 310,821,622	$ 11,075,160
Other Local Taxes	111,654,640	111,654,640	110,979,367	(675,273)
Permits, Fees, and Licenses	4,909,800	4,909,800	5,944,363	1,034,563
Fines and Forfeitures	4,072,300	4,072,300	3,628,938	(443,362)
Use of Money and Property	8,644,000	8,644,000	9,712,862	1,068,862
Charges for Services	10,988,543	10,988,543	10,286,955	(701,588)
Intergovernmental Revenues	50,114,305	50,114,305	53,608,403	3,494,098
Miscellaneous	427,000	427,000	590,351	163,351
Total Revenues	$ 489,457,050	$ 490,557,050	$ 505,572,861	$ 15,015,811
Expenditures:				
City Council	$ 559,524	$ 538,224	$ 531,866	$ 6,358
City Manager	2,285,040	2,079,540	1,977,636	101,904
Office on Women	1,271,057	1,399,959	1,399,614	345
Citizens Assistance	716,655	748,522	717,844	30,678
Office of Management and Budget	1,118,851	1,133,351	1,115,515	17,836
18th Circuit Court	1,295,587	1,257,287	1,252,296	4,991
18th General District Court	78,282	85,282	84,600	682
Juvenile And Domestic Relations Court	34,845	34,845	31,874	2,971
Commonwealth's Attorney	2,536,228	2,591,141	2,501,617	89,524
Sheriff	23,650,022	24,050,211	24,021,988	28,223
Clerk of Courts	1,605,838	1,602,038	1,584,997	17,041
Other Correctional Activities	4,573,968	4,579,768	4,579,658	110
Court Services	977,450	1,143,782	1,064,032	79,750
Human Rights	500,590	580,020	579,908	112
Internal Audit	221,842	225,442	216,636	8,806
Information Technology Services	7,886,468	8,283,530	7,838,368	445,162
City Clerk and Clerk of Council	366,141	375,791	371,187	4,604
Finance	8,650,724	10,207,525	9,507,252	700,273
Real Estate Assessments	1,482,679	1,521,042	1,456,533	64,509
Personnel	3,112,879	3,263,379	3,244,695	18,684
Planning and Zoning	7,045,690	7,918,404	7,134,271	784,133
City Attorney	2,553,609	4,685,009	4,652,621	32,388
Registrar of Voters	1,070,781	1,088,476	995,466	93,010
General Services	12,470,596	13,208,040	13,029,669	178,371
Transportation and Environmental Services	25,031,982	25,451,876	24,760,527	691,349
Transit Subsidies	6,825,042	6,825,042	6,755,289	69,753
Fire	35,345,199	36,053,538	35,970,578	82,960
Police	49,062,143	49,585,277	48,963,857	621,420
Mental Health/Mental Retardation and Substance Abuse	520,755	530,755	529,964	791
Health	7,762,441	7,750,603	7,593,304	157,299
Human Services	9,074,322	9,766,213	9,746,950	19,263
Human Services Contributions	2,279,762	2,279,762	2,253,041	26,721
Office of Historic Alexandria	2,667,623	2,658,869	2,642,429	16,440
Recreation and Cultural Activities	19,812,500	20,308,880	20,212,829	96,051
Other Educational Activities	12,548	12,548	12,548	-
Non Departmental (including debt service)	41,705,559	42,879,435	40,898,535	1,980,900
Total Expenditures	$ 286,165,222	$ 296,703,406	$ 290,229,994	$ 6,473,412
Other Financing Sources (Uses):				
Proceeds of Refunding Bonds	$ -	$ 22,815,000	$ 22,815,000	$ -
Bond Premium	-	1,448,072	1,448,072	-
Payment to Refunded Bonds Escrow Agent	-	(24,105,018)	(24,104,018)	1,000
Operating Transfers In	1,063,895	1,063,895	1,063,895	-
Operating Transfers Out	(43,358,366)	(51,379,478)	(47,816,337)	3,563,141
Transfers Out - Component Units	(164,152,176)	(164,032,522)	(164,032,522)	-
Total Other Financing Sources (Uses)	$ (206,446,647)	$ (214,190,051)	$ (210,625,910)	$ 3,564,141
Net Change in Fund Balance.	$ (3,154,819)	$ (20,336,407)	$ 4,716,957	$ 25,053,364
Fund Balances at Beginning of Year	67,378,045	67,378,045	67,378,045	-
Increase/(Decrease) in Reserve for Inventory	-	-	158,726	158,726
FUND BALANCES AT END OF YEAR	**$ 64,223,226**	**$ 47,041,638**	**$ 72,253,728**	**$ 25,212,090**

(See Accompanying Independent Auditors' Report and Notes to Schedules)

CITY OF ALEXANDRIA, VIRGINIA
Budgetary Comparison Schedule
Special Revenue Fund
For the Year Ended June 30, 2007

EXHIBIT XIV

	Original Budget	Budget as Amended	Actual	Variance From Amended Budget Positive (Negative)
Revenues:				
Use of Money and Property	$ 6,000	$ 138,739	$ 404,865	$ 266,126
Charges for Services	14,001,305	14,452,054	12,198,022	(2,254,032)
Permits, Fees and Licenses	2,680,795	2,840,444	1,228,963	(1,611,481)
Intergovernmental Revenues	39,866,337	46,950,100	40,601,255	(6,348,845)
Miscellaneous	1,350,288	13,241,985	5,268,889	(7,973,096)
Total Revenues	$ 57,904,725	$ 77,623,322	$ 59,701,994	$ (17,921,328)
Other Financing Sources:				
Operating Transfers In	$ 39,465,243	$ 39,059,541	$ 35,089,081	$ (3,970,460)
Total Other Financing Sources	$ 39,465,243	$ 39,059,541	$ 35,089,081	$ (3,970,460)
Total Revenues and Other Financing Sources	$ 97,369,968	$ 116,682,863	$ 94,791,075	$ (21,891,788)
Expenditures:				
Office of Women	$ 487,701	$ 441,746	$ 410,568	$ 31,178
Citizens Assistance	5,498	17,006	15,064	1,942
Commonwealth's Attorney	417,657	291,994	281,828	10,166
Sheriff	912,822	816,596	734,171	82,425
Clerk of Courts	-	126,921	113,516	13,405
Law Library	147,794	149,394	145,497	3,897
Other Correctional and Judicial Activities	198,333	198,999	198,333	666
Court Services	468,019	468,479	340,858	127,621
Human Rights	33,580	68,341	64,870	3,471
Personnel	6,000	6,000	-	6,000
Planning	729,018	889,018	413,589	475,429
Transportation and Environmental Services	4,014,348	4,826,903	3,065,845	1,761,058
Fire	2,760,136	3,010,438	1,767,101	1,243,337
Police	771,628	1,131,813	1,124,309	7,504
Office of Housing	7,097,582	21,329,493	20,558,819	770,674
Mental Health/Mental Retardation and Substance Abuse	28,096,442	29,217,192	27,560,534	1,656,658
Health	-	2,000	-	2,000
Human Services	42,902,401	44,596,636	41,468,713	3,127,923
Office of Historic Alexandria	261,665	483,911	231,702	252,209
Recreation and Cultural Activities	595,432	765,775	382,556	383,219
Non Departmental	1,000,000	1,380,296	150,342	1,229,954
Total Expenditures	$ 90,906,056	$ 110,218,951	$ 99,028,215	$ 11,190,736
Other Financing Uses:				
Operating Transfers Out	$ 6,463,912	$ 6,463,912	$ 1,960,796	$ 4,503,116
Total Other Financing Uses	$ 6,463,912	$ 6,463,912	$ 1,960,796	$ 4,503,116
Total Expenditures and Other Financing Uses	$ 97,369,968	$ 116,682,863	$ 100,989,011	$ 15,693,852
Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses	$ -	$ -	$ (6,197,936)	$ (6,197,936)
Fund Balances at Beginning of Year	$ -	$ -	$ 29,932,970	$ 29,932,970
FUND BALANCES AT END OF YEAR	**$ -**	**$ -**	**$ 23,735,034**	**$ 23,735,034**

(See Accompanying Independent Auditors' Report and Notes to Schedules)

(1) SUMMARY OF SIGNIFICANT BUDGET POLICIES

The City Council annually adopts budgets for the General Fund and Special Revenue Fund of the primary government. All appropriations are legally controlled at the departmental level for the General Fund and Special Revenue Fund. On June 17, 2006, the City Council approved the original adopted budget and on June 16, 2007 approved the revised budget reflected in the required supplementary information.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the required supplementary information for all funds with annual budgets, compare the revenues and expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedules for the General and Special Revenue Funds present actual expenditures in accordance with U.S. generally accepted accounting principles on a basis consistent with the legally adopted budgets, as amended. See Table XVII for the schedule of departments' expenditure detail by function. A reconciliation of the perspective difference for reporting Expenditures and Other Financing Uses in the General Fund relates to how transfers to component units are recorded in each statement and includes the following:

General Fund

Budget Statement Title	Budgetary Statement Amount	Adjustment for Transfer to Component Unit (Footnote 11)	Exhibit IV	Exhibit IV Title
Other Educational Activities	$ 12,548	$ 149,873,621	$149,886,169	Education
Transit Subsidies	6,825,042	7,267,271	14,092,313	Transit
None	-	6,821,877	6,821,877	Library
Other Expenditures (not listed separately)	283,462,157	-	283,462,157	Other Expenditures (not listed separately)
Total Expenditures	$ 290,229,994	$ 164,032,522	$ 454,262,516	Total Expenditures
Transfers Out – Component Units	$ 164,032,522	$ (164,032,522)	$ -	None
Operating Transfers Out	47,816,337	-	47,816,337	Operating Transfers Out
Other Financing	(1,222,949)	-	(1,222,949)	Other Expenditures (not listed separately)
Total Financing (Sources) Uses	$ 210,625,910	(164,032,522)	46,593,388	Total Financing Uses

Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

CITY OF ALEXANDRIA, VIRGINIA
Public Employee Retirement Systems - Primary Government
Required Supplementary Information
June 30, 2007

Exhibit XVI

SCHEDULE OF FUNDING PROGRESS

		Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2)-(1)	(4) Funded Ratio (1/2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage Of Covered Payroll ((2-1)/5)
City Supplemental [a]		06/30/2006	$ 65,143,405	$ 96,974,375	$ 31,830,970	67.18%	$ 116,853,571	27.24%
		06/30/2007 *	77,046,696	104,441,222	27,394,526	73.77%	117,957,100	23.22%
Pension Plan For Fire And Police **		06/30/2002	$ 39,116,353	$ 45,244,734	$ 6,128,381	86.5%	60,566	10,119%
		06/30/2003	37,406,204	43,443,748	6,037,544	86.1%	60,566	9,969%
		06/30/2004	35,362,688	42,580,064	7,217,376	83.1%	61,778	11,683%
		06/30/2005	33,410,759	43,482,216	10,071,457	76.8%	63,012	15,983%
		06/30/2006	30,940,298	43,895,855	12,955,557	70.5%	71,935	18,010%
		06/30/2007 *	30,875,740	42,428,679	11,552,939	72.7%	72,987	15,829%
Firefighters And Police Officers Pension Plan [b]	Defined Benefit Component	01/01/2004	$ 73,115,648	$ 112,392,474	$ 39,276,826	65.1%	$ 27,221,546	144.3%
		07/01/2004	78,577,979	115,340,503	36,762,524	68.1%	25,268,564	145.5%
		07/01/2005	88,534,386	135,445,004	46,910,618	65.4%	29,132,558	161.0%
		07/01/2006	100,513,967	152,624,962	52,110,995	65.9%	31,961,191	163.0%
	Disability Component	07/01/2003	$ 11,936,587	$ 10,165,275	$ (1,771,312)	117.4%	$ 26,002,593	(6.8%)
		07/01/2004	12,601,146	8,638,183	(3,962,963)	145.9%	25,268,564	(15.7%)
		07/01/2005	13,337,719	8,947,524	(4,390,195)	149.1%	29,132,558	(15.1%)
		07/01/2006	13,830,273	12,568,299	(1,261,974)	110.0%	31,961,191	(4.0%)
Virginia Retirement System		06/30/2001	$ 227,576,669	$ 178,701,974	$ (48,874,695)	127.4%	$ 71,829,945	(68%)
		06/30/2002	235,660,890	201,292,189	(34,368,701)	117.1%	78,337,719	(44%)
		06/30/2003	239,425,215	213,902,045	(25,523,170)	112.0%	84,710,535	(30%)
		06/30/2004	244,033,928	240,500,266	(3,533,662)	101.5%	90,113,045	(4%)
		06/30/2005	250,705,689	286,667,574	35,961,885	87.5%	93,142,752	38.6%
		06/30/2006	265,845,121	312,274,142	46,429,021	85.1%	100,219,243	46.3%

* Estimated

** The Pension Plan for Fire and Police is a closed plan with only one active participant.

(a) The City Supplemental changed from the aggregate actuarial cost method to entry age normal during FY 2007. Only two years of data was available. This will be expanded when information becomes available.

(b) These plans commenced during FY 2004 and only four years of information is available. These will be expanded when information becomes available.

Six-year historical information of the City's defined benefit pension plans is presented to help users assess each plan'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.

Analysis of 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 each plan's funding status on a going concern basis. Analysis of this percentage over time indicates whether the plan is financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. 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 plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller the percentage, the stronger the plan.

See Accompanying Independent Auditors' Report

CITY OF ALEXANDRIA, VIRGINIA
Public Employee Retirement Systems - Primary Government
Required Supplementary Information
June 30, 2007

Exhibit XVI
(Continued)

SCHEDULES OF EMPLOYER CONTRIBUTIONS

For Defined Benefit Pension Plans

Actuarial Date	Annual Required Contribution	Percentage Contributed
City Supplemental		
06/30/2002	$ 2,579,707	33.2%
06/30/2003	3,229,768	28.9%
06/30/2004	3,229,768	44.8%
06/30/2005	3,172,787	82.7%
06/30/2006	4,271,649	100.9%
06/30/2007	4,811,560	98.6%
Firefighters and Police Defined Benefit Component [(a)]		
06/30/2004	$ 2,633,733	60.7%
06/30/2005	4,890,046	108.3%
06/30/2006	5,938,572	97.9%
06/30/2007	6,985,282	91.3%
Firefighters and Police Disability Component [(a)]		
06/30/2004	$ 443,122	140.1%
06/30/2005	347,672	180.9%
06/30/2006	414,340	165.8%
06/30/2007	1,455,223	57.7%

Actuarial Date	Annual Required Contribution	Percentage Contributed
Pension Plan for Police and Fire		
06/30/2002	$ 1,088,844	64.3%
06/30/2003	1,033,916	87.2%
06/30/2004	1,125,912	80.1%
06/30/2005	1,547,955	58.3%
06/30/2006	932,554	113.5%
06/30/2007	1,187,836	126.3%
Virginia Retirement System		
06/30/2002	765,204	100.0%
06/30/2003	626,701	100.0%
06/30/2004	667,108	100.0%
06/30/2005	1,386,592	100.0%
06/30/2006	1,470,239	100.0%
06/30/2007	7,077,570	100.0%

[(a)] These plan components commenced in FY 2004 and only three years of information is available. This will be expanded when information becomes available.

See Accompanying Independent Auditors' Report

OTHER SUPPLEMENTARY INFORMATION

Agency Funds

Agency Funds are City custodial funds used to provide accountability of client monies for which the City is custodian.

Human Services Special Welfare Account – This fund accounts for the current payments of supplemental security income for foster children.

Human Services Dedicated Account – This fund accounts for back payments of supplemental security income for foster children.

Industrial Development Authority Agency Fund – This fund accounts for Industrial Development Authority bond issuance fees and expenses, for which the City acts in a custodial capacity.

CITY OF ALEXANDRIA, VIRGINIA
Combining Schedules of Changes in Assets and Liabilities – Agency Funds
June 30, 2007

Schedule 1

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
HUMAN SERVICES SPECIAL WELFARE ACCOUNT				
Assets:				
Cash and Investments with Fiscal Agent	$ 6,538	$ 16,964	$ 19,673	$ 3,829
Liabilities:				
Other Liabilities	$ 6,538	$ 16,964	$ 19,673	$ 3,829
Total Liabilities	$ 6,538	$ 16,964	$ 19,673	$ 3,829
HUMAN SERVICES DEDICATED ACCOUNT				
Assets:				
Cash and Investments with Fiscal Agent	$ 8,402	$ 4,835	$ 6,869	$ 6,368
Liabilities:				
Other Liabilities	$ 8,402	$ 4,835	$ 6,869	$ 6,368
Total Liabilities	$ 8,402	$ 4,835	$ 6,869	$ 6,368
INDUSTRIAL DEVELOPMENT AUTHORITY				
Assets:				
Equity in Pooled Cash and Investments	$ 850,946	$ 70,220	$ 11,260	$ 909,906
Liabilities:				
Other Liabilities	$ 850,946	$ 70,220	$ 11,260	$ 909,906
Total Liabilities	$ 850,946	$ 70,220	$ 11,260	$ 909,906
TOTAL ALL AGENCY FUNDS				
Assets:				
Equity in Pooled Cash and Investments	$ 850,946	$ 70,220	$ 11,260	$ 909,906
Cash and Investments with Fiscal Agent	14,940	21,799	26,542	10,197
Total Assets	$ 865,886	$ 92,019	$ 37,802	$ 920,103
Liabilities:				
Other Liabilities	$ 865,886	$ 92,019	$ 37,802	$ 920,103
Total Liabilities	$ 865,886	$ 92,019	$ 37,802	$ 920,103

CITY OF ALEXANDRIA, VIRGINIA
Statement of Cash Flows
Component Unit
Alexandria Transit Company
As of June 30, 2007

Schedule 2

Cash Flows from Operating Activities:	
Cash Received From Customers	$ 2,632,362
Cash Payments to Suppliers for Goods and Services	(2,950,456)
Cash Payments to Employees for Services	(6,769,653)
Net Cash Used for Operating Activities	$ (7,087,747)
Cash Flows from Noncapital Financing Activities:	
Payment from Primary Government	$ 7,346,265
Cash Received from Nonoperating Grant	83,978
Cash Received from Other Nonoperating Revenue	12,009
Net Cash Provided by Noncapital and Related Financing Activities	$ 7,442,252
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	$ (66,973)
Net Cash Used for Capital and Related Financing Activities	$ (66,973)
Net Increase in Cash and Cash Equivalents	$ 287,532
Cash and Cash Equivalents at Beginning of Year	276,755
Cash and Cash Equivalents at End of Year	$ 564,287

Reconciliation of Operating Loss to Cash Used for Operating Activities:	
Operating Loss	$ (8,457,394)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation Expense	$ 1,360,612
Changes in Assets and Liabilities:	
(Increase) in Accounts Receivable	(122,833)
Decrease in Inventory of Supplies	(50,511)
(Increase) in Accounts Payable	(112,691)
Increase in Accrued Liabilities	23,177
(Decrease) in Other Liabilities	271,893
Total Adjustments	$ 1,369,647
Net Cash Used for Operating Activities	$ (7,087,747)

Noncash Capital and Related Financing Activities:
During Fiscal Year 2007, the City transferred capital assets totaling $1.2 million to Alexandria Transit.

CITY OF ALEXANDRIA, VIRGINIA
Combining Schedule of Net Assets
Special Revenue Funds
As of June 30, 2007

Schedule 3

	Housing	Sewer	Other Special Revenue	Combined Special Revenue
ASSETS				
Cash and Cash Equivalents	$ 1,574,228	$ 8,114,238	$ 9,597,851	$ 19,286,317
Cash and Investments with Fiscal Agents	3,837,401	-	121,379	3,958,780
Receivables, Net	1,236,283	508,175	15,933	1,760,391
Due From Other Governments	798,092	-	5,773,261	6,571,353
Prepaid and Other Assets	-	-	9,106	9,106
Total Assets	$ 7,446,004	$ 8,622,413	$ 15,517,530	$ 31,585,947
LIABILITIES				
Accounts Payable	$ 82,100	29,647	$ 2,197,578	$ 2,309,325
Accrued Wages	50,591	-	1,421,754	1,472,345
Unearned Revenue		-	4,069,243	4,069,243
Total Liabilities	$ 132,691	$ 29,647	$ 7,688,575	$ 7,850,913
FUND BALANCES				
Reserved for:				
Receivable, net	$ 1,236,283	$ -	$ -	$ 1,236,283
Encumbrances	11,500	1,416	1,576,610	1,589,526
Unreserved	6,065,530	8,591,350	6,252,345	20,909,225
Total Fund Balances	$ 7,313,313	$ 8,592,766	$ 7,828,955	$ 23,735,034
Total Liabilities and Fund Balances	$ 7,446,004	$ 8,622,413	$ 15,517,530	$ 31,585,947

CITY OF ALEXANDRIA, VIRGINIA
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Special Revenue Funds
As of June 30, 2007

Schedule 4

	Housing	Sewer	Other Special Revenue	Total Combined Special Revenue
REVENUES				
Permits, Fees, and Licenses	$ -	$ -	$ 1,228,963	$ 1,228,963
Use of Money and Property	344,434	-	60,431	404,865
Charges for Services	-	5,527,010	6,671,012	12,198,022
Intergovernmental Revenue	3,380,138	-	37,221,117	40,601,255
Miscellaneous	1,813,684	-	3,455,205	5,268,889
Total Revenues	$ 5,538,256	$ 5,527,010	$ 48,636,728	$ 59,701,994
EXPENDITURES				
Current Operating:				
General Government	$ -	$ -	$ 426,446	$ 426,446
Judicial Administration	-	-	1,089,424	1,089,424
Public Safety	-	-	4,273,759	4,273,759
Public Works	-	1,454,649	935,214	2,389,863
Health and Welfare	-	-	68,003,224	68,003,224
Culture and Recreation	-	-	715,751	715,751
Community Development	20,558,819	-	1,570,929	22,129,748
Total Expenditures	$ 20,558,819	$ 1,454,649	$ 77,014,747	$ 99,028,215
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (15,020,563)	$ 4,072,361	$ (28,378,019)	$ (39,326,221)
OTHER FINANCING SOURCES (USES)				
Transfers In	$ 3,851,303	$ -	$ 31,237,778	35,089,081
Transfers Out	-	(1,063,895)	(896,901)	(1,960,796)
Total Other Financing Sources and Uses	$ 3,851,303	$ (1,063,895)	$ 30,340,877	$ 33,128,285
Net Change in Fund Balance	$ (11,169,260)	$ 3,008,466	$ 1,962,858	$ (6,197,936)
Fund Balance at Beginning of Year	18,482,573	5,584,300	5,866,097	29,932,970
Fund Balance at End of Year	$ 7,313,313	$ 8,592,766	$ 7,828,955	$ 23,735,034

STATISTICAL SECTION

The statistical section includes detail information to assist in understanding how the financial statement related to the City's overall financial well-being and includes the following categories:

Financial trends: These tables assist users in understanding how the City's financial position has changed over time and include the following tables:

Table I - Schedule of Changes in Net Assets

Table II - Changes in Fund Balances Governmental Funds

Table VII - Net assets

Table VIII - Fund Balances Governmental Funds

Table XXII - Five-Year Summary of General Fund Revenues and Expenditures

Revenue Capacity: These tables assist in understanding and assessing the City's own source revenues and include the following tables:

Table III - Tax Revenues by Source

Tables IV and V - Tax Levies and Collections

Table VI - Real and Personal Property Tax Assessments and Rates

Table IX - 2007 Tax Rates for Major Revenue Sources

Table XV and XVI - Principal Taxpayers

Debt Capacity: These tables present information to assist in assessing the affordability of the City's current levels of debt and the City's ability to issue additional debt in the future and include:

Table X - Legal Debt Margin Information

Table XI - Ratio of Net General Debt to Assessed Value and Net Debt Per Capita

Table XII - Overlapping Debt and Debt History

Table XIII - Ratio of Annual Debt Service Expenditures for Net General Debt to Total General Expenditures

Table XXIII - Summary of Total General Obligation Bonds Debt Service

Demographic and Economic Information: These tables include demographic and economic information to assist in understanding the external factors that affect the City's financial activities and include:

Table XIV - Population and Per Capita Income

Table XVII - Alexandria City School Board Demographic Statistics

Table XVIII - Government Employees By Function

Table XIX - Principal Employers

Table XXI - Miscellaneous Statistical Data

Operating information: These tables include service and capital data to assist in understanding how financial information relates to the programs and activities the City performs and includes:

Table XX – Operating and Capital Indicators

Note: The City first used statements of net assets, and activities, and governmental fund changes and balances in FY 2000; therefore, only eight years of data is available for these tables. Additional information will be added as available.

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Changes in Net Assets
Last Eight Fiscal Years
(In millions)

TABLE I

	2000	2001	2002	2003	2004	2005	2006	2007
Expenses								
Governmental Activities:								
General Government	$ 40.3	$ 40.3	$ 45.1	$ 47.4	$ 56.5	$ 47.7	$ 47.5	$ 63.6
Judicial Administration	12.0	11.5	12.5	13.0	14.0	14.6	15.6	17.7
Public Safety	68.0	73.6	83.2	88.4	94.9	96.5	106.9	112.3
Public Works	31.3	33.3	33.5	36.9	44.1	40.0	41.1	44.3
Library	3.8	4.2	4.8	5.1	5.5	6.0	6.4	6.8
Health and Welfare	62.2	61.5	66.8	71.9	73.9	79.4	84.3	89.4
Transit	5.0	7.1	6.8	11.9	9.1	10.5	12.5	14.1
Culture and Recreation	12.4	14.1	17.2	20.8	21.3	26.1	25.3	26.9
Community Development	9.3	8.9	11.9	13.5	16.2	16.1	24.4	35.0
Education	92.5	116.4	110.7	123.4	128.6	142.2	139.9	153.7
Interest on Long-term Debt	2.9	5.6	7.6	7.1	8.0	9.5	10.4	13.5
Total Governmental Activities	$ 339.8	$ 376.5	$ 400.1	$ 439.3	$ 472.0	$ 488.6	$ 514.4	$ 577.3
Subtotal Governmental Activities Expenses	$ 339.8	$ 376.5	$ 400.1	$ 439.3	$ 472.0	$ 488.6	$ 514.4	$ 577.3
Business-type Activities:								
Recycling	$ 0.6	$ 0.6	$ 0.5	$ -	$ -	$ -	$ -	$ -
Subtotal Business-type Activities:	$ 0.6	$ 0.6	$ 0.5	$ -	$ -	$ -	$ -	$ -
Total Primary Government Expenses	$ 340.5	$ 377.1	$ 400.6	$ 439.3	$ 472.0	$ 488.6	$ 514.4	$ 577.3
Program Revenues								
Governmental Activities:								
General Government	$ 1.0	$ 1.0	$ 2.0	$ 1.6	$ 2.5	$ 1.7	$ 1.8	$ 7.4
Judicial Administration	10.6	6.8	5.2	4.8	5.4	5.6	5.6	6.1
Public Safety	19.0	18.3	19.1	21.7	22.6	20.0	26.4	25.7
Public Works	11.6	12.8	24.9	35.3	28.0	23.2	23.5	23.0
Library	-	-	-	-	-	-	-	-
Health and Welfare	33.7	29.3	32.4	34.2	35.8	37.1	36.3	38.3
Transit	-	-	-	-	-	-	-	-
Culture and Recreation	2.3	2.4	2.5	2.6	2.3	2.3	10.0	2.7
Community Development	4.5	4.3	3.9	4.7	8.0	5.5	6.9	25.8
Education	-	-	-	-	-	-	-	-
Subtotal Governmental Activities	$ 82.8	$ 75.1	$ 90.0	$ 104.9	$ 104.5	$ 95.4	$ 110.5	$ 129.0
Business-type Activities:								
Recycling	0.8	0.3	0.1	-	-	-	-	-
Subtotal Business-type Activities:	$ 0.8	$ 0.3	$ 0.1	$ -	$ -	$ -	$ -	$ -
Total Primary Government Revenues	$ 83.6	$ 75.4	$ 90.1	$ 104.9	$ 104.5	$ 95.4	$ 110.5	$ 129.0

Amounts may not add due to rounding

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Changes in Net Assets
Last Eight Fiscal Years
(In millions)

Table I (continued)

	2000	2001	2002	2003	2004	2005	2006	2007
Net (Expense) (Revenue)								
General Government	$ (39.2)	$ (39.3)	$ (43.1)	$ (45.8)	$ (54.1)	$ (46.0)	$ (45.7)	$ (56.2)
Judicial Administration	(1.4)	(4.7)	(7.3)	(8.1)	(8.6)	(9.0)	(10.0)	(11.6)
Public Safety	(49.0)	(55.3)	(64.1)	(66.7)	(72.2)	(76.5)	(80.5)	(86.6)
Public Works	(19.7)	(20.5)	(8.5)	(1.7)	(16.1)	(16.8)	(17.6)	(21.3)
Library	(3.8)	(4.2)	(4.8)	(5.1)	(5.5)	(6.0)	(6.4)	(6.8)
Health and Welfare	(28.6)	(32.1)	(34.4)	(37.7)	(38.1)	(42.3)	(48.0)	(51.1)
Transit	(5.0)	(7.1)	(6.8)	(11.9)	(9.1)	(10.5)	(12.5)	(14.1)
Culture and Recreation	(10.1)	(11.6)	(14.8)	(18.2)	(19.1)	(23.8)	(15.4)	(24.2)
Community Development	(4.8)	(4.5)	(8.0)	(8.8)	(8.2)	(10.6)	(17.5)	(9.2)
Education	(92.5)	(116.4)	(110.7)	(123.4)	(128.6)	(142.2)	(139.9)	(153.7)
Interest on Long-term Debt	(2.9)	(5.6)	(7.6)	(7.1)	(8.0)	(9.5)	(10.4)	(13.5)
Subtotal Governmental Activities	$ (257.1)	$ (301.4)	$ (310.2)	$ (334.4)	$ (367.5)	$ (393.2)	$ (403.9)	$ (448.3)
Business-type Activities:								
Recycling	$ 0.2	$ (0.3)	$ (0.3)	$ -	$ -	$ -	$ -	$ -
Subtotal Business-type Activities:	0.2	(0.3)	(0.3)	-	-	-	-	-
Total Primary Government	$ (256.9)	$ (301.7)	$ (310.5)	$ (334.4)	$ (367.5)	$ (393.2)	$ (403.9)	$ (448.3)
General Revenues and Other Changes in Net Assets								
Governmental Activities:								
Taxes								
Real Estate	$ 141.7	$ 153.4	$ 163.5	$ 189.4	$ 211.1	$ 234.3	$ 255.4	$ 310.7
Personal Property	47.6	27.0	38.5	31.1	31.3	32.0	33.1	0.0
Other	75.0	81.7	85.8	88.4	94.2	101.5	109.4	111.0
Transfer	-	-	-	1.0	-	-	-	-
Grants and Contributions not restricted to other programs	19.1	26.9	28.9	29.2	30.4	29.5	31.0	32.4
Interest and Investment Earnings	7.3	8.4	7.3	3.6	1.7	4.9	9.1	6.9
Miscellaneous	0.7	0.5	0.5	0.6	0.3	0.5	0.8	0.6
Subtotal Governmental Activities	$ 291.4	$ 297.9	$ 324.5	$ 343.3	$ 369.1	$ 402.7	$ 438.9	$ 461.6
Business-type Activities:								
Payment for City	$ 0.3	$ -	$ -	$ (1.0)	$ -	$ -	$ -	$ -
Subtotal Business-type Activities:	$ 0.3	$ -	$ -	$ (1.0)	$ -	$ -	$ -	$ -
Total Primary Government	$ 291.7	$ 297.9	$ 324.5	$ 342.3	$ 369.1	$ 402.7	$ 438.9	$ 461.6
Change in Net Assets								
Governmental Activities:	$ 34.3	$ (3.5)	$ 14.4	$ 8.9	$ 1.6	$ 9.5	$ 35.0	$ 13.3
Business-type Activities:	0.5	(0.3)	(0.3)	(1.0)	-	-	-	-
	$ 34.8	$ (3.8)	$ 14.0	$ 7.9	$ 1.6	$ 9.5	$ 35.0	$ 13.3

CITY OF ALEXANDRIA, VIRGINIA
Changes in Fund Balances Governmental Funds
Last Eight Fiscal Years
(In millions)

TABLE II

	2000	2001	2002	2003	2004	2005	2006	2007
General Property Taxes	$ 183.3	$ 189.8	$ 205.1	$ 218.9	$ 243.5	$ 265.3	$ 290.1	$ 310.8
Other Local Taxes	75.0	81.7	84.0	88.1	94.0	101.5	109.5	111.0
Permits Fees and License	4.4	4.1	4.2	4.5	4.0	4.5	6.5	7.2
Fines and Forfeitures	4.2	4.1	3.9	3.9	4.2	4.0	3.5	3.6
Use of Money and Property	7.6	11.2	9.9	6.3	4.6	7.9	12.1	15.8
Charges for Services	14.4	14.4	14.2	15.6	16.1	19.2	23.9	23.2
Intergovernmental Revenue	67.3	66.3	79.1	92.9	95.4	90.1	92.1	111.5
Sale of Surplus Property	-	-	-	-	2.8	-	0.5	-
Miscellaneous and Non Revenue Receipts	7.2	4.8	4.9	4.8	7.6	4.2	5.1	7.3
Total Governmental Revenues	$ 363.5	$ 376.3	$ 405.3	$ 435.1	$ 472.1	$ 496.7	$ 543.3	$ 590.4
Expenditures								
General Government	27.3	28.0	30.2	31.9	36.1	37.7	39.6	45.5
Judicial Administration	11.5	11.0	12.0	12.5	13.5	14.1	15.0	17.1
Public Safety	66.5	71.9	78.2	86.6	89.6	93.8	104.5	109.6
Public Works	27.4	27.4	27.5	29.8	30.0	30.1	32.6	35.5
Library	3.8	4.1	4.8	5.1	5.5	6.0	6.4	6.8
Health and Welfare	62.0	61.0	66.4	71.5	73.5	78.9	83.9	88.9
Transit and Transit Transfer	5.0	7.1	6.8	8.5	9.1	10.5	12.5	14.1
Culture and Recreation	11.6	12.6	15.0	17.4	18.5	20.1	21.8	23.6
Community Development	9.3	8.1	9.5	12.1	13.3	15.1	23.3	31.3
Education	92.5	116.4	110.1	122.9	128.0	141.7	139.4	150.7
Capital Outlay	30.2	21.6	46.9	49.4	53.4	51.5	79.1	93.5
Debt Service - Principal	6.1	6.9	8.6	10.4	10.9	13.2	16.5	17.7
- Interest	2.9	5.6	7.6	7.2	7.9	9.6	10.5	13.3
Total Governmental Expenditures	$ 356.0	$ 381.9	$ 423.5	$ 465.2	$ 489.1	$ 522.3	$ 585.1	$ 647.6
Excess of Revenues over (under) expenditures	$ 7.5	$ (5.6)	$ (18.2)	$ (30.1)	$ (17.0)	$ (25.6)	$ (41.8)	$ (57.2)
Other Financing Sources/(Uses)								
Issuance of Debt	$ 55.0	$ -	$ 54.5	$ -	$ 67.9	$ 55.8	$ 72.7	$ 0.1
Transfers in	41.5	45.1	40.5	48.0	45.0	54.7	59.0	49.1
Transfers out	(41.9)	(45.1)	(40.6)	(47.6)	(46.5)	(54.7)	(59.5)	(50.0)
Sale of Land	-	0.2	-	-	-	-	-	-
Total Other Financing Sources (Uses)	$ 54.6	$ 0.2	$ 54.4	$ 0.4	$ 66.3	$ 55.8	$ 72.2	$ (0.8)
Net change in Fund Balance	$ 62.1	$ (5.4)	$ 36.2	$ (29.7)	$ 49.3	$ 30.2	$ 30.4	$ (58.0)
Debt Service as percentage of general Governmental funds	2.68%	3.37%	4.08%	4.03%	4.02%	4.68%	5.19%	5.33%

Amounts may not add due to rounding

City of Alexandria, Virginia
Tax Revenues by Source
Last Ten Fiscal Years

TABLE III

	Fiscal Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Property Taxes	Real Estate	$ 124,085,617	$ 131,094,190	$ 142,401,311	$ 152,560,694	$ 164,959,409	$ 186,431,815	$ 210,922,789	$ 232,528,457	$ 255,141,063	$ 274,477,589
	Personal	36,959,003	41,093,457	38,435,852	35,222,613	38,331,453	30,745,962	30,944,059	31,243,560	33,163,126	34,487,106
	Penalties and Interest	2,436,776	2,264,927	2,459,101	1,992,370	1,854,835	1,761,585	1,657,926	1,514,783	1,751,503	1,856,927
Other Local Taxes	Local Sales	$ 16,840,794	$ 18,552,625	$ 19,802,533	$ 20,730,807	$ 20,316,345	$ 21,216,124	$ 22,541,886	$ 23,812,277	$ 25,264,689	$ 25,440,638
	Utility	14,306,024	14,426,824	15,034,992	16,937,315	17,761,931	17,793,919	18,570,290	18,520,667	17,587,865	13,836,170
	Business License	15,750,740	16,707,988	19,022,675	20,762,586	22,233,330	23,679,889	25,601,366	27,098,032	28,381,583	30,947,412
	Cable TV Franchise License	619,112	791,691	836,041	901,777	1,025,474	978,574	1,089,381	1,154,576	1,240,841	720,926
	Motor Vehicle License	2,031,038	2,040,226	2,173,654	2,247,172	2,285,722	2,313,054	2,427,656	2,460,980	2,461,023	2,429,078
	Bank Franchise	880,989	1,110,481	991,609	1,403,375	1,294,376	1,922,095	1,111,691	1,364,270	1,784,565	1,540,550
	Tobacco	1,702,955	1,649,055	1,647,047	1,607,292	1,597,140	2,083,135	2,430,092	2,277,366	2,840,486	2,932,386
	Recordation	1,311,463	2,022,539	1,710,477	2,028,522	2,494,425	3,262,783	4,046,517	7,244,022	7,818,676	6,561,330
	Transient Lodging	3,478,983	4,129,594	5,228,467	5,827,803	5,206,418	5,241,018	6,323,906	7,183,067	7,811,884	7,415,060
	Restaurant Food	6,194,813	7,057,069	7,911,895	8,466,964	8,562,840	8,792,704	9,051,520	9,598,763	10,094,267	10,657,839
	Telecommunication	-	422,874	655,212	762,172	1,139,266	792,025	727,384	726,112	725,684	691,023
	Admissions	-	-	-	-	-	-	-	-	1,149,537	1,058,226
	Cell Phone	-	-	-	-	-	-	-	-	2,305,525	1,397,452
	Communications Sales Tax	-	-	-	-	-	-	-	-	-	5,318,253
	Other	43,331	36,134	26,336	50,987	42,507	44,528	39,266	28,428	28,931	33,024

CITY OF ALEXANDRIA, VIRGINIA
Tax Levies and Collections
Last Eight Calendar Years

Table IV

Real Property
(Amounts in thousands)

Calendar Year Ended December 31,	Taxes Levied for the Calendar Year*	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1999	$ 135,085	$ 133,102	98.53%	$ 1,952	$ 135,054	99.98%
2000	147,059	144,741	98.42%	2,294	147,035	99.98%
2001	159,190	156,748	98.47%	2,421	159,169	99.99%
2002	174,831	172,296	98.55%	2,501	174,797	99.98%
2003	199,805	196,181	98.19%	3,573	199,754	99.97%
2004	225,160	223,047	99.06%	1,990	225,037	99.95%
2005	250,530	247,166	98.66%	2,890	250,056	99.81%
2006	267,982	264,951	98.87%	-	264,951	98.87%

* Levy adjusted for changes since original levy

Table V

Personal Property
(Amounts in thousands)

Calendar Year Ended December 31,	Taxes Levied for the Calendar Year		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to date	
	Total	Commonwealth Reimbursement #	Amount	Percentage of Levy		Amount	Percentage of Levy
1999	$ 52,178	$ 6,887	$ 41,507	79.55%	$ 3,700	$ 45,207	86.64%
2000	56,591	13,268	44,711	79.01%	3,677	48,388	85.50%
2001	56,957 *	20,842	48,136	84.51%	11,176	59,312	104.13%
2002	58,478	21,122	49,216	84.16%	3,845	53,061	90.74%
2003	60,472	22,915	50,576	83.64%	3,798	54,374	89.92%
2004	56,059	21,936	48,535	86.58%	3,777	52,312	93.32%
2005	58,942	22,558	50,422	85.55%	4,246	54,668	92.75%
2006	62,213	24,193	55,284	88.86%	-	55,284	88.86%

* Assessment adjusted for large sale of public service commission property to private corporation.
# Commonwealth reimbursement included in taxes levied and collections.

CITY OF ALEXANDRIA, VIRGINIA
Real and Personal Property Tax Assessments and Rates
Last Ten Calendar Years

TABLE VI

	Real Property ($000)				Personal Property ($000)				
Calendar Year	Residential	Commercial	Total	Tax Rate per $100	Motor Vehicle and Tangibles Assessment	Tax rate per $100	Machine and Tools Assessment	Tax rate per $100	Total Assessment
1997	$ 5,742,376	$ 5,428,427	$ 11,170,803	$ 1.070	$ 1,197,485	$ 4.75	$ 9,270	$ 4.50	$ 1,206,755
1998	5,882,796	5,722,494	11,605,290	1.070	1,203,370	4.75	9,681	4.50	1,213,051
1999	6,169,055	6,018,465	12,187,520	1.110	1,251,250	4.75	10,259	4.50	1,261,509
2000	6,716,942	6,578,366	13,295,308	1.110	1,359,340	4.75	13,281	4.50	1,372,621
2001	7,573,897	7,058,452	14,632,349	1.110	1,386,141	4.75	187,217	4.50	1,573,358
2002	8,889,290	7,243,699	16,132,989	1.080	1,409,955	4.75	16,351	4.50	1,426,306
2003	11,191,850	8,034,076	19,225,926	1.035	1,459,886	4.75	20,369	4.50	1,480,255
2004	13,224,543	9,532,642	22,757,185	0.995	1,391,110	4.75	17,985	4.50	1,409,095
2005	16,272,324	11,087,326	27,359,650	0.915	1,455,520	4.75	15,009	4.50	1,470,529
2006	20,205,364	14,037,667	34,243,031	0.815	1,394,947	4.75	14,906	4.50	1,409,853

Note: Property is assessed each year as of January 1. Property is assessed at actual value; therefore assessed values are equal to actual values. Tax rates are assessed per $100 of assessed value.

CITY OF ALEXANDRIA, VIRGINIA
Net Assets
Last Eight Fiscal Years

TABLE VII

Governmental Activities	2000	2001	2002	2003 [a]	2004	2005	2006	2007
Invested in Capital Assets, Net of Related Debt	$ 172.6	$ 181.2	$ 118.5	$ 160.6	$ 119.5	$ 100.2	$ 105.6	$ 170.0
Restricted for:								
Affordable Housing	-	-	-	-	-	-	3.0	0.3
Capital Projects	39.2	58.3	70.1	72.8	115.7	148.3	157.2	101.6
Unrestricted Net Assets	55.1	23.9	103.8	67.9	67.7	63.9	81.6	88.7
Subtotal Governmental Activities Net Assets	$ 266.9	$ 263.4	$ 292.4	$ 301.3	$ 302.9	$ 312.4	$ 347.4	$ 360.6
Business-type Activities Net Assets								
Invested in Capital Assets, Net of Related Debt	0.2	0.1	0.1	-	-	-	-	-
Unrestricted Net Assets	1.5	1.2	0.9	-	-	-	-	-
Subtotal Business-type Activities Net Assets	$ 1.6	$ 1.3	$ 1.0	$ -	$ -	$ -	$ -	$ -
Primary Government								
Invested in Capital Assets, Net of Related Debt	172.8	181.3	118.6	160.6	119.5	100.2	105.6	170.0
Restricted for:								
Affordable Housing	-	-	-	-	-	-	3.0	0.3
Capital Projects	39.2	58.3	70.1	72.8	115.7	148.3	157.2	101.6
Unrestricted Net Assets	56.6	25.1	104.6	67.9	67.7	63.9	81.6	88.7
Total Primary Government Net Assets	$ 268.5	$ 264.7	$ 293.4	$ 301.3	$ 302.9	$ 312.4	$ 347.4	$ 360.6

[a] Recycling fund transferred to the General Fund in FY 2003

Amounts may not add due to rounding

CITY OF ALEXANDRIA, VIRGINIA
Fund Balances Governmental Funds
Last Eight Fiscal Years

TABLE VIII

	2000	2001	2002	2003	2004	2005	2006	2007
General Fund								
Reserved for:								
Encumbrances	$ 3,207,099	$ 3,729,754	$ 3,117,566	$ 2,386,468	$ 1,525,942	$ 2,087,658	$ 1,845,820	$ 2,345,051
Inventories	1,288,791	1,278,362	1,480,168	1,537,404	1,681,593	1,970,689	2,189,185	2,347,911
Unreserved	53,502,641	55,825,487	63,630,925	54,193,856	59,589,075	58,216,836	63,343,040	67,560,766
Subtotal General Fund	$ 57,998,531	$ 60,833,603	$ 68,228,659	$ 58,117,728	$ 62,796,610	$ 62,275,183	$ 67,378,045	$ 72,253,728
All Other Governmental Funds								
Reserved For								
Capital Projects	$ 51,089,259	$ 49,528,043	$ 61,806,602	$ 63,968,631	$ 105,611,068	$ 126,848,380	$ 141,395,119	$ 83,700,361
Notes Receivable	1,455,942	1,287,340	1,558,984	1,922,984	4,227,041	4,147,198	2,015,393	1,236,283
Encumbrances	11,908,389	8,750,823	8,321,719	8,788,237	10,042,480	21,501,270	18,055,741	19,476,849
Unreserved Special Revenue	10,323,792	11,301,953	12,263,486	11,761,929	11,359,179	9,831,441	26,366,419	20,909,225
Unreserved Capital Projects	10,348,516	6,061,855	22,031,197	-	-	-	-	-
Subtotal All Other Governmental Funds	$ 85,125,898	$ 76,930,014	$ 105,981,988	$ 86,441,781	$ 131,239,768	$ 162,328,289	$ 187,832,672	$ 125,322,718
Total Governmental Funds								
Encumbrances	$ 15,115,488	$ 12,480,577	$ 11,439,285	$ 11,174,705	$ 11,568,422	$ 23,588,928	$ 19,901,561	$ 21,821,900
Inventories	1,288,791	1,278,362	1,480,168	1,537,404	1,681,593	1,970,689	2,189,185	2,347,911
Capital Projects	51,089,259	49,528,043	61,806,602	63,968,631	105,611,068	126,848,380	141,395,119	83,700,361
Notes Receivable	1,455,942	1,287,340	1,558,984	1,922,984	4,227,041	4,147,198	2,015,393	1,236,283
Unreserved	74,174,949	73,189,295	97,925,608	65,955,785	70,948,254	68,048,277	89,709,459	88,469,991
Total Fund Balance	$ 143,124,429	$ 137,763,617	$ 174,210,647	$ 144,559,509	$ 194,036,378	$ 224,603,472	$ 255,210,717	$ 197,576,446

CITY OF ALEXANDRIA, VIRGINIA
2007 Tax Rates for Major Revenue Sources

TABLE IX

Real Estate Tax	83.0¢ per $100 assessed value
Personal Property Tax	$4.50 per $100 assessed value (machinery and tools)
	$4.75 per $100 assessed value (tangible personal property)
	$3.55 per $100 assessed value (handicap vehicles)
Utility Tax (for residential users)	15% of water service charge
	$1.12 plus $0.012075 of each kwh ($2.40 maximum)
	$1.28 plus $0.124444 of each CCF gas delivered ($2.40 maximum)
	$1.28 plus $0.050909 of each CCF gas delivered-group meter consumers) ($2.40 maximum per dwelling unit)
	$1.28 plus 0.023267 of each CCF gas delivered-group meter interruptible consumers ($2.40 maximum per dwelling unit)
Utility Tax (for commercial users)	15% of first $150 of water service charge
	$0.97 plus $0.004610 of each kwh delivered-commercial consumer
	$0.97 plus $0.003755 of each kwh delivered-industrial consumer
	$1.42 plus $0.050213 each CCF gas delivered-commercial/industrial consumer
	$4.50 plus $0.003670 of each CCF gas delivered-non-residential interruptible gas consumers
Communication Tax	5% of charges for communications (including E-911, cellular and telephone)
Business and Professional Licenses	
Alcoholic Beverages	$5 - $1,500
First year of operation:	
Gross receipts less than $100,000	No tax due
Gross receipts of greater than $100,000 and less than $2,000,000	$50
Gross receipts of $2,000,000 or more	Same as renewal for greater than $100,000 below
Renewal business	
Gross receipts of greater than $10,000 and less than $100,000:	
Any business	$50
Gross receipts of $100,000 or more	
Amusement and Entertainment	$0.36 per $100 gross receipts
Professional	$0.58 per $100 gross receipts
Renting of Residential Property	$0.50 per $100 gross receipts
Renting of Commercial Property	$0.35 per $100 gross receipts
Financial Services	$0.35 per $100 gross receipts
Personal, Business and Repair Service	$0.35 per $100 gross receipts
Retail Merchants	$0.20 per $100 gross receipts
Restaurants	$0.20 per $100 gross receipts
Contractors	$0.16 per $100 gross receipts
Wholesale Merchants	$0.05 per $100 total purchases
Public Utilities	
Telephone and Telegraph.	$.50 per $100 gross receipts
Water, heat, electric and gas companies	$0.50 per $100 gross receipts
Admissions Tax	10% of admissions up to $.50 per person
Public Rights-of-Way Use Fee	$0.61 per line per month
Local Sales Tax	1% added to the rate of the state retail tax imposed
Daily Rental Tax	1% on the gross proceeds
Cigarette Tax	$0.70 on each package of twenty cigarettes
Transient Lodging Tax	5.5% of total amount paid for room rental plus
	$1 per night lodging fee
Restaurant Meal Tax	3% on all food and drink
Recordation Tax	$0.083 per $100 of sales price
Grantor Deed Tax	$0.50 per $500 of sales price

SOURCE: Department of Finance, Revenue Administration

CITY OF ALEXANDRIA, VIRGINIA
Legal Debt Margin Information
Last Ten Fiscal Years

TABLE X

	1998	1999	2000	2001	2002
Assessed Value of Real Property, January 1	$ 11,605,290,000	$ 12,187,519,600	$ 13,295,308,000	$ 14,632,348,200	$ 16,132,989,000
Debt Limit: 10 percent	1,160,529,000	1,218,751,960	1,329,530,800	1,463,324,820	1,613,298,900
Amount of Debt Applicable to Debt Limit	30,585,000	65,710,000	114,690,000	107,875,000	153,925,000
Legal Debt Margin	$ 1,129,944,000	$ 1,153,041,960	$ 1,153,041,960	$ 1,355,359,820	$ 1,459,373,900
Debt as a Percentage of Assessed Value	0.27%	0.54%	0.86%	0.74%	0.95%

	2003	2004	2005	2006	2007
Assessed Value of Real Property, January 1	$ 19,225,926,000	$ 21,580,995,000	$ 27,359,649,900	$ 32,906,720,000	$ 34,243,031,000
Debt Limit: 10 percent	1,922,592,600	2,258,099,500	2,735,964,990	3,290,672,000	3,424,303,100
Amount of Debt Applicable to Debt Limit	143,615,000	197,520,000	241,890,000	296,540,000	278,525,000
Legal Debt Margin	$ 1,778,977,600	$ 2,060,579,500	$ 2,494,074,990	$ 2,994,132,000	$ 3,145,778,100
Debt as a Percentage of Assessed Value	0.75%	0.87%	0.88%	0.90%	0.81%

Limitations on the Incurrence of General Obligation Debt:

There is no requirement in the Virginia Constitution, the Virginia Statutes, or in the Charter of the City of Alexandria that the issuance of general obligation bonds of the City be subject to approval of the electors of the City at referendum.

Under the City Charter the City Council has full authority to authorize and issue general obligation bonds. The authorizing procedure consists of the passage on first reading of an ordinance authorizing the issuance of the bonds, followed by a notice of public hearing at a subsequent meeting and the final passage on second reading following the public hearing.

The only constitutional limitation on the issuance of general obligation bonds is contained in Article VII, Section 10 of the Virginia Constitution, which states that:

"No city or town shall issue any bonds or other interest-bearing obligations which, including existing indebtedness, shall at any time exceed ten percent of the assessed valuation of real estate in the city or town subject to taxation, as shown by the last preceding assessment for taxes."

CITY OF ALEXANDRIA, VIRGINIA
Ratio of Net General Debt [1] to Assessed Value
and Net Debt Per Capita
Last Ten Fiscal Years

TABLE XI

Year	Population [3]	Assessed Value ($000) [2] Real Property	Assessed Value ($000) [2] Personal Property	Assessed Value ($000) [2] Total	Outstanding Debt	Outstanding Debt As Percentage Of Assessed Real Property	Outstanding Debt As Percentage Of Assessed Total Property	Personal Income ($000)	Debt Per Capita	Debt Per Capita As a Percentage of Per Capita Income [4]
1998	119,500	$ 11,605,290	$ 1,213,051	$ 12,818,341	$ 30,585,000	0.26	0.24	$ 5,378,238	$ 256	0.6
1999	121,700	12,187,520	1,261,500	13,449,029	65,710,000	0.54	0.49	5,775,230	540	1.1
2000	129,147	13,295,308	1,372,621	14,667,929	114,690,000	0.86	0.78	6,211,938	888	1.8
2001	130,403	14,632,349	1,573,358	16,205,707	107,875,000	0.74	0.67	6,931,579	827	1.6
2002	129,938	16,132,989	1,426,306	17,559,295	153,925,000	0.95	0.88	7,009,871	1,185	2.2
2003	135,000	19,225,926	1,459,886	20,685,812	143,615,000	0.75	0.69	7,165,859	1,064	2.0
2004	134,000	22,580,995	1,309,443	23,890,438	197,520,000	0.87	0.82	7,435,257	1,474	2.7
2005	135,000	27,359,650	1,359,782	28,719,432	241,890,000	0.88	0.84	7,776,966	1,792	3.1
2006	138,000	32,906,270	1,409,852	34,316,122	296,540,000	0.90	0.86	8,835,057	2,148	3.4
2007	139,000	34,243,031	1,411,599	35,652,884	278,525,000	0.81	0.78	9,507,531	1,982	2.9

(1) Net General Debt includes general obligation bonds and term notes.
(2) Includes real and personal property as adjusted for changes to levy.
(3) SOURCE: Alexandria Department of Planning and Zoning and the United States Bureau of Economic Analysis
(4) Personal Income and per capita income represents data from the United States Bureau of Economic Analysis, as revised, that is generally two years old. The two most recent years are estimated based on City estimates of per capita trends.

CITY OF ALEXANDRIA, VIRGINIA
Overlapping Debt and Debt History
June 30, 2007

TABLE XII

The City of Alexandria is autonomous from any county, town, or other political subdivisions of the Commonwealth of Virginia. There is no overlapping general obligation debt or taxing powers. The water system and the sewage treatment plant within the City are operated by a private company and an independent authority, respectively, for which the City has no debt obligations.

The City has never defaulted in the payment of any part of either principal or interest on any debt.

Credit Ratings

Moody's Investors Service	Aaa
Standard & Poor's Corporation	AAA

Paying Agents

The City's coupon bonds and interest coupons are payable at the Chase Manhattan Bank, N.A., New York, New York, or SunTrust Bank in Richmond, Virginia. Registered bonds and interest are payable at the principal corporate trust office of the Chase Manhattan Bank, N.A., New York, New York, or Depository Trust Company, New York, New York, which are the Registrars for bonds of the City of Alexandria.

CITY OF ALEXANDRIA, VIRGINIA
Ratio of Annual Debt Service Expenditures for Net General Debt (1) to Total General Expenditures
Last Ten Fiscal Years

TABLE XIII

Year	Principal	Interest and Other Costs	Total Debt Service	General Expenditures (2)	Ratio of Debt Service to General Governmental Expenditures
1998	$ 7,025,000	$ 1,802,610	$ 8,827,610	$ 354,805,740	2.49 %
1999	4,875,000	1,475,549	6,350,549	380,736,909	1.67
2000	6,020,000	2,846,071	8,866,071	393,588,056	2.25
2001	6,815,000	5,567,314	12,382,314	401,555,221	3.08
2002	8,450,000	7,565,996	16,015,996	452,671,072	3.54
2003	10,310,000	7,173,024	17,483,024	488,044,085	3.59
2004	10,795,000	7,887,768	18,682,768	516,275,303	3.62
2005	13,115,000	9,567,247	22,682,247	545,688,442	4.16
2006	16,350,000	10,502,282	26,852,282	623,774,871	4.30
2007	17,670,000	13,306,096	30,976,096	689,280,260	4.49

(1) Net General Debt includes general obligation bonds
(2) Includes expenditures for School Board and Library component units

CITY OF ALEXANDRIA, VIRGINIA
Demographic Statistics
June 30, 2007

TABLE XIV

Population

Calendar Year	Population
1940	33,523
1950	61,787
1960	91,023
1970	110,938
1980	103,217
1990	111,183
2000	129,147
2007 Estimate	139,000

SOURCE: U.S. Bureau of Census, "General Population Characteristics"

POPULATION INDICATORS
PER CAPITA INCOME*

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Alexandria	$39,538	$41,166	$44,031	$45,956	$48,106	$52,125	$52,344	$53,711	$58,365	$61,147
Arlington	$39,073	$40,830	$43,554	$45,703	$49,555	$52,673	$53,860	$54,207	$58,893	$59,389
Fairfax (includes Fairfax City and Falls Church)	$38,482	$40,330	$43,193	$47,306	$50,035	$51,931	$52,494	$53,981	$57,169	$60,289
Washington MSA	$31,332	$32,401	$33,824	$35,848	$37,777	$40,672	$42,404	$43,693	$46,311	$48,697

***The BEA has revised these numbers**.

SOURCE: U.S. Bureau of Economic Analysis (BEA)

CITY OF ALEXANDRIA, VIRGINIA
Principal Taxpayers
Current Year and Nine Years Ago

TABLE XV

Private Property

	Owner's Name	Property	2007Assessed Value (In millions)	Percentage of Total Assessed Valuation
1.	LCOR Alexandria, L.L.C.	Office Buildings	$ 1,026.2	3.04%
2.	AIMCO Foxchase L.P.	Foxchase Apartments	277.9	0.84%
3.	Washington Real Estate Investment Trust	Portfolio	201.9	0.61%
4.	Southern Towers L.L.C.	Southern Towers Apartments	198.4	0.60%
5.	Hoffman Buildings L.P./L.L.P	Hoffman Office Buildings	192.1	0.58%
6.	Lafayette Buildings, L.L.C.	Mark Center Office Buildings	183.4	0.40%
7.	Alexandria Apartments L.L.C.	Alexandria Apartments	164.0	0.50%
8.	Canal Center L.P.	Canal Center	153.9	0.47%
9.	CPYR Inc.	Retail Shopping Center	140.7	0.43%
10.	Millbrook Apartments Associates, L.L.C.	Millbrook Apartments	140.1	0.43%

	Owner's Name	Property	1998 Assessed Value (In millions)	Percentage of Total Assessed Valuation
1.	Winkler/Mark Center	Mark Center/Hamlet Apartments Hamlet Shopping Center/Southern Towers Apartments/Raddisson Hotel	$ 414.5	3.57%
2.	Commonwealth Atlantic Properties, Inc	Potomac Yard Retail Center/Potomac Yard Technology/Vacant Land	191.1	1.65
3.	King Street Metro/Carlyle	King Street Station Offices/Hotel/ Retail/Condominiums	173.4	1.49
4.	Landmark Shopping Center	Department Store Mall/Bank/Garage	138.7	1.20
5.	Hubert N Hoffman	Offices/Vacant Land/Hotel	136.7	1.18
6.	Stone Tract/Park Center	Park Center, Kiosk Offices/ Park Center Apartments and Offices	131.4	1.13
7.	First Alexandria Association	Foxchase Apartments	108.6	0.94
8.	Alexandria Country Club Apts.	Oakwood Apartments.	74.8	0.64
9.	Avalon Properties, Inc.	Apartments/Office	71.3	0.61
10.	Lazlo N. Tauber	Office Building	64.8	0.56

CITY OF ALEXANDRIA, VIRGINIA
Principal Taxpayers
Current Year and Nine Years Ago

TABLE XV
(Continued)

Public Service Companies

	Owner's Name	2007 Assessed Value (In millions)	Percentage of Total Assessed Valuation
1.	Mirant Potomac River, LLC	$ 266.3	0.78%
2.	Virginia Electric Power Company	152.4	0.44
3.	Verizon Virginia, Inc	95.8	0.28
4.	Covanta Alexandria, Arlington, Inc.	93.3	0.27
5.	Norfolk Southern Railway Company	67.7	0.20
6.	Richmond, Fredericksburg & Potomac Railway Company	65.5	0.19
7.	Virginia American Water Company.	43.9	0.13
8.	Potomac Electric Power Company	35.0	0.10
9.	Washington Gas Light.	32.1	0.09
10.	Comcast Phone of Northern Virginia, Inc	8.1	0.02

	Owner's Name	1998 Assessed Value (In millions)	Percentage of Total Assessed Valuation
1.	Potomac Electric Power Company[1]	$ 247.5	2.14%
2.	Virginia Electric Power Company	103.4	0.90
3.	Bell Atlantic Virginia[2]	82.2	0.71
4.	Norfolk Southern Railway Company	54.8	0.48
5.	Richmond, Fredericksburg & Potomac Railway Co L.J.	42.2	0.37
6.	Virginia American Water Company	33.4	0.29
7.	Washington Gas Light Company	27.5	0.24
8.	Jones Telecommunications of Virgina, Inc.[2]	14.0	0.12
9.	Washington DC SMSA Limited Partnerships	6.8	0.06
10.	Institutional Communications CO. of Virginia, Inc	4.5	0.04

[1] Portion of property sold to Mirant Potomac River LLC

[2] Now Verizon

CITY OF ALEXANDRIA, VIRGINIA
Alexandria City School Board
Demographic Statistics
Last Ten Fiscal Years

TABLE XVI

Fiscal Year	Total Enrollment[1]	Number Receiving Free or Reduced Meals	Number in English as Second Language	Number Receiving Special Education	Number in Elementary School Gifted and Talented Programs	Number in Middle (6-8) School Gifted and Talented Programs
1998	10,488	5,556	1,187	1,794	617	475
1999	10,788	5,537	1,395	1,841	678	474
2000	11,245	5,763	1,611	1,918	773	823
2001	11,345	5,567	1,809	1,927	574	447
2002	11,274	5,593	2,090	1,958	547	461
2003	10,979	5,243	2,412[2]	1,949	644	455
2004	11,104	5,525	2,628[2]	1,999	543	470
2005	10,667	5,449	2,379[2]	1,979	493	453
2006	10,284	5,169	2,223[2]	1,900	436	442
2007	10,057	4,961	2,176	1,802	436	442

[1] As of September 30

[2] Reflects new method of defining ESL students to be consistent with the federal "No Child Left Behind Act"

SOURCE: City of Alexandria Public School System

CITY OF ALEXANDRIA, VIRGINIA
General Fund
City Departments' Expenditures Detail by Function
For the Fiscal Year Ended June 30, 2007

TABLE XVII

	General Government	Judicial Administration	Public Safety	Public Works	Health and Welfare	Recreation & Culture	Community Development	Education	Transit Subsidies	Debt Service	Total
Expenditures:											
City Council	$ 531,866	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 531,866
City Manager	1,977,636	-	-	-	-	-	-	-	-	-	1,977,636
Office On Women	1,399,614	-	-	-	-	-	-	-	-	-	1,399,614
Citizens Assistance	-	-	717,844	-	-	-	-	-	-	-	717,844
Office of Management and Budget	1,115,515	-	-	-	-	-	-	-	-	-	1,115,515
18th Circuit Court	-	1,252,296	-	-	-	-	-	-	-	-	1,252,296
18th General District Court	-	84,600	-	-	-	-	-	-	-	-	84,600
Juvenile and Domestic Relations Courts	-	31,874	-	-	-	-	-	-	-	-	31,874
Commonwealth's Attorney	-	2,501,617	-	-	-	-	-	-	-	-	2,501,617
Sheriff	-	5,966,629	18,055,359	-	-	-	-	-	-	-	24,021,988
Clerk of Courts	-	1,584,997	-	-	-	-	-	-	-	-	1,584,997
Other Correctional Activities	-	3,598,841	980,817	-	-	-	-	-	-	-	4,579,658
Court Services	-	1,003,269	-	-	-	-	-	-	-	60,763	1,064,032
Human Rights	579,908	-	-	-	-	-	-	-	-	-	579,908
Internal Audit	216,636	-	-	-	-	-	-	-	-	-	216,636
Information Technology Services	7,838,368	-	-	-	-	-	-	-	-	-	7,838,368
City Clerk and Clerk of Council	371,187	-	-	-	-	-	-	-	-	-	371,187
Finance	9,507,252	-	-	-	-	-	-	-	-	-	9,507,252
Real Estate Assessments	1,456,533	-	-	-	-	-	-	-	-	-	1,456,533
Personnel	3,244,695	-	-	-	-	-	-	-	-	-	3,244,695
Planning and Zoning	-	-	-	-	-	-	7,134,271	-	-	-	7,134,271
City Attorney	4,652,621	-	-	-	-	-	-	-	-	-	4,652,621
Registrar	995,466	-	-	-	-	-	-	-	-	-	995,466
General Services	3,306,896	-	-	9,722,773	-	-	-	-	-	-	13,029,669
Transportation and Environmental Services	-	-	-	23,235,247	-	-	1,525,280	-	-	-	24,760,527
Transit Subsidies	-	-	-	-	-	-	-	-	6,755,289	-	6,755,289
Fire	-	-	35,970,578	-	-	-	-	-	-	-	35,970,578
Police	-	-	48,963,857	-	-	-	-	-	-	-	48,963,857
Mental Health/Mental Retardation and Substance Abuse	-	-	-	-	529,964	-	-	-	-	-	529,964
Health	-	-	-	-	7,321,772	-	271,532	-	-	-	7,593,304
Human Services	-	-	-	-	9,746,950	-	-	-	-	-	9,746,950
Human Services Contributions	-	-	-	-	2,253,041	-	-	-	-	-	2,253,041
Office of Historic Alexandria	-	-	-	-	-	2,642,429	-	-	-	-	2,642,429
Recreation and Cultural Activities	-	-	-	-	-	20,212,829	-	-	-	-	20,212,829
Other Educational Activities	-	-	-	-	-	-	-	12,548	-	-	12,548
Miscellaneous	7,788,996	-	692,773	114,846	1,037,304	-	288,520	-	-	30,976,096	40,898,535
Total Expenditures	$ 44,983,189	$ 16,024,123	$ 105,381,228	$ 33,072,866	$ 20,889,031	$ 22,855,258	$ 9,219,603	$ 12,548	$ 6,755,289	$ 31,036,859	$ 290,229,994

CITY OF ALEXANDRIA
Government Employees By Function
Last Eight Fiscal Years

TABLE XVIII

	2000	2001	2002	2003	2004	2005	2006	2007
General Government	288	290	300	303	305	304	300	300
Judicial Administration	106	109	118	119	117	120	121	120
Public Safety	861	868	887	900	910	926	929	933
Public Works	221	225	224	227	229	231	232	225
Library	49	53	52	52	54	55	55	55
Health and Welfare	479	491	492	497	511	502	509	514
Culture and Recreation	139	143	145	145	150	155	154	157
Community Development	58	64	66	67	57	57	57	55
Education	2,010	2,091	2,098	2,079	2,082	2,120	2,125	1910
TOTAL	4,211	4,334	4,382	4,389	4,415	4,470	4,482	4,269

SOURCE: City of Alexandria Approved Budget

Principal Employers
Current Year (as of July 1, 2007 and Nine Years Ago)

TABLE XIX

Current Year	Employees	Percentage Of Total City Employment	Nine Years Ago	Employees	Percentage of Total City Employment
LARGEST PUBLIC EMPLOYERS			LARGEST PUBLIC EMPLOYERS		
U.S. Patent Trademark Office	8,000	9.5%	U.S. Department of Defense	8,538	11.3%
U.S. Department of Defense	6,800	8.1%	City of Alexandria	2,066	2.7%
City of Alexandria	2,357	2.8%	Alexandria Public Schools	1,764	2.3%
Alexandria Public Schools	2,125	2.5%	WMATA (Metro)	1,362	1.8%
U.S. Department of Agriculture	700	0.8%	U.S. Postal Service	758	1.0%
Northern Virginia Community College	682	0.6%	U.S. Department of Agriculture	664	0.9%
U. S. Attorney's Office	500	0.6%	Northern Virginia Community College	554	0.7%
U. S. Postal Service	500	0.6%	Total	15,706	20.7%
Total	21,664	25.5%			
LARGEST PRIVATE EMPLOYERS			LARGEST PRIVATE EMPLOYERS		
INOVA Alexandria Hospital	1,600	1.6%	Alexandria Hospital	1,800	2.4%
Institute for Defense Analysis	1,200	1.3%	Institute for Defense Analysis	750	1.0%
Alion Science and Technology	741	0.8%	Boat Owners Assoc. of the U.S	600	0.8%
Center for Naval Analysis	630	0.7%	Giant Food	592	0.8%
Boat Owners Assoc. of the U.S	500	0.5%	Pentagon Federal Credit Union	510	0.7%
Crs Facility Services	500	0.5%	Safeway Stores Incorporated	500	0.7%
Hilton Hotels	500	0.5%	Total	4,752	6.4%
Safeway Stores	500	0.5%			
	6,171	7.1%			

SOURCE: City of Alexandria Approved Budget

CITY OF ALEXANDRIA
Operating Indicators By Function
Last Eight Fiscal Years

TABLE XX

	2000	2001	2002	2003	2004	2005	2006	2007 [a]
Judicial Administration								
Civil and criminal cases processed by Clerk of Courts	4,747	5,342	49,998	4,785	5,346	5,780	5,255	5,588
Real estate documents processed	25,011	32,754	43,105	43,805	50,522	43,900	44,844	39,333
Public Safety								
Fire calls requiring emergency response	5,669	5,930	5,939	5,586	6,256	5,666	6,001	5,894
Police calls for emergency service	3,000	2,504	3,192	2,401	2,379	2,148	2,100	
Public Works								
Sq yds of concrete sidewalks replaced	*	8,831	7,515	10,575	7,846	7,448	7,012	9,050
Cubic yards of leaves collected	28,644	29,500	26,750	26,750	21,075	22,650	31,000	33,600
Library								
Circulation	668,046	874,815	987,450	1,044,868	1,032,147	972,494	1,002,881	1,100,000
Patron visits	619,327	668,457	755,281	833,835	893,427	813,704	823,496	**
Nuimber of reference questions answered	*	*	*	*	*	*	376,532	377,000
Health and Welfare								
Adolescent patient visits	3,535	3,366	3,380	3,049	3,211	2,961	3,005	**
Average monthly food stamp cases	1,387	1,022	1,100	1,206	1,530	1,658	1,637	**
Number of home based services	*	*	*	*	*	*	7,117	7,720
Adult clents served	*	*	*	*	*	*	3,631	3,230
Transit								
Annual Ridership	2,521,925	2,640,420	2,739,719	2,986,631	3,131,284	3,323,021	3,556,486	3,450,000
Operating cost per mile	$ 3.97	$ 4.30	$ 4.51	$ 4.80	$ 5.13	$ 5.72	**	**
Miles of service	*	*	*	*	*	*	1,396,590	1,400,000
Culture and Recreation								
Number of staff directed programs at City Recreation Centers and Playgrounds	*	15,900	17,365	20,437	19,128	19,154	20,500	**
Average annual cost per facility managed	*	*	*	*	*	*	$ 16,980	$ 18,663
Community Development								
Average Home rehabilitation loan	$ 27,068	$ 45,452	$ 54,272	$ 68,529	$ 59,757	$ 73,036	74,693	**
Average Home rehabilitation loan cost	*	*	*	*	*	*	*	11,571

* - New indicator - Additional information will be provided as it becomes available. In FY 2007, the City reviewed and changed many operating indicators.

** - Indicator no longer maintained

[a] - Estimate

CITY OF ALEXANDRIA
Capital Indicators By Function
Last Eight Fiscal Years

TABLE XX (cont)

	2000	2001	2002	2003	2004	2005	2006	2007
Judicial Administration								
Number of beds at Sheltercare	14	14	14	14	14	14	14	**
Number of foster care homes	*	*	*	*	*	*	125	123
Public Safety								
Rescue apparatus	*	*	*	*	98	98	108	**
Fire vehicles	*	*	*	*	*	*	*	132
Public Works								
Paved streets	506	508	511	513	514	514	514	514
Sidewalks	319	320	320	321	321	321	321	321
Library								
Full service branches and central library	4	4	4	4	4	4	4	4
Health and Welfare								
Preventative health care sites	*	*	*	4	3	3	3	3
Transit								
DASH transit buses	42	49	49	49	49	57	57	57
Culture and Recreation								
Playgrounds	45	45	45	45	45	45	45	45
Athletic fields available for games	*	*	*	*	*	*	48	48
Acreage of park and open space	944	944	964	964	964	949	964	964
Total number of faciliteis mainiatained	*	*	*	*	*	*	217	217
Community Development								
Public housing and public housing replacement units	1,150	1,150	1,150	1,150	1,150	1,150	1,150	1,150
Education								
Public schools	17	17	17	17	17	17	17	17

* - New indicator - Additional information will be provided as it becomes available. In FY 2007, the City reviewed and changed many operating indicators.
** - Indicator no longer maintained

CITY OF ALEXANDRIA, VIRGINIA
Miscellaneous Statistical Data
As of June 30, 2007

TABLE XXI

Date of Incorporation 1779
Date of City Charter 1922
Form of Government ..... Council-Manager
Number of Full-Time City Positions
(Other than Schools) 2,332
Number of Full-Time Equivalent School Positions 2,078

Land Area

15.75 Square Miles

Elevation

30 Feet Above Sea Level

Location

38.8210 N
77.0861 W

Climate

Average January Temperature 34.9°
Average July Temperature 79.2°

Transportation

Major Highways:
Capital Beltway (I-95)
I-395 (Shirley Highway)
U.S. Route 1
George Washington Memorial Parkway
Rail:

The City is served by the north-south routes of Amtrak. The Virginia Railway Express provides commuter service between Alexandria, Washington, D.C., Fredericksburg, and Manassas, Virginia. Freight lines entering the City are Conrail, CSX Transportation, and Norfolk Southern Company.

Washington Metropolitan Area Transit Authority (WMATA) provides light ransit to the Washington Metro area. Four of the systems stations are located in Alexandria.

Air:

Ronald Reagan Washington National Airport is only minutes away from any location within the City.

Dulles International Airport provides international and longer domestic travel.

Ground:

The City is served by local bus service provided by the Alexandria Transit Company.

The City is served by the local and express buses of the Washington Metropolitan Area Transit Authority (METRO) and the Fairfax Connector.

Individualized service is available through privately owned taxicab fleets.

Port Facilities:

The port of Alexandria has two docks for ocean-going freighters and two major public docks. The 24-foot deep Potomac River channel runs the length of the Alexandria waterfront.

Population

2007 Resident Population 139,000
Number of Households – 2007 Estimate 69,468
Household Size (2000 U.S. Census) .....2.04 Persons Per Unit
2005 Population by Race (2005 U.S. Census Bureau Estimate):
White 59.1%
Black 21.1%
Native American 0.2%
Asian and Pacific Islanders 5.3%
Multi-Racial 1.3%
Hispanic (All Races) 13.7%

2006 Population by Age (2006 U.S. Census Bureau Estimate):
(1-17) 19.4%
(18-24) 5.8%
(25-64) 63.8%
(65 +) 11.0%

Registered Voters
June 2007 80,072
Temporary Assistance to Needy Families
(Cases) - Monthly Average, 2007 430
Food Stamps (Cases) - Monthly Average, 2007 1,667
Medicaid (Cases) - Monthly Average, 2007 4,629

Economy

Employed Residents, June 2007 87,806
Unemployed Residents, June 2007 2,079
Unemployed Rate, June 2007 ..... 2.2%
Washington PMSA Inflation Rate, based
on Consumer Price Index, for FY 2007 ..... 2.9%

CITY OF ALEXANDRIA, VIRGINIA

Miscellaneous Statistical Data

As of June 30, 2007

TABLE XXI

(Continued)

Housing	2007	2006
Total Housing Units	72,129	70,703
Type of Single-Family Housing		
Detached	9,132	9,126
Semi-Detached	5,447	5,387
Rowhouse	6,386	6,260
Condo Townhouse	941	929
Total Single-Family	21,906	21,702
Condominium Units	17,956	16,963
Rental Apartments	31,667	32,074
Public Housing and Public Housing Replacement Units	1,150	1,150
Average Assessed Value of Single Family Homes	$660,866	$667,386
Average Assessed Value of Condominiums	$341,008	$ 363,595
Average Market Rents		
Efficiency	$ 920	$ 880
1 Bedroom Apartment	$ 1,205	$ 1,126
2 Bedroom Apartment	$ 1,519	$ 1,454
3 Bedroom Apartment	$ 1,712	$ 1,588

Communications

Television:
All major networks plus cable
Local Newspapers:
Alexandria Gazette Packet (weekly)
Regional Newspapers:
Washington Post
Washington Times
Washington Examiner
Radio:
50 major and minor radio stations in metropolitan area

Miles of Streets, Sidewalks and Alleys

Streets:	
Paved - Lane Miles	514
Unpaved	0.17
Sidewalks	321.2
Alleys, Paved	20.56

Utilities

Telephone	various
Electric	Dominion Virginia Power
Gas	Washington Gas
Water	Virginia - American Water Company
Sewer	Alexandria Sanitation Authority
Cable	Comcast Communications

Public Recreation

Acreage	955.9
Facilities:	
Playground Areas	45
Swimming Pools	7
Gymnasiums	16
Basketball Courts (outdoor)	28
Tennis Courts	36
Playing Fields	52

Medical Facilities	Beds
Hospital:	
INOVA Alexandria Hospital	339
Nursing Homes:	
Goodwin House	80
Hermitage Retirement Community	204
Woodbine Rehabilitation & Healthcare Center	307
Washington House	66
Integrated Health Services of Northern Virginia	111

Libraries	Number
Central Library	1
Full service branches	3
(Books and other materials for home use as well as electronic and print reference service)	
Local History – Special Collections I	1
Talking book service.	1

Education

Public Schools:	Number
Elementary	13
Middle	2
Ninth Grade Center	1
High School	1
Secondary Training Educational Program	1
Parochial and Private Schools	11

Higher Education:

Located within the City are the Alexandria campus of Northern Virginia-Community College, Regent University, and the Episcopal Theological Seminary. Nearby institutions include George Mason, George Washington, American, Catholic, Georgetown, and Howard Universities.

Financial Institutions

Commercial Banks	14
Credit Unions	13

Hotels and Motels

	Rooms
Alexandria Towne Motel	26
Alexandria Travelodge	40
Best Western Old Colony Inn	49
Bragg Towers	98
Alexandria Comfort Inn	148
Courtyard by Marriott	177
Alexandria Days Inn	200
Embassy Suites	268
Extended Stay America	104
Hampton Inn	80
Hawthorn Suites Hotel	170
Hilton Alexandria Mark Center	500
Hilton Alexandria Old Town	241
Holiday Inn Eisenhower	197
Old Town Hotel	227
Holiday Inn Historic District	178
Homestead Village	130
Morrison House	45
Crown Plaza Alexandria Old Town	253
Residence Inn Alexandria Old Towne	240
Alexandria Hotel Pentagon South	193
Sheraton Suites Alexandria	247
Washington Suites	225
Total	4,036

CITY OF ALEXANDRIA, VIRGINIA

Five-Year Summary of General Fund Revenues and Expenditures

Table XXII

	2003	2004	2005	2006	2007
Revenues:					
General Property Taxes	$ 218,939,362	$ 243,524,774	$ 265,286,800	$ 290,055,692	$ 310,821,622
Other Local Taxes	88,119,848	93,960,955	101,468,560	109,495,556	110,979,367
Permits, Fees, and Licenses	2,902,316	3,246,124	4,439,701	5,372,138	5,944,363
Fines and Forfeitures	3,939,648	4,164,369	4,035,693	3,536,342	3,628,938
Use of Money and Property	5,246,678	4,048,134	5,790,327	8,190,426	9,712,862
Charges for Services	9,178,249	9,587,175	10,352,947	10,837,058	10,286,955
Intergovernmental Revenues	46,755,221	49,460,664	47,054,318	50,232,988	53,608,403
Miscellaneous	581,673	348,868	521,372	842,030	590,351
Total Revenues	$ 375,662,995	$ 408,341,063	$ 438,949,718	$ 478,562,230	$ 505,572,861
Other Financing Sources:					
Operating Transfers In	$ 893,601	$ -	$ -	$ -	1,063,895
Refunding Bonds	-	-	32,465,000	-	22,815,000
Premium	-	-	1,222,931	-	1,448,072
Total Other Financing Sources	$ 893,601	$ -	$ 33,687,931	$ -	25,326,967
Total Revenues and Other Financing Sources	$ 376,556,596	$ 408,341,063	$ 472,637,649	$ 478,562,230	$ 530,899,828
Expenditures:					
Current:					
General Government	$ 31,518,048	$ 35,692,807	$ 37,233,747	$ 39,252,972	$ 44,983,189
Judicial Administration	11,517,348	12,350,329	13,060,768	13,904,977	16,024,123
Public Safety	82,436,138	86,328,771	90,347,799	97,853,993	105,381,228
Public Works	27,674,382	29,362,422	29,920,883	30,378,866	33,072,866
Health and Welfare	15,888,964	16,415,944	18,164,634	19,350,745	20,889,031
Culture and Recreation	17,073,254	18,005,521	19,507,018	21,260,550	22,855,258
Community Development	7,022,600	7,321,949	8,538,375	8,758,008	9,219,603
Education	13,246	13,058	13,299	12,990	12,548
Transit	3,628,477	3,890,922	4,761,857	6,110,373	6,755,289
Debt Service:					
Principal Retired	10,427,596	10,895,998	13,220,854	16,461,681	17,729,329
Interest and Fiscal Charges	7,173,024	7,909,093	9,583,716	10,502,282	13,307,530
Total Expenditures	$ 214,373,077	$ 228,186,814	$ 244,352,950	$ 263,847,437	$ 290,229,994
Other Financing Uses:					
Payment to Refunded Bonds Escrow Agent	$ -	$ -	$ 33,385,875	$ -	24,104,018
Operating Transfers Out	47,047,187	43,745,927	53,883,761	58,296,860	47,816,337
Transfers Out - Component Units	125,304,498	131,873,629	141,825,586	151,533,567	164,032,522
Total Other Financing Uses	$ 172,351,685	$ 175,619,556	$ 229,095,222	$ 209,830,427	235,952,877
Total Expenditures and Other Financing Uses	$ 386,724,762	$ 403,806,370	$ 473,448,172	$ 473,677,864	$ 524,233,704
Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses	$ (10,168,166)	$ 4,534,693	$ (810,523)	$ 4,884,366	$ 4,716,957
Fund Balances at Beginning of Year	68,228,659	58,117,728	62,796,610	62,275,183	67,378,045
Increase in Reserve For Inventory	57,235	144,189	289,096	218,496	158,726
FUND BALANCES AT END OF YEAR	**$ 58,117,728**	**$ 62,796,610**	**$ 62,275,183**	**$ 67,378,045**	**$ 72,253,728**

CITY OF ALEXANDRIA, VIRGINIA
Summary of Total
General Obligation Bonds
Debt Service
As of June 30, 2007

Fiscal Year	Principal	Interest	Total
2008	$ 18,175,000	$ 12,344,320	$ 30,519,320
2009	19,100,000	11,514,576	30,614,576
2010	18,315,000	10,685,824	29,000,824
2011	17,815,000	9,851,243	27,666,243
2012	17,775,000	9,060,955	26,835,955
2013	17,735,000	8,275,775	26,010,775
2014	17,745,000	7,480,700	25,225,700
2015	17,680,000	6,732,800	24,412,800
2016	17,635,000	5,975,713	23,610,713
2017	17,600,000	5,165,238	22,765,238
2018	17,545,000	4,385,238	21,930,238
2019	17,510,000	3,607,613	21,117,613
2020	15,475,000	2,827,456	18,302,456
2021	12,535,000	2,140,606	14,675,606
2022	9,705,000	1,574,206	11,279,206
2023	9,705,000	1,134,356	10,839,356
2024	6,405,000	690,706	7,095,706
2025	6,405,000	402,319	6,807,319
2026	3,665,000	172,157	3,837,157
Total	$ 278,525,000	$ 104,021,800	$ 382,546,800

SINGLE

AUDIT

KPMG LLP
2001 M Street, NW
Washington, DC 20036

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

The Honorable Mayor and Members of the City Council
City of Alexandria, Virginia:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Alexandria, Virginia (the City) as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 19, 2007. 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 *Specifications for Audits of Counties, Cities, and Towns* (the Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts,

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and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Also, the Auditor of Public Accounts of the Commonwealth of Virginia requires us to test the City's compliance with certain matters specified in the Code of Virginia, including budget and appropriations laws; cash and investments; conflicts of interest; debt provisions; procurement; local retirement systems; unclaimed property; the Personal Property Tax Relief Act; intragovernmental revenues and agreements; state agency requirements for education; Comprehensive Services Act funds; and social services. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Specifications.

This report is intended solely for the information and use of the City Council, City management, the Auditor of Public Accounts of the Commonwealth of Virginia, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 19, 2007

KPMG LLP
2001 M Street, NW
Washington, DC 20036

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

The Honorable Mayor and Members of the City Council
City of Alexandria, Virginia:

Compliance

We have audited the compliance of the City of Alexandria, Virginia (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 19, 2007. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City Council, City management, the Auditor of Public Accounts of the Commonwealth of Virginia, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 19, 2007

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Federal Awards
Year Ended June 30, 2007

Federal Grantor/Recipient State Agency/Program Title	Federal Catalog Number	Grant Year	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Pass Through Payments:			
Department of Agriculture and Consumer Services (301 535-06):			
Commodity Food Distribution-Summer	10.559		$ 630
Commodity Food Distribution-School	10.555		213,120
Commodity Food Distribution	10.555		155,994
Food Stamp Program	10.561		1,550,353
Department of Education (197 457-07)			
Lunch Program	10.555		2,448,877
After School Program	10.559		88,475
Summer Food Program	10.559		108,215
TOTAL U.S. DEPARTMENT OF AGRICULTURE			$ 4,565,664
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Corporation for National and Community Services	94.006		$ 19,132
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			$ 19,132
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Payments:			
Administration for Children, Youth and Families			
Special Programs for the Aging	93.041		$ 23,658
Head Start	93.600		1,800,703
Total Direct Payments			$ 1,824,361
Pass Through Payments:			
Department of Health:			
Rape Crisis Treatment and Prevention Grant (140 390-01)	93.991		$ 76,889
Department of Mental Health and Mental Retardation (790 445-00):			
Block Grant for Community Mental Health Services	93.958		468,310
Comprehensive Services to Children and Adolescents with Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118		32,082
Projects for Assistance in Transition from Homelessness	93.150		76,463
Substance Abuse and Mental Health Services	93.243		9,738
Child Care Block Grant	93.575		1,494,311
Prevention and Treatment of Substance Abuse	93.959		1,143,360
Mental Health Disaster Assistance	93.982		249,942
Public Health & Soc Serv Emergency Fund	93.003		20,026
Department for the Aging:			
Title IIIB - Supportive Services and Senior Programs (163-455-04)	93.044		114,386
Special Programs for the Aging Title III - Disease Prevention (163-455-04)	93.043		1,870
Special Programs for the Aging Title IIIG - Prevention of Abuse (163-455-04)	93.041		1,459
Special Programs for the Aging Title IIIC - Nutritional Services (163-457-03)	93.045		137,686
Department of Social Services:			
Family Preservation and Support Services (765-453-01)	93.556		271,791
Temporary Assistance for Needy Families (765-460-03)	93.558		1,214,941
Low Income Energy Assistance (765-452-06)	93.568		31,051
Social Services Block Grant (765-490-04)	93.667		2,328,091
Child Welfare State Services State Grant (765-490-10	93.645		920
Refugee Resettlement (765-460-03)	93.566		109,720
Child Care Mandatory and Matching Funds (765-490-10)	93.596		2,184,767
Chafee Education and Training Vouchers Program (765-453-01)	93.599		13,949
Foster Care Title IV - E (765-460-03)	93.658		3,069,882
Adoption Assistance (765-453-03)	93.659		661,091
Independent Living (765-453-01)	93.674		22,590
State Children's Insurance Program (765-453-03)	93.767		2,392
Medical Assistance Program (765-460-03)	93.778		1,314,763
Statewide Fraud Program	93.000		132,123
Domestic Violence Program	93.051		145,260
Total Pass Through Payments			$ 15,329,852
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			$ 17,154,213

Continued

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Federal Awards
Year Ended June 30, 2007

Federal Grantor/Recipient State Agency/Program Title	Federal Catalog Number	Grant Year	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Payments:			
Community Development Block Grant Program, Entitlement Grants	14.218		$ 1,327,645
Total Direct Payments			$ 1,327,645
Pass Through Payments:			
Regional and Community Development and Planning (1665-533-05)	14.235		$ 268,206
Emergency Shelter Grants for the Homeless (165-458-05)	14.231		40,535
Affordable Housing (165-533-05)	14.239		2,231,574
Total Pass Through Payments			$ 2,540,315
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			$ 3,867,960
DEPARTMENT OF HOMELAND SECURITY			
Pass Through Payments (127-722-09):			
State Domestic Preparedness Equipment Support Program	97.004	2007	$ 37,138
State Domestic Preparedness Equipment Support Program	97.004	2006	300,601
Urban Area Security Initiative	97.008	2006	333,441
Emergency Management Performance Grants	97.042	2006	6,907
Emergency Management Response	97.042	2006	345,648
Emergency Management Performance Grants	97.042	2005	34,603
Homeland Security Grant Program	97.067	2006	104,260
Community Emergency Response Teams	97.054	2006	88,060
Total Pass Through Payments			$ 1,250,658
TOTAL DEPARTMENT OF HOMELAND SECURITY			$ 1,250,658
U.S. DEPARTMENT OF JUSTICE			
Direct Payments:			
COPS Grants	16.710		$ 245,354
Edward Byrne Memorial State and Local Law Enforcement Assistance	16.580		97,965
Total Direct Payments			$ 343,319
Pass Through Payments:			
Department of Criminal Justice Services (140-390-01)			
Asset Forfeiture Report	16.000		$ 386,048
State Criminal Alien Assistance	16.606		
Juvenile Accountability Incentive Block Grant	16.523		50,305
Gang Prevention Intervention	16.544		102,223
Crime Witness Assistance	16.575		167,469
Edward Byrne Memorial Formula Grant	16.579		10,571
Violence Against Women Formula Grants	16.588		170,201
Law Enforcement Block Grant	16.592		47,649
Total Pass Through Payments			$ 934,466
TOTAL U.S. DEPARTMENT OF JUSTICE			$ 1,277,785
U.S. DEPARTMENT OF LABOR			
Pass Through Payments:			
Workforce Investment Act (182-462-09):			
Employment and Training Administration Pilots	17.261		$ 21,924
Adult Program	17.258		64,258
Youth Activities	17.259		50,202
Dislocated Workers	17.260		59,019
Department for the Aging-			
Senior Community Service Employment Program (163-455-04)	17.235		18,156
TOTAL U.S. DEPARTMENT OF LABOR			$ 213,559

Continued

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Federal Awards
Year Ended June 30, 2007

Federal Grantor/Recipient State Agency/Program Title	Federal Catalog Number	Grant Year	Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
Pass Through Payments:			
Department of Transportation (501-605-07):			
Highway Planning and Construction	20.205		$ 223,734
Federal Transit Capital Investment Grants	20.500		54,344
State and Community Highway Safety	20.600		141,101
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			$ 419,179
U.S EQUAL EMPLOYMENT OPPORTUNITY COMMISSION			
Direct Payments:			
Title VII Age, New Charges Age Discrimination Employment Act	30.002		$ 57,559
			$ 57,559
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Pass Through Payments:			
Congressionally Mandate Projects (440-515-02)	66.202		152,400
State Air Pollution Control Board			
Air Pollution Control Program Grants	66.001		39,630
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			$ 192,030
U.S. DEPARTMENT OF EDUCATION			
Pass Through Payments:			
Department of Education:			
Title 1 Grants to Local Educational Agencies (197 171-01)	84.010		$ 3,398,297
Special Education Grants to States (197-171-02)	84.027		2,650,776
Vocational Education Basic Grants (197-171-03)	84.048		254,075
Special Education Preschool Grants (197-171-02)	84.173		96,721
Special Education Grants for Infants and Families with Disabilities (720-445-07)	84.181		93,698
Drug-Free Schools (197-171-05)	84.186		55,274
Fund for the Improvement of Education (197-171-14)	84.215		252,057
Twenty-first Century Community Learning Centers (197-171-03)	84.287		240,190
Innovative Education Program Strategies (197-171-01)	84.298		43,887
Education Technology State Grants (197-175-18)	84.318		43,217
English Language Acquisition Grants	84.365		207,757
Improving Teacher Quality State Grants (201-199-28)	84.367		571,212
Hurricane Education Recovery (197-171-02)	84.938		80,190
State Assessment Program (197-171-02)	84.369		23,800
TOTAL U.S. DEPARTMENT OF EDUCATION			$ 8,011,151
OTHER FEDERAL AID			
High Intensity Drug Trafficking Area	98.473		$ 252,736
TOTAL OTHER FEDERAL			$ 252,736
TOTAL FEDERAL ASSISTANCE			$ 37,281,626

Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards includes all federal grant activity of the City of Alexandria, Virginia and its component units during FY 2007. The City's reporting entity is defined in Note 1 of the City's Basic Financial Statements. Federal awards are received directly, as well as passed through other governmental agencies.

This schedule has been prepared on the modified accrual basis of accounting. Expenditures are recorded when the liability is incurred.

RECONCILIATION OF NOTES TO FINANCIAL STATEMENTS TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The City receives and expends federal revenues that are non-grant related and therefore not reportable under the Schedule of Expenditures of Federal Awards. A reconciliation of the Schedule of Expenditures of Federal Awards to Note 12 in the Notes to the Financial Statements, Intergovernmental Revenues, is provided below.

Total Federal Expenditures per Schedule	$ 37,281,626
Non-Reportable Federal Revenue	5,598,838
Commodities Distribution	(156,624)
Total Federal Revenue per Note 12	$ 42,723,840

FEDERAL COGNIZANT AGENCY

The Federal Cognizant Agency for the City of Alexandria, Virginia is the United States Department of Housing and Urban Development.

SUBGRANTEES

The City provided the following amounts to subrecipients during FY 2007:

Program Title	CFDA	Amount
HOME	14.218	$ 110,040
Headstart	93.600	1,800,703

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Summary of Auditors' Results:

Financial Statements

The type of report issued on the financial statements: Unqualified

Internal control over financial reporting

- Material weaknesses identified: None
- Significant deficiencies identified that are not considered to be material weaknesses: None reported

Noncompliance material to the financial statements noted: None

Federal Awards

Internal control over major programs

- Material weaknesses identified: None
- Signicant deficiencies identified that are not considered to be material weaknesses: None reported

The type of report issued on compliance for major programs: Unqualified

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

Major programs:

- Child Care and Development Fund (CFDAs 93.575 & 93.596)
- Community Development Block Grant Program, Entitlement Grants (CFDA 14.218)
- Affordable Housing (CFDA 14.239)
- Head Start (CFDA 93.600)
- Substance Abuse and Prevention Treatment (CFDA 93.959)
- Medical Assistance Program (CFDA 93.778)

Dollar threshold used to distinguish between Type A and Type B programs: $1,118,449

Auditee qualified as a low-risk auditee under section 530 of OMB Circular A-133: Yes

Findings relating to the Financial Statement Reported in Accordance with *Government Auditing Standards*:

None

Findings and Questioned Costs relating to Federal Awards:

None

CITY OF ALEXANDRIA, VIRGINIA
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2007

No findings reported in the prior year.

City of Alexandria, Virginia
Finance Department
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