

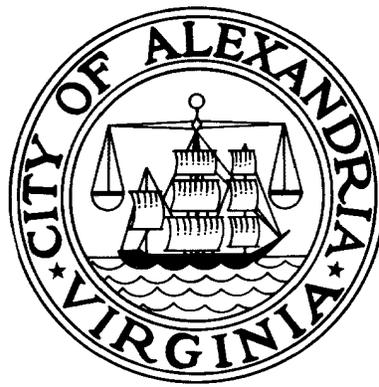
CITY OF ALEXANDRIA, VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2005

**CITY OF ALEXANDRIA, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR
 JULY 1, 2004 TO JUNE 30, 2005**

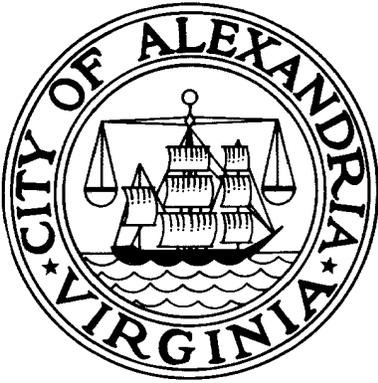


**Alexandria City Council
 William D. Euille, *Mayor*
 Redella S. Pepper, *Vice-Mayor*
 Ludwig P. Gaines
 Rob Krupicka
 Andrew H. Macdonald
 Paul C. Smedberg
 Joyce Woodson**

City Manager.....James K. Hartmann
**Assistant City Manager for
 Fiscal and Financial Affairs**Mark B. Jinks
Director of FinanceDaniel A. Neckel, CPA
Director of Real Estate AssessmentsCindy Smith-Page
City AttorneyIgnacio B. Pessoa
City Clerk and Clerk of Council..... Jacqueline Henderson
Independent Auditors.....KPMG LLP

Prepared by the Department of Finance
 Laura B. Triggs, CPA, Deputy Director/Comptroller

alexandriava.gov



**CITY OF ALEXANDRIA, VIRGINIA
Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2005**

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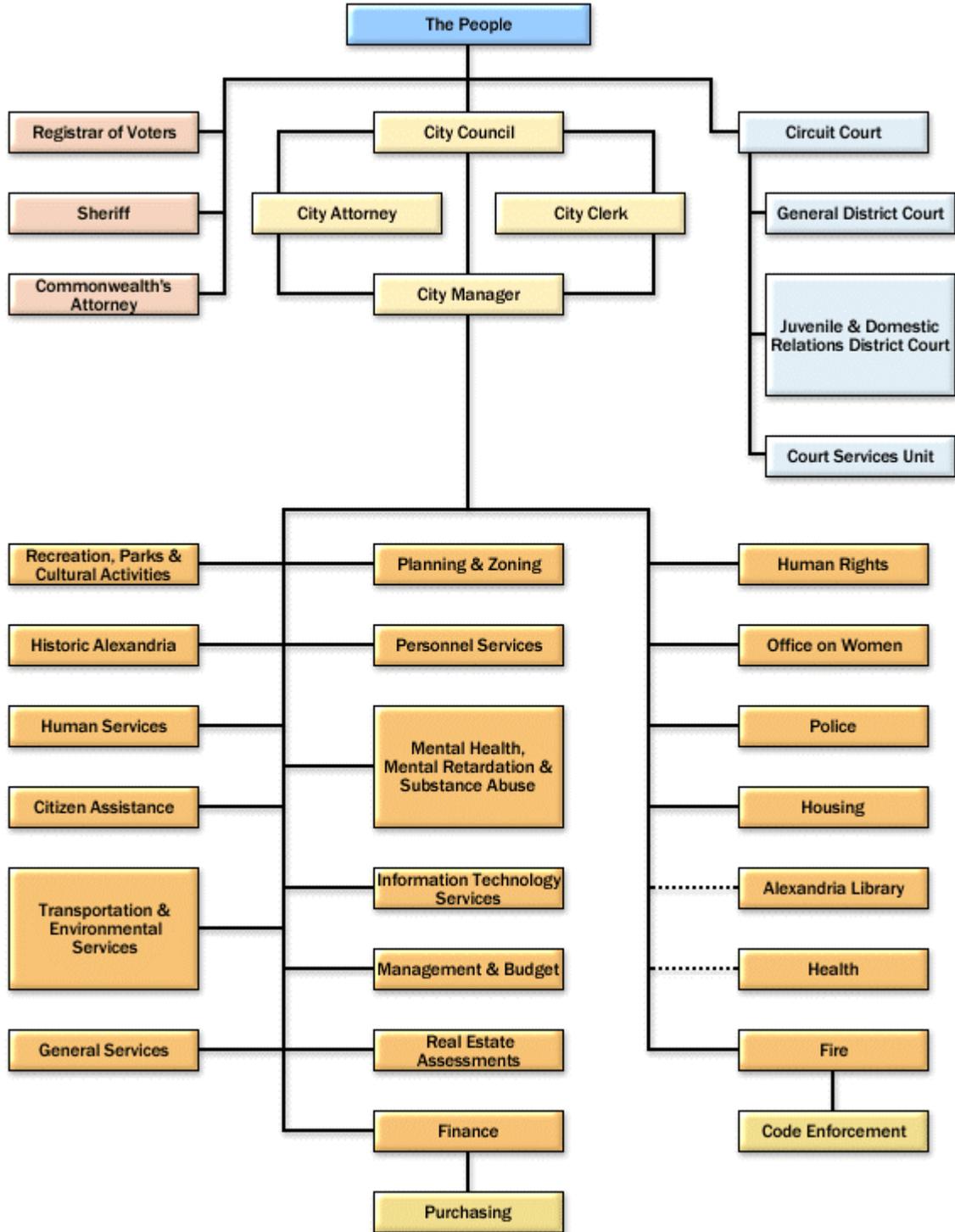
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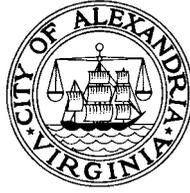
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INTRODUCTORY SECTION

ALEXANDRIA CITY GOVERNMENT ORGANIZATIONAL CHART





October 31, 2005

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, 2005. 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.

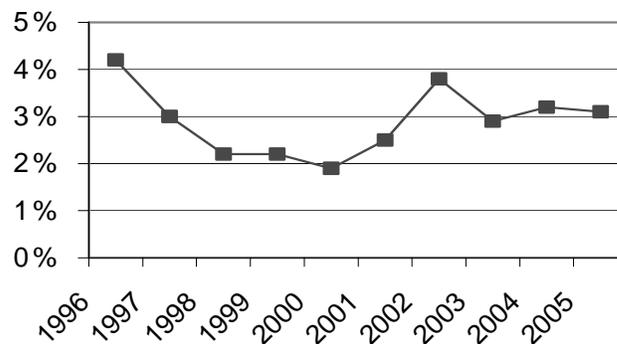
FINANCIAL REPORTING ENTITY

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 has recovered from the downturn in tourism and business travel after September 11, 2001. Tourism is strong, unemployment rates low, office vacancy rates moderate, demand for housing high, and the number of jobs in the City increasing. As of December 31, 2004, 92,316 persons were employed in the City, an increase of 615 compared to 91,701 at the end of December 2003. With the phased move-in of the U.S. Patent and Trademark Office and related private firms, the number of jobs was projected to increase to over 95,000 jobs by the summer of 2005. Since 2004 the local jobless rate decreased slightly from 3.2 percent in 2004 to 3.1 percent in 2005. The following table shows the City's jobless rate for the past 10 years:

City of Alexandria Unemployment Rate
Last Ten Years



The real estate market, which is the principal source of tax revenue for the City, continued to exhibit a high rate of growth. Total real property assessments increased in calendar year 2005 by 21.2 percent, or \$4.8 billion, including \$3.0 billion of residential appreciation and \$1.8 billion of 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 an elite 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 groundbreaking for a new high school to replace the City's only high school and renovations to the City's public sewer infrastructure.

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 will continue 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 new 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, Multi Modal Transportation System That Gets People From Point "A" To Point "B" Efficiently And Effectively.
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 Safe Community Maintained By High Quality Public Safety Organizations and Judicial Administration.

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 budget pressures. During fiscal year 2006, revenues are budgeted to grow by about 6.7 percent over FY 2005 with revenues reflecting both an expanded real estate tax base as well as a future decrease in the City's real estate tax rate (from 99.5¢ to 91.5¢). One cent of the City's real property taxes continues to be dedicated to open space acquisition with another one cent now 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. New development is projected to generate additional tax revenues, including the recently completed U.S. Patent and Trademark Office headquarters.

Over the last five years, the City's property tax base has grown an average of 13.3 percent per year, the City's tax rate has dropped 16.8 percent (from \$1.11 in 2001 to 91.5¢ for 2005), and the pace of expenditures has increased. 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 rating 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 the City continues to use "pay-as-you-go" financing for many capital projects, the City has maintained superior debt ratios since 1987. At the end of FY 2005, the City's debt to tax base ratio was just .88 percent with that projected to rise to .94 percent by FY 2008 (excluding self-supported sewer project related debt). The City's financial policies encourage the use of surplus General Fund revenue 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

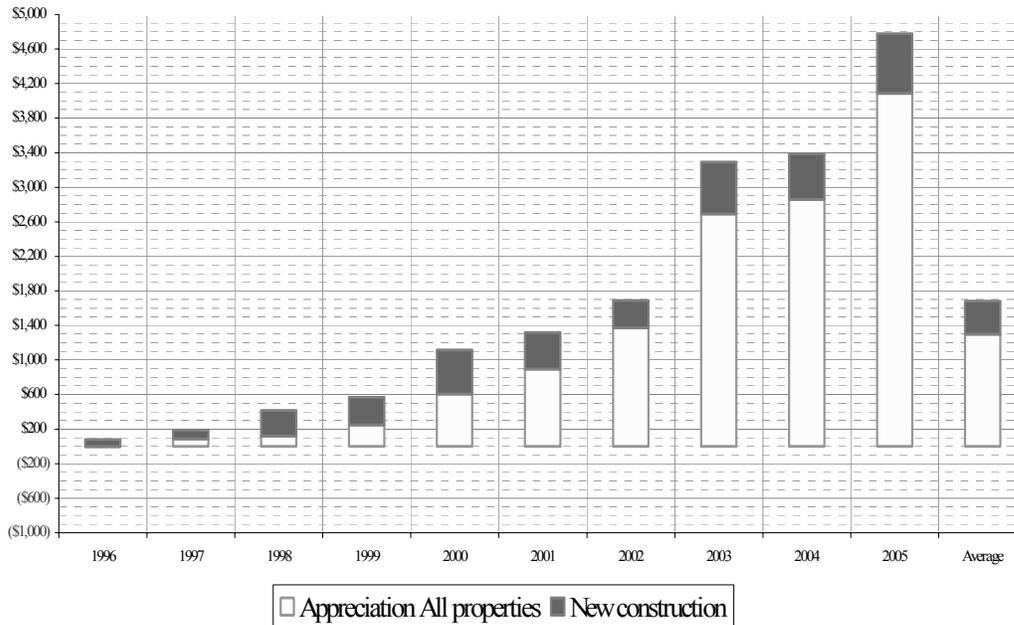
The following table shows that the overall real property assessed value has increased by over \$16 billion since 1996, including a 21.2 percent increase from 2004 to 2005. Real property taxes, which are based on assessments as of January 1 of each year, are due in two payments. The first half of the 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)

| <u>Year</u> | <u>Residential Assessed Value</u> | <u>Residential % Increase (Decrease)</u> | <u>Commercial¹ Assessed Value</u> | <u>Commercial % Increase (Decrease)</u> | <u>Total Assessed Value</u> | <u>Total % Increase (Decrease)</u> |
|-------------|-----------------------------------|--|--|---|-----------------------------|------------------------------------|
| 1996 | \$ 5,658,106 | 1.5 | \$ 5,284,168 | 0.4 | \$ 10,942,274 | 1.0 |
| 1997 | 5,742,376 | 1.5 | 5,428,427 | 2.7 | 11,170,803 | 2.1 |
| 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 | 9,335,646 | 16.2 | 22,580,995 | 17.5 |
| 2005 | 16,272,324 | 22.9 | 11,087,326 | 18.8 | 27,359,650 | 21.2 |

1. Includes apartment buildings.

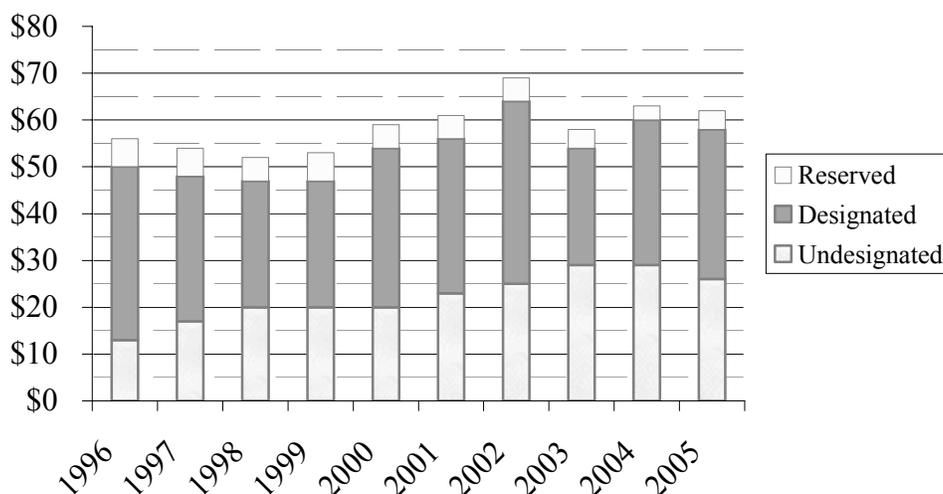
Change in Total Tax Base (in millions)



This chart dissects the increases and decreases in assessed values since 1996 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 a keystone to the City's overall financial strength and stability. At the end of FY 2005, the City's General Fund fund balance was \$62.3 million and included several designations totaling \$32.4 million, including \$4.7 million designated for future capital funding. At the end of FY 2005 the City's ending General Fund fund balance condition was consistent with the City's established financial policies. The slight decrease in fund balance from FY 2004 to FY 2005 related primarily to budgeted use of designated fund balance for capital projects.

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 2006 through FY 2011 represents \$326.8 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 \$240.0 million in additional planned capital funding for the FY 2006-FY 2011 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:

| | <u>Ceiling</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>Target</u> |
|--|----------------|-------------|-------------|-------------------|-------------|-------------|-------------|-------------|---------------|
| Debt as a Percentage of Fair Market Value | 1.6% | 0.54% | 0.86% | 0.74% | 0.95% | 0.75% | 0.87% | 0.88% | 1.1% |
| Debt Per Capita as a Percentage of Per Capita Income ¹ | 3.25% | 1.1% | 1.9% | 1.6% | 2.2% | 2.0% | 2.7% | 3.1% | 2.25% |
| Debt Service as a Percentage of General Governmental Expenditures ² | 10.0% | 1.7% | 2.3% | 3.1% | 3.5% | 3.6% | 3.6% | 4.2% | 8.0% |
| General Fund Balance as a Percentage of General Fund Revenue: | | | | | | | | | |
| Unreserved | 10% (floor) | 16.5% | 17.3% | 16.6% | 17.6% | 14.4% | 14.6% | 13.3% | N/A |
| Undesignated | 4% (floor) | 6.9% | 6.4% | 6.6% | 6.8% | 7.3% | 6.9% | 5.9 | 5.5% |
| Unrestricted Net Assets as a Percentage of General Revenue | 4% (floor) | NA | 19.4% | 8.4% ³ | 32.2% | 19.8% | 18.4% | 14.5% | 5.5% |

¹ Per capita information from the US 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.

Net Assets were first used in FY 2000 with the implementation of Government Accounting Standards Board Statement No. 34.

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:

| | |
|----------------------------------|------------------------------|
| <u>Moody's Investors Service</u> | <u>Standard & Poor's</u> |
| 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 performed 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 **Comprehensive Annual Financial Report (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 national 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 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 27th consecutive year in 2004. 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 2005.

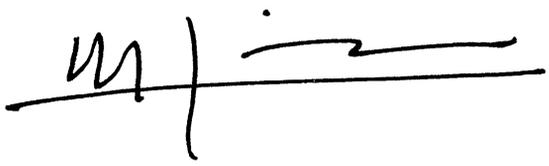
REPORTING REQUIREMENTS

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 depository, 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.

Respectfully submitted,



Mark B. Jinks
Assistant City Manager for
Fiscal and Financial Affairs



Daniel A. Neckel, CPA
Director of Finance



Laura B. Triggs, CPA
Deputy Director of Finance/
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, 2004

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.

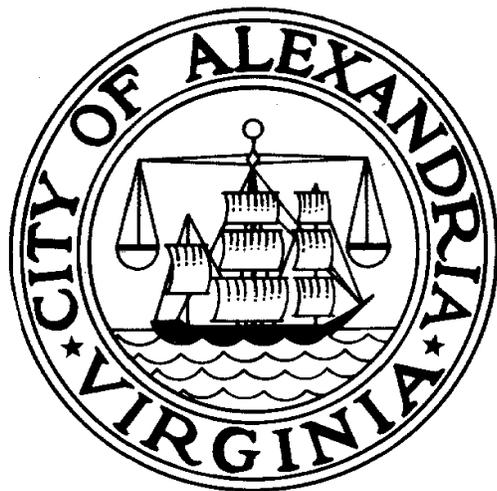


Nancy L. Ziehl

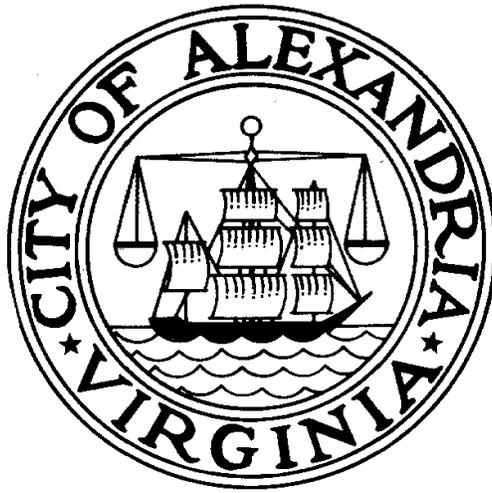
President

Jeffrey R. Emer

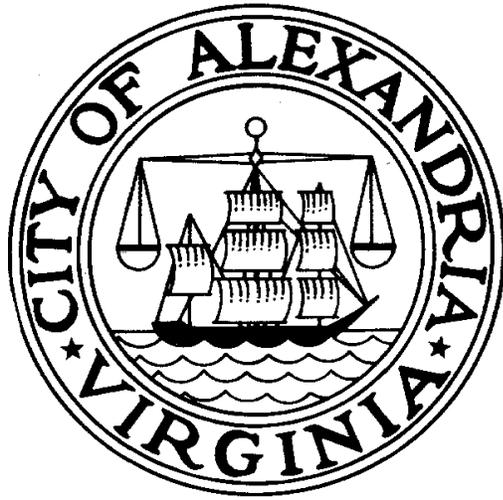
Executive Director



FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT





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 June 30, 2005, 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. 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 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 of Alexandria, Virginia, as of June 30, 2005, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2005, 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, 94 through 96, and 97 through 100, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

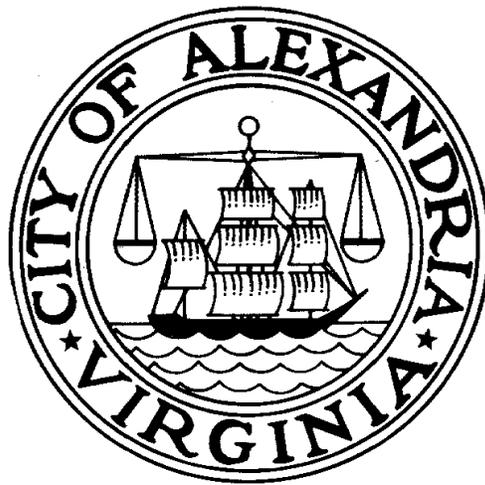
Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The information identified as schedules 1 and 2 in the Financial Section of the accompanying table of contents is presented for purposes of additional 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

October 31, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS



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, 2005. 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 2005

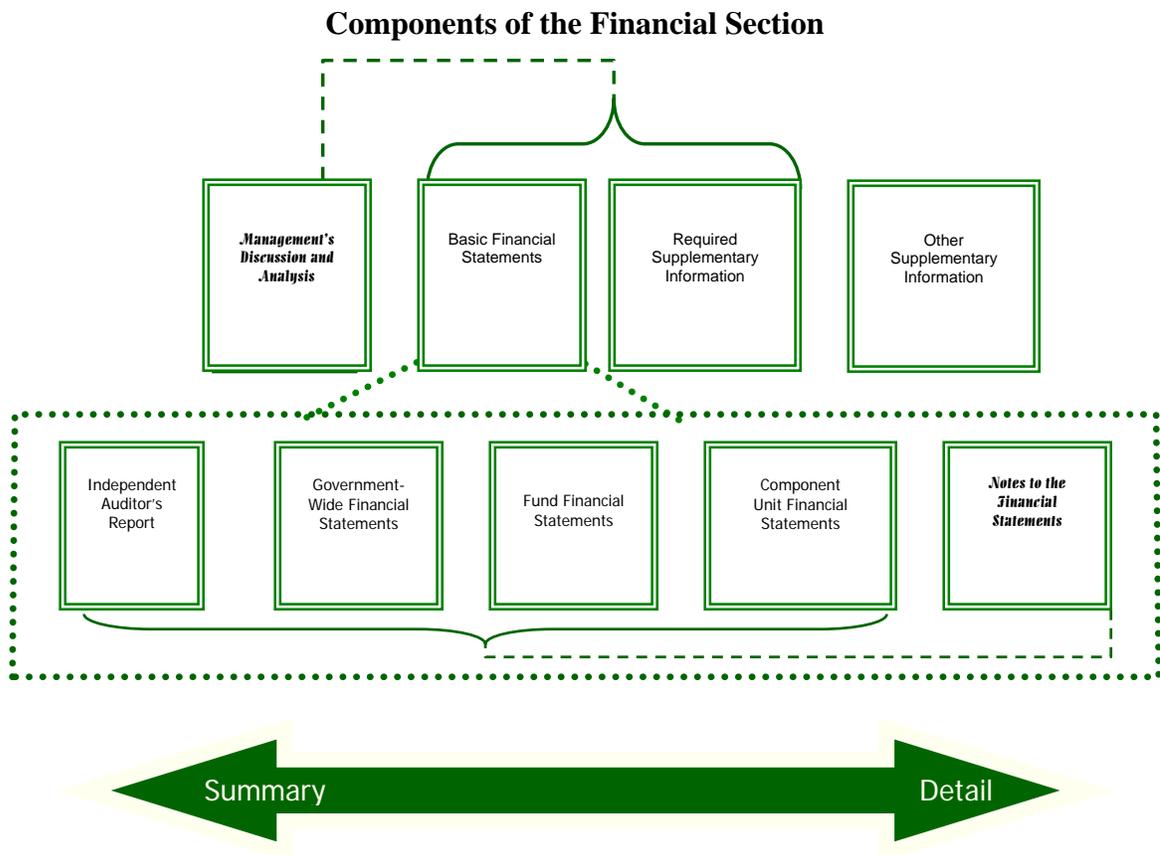
The General Fund, on a current financial resource basis, reported expenditures and other financing uses in excess of revenues and other financing sources by \$0.8 million (Exhibit IV) after making a budgeted \$28.9 million transfer to the capital projects fund and a \$25.0 million transfer to the special revenue fund.

On a government-wide basis for governmental activities, the City's general revenues of \$402.6 million were \$9.5 million more than the \$393.2 million of expenses net of program revenue on (Exhibit II).

The City's total net assets, excluding component units, on the government-wide basis, totaled \$312.4 million at June 30, 2005. Of this amount, \$63.8 million is unrestricted. (Exhibit I).

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 will 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 includes 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 City of Alexandria Library System, 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.

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.

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, 2005 and 2004
(In millions)

| | Total Governmental Activities And Primary Government | | Component Units | |
|---|---|---------------|------------------------|--------------|
| | 2005 | 2004 | 2005 | 2004 |
| Current and other assets | \$ 453 | \$ 398 | \$ 48 | \$ 38 |
| Capital assets | 355 | 332 | 23 | 20 |
| Total assets | <u>\$ 808</u> | <u>\$ 730</u> | <u>\$ 71</u> | <u>\$ 58</u> |
| Other liabilities | \$ 233 | \$ 211 | \$ 24 | \$ 20 |
| Long-term liabilities | <u>263</u> | <u>216</u> | <u>6</u> | <u>6</u> |
| Total liabilities | <u>\$ 496</u> | <u>\$ 427</u> | <u>\$ 30</u> | <u>\$ 26</u> |
| Net assets: | | | | |
| Invested in capital assets, net of related debt | \$ 100 | \$ 120 | \$ 23 | \$ 20 |
| Restricted | 148 | 116 | - | - |
| Unrestricted | <u>64</u> | <u>68</u> | <u>18</u> | <u>12</u> |
| Total Net Assets | <u>\$ 312</u> | <u>\$ 303</u> | <u>\$ 41</u> | <u>\$ 32</u> |

Amounts may not add due to rounding

The City's net assets (which is the City's bottom line) increased three percent, or \$9 million, to \$312 million. The increase is primarily attributable to a surplus in the governmental funds before considering the receipt of debt proceeds (Exhibit II and Exhibit IV). The increase in the City's current assets and liabilities is primarily attributable to the increase in real property tax assessments which is considered unearned until FY 2006. The increase in component units' net assets is primarily attributable to transit capital assets contributed by the City. The City's capital assets increased \$22 million, primarily for additions to the City's construction in progress (Note 5) for a new high school. The increase in long-term liabilities is attributable to the issuance of \$54.8 million in general obligation bonds for capital projects (Note 10).

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, 2005 and 2004
(In millions)

| | Total | | | |
|-------------------------------------|---|---------------|----------------------------|---------------|
| | Governmental Activities and Primary Government | | Component Units | |
| | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> |
| Revenues | | | | |
| Program revenues: | | | | |
| Charges for services | \$ 31 | \$ 27 | \$ 4 | \$ 4 |
| Operating grants and Contributions | 60 | 62 | 36 | 32 |
| Capital grant/contributions | 5 | 15 | -- | -- |
| General revenues: | | | | |
| Property taxes | 267 | 242 | -- | -- |
| Other taxes | 101 | 94 | -- | -- |
| Other | 34 | 34 | -- | -- |
| Transfer | -- | -- | -- | -- |
| Payment to/from from City | -- | -- | 155 | 141 |
| Total revenues | <u>\$ 498</u> | <u>\$ 474</u> | <u>\$ 195</u> | <u>\$ 177</u> |
| Expenses | | | | |
| General government | \$ 48 | \$ 57 | \$ -- | \$ -- |
| Judicial administration | 15 | 14 | -- | -- |
| Public safety | 96 | 95 | -- | -- |
| Public works | 40 | 44 | -- | -- |
| Library | 6 | 5 | 7 | 6 |
| Health and welfare | 79 | 74 | -- | -- |
| Transit | 11 | 10 | 9 | 8 |
| Culture and recreation | 26 | 21 | -- | -- |
| Community development | 16 | 16 | -- | -- |
| Education | 142 | 128 | 170 | 160 |
| Interest on long-term debt | 10 | 8 | -- | -- |
| Total expenses | <u>\$ 489</u> | <u>\$ 472</u> | <u>\$ 186</u> | <u>\$ 174</u> |
| Change in net assets | <u>\$ 9</u> | <u>\$ 2</u> | <u>\$ 9</u> | <u>\$ 3</u> |
| Net Assets Beginning of Year | <u>\$ 303</u> | <u>\$ 301</u> | <u>\$ 32</u> | <u>\$ 29</u> |
| Net Assets End of Year | <u>\$ 312</u> | <u>\$ 303</u> | <u>\$ 41</u> | <u>\$ 32</u> |

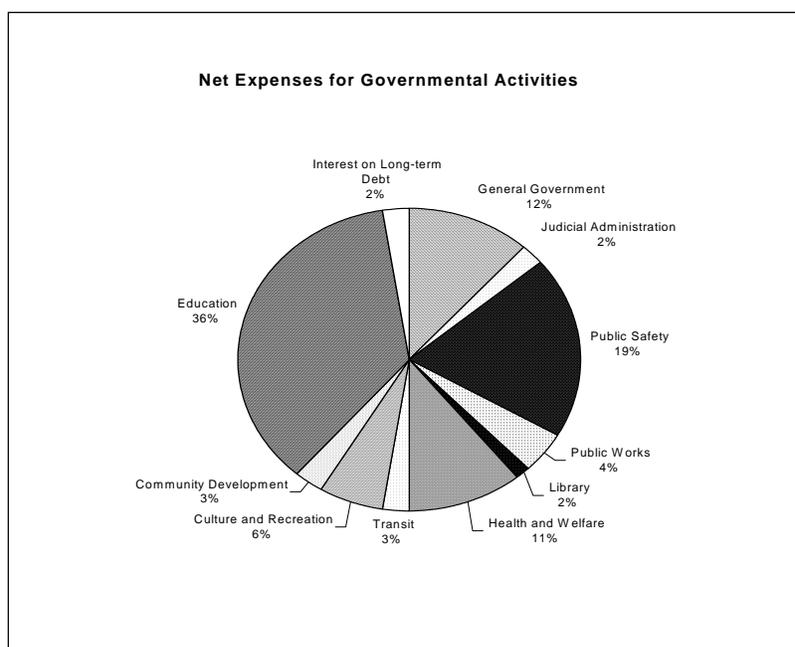
Amounts may not add due to rounding

REVENUES

For the fiscal year ended June 30, 2005 revenues from governmental activities totaled \$498 million. Real estate tax revenues, the City's largest revenue source, reflecting the accrual of the last half of calendar year 2004 and the first half of calendar year 2005 real property tax billings, were \$234 million. The increase in tax revenues is primarily attributable to an increase in the City's assessed real property tax base, which increased 21.2 percent for calendar year 2005. The assessment increase was offset by an 8¢ reduction in the real estate tax rate. In addition, one cent of the City's real estate tax was again set aside to fund open space initiatives.

- Operating grants included \$1 million in increased funding for childcare services in the City for low-income families.
- The decrease in capital grants and contributions of \$9.8 million relates to the timing of completed infrastructure projects as determined by the Commonwealth. (Footnote 5)
- Interest earnings increased as interest rates rose during the year.

Component units' net assets increased primarily as a result of capital asset purchases for transit and schools.



EXPENSES

For the fiscal year ended June 30, 2005 expenses for governmental activities totaled \$489 million and include increases for employee compensation and budgeted increases in payments for educational expenses to the School Board.

For FY 2005 the City provided increased resources to the following areas:

- Continued funding to upgrade child welfare services.
- Additional funding for the City's supplemental pension plan.
- Additional funding for the City's public school system.
- Funding and interest expense to begin building a new high school to replace T.C. Williams High School.
- One cent of the real estate tax rate dedicated for open space acquisition.

Education continues to be one of the City's highest priorities. In addition to the commitment to fund the construction of a new high school, the City's operating subsidy to the Schools for FY 2005 totaled \$130 million and the City spent \$12 million for other Schools' capital projects in FY 2005.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

For the fiscal year ended June 30, 2005, the governmental funds reflect a combined fund balance of \$225 million (Exhibit III). The fund balance increase of \$30 million is primarily attributable to the issuance of bonds in FY 2005 for planned capital projects. In addition, these other changes in fund balance should be noted:

- The General Fund contributed \$28.9 million to pay-as-you-go financing of capital projects.
- The City contributed \$130 million to the schools for operations and the Capital Projects fund spent \$12 million to finance School capital projects.
- The City spent \$3 million more in FY 2005 for child welfare services, including state mandates in these areas.
- The City spent \$51 million in the Capital Projects Fund to fund infrastructure, needed capital upgrades for homeland security, and school renovations and expansion.

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 2005 | | |
|---|--------------------|-------------------|--------|
| | Original Budget | Amended Budget | Actual |
| <u>Revenues, Transfers, and Other Financial Sources</u> | | | |
| Taxes | \$ 357 | \$ 357 | \$ 367 |
| Intergovernmental | 49 | 49 | 47 |
| Other | 23 | 56 | 59 |
| Total | \$ 429 | \$ 462 | \$ 473 |
| <u>Expenditures, Transfers, and Other Financial Uses</u> | | | |
| Expenditures | \$ 246 | \$ 248 | \$ 244 |
| Transfers and other | 187 | 230 | 229 |
| Total | \$ 433 | \$ 478 | \$ 473 |
| Change in Fund Balance | \$ (4) | \$ (16) | \$ (1) |

Amounts may not add due to rounding

Expenditures and other financing uses exceeded revenue and other financing sources exceeded by \$1 million in the General Fund for FY 2005.

Actual General Fund revenues and other financial sources exceeded original budgeted revenues by \$44 million and the amended budget by \$11 million during FY 2005. This is primarily due to a \$32.5 million refunding bonds issued in October and increased real estate tax revenues from higher assessments. Primarily due to the bond refunding and supplemental appropriation for encumbrances and cash capital transfers, actual General Fund expenditures and transfers were greater than the original budget by \$40 million, but were less than the amended budget by \$5 million.

During FY 2005, City Council amended the budget two 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, 2004 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, 2004 totaled \$1.5 million.
- To reappropriate monies (\$1.9 million) to pay for projects budgeted for Fiscal Year 2004 but not completed before the end of the fiscal year.
- To reappropriate grant, donation and other revenues authorized in Fiscal Year 2004 or earlier, but not expended or encumbered as of June 30, 2004.
- To appropriate grants, donations, and other revenues accepted or adjusted in FY 2005.
- To appropriate the designated General Fund balance of \$7.5 million to capital projects.
- To appropriate monies for a \$33 million in general obligation bond refunding.

CAPITAL ASSETS

At the end of fiscal year 2005, the City's governmental activities had invested \$354 million (see Note 5) in a variety of capital assets and infrastructure, as reflected in the following schedule, which represents a net increase of \$22.2 million.

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

| | <u>Balance</u> <u>June 30, 2004</u> | Net Additions/ <u>(Deletions)</u> | <u>Balance</u> <u>June 30, 2005</u> |
|---|--|---|--|
| Non-Depreciable Assets | | | |
| Land and Land Improvements | \$ 53.6 | \$ 0.6 | \$ 54.2 |
| Construction in Progress | 63.9 | 23.2 | 87.1 |
| Other Capital Assets | | | |
| Buildings | 192.7 | 3.1 | 195.8 |
| Infrastructure | 113.3 | 5.0 | 118.3 |
| Furniture and Other Equipment | 46.0 | 2.3 | 48.3 |
| Accumulated Depreciation on Other Capital Assets | <u>(137.3)</u> | <u>(11.9)</u> | <u>(149.2)</u> |
| Totals | <u>\$332.3</u> | <u>\$ 22.2</u> | <u>\$354.5</u> |

Amounts may not add due to rounding

The FY 2005 increase in construction in progress includes the work on the City's infrastructure and school buildings. The additions to land and buildings include the public safety perimeter security.

The FY 2006 - FY 2011 Approved Capital Improvement Program (CIP), which was approved by City Council in May 2005, sets forth a six-year program with \$326.8 million in new City funded and \$240.0 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 \$8 million above the FY 2005-2010 CIP. The CIP also provides an increased capital investment in quality of life initiatives, including open space preservation and acquisition, and increased metro funding, to enhance the quality of life in Alexandria.

LONG-TERM DEBT

At the end of fiscal year 2005, the City had \$241.9 million in outstanding general obligation bonds, an increase of \$44.4 million, or 22 percent, over last year. In October 2004, the City refunded \$29.8 million in existing debt to take advantage of low interest rates. The \$32.5 million refunding bonds were issued at a true interest cost of 3.8474 percent and a \$1.2 million premium resulted in \$1.1 million in present value savings for the City. In December 2004, the City issued \$54.8 million in general obligation bonds and received an additional \$0.7 million in premium. The bonds and premium were issued at a true interest cost of 3.74397 percent. More detailed information about the City's long-term liabilities is presented in Note 10 to the financial statements.

During 2004, Moody's Investors Services, Inc. and Standard & Poor's (S&P) credit rating agencies twice 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 \$2.7 billion for the City.

ECONOMIC FACTORS

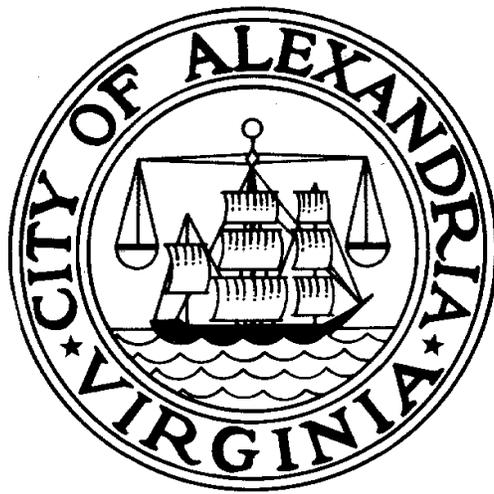
Job growth in the City has stabilized somewhat in FY 2005, with total employment at just over 92,316 for December 2004 (the latest data available from the Virginia Employment Commission). Tourism and travel has recovered since September 2001, with the hotel occupancy tax revenue increasing 14 percent in FY 2005.

As of 2003 (the latest data available from the U.S. Bureau of Economic Analysis), the City's per capita income of \$56,888 remains one of the highest in the United States, and the third highest of any major jurisdiction in Virginia. The City's office vacancy rate stood at 11.7 percent by the end of FY 2005, which is slightly lower than the office vacancy rate in Northern Virginia, as well as the Washington D.C. metropolitan area.

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 Daniel Neckel, 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
Statement of Net Assets
As of June 30, 2005

Exhibit I

| | <u>Primary Government</u> | <u>Component</u> |
|---|------------------------------|-----------------------------|
| | <u>Governmental</u> | <u>Units</u> |
| | <u>Activities</u> | <u>Units</u> |
| ASSETS | | |
| Cash and Cash Equivalents | \$ 133,380,249 | \$ 35,115,660 |
| Cash and Investments with Fiscal Agents | 104,218,044 | 2,214,571 |
| Receivables, Net | 172,799,708 | 70,828 |
| Accrued Interest | 13,035 | 1,094 |
| Due From Other Governments | 36,824,196 | 4,207,894 |
| Inventory of Supplies | 1,970,689 | 496,990 |
| Prepaid and Other Assets | 4,372,495 | 6,492,059 |
| Capital Assets | | |
| Land and Construction in Progress | 141,321,999 | 7,504,188 |
| Other Capital Assets, Net | 213,214,550 | 15,160,197 |
| Capital Assets, Net | <u>\$ 354,536,549</u> | <u>\$ 22,664,385</u> |
| Total Assets | <u>\$ 808,114,965</u> | <u>\$ 71,263,481</u> |
| LIABILITIES | | |
| Accounts Payable | \$ 18,509,778 | \$ 5,471,711 |
| Accrued Wages | 6,545,658 | 17,194,451 |
| Accrued Liabilities | 3,323,355 | - |
| Unearned Revenue | 182,483,980 | 527,556 |
| Other Short-term Liabilities | 1,512,325 | 169,117 |
| Deposits | 3,047,343 | - |
| Long-term Liabilities Due Within One Year | 16,992,198 | 429,894 |
| Long-term Liabilities Due in More Than One Year | 263,328,060 | 6,066,862 |
| Total Liabilities | <u>\$ 495,742,697</u> | <u>\$ 29,859,591</u> |
| NET ASSETS | | |
| Invested in Capital Assets, Net of Related Debt | \$ 100,173,832 | \$ 22,664,385 |
| Restricted for: | | |
| Capital Projects | 148,349,650 | - |
| Unrestricted Assets | 63,848,786 | 18,739,505 |
| TOTAL NET ASSETS | <u><u>\$ 312,372,268</u></u> | <u><u>\$ 41,403,890</u></u> |

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Activities
For the Fiscal Year Ended June 30, 2005

Exhibit II

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--|-----------------------|-------------------------|--|-----------------------------------|--|-------------------------|-------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants & Contributions | Primary Government | | Component Units |
| | | | | | Governmental Activities | Total | |
| Primary Government: | | | | | | | |
| Governmental Activities: | | | | | | | |
| General Government | \$ 47,678,630 | \$ 10,346 | \$ 1,019,235 | \$ 687,690 | \$ (45,961,359) | \$ (45,961,359) | \$ - |
| Judicial Administration | 14,637,863 | 1,986,727 | 3,624,070 | - | (9,027,066) | (9,027,066) | - |
| Public Safety | 96,481,052 | 8,350,946 | 11,653,515 | - | (76,476,591) | (76,476,591) | - |
| Public Works | 39,926,711 | 13,245,152 | 5,540,902 | 4,392,875 | (16,747,782) | (16,747,782) | - |
| Library | 5,969,144 | - | - | - | (5,969,144) | (5,969,144) | - |
| Health and Welfare | 79,392,233 | 5,117,472 | 32,022,938 | - | (42,251,823) | (42,251,823) | - |
| Transit | 10,508,577 | - | - | - | (10,508,577) | (10,508,577) | - |
| Culture and Recreation | 26,125,351 | 1,704,004 | 541,030 | 49,664 | (23,830,653) | (23,830,653) | - |
| Community Development | 16,119,906 | 252,936 | 5,203,949 | - | (10,663,021) | (10,663,021) | - |
| Education | 142,203,537 | - | - | - | (142,203,537) | (142,203,537) | - |
| Interest on Long-term Debt | 9,519,046 | - | - | - | (9,519,046) | (9,519,046) | - |
| Total Primary Government | \$ 488,562,050 | \$ 30,667,583 | \$ 59,605,639 | \$ 5,130,229 | \$ (393,158,599) | \$ (393,158,599) | \$ - |
| Component Units: | | | | | | | |
| Alexandria Library | \$ 6,505,740 | \$ 197,683 | \$ 198,617 | \$ - | \$ - | \$ - | \$ (6,109,440) |
| Alexandria Transit Company | 9,496,361 | 2,238,068 | 60,808 | - | - | - | (7,197,485) |
| Alexandria Public Schools | 169,960,624 | 2,086,955 | 35,315,307 | - | - | - | (132,558,362) |
| Total Component Units | \$ 185,962,725 | \$ 4,522,706 | \$ 35,574,732 | \$ - | \$ - | \$ - | \$ (145,865,287) |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| General Property Taxes: | | | | | | | |
| Real Estate | | | | | | | |
| | | | | | \$ 234,286,919 | \$ 234,286,919 | \$ - |
| Personal Property | | | | | | | |
| | | | | | 31,995,522 | 31,995,522 | - |
| Other | | | | | | | |
| | | | | | 101,468,560 | 101,468,560 | - |
| Payment from City of Alexandria | | | | | | | |
| | | | | | - | - | 154,712,557 |
| Grants and Contributions Not Restricted to Specific Programs | | | | | | | |
| | | | | | 29,502,934 | 29,502,934 | - |
| Interest and Investment Earnings | | | | | | | |
| | | | | | 4,867,844 | 4,867,844 | 113,189 |
| Miscellaneous | | | | | | | |
| | | | | | 521,372 | 521,372 | 548,013 |
| Total General Revenues | | | | | | | |
| | | | | | \$ 402,643,151 | \$ 402,643,151 | \$ 155,373,759 |
| Change in Net Assets | | | | | | | |
| | | | | | \$ 9,484,552 | \$ 9,484,552 | \$ 9,508,472 |
| Net Assets at Beginning of Year | | | | | | | |
| | | | | | 302,887,716 | 302,887,716 | 31,895,418 |
| Net Assets at End of Year | | | | | | | |
| | | | | | \$ 312,372,268 | \$ 312,372,268 | \$ 41,403,890 |

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See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Balance Sheet
Governmental Funds
June 30, 2005

Exhibit III

| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Total Governmental Funds</u> |
|---|-----------------------|------------------------|-----------------------------|---|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 66,823,118 | \$ 9,151,230 | \$ 49,703,444 | \$ 125,677,792 |
| Cash and Investments with Fiscal Agents | 1,407,940 | 109,953 | 102,700,151 | 104,218,044 |
| Receivables, Net | 168,641,314 | 2,422,811 | 1,735,583 | 172,799,708 |
| Accrued Interest | 13,035 | - | - | 13,035 |
| Due From Other Governments | 30,020,412 | 6,803,784 | - | 36,824,196 |
| Inventory of Supplies | 1,970,689 | - | - | 1,970,689 |
| Prepaid and Other Assets | 296,222 | 128,568 | - | 424,790 |
| Total Assets | <u>\$ 269,172,730</u> | <u>\$ 18,616,346</u> | <u>\$ 154,139,178</u> | <u>\$ 441,928,254</u> |
| LIABILITIES | | | | |
| Accounts Payable | \$ 12,135,222 | \$ 2,205,243 | \$ 3,934,890 | \$ 18,275,355 |
| Accrued Wages | 5,237,852 | 1,307,806 | - | 6,545,658 |
| Accrued Vacation | 2,276,082 | - | - | 2,276,082 |
| Other Liabilities | 1,393,270 | - | 119,055 | 1,512,325 |
| Deposits | 3,047,343 | - | - | 3,047,343 |
| Unearned Revenue | 182,807,778 | 2,860,241 | - | 185,668,019 |
| Total Liabilities | <u>\$ 206,897,547</u> | <u>\$ 6,373,290</u> | <u>\$ 4,053,945</u> | <u>\$ 217,324,782</u> |
| FUND BALANCES | | | | |
| Reserved for: | | | | |
| Capital Projects | \$ - | \$ - | \$ 126,848,380 | \$ 126,848,380 |
| Notes Receivable | - | 2,411,615 | 1,735,583 | 4,147,198 |
| Inventory of Supplies | 1,970,689 | - | - | 1,970,689 |
| Encumbrances | 2,087,658 | - | 21,501,270 | 23,588,928 |
| Unreserved | 58,216,836 | 9,831,441 | - | 68,048,277 |
| Total Fund Balances | <u>\$ 62,275,183</u> | <u>\$ 12,243,056</u> | <u>\$ 150,085,233</u> | <u>\$ 224,603,472</u> |
| Total Liabilities and Fund Balances | <u>\$ 269,172,730</u> | <u>\$ 18,616,346</u> | <u>\$ 154,139,178</u> | |

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) | 343,186,408 |
| Other long-term assets are not available to pay for current period expenditures; the taxes offset by deferred revenue in the governmental funds. (Note 4) | 7,131,744 |
| 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) | 18,818,175 |
| Long-term liabilities, including bonds payable, are not reported as liabilities in the governmental funds. (Note 10) | (281,367,531) |
| Net Assets of Governmental Activities | <u>\$ 312,372,268</u> |

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, 2005

Exhibit IV

| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Total Governmental Funds</u> |
|--|------------------------|------------------------|-------------------------|---------------------------------|
| REVENUES | | | | |
| General Property Taxes | \$ 265,286,800 | \$ - | \$ - | \$ 265,286,800 |
| Other Local Taxes | 101,468,560 | - | - | 101,468,560 |
| Permits, Fees, and Licenses | 4,439,701 | 72,108 | - | 4,511,809 |
| Fines and Forfeitures | 4,035,693 | - | - | 4,035,693 |
| Use of Money and Property | 5,790,327 | 122,628 | 2,010,900 | 7,923,855 |
| Charges for Services | 10,352,947 | 5,484,549 | 3,349,202 | 19,186,698 |
| Intergovernmental Revenue | 47,054,318 | 38,856,315 | 4,200,404 | 90,111,037 |
| Miscellaneous | 521,372 | 2,786,216 | 883,089 | 4,190,677 |
| Total Revenues | <u>\$ 438,949,718</u> | <u>\$ 47,321,816</u> | <u>\$ 10,443,595</u> | <u>\$ 496,715,129</u> |
| EXPENDITURES | | | | |
| Current Operating: | | | | |
| General Government | \$ 37,233,747 | \$ 443,229 | \$ - | \$ 37,676,976 |
| Judicial Administration | 13,060,768 | 1,050,100 | - | 14,110,868 |
| Public Safety | 90,347,799 | 3,445,850 | - | 93,793,649 |
| Public Works | 29,920,883 | 164,373 | - | 30,085,256 |
| Library | 5,969,144 | - | - | 5,969,144 |
| Health and Welfare | 18,164,634 | 60,773,014 | - | 78,937,648 |
| Transit | 10,508,577 | - | - | 10,508,577 |
| Culture and Recreation | 19,507,018 | 543,493 | - | 20,050,511 |
| Community Development | 8,538,375 | 6,606,822 | - | 15,145,197 |
| Education | 130,123,021 | - | 11,578,516 | 141,701,537 |
| Debt Service: | | | | |
| Principal | 13,220,854 | - | - | 13,220,854 |
| Interest and Other Charges | 9,583,716 | - | - | 9,583,716 |
| Capital Outlay | - | - | 51,507,454 | 51,507,454 |
| Total Expenditures | <u>\$ 386,178,536</u> | <u>\$ 73,026,881</u> | <u>\$ 63,085,970</u> | <u>\$ 522,291,387</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>\$ 52,771,182</u> | <u>\$ (25,705,065)</u> | <u>\$ (52,642,375)</u> | <u>\$ (25,576,258)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sale of Surplus Property | \$ - | \$ - | \$ 46,736 | \$ 46,736 |
| Bond Proceeds | - | - | 54,825,000 | 54,825,000 |
| Proceeds from Refunding Bonds | 32,465,000 | - | - | 32,465,000 |
| Bond Premium | 1,222,931 | - | 683,153 | 1,906,084 |
| Payment to Refunded Bonds Escrow Agent | (33,385,875) | - | - | (33,385,875) |
| Transfers In | \$ - | \$ 24,958,445 | \$ 29,783,587 | \$ 54,742,032 |
| Transfers Out | (53,883,761) | (860,960) | - | (54,744,721) |
| Total Other Financing Sources and Uses | <u>\$ (53,581,705)</u> | <u>\$ 24,097,485</u> | <u>\$ 85,338,476</u> | <u>\$ 55,854,256</u> |
| Net Change in Fund Balance | <u>\$ (810,523)</u> | <u>\$ (1,607,580)</u> | <u>\$ 32,696,101</u> | <u>\$ 30,277,998</u> |
| Fund Balance at Beginning of Year | 62,796,610 | 13,850,636 | 117,389,132 | |
| Decrease in Reserve for Inventory | 289,096 | - | - | 289,096 |
| Fund Balance at End of Year | <u>\$ 62,275,183</u> | <u>\$ 12,243,056</u> | <u>\$ 150,085,233</u> | |

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. | \$ 13,220,854 |
| 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) | 20,369,780 |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. (Note 4) | 995,641 |
| Bond proceeds and premium provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the Statement of Net Assets (Note 10) | (55,810,209) |
| 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 10) | (2,594,999) |
| 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) | 2,736,391 |
| Change in Net Assets of Governmental Activities | <u>\$ 9,484,552</u> |

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Net Assets
Proprietary Funds
June 30, 2005

Exhibit V

| | Governmental Activities |
|----------------------------------|------------------------------------|
| | Internal Service Fund |
| ASSETS | |
| Current Assets: | |
| Cash and Cash Equivalents | \$ 7,702,457 |
| Total Current Assets | \$ 7,702,457 |
| Noncurrent Assets: | |
| Capital Assets: | |
| Buildings and Equipment | \$ 31,892,930 |
| Less Accumulated Depreciation | (20,542,789) |
| Capital Assets, Net | \$ 11,350,141 |
| Total Assets | \$ 19,052,598 |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts Payable | \$ 234,423 |
| Total Current Liabilities | \$ 234,423 |
| Total Liabilities | \$ 234,423 |
| NET ASSETS | |
| Invested in Capital Assets | \$ 11,350,141 |
| Unrestricted | 7,468,034 |
| Total Net Assets | \$ 18,818,175 |
| Total Liabilities and Net Assets | \$ 19,052,598 |

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2005

Exhibit VI

| | Governmental Activities |
|-------------------------------------|------------------------------------|
| | Internal Service Fund |
| Operating Revenues: | |
| Charges for Services | \$ 4,738,440 |
| Total Operating Revenues | \$ 4,738,440 |
| Operating Expenses: | |
| Materials and Supplies | \$ 1,322,200 |
| Depreciation | 3,332,983 |
| Total Operating Expenses | \$ 4,655,183 |
| Operating Income | \$ 83,257 |
| Nonoperating Expenses: | |
| Loss on Disposal of Fixed Assets | \$ (682,538) |
| Total Nonoperating Expenses | \$ (682,538) |
| Net Loss Before Operating Transfers | \$ (599,281) |
| Operating Transfers: | |
| Transfers In | \$ 204,689 |
| Transfers Out | (202,000) |
| Total Net Transfers | \$ 2,689 |
| Changes in Net Assets | (596,592) |
| Net Assets at Beginning of Year | \$ 19,414,767 |
| Net Assets at End of Year | \$ 18,818,175 |

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

Exhibit VII

| | Activities |
|--|---------------------|
| | Internal |
| | Service Fund |
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts From Customers | \$ 4,738,440 |
| Payments to Suppliers | (1,428,796) |
| Net Cash Provided by Operating Activities | \$ 3,309,644 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Operating Subsidies and Transfers from Other Funds | \$ 2,689 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Purchases of Capital Assets | \$ (2,822,638) |
| Net Cash Used By Capital and Related Financing Activities | \$ (2,822,638) |
| Net Decrease in Cash and Cash Equivalents | \$ 489,695 |
| Cash and Cash Equivalents at Beginning of Year | 7,212,762 |
| Cash and Cash Equivalents at End of Year | \$ 7,702,457 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used) Operating Activities | |
| Operating Income (Loss) | \$ 83,257 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | |
| Depreciation Expense | 3,332,983 |
| Change in Assets and Liabilities: | |
| Accounts Payable | (106,596) |
| Net Cash Provided by (Used in) Operating Activities | \$ 3,309,644 |

Noncash investing, capital and financing activities:

Capital assets with a net book value of \$682,538 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, 2005

Exhibit VIII

| | Employee Retirement Plans | Private- Purpose Trusts | Agency Funds |
|--|--|--|-------------------------|
| ASSETS | | | |
| Cash and Short-term Investments | \$ - | \$ 5,180 | \$ 30,042 |
| Investments, at Fair Value: | | | |
| U.S. Government Obligations | 4,095,742 | - | 460,020 |
| Repurchase Agreements | - | - | 159,118 |
| Mutual Funds | 130,220,778 | - | - |
| Corporate Stocks | 7,621,444 | - | - |
| Guaranteed Investment Accounts | 91,060,626 | - | - |
| Domestic Corporate Bonds | 844,760 | - | - |
| Other Investments | 775,773 | - | - |
| Total Investments | \$ 234,619,123 | \$ - | \$ 619,138 |
| Total Assets | \$ 234,619,123 | \$ 5,180 | \$ 649,180 |
| LIABILITIES | | | |
| Refunds Payable and Other | \$ - | \$ - | \$ 649,180 |
| | \$ - | \$ - | \$ 649,180 |
| NET ASSETS | | | |
| Held in Trust for Pension Benefits and Other Purposes | \$ 234,619,123 | \$ 5,180 | |

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2005

Exhibit IX

| | Employee Retirement Plans | Private- Purpose Trusts |
|--|--|--|
| ADDITIONS | | |
| Contributions: | | |
| Employer | \$ 10,802,509 | \$ - |
| Plan Members | 4,139,122 | - |
| Total Contributions | \$ 14,941,631 | \$ - |
| Investment Earnings: | | |
| Net Appreciation in Fair Value of Investments | \$ 8,376,376 | \$ - |
| Interest | 5,510,153 | 117 |
| Total Investment Earnings | \$ 13,886,529 | \$ 117 |
| Less Investment Expense | 393,943 | - |
| Net Investment Income | \$ 13,492,586 | \$ 117 |
| Total Additions | \$ 28,434,217 | \$ 117 |
| DEDUCTIONS | | |
| Benefits | \$ 7,252,165 | \$ 94 |
| Refunds of Contributions | 5,764,443 | - |
| Administrative Expenses | 267,776 | - |
| Total Deductions | \$ 13,284,384 | \$ 94 |
| Change in Net Assets | \$ 15,149,833 | \$ 23 |
| Net Assets at Beginning of Year | 219,469,290 | 5,157 |
| Net Assets at End of Year | \$ 234,619,123 | \$ 5,180 |

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Net Assets
Component Units
For the Year Ended June 30, 2005

Exhibit X

| | <u>School Board</u> | <u>Library</u> | <u>Transit</u> | <u>Total</u> |
|---|----------------------|---------------------|----------------------|----------------------|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 35,022,012 | \$ 86,473 | \$ 7,175 | \$ 35,115,660 |
| Cash and Investments with Fiscal Agents | - | 2,214,571 | - | 2,214,571 |
| Receivables | 49,514 | - | 21,314 | 70,828 |
| Accrued Interest | - | 1,094 | - | 1,094 |
| Due from Other Governments | 4,129,513 | - | 78,381 | 4,207,894 |
| Inventory of Supplies | 119,468 | - | 377,522 | 496,990 |
| Prepaid and Other Assets | 6,492,059 | - | - | 6,492,059 |
| Capital assets | | | | |
| Land and Construction in Progress | 999,381 | - | 6,504,807 | 7,504,188 |
| Other Capital Assets, Net | 4,988,972 | - | 10,171,225 | 15,160,197 |
| Capital Assets, Net | <u>5,988,353</u> | <u>-</u> | <u>16,676,032</u> | <u>22,664,385</u> |
| Total Assets | <u>\$ 51,800,919</u> | <u>\$ 2,302,138</u> | <u>\$ 17,160,424</u> | <u>\$ 71,263,481</u> |
| LIABILITIES | | | | |
| Accounts Payable | \$ 5,191,857 | \$ 37,328 | \$ 242,526 | \$ 5,471,711 |
| Accrued Wages | 16,952,666 | 172,369 | 69,416 | 17,194,451 |
| Unearned Revenue | 527,556 | - | - | 527,556 |
| Other Short-term Liabilities | - | - | 169,117 | 169,117 |
| Long-term Liabilities Due Within One Year | 429,894 | - | - | 429,894 |
| Long-term Liabilities Due in More Than One Year | 6,066,862 | - | - | 6,066,862 |
| Total Liabilities | <u>\$ 29,168,835</u> | <u>\$ 209,697</u> | <u>\$ 481,059</u> | <u>\$ 29,859,591</u> |
| NET ASSETS | | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 5,988,353 | \$ - | \$ 16,676,032 | \$ 22,664,385 |
| Unrestricted | 16,643,731 | 2,092,441 | 3,333 | 18,739,505 |
| TOTAL NET ASSETS | <u>\$ 22,632,084</u> | <u>\$ 2,092,441</u> | <u>\$ 16,679,365</u> | <u>\$ 41,403,890</u> |

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Activities
Component Units
For the Year Ended June 30, 2005

Exhibit XI

| | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue and Changes in Net Assets</u> | | | |
|----------------------------------|-------------------------|---------------------------------|---|--|-----------------------|-----------------------|-------------------------|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>School Board</u> | <u>Library</u> | <u>Transit</u> | <u>Totals</u> |
| School Board | | | | | | | |
| Instructional | \$ 169,960,624 | \$ 2,086,955 | \$ 35,315,307 | \$ (132,558,362) | \$ - | \$ - | \$ (132,558,362) |
| Total School Board | <u>\$ 169,960,624</u> | <u>\$ 2,086,955</u> | <u>\$ 35,315,307</u> | <u>\$ (132,558,362)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (132,558,362)</u> |
| Library | \$ 6,505,740 | \$ 197,683 | \$ 198,617 | \$ - | \$ (6,109,440) | \$ - | \$ (6,109,440) |
| Transit | 9,496,361 | 2,238,068 | 60,808 | - | - | (7,197,485) | (7,197,485) |
| Total Component Units | <u>\$ 185,962,725</u> | <u>\$ 4,522,706</u> | <u>\$ 35,574,732</u> | <u>\$ -</u> | <u>\$ (6,109,440)</u> | <u>\$ (7,197,485)</u> | <u>\$ (145,865,287)</u> |
| General Revenues: | | | | | | | |
| Payment From City | | | | \$ 130,109,722 | \$ 5,969,144 | \$ 5,746,720 | \$ 141,825,586 |
| Capital Payment From City | | | | 11,578,516 | - | - | 11,578,516 |
| Capital Contribution From City | | | | - | - | 1,308,455 | 1,308,455 |
| Interest and Investment Earnings | | | | - | 113,189 | - | 113,189 |
| Miscellaneous | | | | 61,168 | 460,257 | 26,588 | 548,013 |
| Total General Revenues | | | | <u>\$ 141,749,406</u> | <u>\$ 6,542,590</u> | <u>\$ 7,081,763</u> | <u>\$ 155,373,759</u> |
| Change in Net Assets | | | | \$ 9,191,044 | \$ 433,150 | \$ (115,722) | \$ 9,508,472 |
| Net Assets Beginning of Year | | | | 13,441,040 | 1,659,291 | 16,795,087 | 31,895,418 |
| Net Assets End of Year | | | | <u>\$ 22,632,084</u> | <u>\$ 2,092,441</u> | <u>\$ 16,679,365</u> | <u>\$ 41,403,890</u> |

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII

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 134,000 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 the accounting principles generally accepted in the United States of America (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).

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

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 Fiscal Year 1995, the 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 \$130 million for operations and \$12 million for capital equipment in FY 2005.

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 and approves the 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 \$6.0 million for FY 2005.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

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 \$5.7 million, and a capital contribution, which was \$2 million, in FY 2005.

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.

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) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2005.

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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

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 proprietary funds to the extent these standards do not conflict with or contradict guidance of the GASB. The City has one proprietary fund, the Internal Service Fund. 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. The City established the Equipment Replacement Reserve Account, an 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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The excess revenue or expenses for the fund are allocated to the appropriate functional activity.

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.

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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 increases) and decreases (e.g., expenses or deductions) in net total assets.

The Statement of Net Assets, Statement of Activities, 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 revenue is considered to be measurable and available as revenue when reimbursement 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 12, 2004, the City Council formally approved the original adopted budget (which had been initially approved on May 3, 2004) and on June 28, 2005 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 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 \$18,565 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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2005, is comprised of the following:

| | |
|------------------------|----------------------|
| GENERAL FUND: | |
| Taxes Receivable: | |
| Real Property | \$ 675,650 |
| Personal | 17,997,386 |
| Penalties and Interest | <u>1,404,817</u> |
| Total taxes | \$ 20,077,853 |
| Accounts Receivable | 15,805 |
| Notes Receivable | <u>9,000</u> |
| | <u>\$ 20,102,658</u> |
| SPECIAL REVENUE FUND: | |
| Notes Receivable | <u>\$ 2,024,019</u> |

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

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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Component Units

Inventory for the School Board is comprised of food and commodities on hand pertaining to the National School Lunch program. Inventories of consumable supplies are recorded at cost (determined on a first in, first out basis). Inventories are recorded at fair market value when received and the costs are recorded as an expense or expenditure under the consumption method.

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.

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 general fixed 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 |

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

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

All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences

The City accrues compensated absences (annual and sick leave benefits) when vested. The current portions of the governmental funds' 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 compensated absences (annual 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.

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.

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.

Approved Capital Projects - These monies are reserved for capital projects that City Council has already approved.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Designations of Fund Balance

General Fund designations at June 30, 2005 consisted of the following:

| | |
|--|----------------------|
| Subsequent Fiscal Year's Operating Budgets | |
| FY 2006 – Operating Budget | 4,330,000 |
| FY 2007 – Tax rate reduction | 3,800,000 |
| Subsequent Fiscal Years' Capital Program | |
| FY 2006 | 4,732,890 |
| Self-Insurance | 5,000,000 |
| Compensated Absences | 7,208,635 |
| Energy Contingency | 1,027,000 |
| Efficiency Savings | 52,592 |
| Federal Budget Reductions | 143,000 |
| Medical Services for Jail Inmates | 250,000 |
| Public Safety Employee Compensation | 3,000,000 |
| Ongoing Projects | <u>2,824,000</u> |
| Total Designations | <u>\$ 32,368,117</u> |

Subsequent Year's Operating Budget - On June 21 2005, City Council approved the Fiscal Year 2006 Appropriations Ordinance, which appropriated \$4.3 million of General Fund Balance to meet anticipated expenditures. An additional \$3.8 has been designated for FY 2007 for tax rate reduction.

Subsequent Years' Capital Program - These monies (\$4.7 million) have been designated in the Approved Fiscal Year 2006- 2011 Capital Improvement Program Funding Plans to fund a portion of the capital improvement program in FY 2006.

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

Compensated Absences - These monies (\$7.2 million) are designated to ensure the General Fund maintains a designated balance sufficient to help fund a portion of compensated absences earned by employees of the primary government and school component unit. This represents 32 percent of the FY 2005 long-term liability in accordance with the FY 2005 budget approved by City Council in April 2004.

Energy Contingency – These monies (\$1.0 million) were set aside after the adoption of the FY 2006 to address the continuing rising energy costs to supplement the amount set aside during the budget process.

Efficiency Savings – These monies (\$0.1 million) have been set aside from some of the City departmental savings identified in the FY 2006 budget process.

Federal Budget Reductions – These monies (\$0.1 million) have been set aside to offset possible reductions in federal revenue.

Medical Services for Jail Inmates – These monies (\$0.3 million) were set aside during the FY 2006 budget deliberations for possible increased contract costs to provide medical services for jail inmates.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Public Safety Employee Compensation - These monies (\$3.0 million) were set aside for possible changes in compensation for certain sworn public safety employees.

Ongoing Projects – These monies (\$2.3 million) have been set aside for projects funded in the FY 2005 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 fiscal year 2005, 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 fiscal year 2005, 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 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. 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. 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.

A. Deposits

Primary Government

At June 30, 2005, the carrying value of the City's deposits was negative \$3,452,273 and the bank balance was \$632,124. 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Component Units

At June 30, 2005, the carrying value of deposits for the School Board was negative \$3,803,438 and the bank balance was \$647,021. 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, 2005, the carrying value of deposits and bank balance for the Library was \$113,271. Only \$64,466 of the bank balance was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act as defined above. The remaining balance, \$48,805, was uninsured and uncollateralized.

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 fiscal year 2005. 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.

The City and its discretely presented component units maintain nine pension plans. The plan allows 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

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, bankers acceptances, repurchase agreements, and State Treasurers 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 and 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 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2005, the City had the following investments and maturities:

Primary Government

| | <u>Investment Maturities (in years)</u> | | | |
|---|---|-------------------------|------------------|------------------|
| | <u>Fair Value</u> | <u>Less than 1 year</u> | <u>1-5 years</u> | <u>Long term</u> |
| Repurchase Agreement | \$ 35,316,269 | \$ 35,316,269 | \$ --- | \$ --- |
| U.S. Treasuries | 43,900,035 | 43,900,035 | --- | --- |
| U.S. Government Agencies | <u>58,240,536</u> | <u>58,240,536</u> | --- | --- |
| Total Investments Controlled by City | \$ 137,456,840 | \$ 137,456,840 | \$ --- | \$ --- |
| Pension Plan Investments (Exhibit VIII) | \$ 234,619,123 | \$ --- | \$ --- | \$ 234,619,123 |
| Total | \$ 372,075,963 | \$ 137,456,840 | \$ --- | \$ 234,619,123 |

Reconciliation to Total Cash and Investments:

Add:

| | |
|--------------------------------|-----------------------|
| Cash on Hand and in Banks | (3,452,273) |
| Cash in Custody of Others | 102,840,146 |
| Cash With Fiscal Agent | <u>1,407,940</u> |
| Total Deposits and Investments | <u>\$ 472,871,776</u> |

Component Unit
School Board

| | <u>Investment Maturities (in years)</u> | | |
|--------------------------------------|---|-------------------------|------------------|
| | <u>Fair Value</u> | <u>Less than 1 year</u> | <u>1-5 years</u> |
| Repurchase Agreement | \$ 9,975,299 | \$ 9,975,299 | \$ --- |
| U.S. Treasuries | 12,399,839 | 12,399,839 | --- |
| U.S. Government Agencies | <u>16,450,312</u> | <u>16,450,312</u> | --- |
| Total Investments Controlled by City | <u>\$ 38,825,450</u> | <u>\$ 38,825,450</u> | <u>\$ ---</u> |

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

| | <u>Investment Maturities (in years)</u> | | |
|--------------------------------------|---|-------------------------|------------------|
| | <u>Fair Value</u> | <u>Less than 1 year</u> | <u>1-5 years</u> |
| Repurchase Agreement | \$ 24,063 | \$ 24,063 | \$ --- |
| U.S. Treasuries | 29,912 | 29,912 | --- |
| U.S. Government Agencies | <u>39,673</u> | <u>39,673</u> | --- |
| Total Investments Controlled by City | <u>\$ 93,648</u> | <u>\$ 93,648</u> | <u>\$ ---</u> |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Reconciliation of total deposits and investments to the government-wide financial statements at June 30, 2005:

| | Governmental Activities | Business Type Activities | Fiduciary Responsibilities | Total |
|---|------------------------------------|---|---------------------------------------|-----------------------------|
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Primary Government | | | | |
| Cash on Hand and In Banks | \$ (3,452,273) | \$ --- | \$ --- | \$ (3,452,273) |
| Cash and Investments | 136,832,522 | --- | 624,318 | 137,456,840 |
| Cash and Investments with Fiscal Agents | 1,407,940 | --- | 234,619,123 | 236,027,063 |
| Cash and Investments in Custody of Others | 102,810,104 | --- | 30,042 | 102,840,146 |
| Total | <hr/> <u>\$ 237,598,293</u> | <hr/> <u>\$ ----</u> | <hr/> <u>\$ 235,273,483</u> | <hr/> <u>\$ 472,871,776</u> |
| Component Unit School Board | | | | |
| Cash on Hand and In Banks | \$ (3,803,438) | \$ --- | \$ --- | \$ (3,803,438) |
| Cash and Investments | 38,825,450 | --- | --- | 38,825,450 |
| Total | <hr/> <u>\$ 35,022,012</u> | <hr/> <u>\$ ---</u> | <hr/> <u>\$ ---</u> | <hr/> <u>\$ 35,022,012</u> |
| Other Component Units | | | | |
| Cash and Investments | \$ 86,473 | \$ 7,175 | \$ --- | \$ 93,648 |
| Cash and Investments with Fiscal Agents | 2,214,571 | --- | --- | 2,214,571 |
| Total | <hr/> <u>\$ 2,301,044</u> | <hr/> <u>\$ 7,175</u> | <hr/> <u>\$ ---</u> | <hr/> <u>\$ 2,308,219</u> |
| Grand Total | | | | <hr/> <u>\$ 510,202,007</u> |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

NOTE 4. RECEIVABLES

Receivables at June 30, 2005 consist of the following:

| | Governmental Activities | | | Total |
|---------------------------------------|--------------------------------|----------------------------|-------------------------|-----------------------|
| | General | Special Revenue | Capital Projects | |
| | Interest | \$ 13,035 | \$ --- | |
| Taxes | | | | |
| Real Property | 128,725,869 | --- | --- | 128,725,869 |
| Personal Property | 47,085,929 | --- | --- | 47,085,929 |
| Penalties and Interest | 2,734,300 | --- | --- | 2,734,300 |
| Other | 649,240 | --- | --- | 649,240 |
| Total Taxes | \$ 179,195,338 | \$ --- | \$ --- | \$ 179,195,338 |
| Accounts | 9,539,634 | 11,196 | --- | 9,550,830 |
| Intergovernmental | 30,020,412 | 6,803,784 | --- | 36,824,196 |
| Notes | 9,000 | 4,435,634 | 1,735,583 | 6,180,217 |
| Gross Receivables | \$ 218,777,419 | \$ 11,250,614 | \$ 1,735,583 | \$ 231,763,616 |
| Less: Allowance for Uncollectibles | 20,102,658 | 2,024,019 | --- | 22,126,677 |
| Net Receivables | \$ 198,674,761 | \$ 9,226,595 | \$ 1,735,583 | \$ 209,636,939 |

The taxes receivable account 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 11.2 percent of the total taxes receivable at June 30, 2005 and is based on historical collection rates. Almost all of the uncollectible taxes derive from personal property taxes.

Other assets on a government-wide basis include taxes receivable of \$3.2 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 \$1.0 million of taxes that are considered current financial resources, and therefore, are reported in the governmental funds.

Other assets in the government-wide statements also include a prepaid pension asset discussed in Note 18 and deferred interest on refunding bonds discussed in Note 10:

| | |
|-------------------|---------------------|
| Taxes receivable | \$ 3,184,039 |
| Deferred interest | 3,491,353 |
| Prepaid pension | <u>456,352</u> |
| Total adjustment | <u>\$ 7,131,744</u> |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

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 2005 unearned revenue in the governmental funds consisted of the following:

| | Unavailable | Unearned | Total |
|---|--------------------|-----------------|----------------|
| Property taxes, net of related allowances | \$ 179,257,806 | \$ 3,549,972 | \$ 182,807,778 |
| Grant proceeds received prior to completion of eligibility requirements | --- | 2,860,241 | 2,860,241 |
| Total unearned revenue for governmental funds | \$ 179,257,806 | \$ 6,410,213 | \$ 185,668,019 |

Component Units

Receivables at June 30, 2005 consist of following:

| | School Board | Library | Transit | Total |
|-------------------|---------------------|----------------|----------------|--------------|
| Interest | \$ --- | \$ 1,094 | \$ --- | \$ 1,094 |
| Accounts | 49,514 | --- | 21,314 | 70,828 |
| Intergovernmental | 4,129,513 | --- | 78,381 | 4,207,894 |
| Total Receivables | \$ 4,179,027 | \$ 1,094 | \$ 99,695 | \$ 4,279,816 |

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 of Virginia 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, 2005 includes amounts not yet received from the January 1, 2005 levy (due June 15 and November 15, 2005), less an allowance for uncollectibles. The installment due on November 15, 2005 is included as unavailable revenue since these taxes are restricted for use until FY 2006. 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 91.5¢ and 98.5¢ per \$100 of assessed value during calendar years 2005 and 2004, respectively.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

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, 2004 includes amounts not yet billed or received from the January 1, 2005 levy (due October 5, 2005). These taxes are included as unearned revenue since these taxes are restricted for use until FY 2005. The tax rates during calendar years 2005 and 2004 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 2005 for the January 1, 2004 levy for the State's share of the local personal property tax payment with the remainder collected by the City from taxpayers. Unavailable revenues include the 70 percent state share of the January 1, 2005 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, 2005:

Governmental Activities

| | |
|--|---------------------|
| General Fund | \$ 9,000 |
| Special Revenue Fund | 4,435,634 |
| Capital Projects | 1,735,583 |
| Less Allowance for Uncollectible Accounts | <u>(2,033,019)</u> |
| Net | <u>\$ 4,147,198</u> |
| Amounts due within one year | <u>\$ 45,173</u> |
| Amounts due in more than one year | <u>\$ 4,102,025</u> |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

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, 2005:

Governmental Activities

| | <u>Balance June 30, 2004</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance June 30, 2005</u> |
|---|--------------------------------------|-----------------------------|-----------------------------|--------------------------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land and Land Improvements | \$ 53,624,367 | \$ 754,973 | \$ 120,900 | \$ 54,258,440 |
| Construction in Progress | 63,907,762 | 36,485,843 | 13,330,046 | 87,063,559 |
| Total Capital Assets Not Being Depreciated | <u>\$ 117,532,129</u> | <u>\$ 37,240,816</u> | <u>\$ 13,450,946</u> | <u>\$ 141,321,999</u> |
| Other Depreciable Capital Assets: | | | | |
| Buildings | \$ 192,713,754 | \$ 3,079,125 | \$ --- | \$ 195,792,879 |
| Infrastructure | 113,259,280 | 5,026,532 | --- | 118,285,812 |
| Furniture and Other Equipment | 46,009,202 | 6,242,705 | 3,918,974 | 48,332,933 |
| Total Other Capital Assets | <u>\$ 351,982,236</u> | <u>\$ 14,348,362</u> | <u>\$ 3,918,974</u> | <u>\$ 362,411,624</u> |
| Less Accumulated Depreciation for: | | | | |
| Buildings | \$ 60,556,789 | \$ 4,820,549 | \$ --- | \$ 65,377,338 |
| Infrastructure | 47,335,238 | 4,852,424 | --- | 52,187,662 |
| Furniture and Other Equipment | 29,366,415 | 5,194,400 | 2,928,741 | 31,632,074 |
| Total Accumulated Depreciation | <u>\$ 137,258,442</u> | <u>\$ 14,867,373</u> | <u>\$ 2,928,741</u> | <u>\$ 149,197,074</u> |
| Other Depreciable Capital Assets, Net | <u>\$ 214,723,794</u> | <u>\$ (519,011)</u> | <u>\$ 990,233</u> | <u>\$ 213,214,550</u> |
| TOTALS | <u><u>\$ 332,255,923</u></u> | <u><u>\$ 36,721,805</u></u> | <u><u>\$ 14,441,179</u></u> | <u><u>\$ 354,536,549</u></u> |

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, 2005 are comprised of the following:

| | |
|---|------------------------------|
| General Capital Assets, Net | \$ 343,186,408 |
| Internal Service Fund Capital Assets, Net | <u>11,350,141</u> |
| TOTAL | <u><u>\$ 354,536,549</u></u> |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

Note 5. CAPITAL ASSETS (Continued)

Depreciation was charged to governmental functions as follows:

| | |
|-------------------------|----------------------|
| General Government | \$ 1,904,677 |
| Judicial Administration | 526,995 |
| Public Safety | 2,432,602 |
| Public Works | 7,089,983 |
| Health and Welfare | 454,585 |
| Culture and Recreation | 1,793,353 |
| Education | 502,000 |
| Community Development | <u>163,178</u> |
| Total | <u>\$ 14,867,373</u> |

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

| | |
|--------------------------------|----------------------|
| Capital Outlay | \$51,507,454 |
| Donated Assets | 168,250 |
| Depreciation Expense | (14,867,373) |
| Capital Outlay not Capitalized | <u>(16,438,551)</u> |
| Total Adjustment | <u>\$ 20,369,780</u> |

Donated assets are comprised of the cost of infrastructure constructed by the Commonwealth on City property and turned over to the City for maintenance.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

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, 2005:

| | <u>Balance June 30, 2004</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance June 30, 2005</u> |
|---|--------------------------------------|---------------------------|---------------------|--------------------------------------|
| Capital Assets Not Being Depreciated: | | | | |
| Land and Land Improvements | \$ 999,381 | \$ -- | \$ -- | \$ 999,381 |
| Total Capital Assets Not Being Depreciated | <u>\$ 999,381</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 999,381</u> |
| Other Depreciable Capital Assets: | | | | |
| Buildings | \$ 54,486,551 | \$ -- | \$ -- | \$ 54,486,551 |
| Furniture and Other Equipment | 6,739,658 | 862,030 | 341,358 | 7,260,330 |
| Total Other Capital Assets | <u>\$ 61,226,209</u> | <u>\$ 862,030</u> | <u>\$ 341,358</u> | <u>\$ 61,746,881</u> |
| Less Accumulated Depreciation | 56,173,244 | 926,023 | 341,358 | 56,757,909 |
| Other Depreciable Capital Assets, Net | <u>\$ 5,052,965</u> | <u>\$ (63,993)</u> | <u>\$ --</u> | <u>\$ 4,988,972</u> |
| TOTALS | <u><u>\$ 6,052,346</u></u> | <u><u>\$ (63,993)</u></u> | <u><u>\$ --</u></u> | <u><u>\$ 5,988,353</u></u> |

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. 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

Note 5. CAPITAL ASSETS (Continued)

Component Unit – Alexandria Transit Company

| | <u>Balance</u> <u>June 30, 2004</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>June 30, 2005</u> |
|--------------------------------------|--|-------------------------|------------------|--|
| Capital Assets Not Being Depreciated | | | | |
| Land and Land Improvements | \$ 6,504,807 | \$ ---- | \$ --- | \$ 6,504,807 |
| Other Depreciable Capital Assets: | | | | |
| Equipment | \$ 15,228,832 | \$ 3,679,685 | \$ 76,759 | 18,831,758 |
| Less Accumulated Depreciation | <u>7,362,424</u> | <u>1,374,869</u> | <u>76,759</u> | <u>8,660,534</u> |
| Subtotal | \$ <u>7,866,408</u> | \$ <u>2,304,816</u> | \$ --- | \$ <u>10,171,224</u> |
| TOTALS | \$ <u>14,371,215</u> | \$ <u>2,304,816</u> | \$ --- | \$ <u>16,676,031</u> |

All depreciation was charged to transit.

Primary Government

Construction in progress is composed of the following at June 30, 2005:

| | <u>Project</u> <u>Authorization</u> | <u>Expended</u> <u>Through</u> <u>June 30, 2005</u> | <u>Committed</u> |
|-----------------------------------|--|---|----------------------|
| School Capital Projects | \$ 109,172,914 | \$ 62,628,521 | \$ --- |
| Infrastructure | 40,376,169 | 6,481,616 | 14,314,815 |
| Information Technology | 4,604,019 | 1,773,640 | 690,749 |
| Housing and Community Improvement | 887,739 | 64,731 | 820,280 |
| Parks and Recreation Facilities | 3,829,772 | 1,236,364 | 1,156,653 |
| Public Buildings | <u>26,190,731</u> | <u>14,878,687</u> | <u>1,933,520</u> |
| TOTALS | \$ <u>185,061,344</u> | \$ <u>87,063,559</u> | \$ <u>18,916,017</u> |

Component Units

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

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, 2005: public entity and public officials excess liability, medical and dental malpractice liability, voting booths, special events, vacant buildings, volunteer liability, non-owned aircraft 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 \$750,000, 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, 2005:

| | |
|--|--------------|
| 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 Commonwealth of Virginia

Self-Insurance

The non-current portion of unpaid workers' compensation claims amounted to approximately \$6.4 million as of June 30, 2005 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 expense 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, 2005 and 2004 were as follows:

| | <u>FY 2005</u> | <u>FY 2004</u> |
|--|---------------------|---------------------|
| Estimated claims payable at beginning of period | \$ 4,331,306 | \$ 3,078,337 |
| Current fiscal year claims and changes in estimates..... | 4,060,393 | 3,205,409 |
| Claim payments | <u>(1,958,682)</u> | <u>(1,952,440)</u> |
| Estimated claims payable at end of period | <u>\$ 6,433,017</u> | <u>\$ 4,331,306</u> |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

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, 2005.

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 is not significant, and therefore, a liability has not been recorded as of June 30, 2005. 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 Fiscal Year 2005 the Alexandria Transit Company paid an annual premium of \$0.25 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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

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 Fiscal Year 2005, the Alexandria Transit Company paid an annual premium of \$141,181 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 Fiscal Year 2020. 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:

| <u>Fiscal Year</u> | <u>Primary Government</u> | <u>School Board Component Unit</u> |
|--------------------|-------------------------------|--|
| 2006 | \$ 5,431,900 | \$ 1,188,566 |
| 2007 | 5,053,833 | 1,170,966 |
| 2008 | 5,118,600 | 1,152,833 |
| 2009 | 5,033,453 | 1,187,403 |
| 2010 | 4,040,440 | 1,222,996 |
| 2011-2015 | 10,504,795 | 6,687,851 |
| 2016-2020 | 3,197,897 | -- |

Total rental costs during Fiscal Year 2005 for operating leases were \$4.8 million for the Primary Government and \$1.8 million for the School Board.

Rental Revenues

The City also leases various City-owned properties and buildings under noncancellable long-term lease agreements through Fiscal Year 2014. The net book value of leased assets of \$7.6 million (cost of \$8.7 million less accumulated depreciation of \$1.1 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:

| <u>Fiscal Year</u> | <u>Total Revenues</u> |
|--------------------|-----------------------|
| 2006 | \$ 686,049 |
| 2007 | 236,303 |
| 2008 | 157,382 |
| 2009 | 66,388 |
| 2010 | 19,910 |
| 2011-2015 | 52,800 |
| 2016-2020 | 52,800 |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

NOTE 8. CAPITAL LEASE

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. In Fiscal Year 1993, the City entered into a long-term lease with the other members to finance the costs of acquisition, renovation, furnishing and equipping of a training facility for the Northern Virginia Criminal Justice Academy. This lease provides for monthly payments in amounts sufficient to meet the annual debt service requirements on the Industrial Development Bonds issued to the Academy by the Industrial Development Authority of Loudoun County, Virginia.

Future minimum lease payments under the capital lease, which will be funded from the General Fund, are as follows:

Primary Government

| <u>Fiscal Year</u> | <u>Criminal Justice Academy</u> |
|--|---|
| 2006 | \$ 131,229 |
| 2007 | 131,885 |
| 2008 | <u>132,167</u> |
| | \$ 395,281 |
| | |
| Less: Amount Representing Interest..... | <u>39,846</u> |
| Present Value of Future Minimum Lease Payments | <u>\$ 355,435</u> |

The gross amount recorded in capital assets for the asset associated with this lease is \$1.5 million, including land of \$0.2 million and building of \$1.3 million.

NOTE 9. COMMITMENTS AND CONTINGENCIES

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

NOTE 9. COMMITMENTS AND CONTINGENCIES (continued)

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, 2005, the total City obligation was \$5.6 million including \$1.3 million from WMATA capital grants for railcar procurement. Of this total, \$2.8 million was funded from the City capital project fund, and \$1.5 million from WMATA credits.

2. Operating subsidies - Bus and Rail Systems

During the fiscal year ended June 30, 2005, obligations for bus and rail subsidies amounted to \$16.2 million. The City paid this obligation from the following sources:

| | |
|---|---------------------|
| City payments | \$ 3,476,817 |
| Revenues and credits available at WMATA..... | 1,744,270 |
| State Aid and State Motor Fuel Sales Tax revenues | <u>10,997,819</u> |
| TOTAL | <u>\$16,218,906</u> |

Expected obligations for Fiscal Year 2006 are \$17.4 million of which \$4.9 million is expected to be paid from the City's General Fund.

3. WMATA Transit Revenue Bonds

WMATA issued almost \$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 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, 2005. 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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

NOTE 9. COMMITMENTS AND CONTINGENCIES (continued)

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 fiscal year 2005 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 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 \$55,025,000 of the outstanding revenue bonds (Series 1998 A bonds) for the Facility to take advantage of lower interest rates. In November 1998, the Arlington Industrial Development Authority issued \$48,550,000 in new retrofit revenue bonds (Series 1998 B bonds) to cover the cost of new pollution abatement equipment at the Facility required by federal law. The proceeds of the Series 1998 B bonds were lent to Authorities to construct the equipment.

The retrofitting of the Facility's boiler units with certain air pollution control equipment was made necessary by the EPA regulations adopted pursuant to the 1990 Clean Air Act Amendments, which imposed more stringent emission limitations on waste-to energy facilities. The Corporation has agreed to design, construct, start-up, and test the equipment so that it passes the Acceptance tests.

Since Acceptance testing on each unit was completed in November 2000, the Operating Lease agreement between the ASWA and the Corporation took effect in January 2001. Since in essence the lease is a capital lease, the capital assets completed and covered by the lease and the promissory note are removed from the City records and are now considered a part of the plant. In FY 2005 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,

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

NOTE 9. COMMITMENTS AND CONTINGENCIES (continued)

Virginia and Arlington County, Virginia each have a 50% ownership interest in the Trust; however, because Arlington County performs the administrative functions for the Trust, it is reflected in the Arlington County reporting entity. As part of the Conditional Sale and Security Agreement, the Corporation made a payment of \$1,000,000 to the Trust, which was to be used as a reserve for future expenditures.

The Trust Fund derives its revenue from the following sources: a portion of the annual property tax assessment by the City of Alexandria, interest on invested funds and a portion of special revenues generated on contract waste. Revenues of \$2,461,406 were collected and project-related expenditures of \$2,671,144 were incurred in FY 2005

Expenditures such as capital costs of repairs, replacement/changes to the facility, and waste recycling programs/activities which benefit the two jurisdictions are eligible for reimbursement through the Trust. In addition, in FY 2005 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 \$1.7 million in tipping fees in FY 2005. 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 2005 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.

NOTE 10. 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, 2005 are composed of the following individual issues:

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

NOTE 10. LONG-TERM DEBT (continued)

| | | |
|--|----|-----------------------|
| <p>\$54,825,000 Public Improvement Bonds of 2004 installments ranging from \$2,740,000 to \$2,745,000 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</p> | \$ | 54,825,000 |
| <p>\$32,465,000 Refunding Bonds of 2004 installments ranging from \$190,000 to \$3,205,000 through 2020, bearing interest at rates ranging from 2.0 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</p> | | 31,790,000 |
| <p>\$64,700,000 Public Improvement Bonds of 2004 installments ranging from \$3,300,000 to \$3,800,000 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</p> | | 61,900,000 |
| <p>\$54,500,000 Public Improvement Bonds of 2001 installments ranging from \$2,895,000 to \$2,900,000 through 2021, bearing interest at rates ranging from 3.6 percent to 5.25 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</p> | | 46,350,000 |
| <p>\$55,000,000 Public Improvement Bonds of 2000 installments of \$2,985,000 through 2010, bearing interest at rates ranging from 4.75 percent to 5.75 percent. (\$29,805,000 were refunded in October 2004).....</p> | | 14,925,000 |
| <p>\$40,000,000 Public Improvement Bonds of 1999 due in annual installments of \$2,000,000 through 2019, bearing interest at rates ranging from 3.8 percent to 5.0 percent. The bonds are not subject to redemption prior to maturity</p> | | 28,000,000 |
| <p>\$22,655,000 Public Improvement and Refunding Bonds (\$10,000,000 refunded) of 1994 due in annual installments ranging from \$790,000 to \$1,730,000 through 2009, bearing interest rates ranging from 5.0 percent to 5.1 percent. The bonds are not subject to redemption prior to maturity</p> | | 4,100,000 |
| | | <u>\$ 241,890,000</u> |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

NOTE 10. LONG-TERM DEBT (continued)

| Public Improvement Bonds of 2004 | | | | Refunding Bonds of 2004 | | | |
|---|----------------------|-------------|---------------------------------------|--------------------------------|----------------------|-------------|-----------------------------------|
| CUSIP | Issue | Rate | Maturity Date December 15, | CUSIP | Issue | Rate | Maturity Date June 15, |
| 015302XD9 | 2,745,000 | 5.00 | 2005 | 015302WN8 | 190,000 | 4.000 | 2006 |
| 015302XE7 | 2,745,000 | 5.00 | 2006 | 015302WP3 | 200,000 | 2.000 | 2007 |
| 015302XF4 | 2,745,000 | 3.00 | 2007 | 015302WQ1 | 205,000 | 2.375 | 2008 |
| 015302XG2 | 2,745,000 | 3.00 | 2008 | 015302WR9 | 210,000 | 2.625 | 2009 |
| 015302XH0 | 2,745,000 | 3.00 | 2009 | 015302WS7 | 215,000 | 2.875 | 2010 |
| 015302XJ6 | 2,740,000 | 3.00 | 2010 | 015302WT5 | 3,205,000 | 3.750 | 2011 |
| 015302XK3 | 2,740,000 | 5.00 | 2011 | 015302WU2 | 3,170,000 | 3.500 | 2012 |
| 015302XL1 | 2,740,000 | 3.00 | 2012 | 015302WV0 | 3,130,000 | 5.000 | 2013 |
| 015302XM9 | 2,740,000 | 3.50 | 2013 | 015302WW8 | 3,130,000 | 4.000 | 2014 |
| 015302XN7 | 2,740,000 | 5.00 | 2014 | 015302WX6 | 3,085,000 | 4.250 | 2015 |
| 015302XP2 | 2,740,000 | 4.50 | 2015 | 015302WY4 | 3,060,000 | 5.000 | 2016 |
| 015302XQ0 | 2,740,000 | 4.50 | 2016 | 015302WZ1 | 3,050,000 | 4.250 | 2017 |
| 015302XR8 | 2,740,000 | 4.00 | 2017 | 015302XA5 | 3,015,000 | 4.250 | 2018 |
| 015302XS6 | 2,740,000 | 4.00 | 2018 | 015302XB3 | 2,980,000 | 4.250 | 2019 |
| 015302XT4 | 2,740,000 | 4.00 | 2019 | 015302XC1 | 2,945,000 | 4.375 | 2020 |
| 015302XU1 | 2,740,000 | 4.00 | 2020 | Total | <u>\$ 31,790,000</u> | | |
| 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 | <u>\$ 54,825,000</u> | | | | | | |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

NOTE 10. LONG-TERM DEBT (continued)

The outstanding bonds have been issued as follows:

| <u>Public Improvement Bonds of 2004</u> | | | | <u>Public Improvement Bonds of 2001</u> | | | |
|---|----------------------|-------------|---|---|----------------------|-------------|---|
| <u>CUSIP</u> | <u>Issue</u> | <u>Rate</u> | <u>Maturity Date</u> <u>June 15,</u> | <u>CUSIP</u> | <u>2000 Issue</u> | <u>Rate</u> | <u>Maturity Date</u> <u>June 15,</u> |
| 015302VT6 | 3,800,000 | 5.00 | 2006 | 015302VA7 | 2,900,000 | 3.60 | 2006 |
| 015302VA7 | 3,800,000 | 5.00 | 2007 | 015302VB5 | 2,900,000 | 3.80 | 2007 |
| 015302VV1 | 3,800,000 | 5.00 | 2008 | 015302VC3 | 2,900,000 | 4.00 | 2008 |
| 015302VW9 | 3,800,000 | 5.00 | 2009 | 015302VD1 | 2,900,000 | 4.00 | 2009 |
| 015302VX7 | 3,800,000 | 5.00 | 2010 | 015302VE9 | 2,900,000 | 4.13 | 2010 |
| 015302VY5 | 3,300,000 | 5.00 | 2011 | 015302VF6 | 2,900,000 | 4.25 | 2011 |
| 015302VZ2 | 3,300,000 | 5.00 | 2012 | 015302VG4 | 2,895,000 | 4.40 | 2012 |
| 015302WA6 | 3,300,000 | 4.00 | 2013 | 015302VH2 | 2,895,000 | 4.50 | 2013 |
| 015302WB4 | 3,300,000 | 4.00 | 2014 | 015302VJ8 | 2,895,000 | 4.50 | 2014 |
| 015302WC2 | 3,300,000 | 4.00 | 2015 | 015302VK5 | 2,895,000 | 4.63 | 2015 |
| 015302WD0 | 3,300,000 | 4.00 | 2016 | 015302VL3 | 2,895,000 | 5.25 | 2016 |
| 015302WE8 | 3,300,000 | 4.00 | 2017 | 015302VM1 | 2,895,000 | 4.75 | 2017 |
| 015302WF5 | 3,300,000 | 4.00 | 2018 | 015302VN9 | 2,895,000 | 4.75 | 2018 |
| 015302WG3 | 3,300,000 | 4.00 | 2019 | 015302VP4 | 2,895,000 | 4.88 | 2019 |
| 015302WH1 | 3,300,000 | 4.13 | 2020 | 015302VQ2 | 2,895,000 | 4.88 | 2020 |
| 015302WJ7 | 3,300,000 | 4.25 | 2021 | 015302VR0 | 2,895,000 | 4.88 | 2021 |
| 015302WK4 | 3,300,000 | 4.25 | 2022 | Total | <u>\$ 46,350,000</u> | | |
| 015302WL2 | 3,300,000 | 4.25 | 2023 | | | | |
| Total | <u>\$ 61,900,000</u> | | | | | | |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

NOTE 10. LONG-TERM DEBT (continued)

| Public Improvement Bonds of 2000 | | | | Public Improvement Bonds of 1999 | | | |
|---|---------------|-------------|---|---|----------------------|-------------|---|
| <u>CUSIP</u> | <u>Issue</u> | <u>Rate</u> | <u>Maturity Date</u> <u>June 15,</u> | <u>CUSIP</u> | <u>Issue</u> | <u>Rate</u> | <u>Maturity Date</u> <u>January 1,</u> |
| 015302UF7 | \$ 2,985,000 | 4.75 | 2006 | 015302TL6 | \$ 2,000,000 | 3.80 | 2006 |
| 015302UG5 | 2,985,000 | 5.00 | 2007 | 015302TM4 | 2,000,000 | 3.90 | 2007 |
| 015302UH3 | 2,985,000 | 5.00 | 2008 | 015302TN2 | 2,000,000 | 3.90 | 2008 |
| 015302UJ9 | 2,985,000 | 5.00 | 2009 | 015302TP7 | 2,000,000 | 4.00 | 2009 |
| 015302UK6 | 2,985,000 | 5.00 | 2010 | 015302TQ5 | 2,000,000 | 5.00 | 2010 |
| Total | \$ 14,925,000 | | | 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 | <u>\$ 28,000,000</u> | | |

| Public Improvement Refunding Bonds of 1994 | | | |
|---|---------------------|-------------|--|
| <u>CUSIP</u> | <u>Issue</u> | <u>Rate</u> | <u>Maturity Date</u> <u>February 1,</u> |
| 015302TA0 | \$ 1,730,000 | 5.000 | 2006 |
| 015302TB8 | 790,000 | 5.000 | 2007 |
| 015302TC6 | 790,000 | 5.100 | 2008 |
| 015302TD4 | 790,000 | 5.100 | 2009 |
| Total | <u>\$ 4,100,000</u> | | |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

NOTE 10. LONG-TERM DEBT (continued)

The requirements to pay all long-term bonds as of June 30, 2005 including interest payments of \$91.5 million, are summarized as follows:

| Fiscal Year | Serial Bonds | |
|--------------------|-------------------------|------------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2006..... | \$ 16,350,000 | \$ 10,495,016 |
| 2007..... | 15,420,000 | 9,751,479 |
| 2008..... | 15,425,000 | 9,070,729 |
| 2009..... | 15,430,000 | 8,409,970 |
| 2010..... | 14,645,000 | 7,746,568 |
| 2011-2015..... | 70,400,000 | 29,470,666 |
| 2016-2020..... | 67,725,000 | 14,092,919 |
| 2021-2024..... | <u>26,495,000</u> | <u>2,438,256</u> |
| | <u>\$ 241,890,000</u> | <u>\$ 91,475,603</u> |

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, 2005 the City had a legal debt limit of \$2.7 billion and a debt margin of \$2.5 billion:

| | |
|--|-------------------------|
| Assessed Value of Real Property, January 1, 2005 | <u>\$27,359,649,900</u> |
| Debt Limit: 10 Percent of Assessed Value..... | \$ 2,735,964,990 |
| Amount of Debt Applicable to Debt Limit: | |
| Less General Obligation Bonds | <u>\$241,890,000</u> |
| Total General Obligation Debt..... | <u>(241,890,000)</u> |
| LEGAL DEBT MARGIN..... | <u>\$ 2,494,074,990</u> |

Unissued Bonds - Bond authorizations expire three years from the effective date of the respective bond ordinances. Authorization of bonds, bonds issued and expirations during the fiscal year ended June 30, 2005, are summarized below:

| | Authorized and Unissued <u>July 1, 2004</u> | <u>Authorized</u> | <u>Issued</u> | <u>Expired</u> | Authorized and Unissued <u>June 30, 2005</u> |
|--|--|--------------------------|-----------------------|-----------------------|---|
| | General Obligation Bonds | <u>\$ -</u> | <u>\$ 121,825,000</u> | <u>\$ 87,290,000</u> | <u>\$ -</u> |

On October 5, 2004 the City issued \$32.5 million in General Obligation Bonds with an effective interest rate of 3.843% to advance refund the callable maturities of the City's 2000 Series outstanding bonds aggregating in principal amount of \$29.8 million. The net proceeds of \$33.4 million including a premium of \$1.2 million were used to purchase U.S. government securities. Those 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 \$1.4 million in future debt service payments over the next 16 years and obtain a present value gain of \$1.1 million. The premium liability of \$1.2 million and the deferred interest asset of \$3.9 million are being amortized over the life of the bonds.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

NOTE 10. LONG-TERM DEBT (continued)

In November 2004, the City Council authorized the issuance of \$54.8 million in General Obligation bonds for school construction, sewers and a public safety center. These bonds were issued with an original issue premium of \$0.7 million and a true interest cost of 3.74 percent. The premium is being amortized over the life of the bonds.

Changes in Long-Term Liabilities - Changes in the total long-term liabilities during the fiscal year ended June 30, 2005 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

| | <u>Balance</u> <u>July 1, 2004</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>June 30, 2005</u> | <u>Amounts Due</u> <u>Within One</u> <u>Year</u> |
|---------------------------------|---------------------------------------|----------------------|----------------------|--|--|
| General Obligation Bonds | \$ 197,520,000 | \$ 87,290,000 | \$ 42,920,000 | \$ 241,890,000 | \$ 16,350,000 |
| Bond Premium | 3,103,998 | 1,906,084 | 202,852 | 4,807,230 | 533,948 |
| Obligations Under Capital Lease | 461,289 | --- | 105,854 | 355,435 | 111,681 |
| Workers' Compensation Claims | 4,331,306 | 4,060,393 | 1,958,682 | 6,433,017 | 1,994,841 |
| Accrued Compensated Absences | 15,186,081 | 10,811,643 | 10,064,414 | 15,933,310 | 1,236,728 |
| Net Pension Obligation | 10,698,336 | 592,768 | 389,838 | 10,901,266 | --- |
| | <u>\$ 231,301,010</u> | <u>\$104,660,888</u> | <u>\$ 55,641,640</u> | <u>\$ 280,320,258</u> | <u>\$ 20,227,198</u> |

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, 2005: | |
| Long-term liabilities (detail above) | \$ 280,320,258 |
| Accrued interest payable | 1,047,273 |
| Adjustment | <u>\$ 281,367,531</u> |

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 | \$ 747,229 |
| Workers' compensation | 2,101,711 |
| Change in pension obligation | (75,941) |
| Amortization of bond premium and interest | (113,330) |
| Accrued interest on bonds | (64,670) |
| Adjustment | <u>\$ 2,594,999</u> |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

NOTE 10. LONG-TERM DEBT (continued)

Component Unit – School Board

| | <u>Balance</u> <u>July 1, 2004</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>June 30, 2005</u> | <u>Amounts</u> <u>Due Within</u> <u>One Year</u> |
|------------------------------|---------------------------------------|------------------|-------------------|--|--|
| Accrued Compensated Absences | \$6,165,018 | \$9,353,075 | \$9,021,337 | \$ 6,496,756 | \$ 429,894 |

NOTE 11. INTERFUND BALANCES AND COMPONENT UNIT TRANSACTIONS

There were no interfund receivables/payables at June 30, 2005

Interfund transfers and transactions for the year ended June 30, 2005 consisted of the following:

| Transfer to (Fund): | <u>General</u> | <u>Special</u> <u>Revenue</u> | <u>Capital</u> <u>Projects</u> | <u>Internal</u> <u>Service</u> | <u>Total</u> |
|--|----------------|----------------------------------|-----------------------------------|-----------------------------------|----------------|
| Primary Government Transactions | | | | | |
| Special Revenue | \$ 24,958,445 | \$ --- | \$ --- | \$ --- | \$ 24,958,445 |
| Capital Projects | 28,925,316 | 656,271 | --- | 202,000 | 29,783,587 |
| Internal Service | --- | 204,689 | --- | --- | 204,689 |
| Total | \$ 53,883,761 | \$ 860,960 | \$ --- | \$ 202,000 | \$ 54,946,721 |
| Component Unit Transactions | | | | | |
| Schools | \$ 130,109,722 | \$ --- | \$ 11,578,516 | --- | \$ 141,688,238 |
| Library | 5,969,144 | --- | --- | --- | 5,969,144 |
| Alexandria Transit | 5,746,720 | --- | --- | --- | 5,746,720 |
| Total | \$ 141,825,586 | \$ --- | \$ 11,578,516 | \$ --- | \$ 153,404,102 |

Primary transfer activities include:

Transfers from the General Fund to the Special Revenue Fund represent City funds required to match grant programs resources.

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.

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

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 \$1.3 million to Alexandria Transit.

NOTE 12. 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 13. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues for the City and its component units totaled \$125.7 million in fiscal year 2005. Sources of these revenues were as follows:

| | |
|--|-----------------------|
| GOVERNMENTAL FUNDS | |
| Federal Government | \$ 29,266,303 |
| Commonwealth of Virginia | <u>60,844,734</u> |
| Total Primary Government | <u>\$ 90,111,037</u> |
| COMPONENT UNITS | |
| Federal Government: | |
| School Board | <u>\$ 10,923,368</u> |
| Commonwealth of Virginia: | |
| School Board | \$ 24,361,653 |
| Library | 198,617 |
| Alexandria Transit Company | <u>60,808</u> |
| Total Component Units Commonwealth of Virginia | <u>\$ 24,621,078</u> |
| Total Component Units | <u>\$ 35,544,446</u> |
| TOTAL CITY AND COMPONENT UNITS | |
| Total Federal Government | \$ 40,189,671 |
| Total Commonwealth of Virginia | <u>85,465,812</u> |
| Total Intergovernmental Revenue | <u>\$ 125,655,483</u> |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

NOTE 14. DUE FROM OTHER GOVERNMENTS

Due from other governments represents accrued revenue at June 30, 2005, consisting of the following:

| | |
|----------------------------|----------------------|
| Primary Government | |
| State | |
| General Fund | \$ 29,087,317 |
| Special Revenue Fund | <u>2,775,691</u> |
| Total State | <u>\$31,863,008</u> |
| Federal | |
| General Fund | \$ 933,095 |
| Special Revenue Fund | <u>4,028,093</u> |
| Total Federal | <u>\$ 4,961,188</u> |
| Total Primary Government | <u>\$ 36,824,196</u> |
| Component Units | |
| State | |
| School Board | \$ 1,397,407 |
| Alexandria Transit Company | <u>78,381</u> |
| Total State | <u>\$ 1,475,788</u> |
| Federal | |
| School Board | <u>\$ 2,732,106</u> |
| Total Component Units | <u>\$ 4,207,894</u> |
| Total | <u>\$ 41,032,090</u> |

NOTE 15. 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.

In addition, the City pays the Northern Virginia Criminal Justice Academy for operating costs based on the pro-rata share of officers trained. In Fiscal Year 2005, the City paid \$0.3 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

NOTE 15. 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 Fiscal Year 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 \$1.1 million in fiscal year 2005.

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 (1997-2016). For fiscal year 2005, the City paid \$503,010 for operating costs and \$177,081 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.

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 16. 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 fiscal year 2005 the City made rental payments to Sheltered Homes of Alexandria totaling \$0.4 million.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

NOTE 17. 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, 2005, 556 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 \$240.00 per month for each retiree, for a total annual contribution of \$1.6 million for fiscal year 2005.

NOTE 18. 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 Technicians), 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

| Combining Schedule of Net Assets | | | | | | | |
|--|------------------------------------|-----------------------------------|--------------------------------------|---------------------------------|-------------------------|--|-----------------------|
| Employee Retirement Plans | | | | | | | |
| Firefighter 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 | \$ - | \$ - | \$ - | \$ - | \$ 4,095,742 | \$ - | \$ 4,095,742 |
| Mutual funds | 35,327,253 | - | 13,799,117 | 73,694,712 | - | 7,399,696 | 130,220,778 |
| Stocks | - | - | - | - | 7,621,444 | - | 7,621,444 |
| Guaranteed Investment Accounts | 21,762,217 | 33,410,759 | 12,477,210 | 14,839,674 | - | 8,570,766 | 91,060,626 |
| Domestic Corporate Bonds | - | - | - | - | 844,760 | - | 844,760 |
| Other Investments | - | - | - | - | 775,773 | - | 775,773 |
| Total Investments | <u>\$ 57,089,470</u> | <u>\$ 33,410,759</u> | <u>\$ 26,276,327</u> | <u>\$ 88,534,386</u> | <u>\$ 13,337,719</u> | <u>\$ 15,970,462</u> | <u>\$ 234,619,123</u> |
| Total Assets | <u>\$ 57,089,470</u> | <u>\$ 33,410,759</u> | <u>\$ 26,276,327</u> | <u>\$ 88,534,386</u> | <u>\$ 13,337,719</u> | <u>\$ 15,970,462</u> | <u>\$ 234,619,123</u> |
| NET ASSETS | | | | | | | |
| Held in Trust for Pension Benefits | <u>\$ 57,089,470</u> | <u>\$ 33,410,759</u> | <u>\$ 26,276,327</u> | <u>\$ 88,534,386</u> | <u>\$ 13,337,719</u> | <u>\$ 15,970,462</u> | <u>\$ 234,619,123</u> |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Combining Schedule of Changes in Fiduciary Net Assets

| | Employee Retirement Plans | | | | | Retirement Income for Sheriff and ERT | Total |
|--|---|--|---|--|---------------------------------|--|-----------------------|
| | City Supplemental Retirement | Pension for Fire and Police | Firefighter and Police Officers Pension Plan | | | | |
| | | | Defined Contribution Component | Defined Benefit Component | Disability Component | | |
| ADDITIONS | | | | | | | |
| Contributions: | | | | | | | |
| Employer | \$ 2,623,763 | \$ 902,000 | \$ - | \$ 5,297,649 | \$ 628,813 | \$ 1,350,284 | \$ 10,802,509 |
| Plan Members | 2,071,053 | 5,421 | - | 1,928,858 | 133,790 | - | 4,139,122 |
| Total Contributions | <u>\$ 4,694,816</u> | <u>\$ 907,421</u> | <u>\$ -</u> | <u>\$ 7,226,507</u> | <u>\$ 762,603</u> | <u>\$ 1,350,284</u> | <u>\$ 14,941,631</u> |
| Investment Income: | | | | | | | |
| Net Appreciation in Fair Value of Investments | \$ 2,691,375 | \$ - | \$ 1,024,523 | \$ 3,461,305 | \$ 725,331 | \$ 473,842 | \$ 8,376,376 |
| Interest | 634,823 | 1,824,925 | 425,458 | 1,851,473 | 495,440 | 278,034 | 5,510,153 |
| Total Investment Income | <u>\$ 3,326,198</u> | <u>\$ 1,824,925</u> | <u>\$ 1,449,981</u> | <u>\$ 5,312,778</u> | <u>\$ 1,220,771</u> | <u>\$ 751,876</u> | <u>\$ 13,886,529</u> |
| Less Investment Expense | 84,003 | - | - | 309,940 | - | - | 393,943 |
| Net Investment Income | <u>\$ 3,242,195</u> | <u>\$ 1,824,925</u> | <u>\$ 1,449,981</u> | <u>\$ 5,002,838</u> | <u>\$ 1,220,771</u> | <u>\$ 751,876</u> | <u>\$ 13,492,586</u> |
| Total Additions | <u>\$ 7,937,011</u> | <u>\$ 2,732,346</u> | <u>\$ 1,449,981</u> | <u>\$ 12,229,345</u> | <u>\$ 1,983,374</u> | <u>\$ 2,102,160</u> | <u>\$ 28,434,217</u> |
| DEDUCTIONS | | | | | | | |
| Benefits | \$ 647,452 | \$ 4,623,094 | \$ - | \$ 799,408 | \$ 1,182,211 | \$ - | \$ 7,252,165 |
| Refunds of Contributions | 1,501,222 | - | 2,268,487 | 1,429,095 | - | 565,639 | 5,764,443 |
| Administrative Expenses | 115,462 | 61,181 | - | 26,543 | 64,590 | - | 267,776 |
| Total Deductions | <u>\$ 2,264,136</u> | <u>\$ 4,684,275</u> | <u>\$ 2,268,487</u> | <u>\$ 2,255,046</u> | <u>\$ 1,246,801</u> | <u>\$ 565,639</u> | <u>\$ 13,284,384</u> |
| Net Increase (Decrease) | <u>\$ 5,672,875</u> | <u>\$ (1,951,929)</u> | <u>\$ (818,506)</u> | <u>\$ 9,974,299</u> | <u>\$ 736,573</u> | <u>\$ 1,536,521</u> | <u>\$ 15,149,833</u> |
| Net Assets at Beginning of Year | 51,416,595 | 35,362,688 | 27,094,833 | 78,560,087 | 12,601,146 | 14,433,941 | 219,469,290 |
| Net Assets at End of Year | <u>\$ 57,089,470</u> | <u>\$ 33,410,759</u> | <u>\$ 26,276,327</u> | <u>\$ 88,534,386</u> | <u>\$ 13,337,719</u> | <u>\$ 15,970,462</u> | <u>\$ 234,619,123</u> |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

NOTE 18. 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.

In fiscal year 2005, the City changed some plan provisions for the City Supplemental pension plan. The retirement age for regular employees was changed to age 65 or 50 with 30 years of service. The retirement age for the Fire Marshals and the Sheriff's Deputies was changed to age 65 or 50 with 25 years of service. The employer contribution rates and benefit provisions for different groups of employees were increased (See description of benefits). Since the changes took effect late in the fiscal year the actuaries were not able to provide timely actuarial evaluations with full impact of those changes. Next year, as the actuaries get data for the whole year a complete actuarial information will be presented in the financial report.

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

NOTE 18. 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 | | | (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 | 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 | 06/30/2004 | 7/01/2004 | 07/01/2004 | Not applicable | 7/01/2004 | 7/01/2004 | Not applicable |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
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Exhibit XII
(Continued)

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

MEMBERSHIP AND PLAN PROVISIONS

| As of: | 6/04 (1) | 7/04 (2) | 7/04 (3) | 6/05 (4) | 7/04 (5) | 7/04 (6) | 6/05 (7) |
|---|-----------------------------|---------------------------------------|--|---|---------------------------------|-------------------------------|--|
| | VRS | | | Firefighters and Police Officers Pension Plan | | | Retirement Income For Sheriff And ERT |
| | 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 | 1,943 | 2,067 | 1 | 76 | 421 | 421 | 244 |
| Retirees and Beneficiaries | 549 | 123 | 169 | - | 80 | 80 | - |
| Terminated Vested and Non-vested | 381 | 608 | - | 111 | 10 | 10 | 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 | 8.0% | 8.0% | 8.0% | Not applicable | 7.5% | 7.5% | Not applicable |
| Projected Salary Increases | | | | | | | |
| Attributable to: | | | | | | | |
| Inflation | 3.0% | 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 5% | Up to 5%% | Not applicable |
| Projected Postretirement Increases | 3.0% | None | 3.0% | Not applicable | 3.0% | 3.0% | Not applicable |
| Actuarial Cost Method | Entry Age Normal Cost | Aggregate Actuarial Cost | Projected Unit Credit With Zero Normal Cost Level dollar | Not applicable | Entry Age Normal Cost | Entry Age Normal Cost | Not applicable |
| Amortization Method | Level Percentage Open | Level Percentage Not applicable | Closed | Not applicable | Level Percentage Closed | Level Percentage Closed | Not applicable |
| Open/Closed Remaining Amortization Period | 6 | 15 | 15 | Not applicable | 25 | 14 | Not applicable |
| Asset Valuation Method | Modified Market | Market Value | Book Value | Not applicable | Market Value | Market Value | Not applicable |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

FUNDING POLICY AND ANNUAL PENSION COST

| As of: | 6/05 <u>VRS</u> | 6/05 | 6/05 | <u>Firefighters and Police Officers Pension Plan</u> | | | 6/05 |
|---|---------------------|------------------------------------|-----------------------------------|--|---------------------------------|-------------------------|--|
| | 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 % | 1.50% | 2.50% 8.75% | \$902,000/Yr. | Not applicable | 20.0% | 2.35% | 5.1% 11.35% |
| AMOUNT CONTRIBUTED | | | | | | | |
| Employee | \$ 4,857,153 * | \$ 2,071,053 * | \$ 5,421 | \$ -- | \$ 1,928,858 | \$ 133,790 | \$ - |
| Employer | <u>1,386,592</u> | <u>2,623,763</u> | <u>902,000</u> | <u>--</u> | <u>5,297,649</u> | <u>628,813</u> | <u>1,350,284</u> |
| Total Amount Contributed | <u>\$ 6,243,745</u> | <u>\$ 4,694,816</u> | <u>\$ 907,421</u> | <u>\$ --</u> | <u>\$ 7,226,507</u> | <u>\$ 762,603</u> | <u>\$ 1,350,284</u> |

* 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

| | \$ 92.4 Million | \$ 103.5 Million | \$ 0.1 Million | -- | \$ 26.5 Million | \$ 26.5 Million | \$ 13.0 Million |
|------------------------|--------------------|---------------------|-------------------|-----|--------------------|--------------------|--------------------|
| Dollar Amount | | | | | | | |
| 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 (other than those issued or guaranteed by the U.S. government) in any one organization that represent 5 percent or more of plan assets.

| | | | | | | | |
|--|---|-----|------|-----|-----|-----|-----|
| Prudential General Account (Long Term) | * | 38% | 100% | 47% | 21% | - | 54% |
| Prudential Mutual Fund | * | - | - | 53% | 79% | - | 46% |
| State Street Global Russell 3000 | * | 62% | - | - | - | - | - |
| Stocks | | | | | | 61% | |
| Bonds | | | | | | 6% | |

* Investment information not available on an individual jurisdiction basis.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Calculation of Net Pension Obligation (Asset)

| | City Supplemental Retirement | Pension Plan For Fire and Police | Firefighters and Police Officers Pension Plan | |
|------------------------------------|------------------------------------|--|--|-------------------------|
| | | | Defined Benefit Component | Disability Component |
| Actuarially Required Contribution | \$ 3,172,787 | \$ 1,547,955 | \$ 4,890,046 | \$ 347,672 |
| Interest on Net Pension Obligation | 681,564 | 91,462 | 77,663 | (13,311) |
| ARC Adjustment | (1,192,313) | (182,924) | (59,898) | 15,581 |
| Annual Pension Cost | \$ 2,662,038 | \$ 1,456,493 | \$ 4,907,811 | \$ 349,942 |
| Actual Deposit | (2,623,763) | (902,000) | (5,297,649) | (628,813) |
| Change in NPO | \$ 38,275 | \$ 554,493 | \$ (389,838) | \$ (278,871) |
| NPO/A Beginning of Year | 8,519,553 | 1,143,278 | 1,035,505 | (177,481) |
| NPO/A End of Year (6/30/05) | \$ 8,557,828 | \$ 1,697,771 | \$ 645,667 | \$ (456,352) |

THREE-YEAR TREND INFORMATION

| | | Actuarial Date | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation/(Asset) | |
|---|-----------------------------|-------------------|---------------------------------|----------------------------------|-----------------------------------|------|
| City Supplemental Retirement | | 06/30/2003 | \$ 2,986,280 | 31.22% | \$ 7,117,896 | |
| | | 06/30/2004 | 2,849,539 | 50.81% | 8,519,553 | |
| | | 06/30/2005 | 2,662,038 | 98.56% | 8,557,828 | |
| Pension for Fire and Police | | 06/30/2003 | \$ 979,247 | 92.11% | \$ 987,537 | |
| | | 06/30/2004 | 1,057,741 | 85.30% | 1,143,278 | |
| | | 06/30/2005 | 1,456,493 | 61.93% | 1,697,771 | |
| Firefighters and Police Officers Pension Plan | Defined Benefit Component * | 06/30/2004 | \$ 2,633,733 | 60.68% | \$ 1,035,505 | |
| | | 06/30/2005 | 4,907,811 | 107.94% | 645,667 | |
| | Disability Component * | 06/30/2004 | \$ 443,122 | 140.01% | \$ (177,481) | |
| | | 06/30/2005 | 349,942 | 179.69% | (456,352) | |
| | Virginia Retirement System | | 06/30/2003 | \$ 626,701 | 100.00% | \$ - |
| | | | 06/30/2004 | 667,108 | 100.00% | - |
| | | 06/30/2005 | 1,386,592 | 100.00% | - | |

* Only two years' information was available for these plans. These tables will be expanded when information becomes available. Firefighters and Police Officers Pension defined benefit component commenced in FY04 and the disability component converted from a defined contribution to a defined benefit plan at that time. The City Supplemental plan uses an aggregate actuarial cost method that does not separately identify or amortize unfunded actuarial liabilities.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

NOTE 18. 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, EMT and Fire Marshals 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 - Employees who retire on or after age 60 are entitled to an annual retirement 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 provides 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 provides early retirement on or after age 50 with 10 years of service with actuarially reduced benefit. Benefit provisions are established and may be amended by City Ordinance.

Firefighters and Police Officers Pension Plan - defined contribution component - 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2005

Exhibit XII
(Continued)

NOTE 18. 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 19. ACCOUNTING CHANGES The City adopted GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section* and GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation* during the fiscal year ended June 30, 2005. 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
June 30, 2005

EXHIBIT XIII

| | Original Budget | Budget as Amended | Actual | Variance from Amended Budget - Positive (Negative) |
|---|----------------------------|------------------------------|-------------------------|---|
| Revenues: | | | | |
| General Property Taxes..... | \$ 262,505,157 | \$ 262,535,157 | \$ 265,286,800 | \$ 2,751,643 |
| Other Local Taxes..... | 94,342,500 | 94,342,500 | 101,468,560 | 7,126,060 |
| Permits, Fees, and Licenses..... | 3,261,000 | 3,261,000 | 4,439,701 | 1,178,701 |
| Fines and Forfeitures..... | 3,952,000 | 3,952,000 | 4,035,693 | 83,693 |
| Use of Money and Property..... | 4,615,500 | 4,615,500 | 5,790,327 | 1,174,827 |
| Charges for Services..... | 10,507,700 | 10,507,700 | 10,352,947 | (154,753) |
| Intergovernmental Revenues..... | 48,903,400 | 48,903,400 | 47,054,318 | (1,849,082) |
| Miscellaneous..... | 429,619 | 469,619 | 521,372 | 51,753 |
| Total Revenues | \$ 428,516,876 | \$ 428,586,876 | \$ 438,949,718 | \$ 10,362,842 |
| Expenditures: | | | | |
| City Council..... | \$ 536,569 | \$ 536,569 | \$ 514,093 | \$ 22,476 |
| City Manager..... | 1,939,072 | 1,864,072 | 1,832,710 | 31,362 |
| Office on Women..... | 1,086,107 | 1,168,741 | 1,141,147 | 27,594 |
| Citizens Assistance..... | 616,759 | 643,181 | 621,586 | 21,595 |
| Office of Management and Budget..... | 976,816 | 910,816 | 887,472 | 23,344 |
| 18th Circuit Court..... | 1,218,075 | 1,168,075 | 1,147,883 | 20,192 |
| 18th General District Court..... | 84,638 | 84,638 | 72,358 | 12,280 |
| Juvenile And Domestic Relations Court..... | 33,609 | 33,609 | 32,146 | 1,463 |
| Commonwealth's Attorney..... | 2,127,080 | 2,265,161 | 2,254,518 | 10,643 |
| Sheriff..... | 19,732,424 | 20,420,392 | 20,324,737 | 95,655 |
| Clerk of Courts..... | 1,492,296 | 1,512,296 | 1,481,089 | 31,207 |
| Other Correctional Activities..... | 3,866,074 | 3,873,894 | 3,869,459 | 4,435 |
| Court Services..... | 782,693 | 784,608 | 725,771 | 58,837 |
| Human Rights..... | 456,430 | 456,999 | 453,058 | 3,941 |
| Internal Audit..... | 190,032 | 190,032 | 177,184 | 12,848 |
| Information Technology Services..... | 6,564,009 | 6,838,734 | 6,254,620 | 584,114 |
| City Clerk and Clerk of Council..... | 301,692 | 303,507 | 303,201 | 306 |
| Finance..... | 7,774,285 | 8,165,638 | 7,723,498 | 442,140 |
| Real Estate Assessments..... | 1,027,914 | 1,032,569 | 1,004,232 | 28,337 |
| Personnel..... | 2,627,390 | 2,502,542 | 2,502,541 | 1 |
| Planning and Zoning..... | 6,110,536 | 6,544,117 | 6,306,097 | 238,020 |
| City Attorney..... | 1,506,405 | 1,506,405 | 1,485,621 | 20,784 |
| Registrar of Voters..... | 954,197 | 1,031,789 | 1,031,783 | 6 |
| General Services..... | 10,369,369 | 10,792,752 | 10,764,942 | 27,810 |
| Transportation and Environmental Services..... | 22,732,771 | 22,942,974 | 22,841,067 | 101,907 |
| Transit Subsidies..... | 4,707,601 | 4,767,601 | 4,761,857 | 5,744 |
| Fire..... | 30,140,267 | 30,535,305 | 30,504,844 | 30,461 |
| Police..... | 42,025,718 | 42,004,136 | 41,945,385 | 58,751 |
| Office of Housing..... | 981,057 | 985,257 | 879,831 | 105,426 |
| Mental Health/Mental Retardation and Substance Abuse..... | 543,086 | 578,086 | 578,000 | 86 |
| Health..... | 7,229,489 | 6,984,880 | 6,856,681 | 128,199 |
| Human Services..... | 8,842,649 | 9,381,838 | 9,380,429 | 1,409 |
| Human Services Contributions..... | 1,155,001 | 1,155,001 | 1,153,683 | 1,318 |
| Office of Historic Alexandria..... | 2,279,390 | 2,385,959 | 2,381,397 | 4,562 |
| Recreation and Cultural Activities..... | 17,078,378 | 17,232,858 | 17,113,263 | 119,595 |
| Other Educational Activities..... | 13,299 | 13,299 | 13,299 | - |
| Non Departmental (including debt service)..... | 35,765,661 | 34,321,445 | 33,031,468 | 1,289,977 |
| Total Expenditures | \$ 245,868,838 | \$ 247,919,775 | \$ 244,352,950 | \$ 3,566,825 |
| Other Financing Sources (Uses): | | | | |
| Proceeds of Refunding Bonds..... | \$ - | \$ 32,465,000 | \$ 32,465,000 | \$ - |
| Bond Premium..... | - | 1,222,931 | 1,222,931 | - |
| Payment to Refunded Bonds Escrow Agent..... | - | (33,385,875) | (33,385,875) | - |
| Operating Transfers Out..... | (45,202,452) | (54,916,774) | (53,883,761) | 1,033,013 |
| Transfers Out - Component Units..... | (141,779,586) | (141,825,586) | (141,825,586) | - |
| Total Other Financing Sources (Uses) | \$ (186,982,038) | \$ (196,440,304) | \$ (195,407,291) | \$ 1,033,013 |
| Net Change in Fund Balance..... | \$ (4,334,000) | \$ (15,773,203) | \$ (810,523) | \$ 14,962,680 |
| Fund Balances at Beginning of Year..... | 62,796,610 | 62,796,610 | 62,796,610 | - |
| Increase/(Decrease) in Reserve for Inventory | - | - | 289,096 | 289,096 |
| FUND BALANCES AT END OF YEAR | \$ 58,462,610 | \$ 47,023,407 | \$ 62,275,183 | \$ 15,251,776 |

CITY OF ALEXANDRIA, VIRGINIA
Budgetary Comparison Schedule
Special Revenue Fund
June 30, 2005

Exhibit XIV

| | <u>Original Budget</u> | <u>Budget as Amended</u> | <u>Actual</u> | <u>Variance From Amended Budget Positive (Negative)</u> |
|--|----------------------------|------------------------------|-----------------------|---|
| Revenues: | | | | |
| Use of Money and Property..... | \$ 6,000 | \$ 119,715 | \$ 122,628 | \$ 2,913 |
| Charges for Services..... | 5,604,792 | 5,650,932 | 5,556,204 | (94,728) |
| Permits, Fees and Licenses..... | 375,528 | 892,131 | 72,108 | (820,023) |
| Intergovernmental Revenues..... | 35,716,876 | 58,325,530 | 38,856,315 | (19,469,215) |
| Miscellaneous..... | 512,899 | 4,046,614 | 2,786,216 | (1,260,398) |
| Total Revenues..... | \$ 42,216,095 | \$ 69,034,922 | \$ 47,393,471 | \$ (21,641,451) |
| Other Financing Sources: | | | | |
| Operating Transfers In..... | \$ 26,770,131 | \$ 25,344,915 | \$ 25,030,100 | \$ (314,815) |
| Total Other Financing Sources..... | \$ 26,770,131 | \$ 25,344,915 | \$ 25,030,100 | \$ (314,815) |
| Total Revenues and Other Financing Sources..... | \$ 68,986,226 | \$ 94,379,837 | \$ 72,423,571 | \$ (21,956,266) |
| Expenditures: | | | | |
| City Manager..... | \$ - | \$ 90,273 | \$ 30,272 | \$ 60,001 |
| Office of Women..... | 881,474 | 458,572 | 426,625 | 31,947 |
| Citizens Assistance..... | 5,400 | 13,056 | 12,360 | 696 |
| Commonwealth's Attorney..... | 358,891 | 343,284 | 272,748 | 70,536 |
| Sheriff..... | 785,324 | 742,904 | 666,658 | 76,246 |
| Clerk of Courts..... | - | 62,915 | 38,664 | 24,251 |
| Law Library..... | 134,150 | 139,150 | 136,451 | 2,699 |
| Other Correctional and Judicial Activities..... | 198,333 | 198,333 | 198,333 | - |
| Human Rights..... | 25,569 | 46,000 | 6,635 | 39,365 |
| Finance..... | - | 6,000 | 5,597 | 403 |
| Court Services..... | 416,690 | 587,433 | 403,905 | 183,528 |
| Personnel..... | 6,000 | 2,480 | 2,000 | 480 |
| Planning..... | - | 80,000 | - | 80,000 |
| General Services..... | - | 500,000 | - | 500,000 |
| Transportation and Environmental Services..... | 660,459 | 1,939,474 | 876,527 | 1,062,947 |
| Fire..... | 514,325 | 1,938,793 | 1,144,775 | 794,018 |
| Police..... | 718,304 | 3,117,364 | 1,634,418 | 1,482,946 |
| Office of Housing..... | 2,857,561 | 14,926,046 | 5,762,994 | 9,163,052 |
| Mental Health/Mental Retardation and Substance Abuse..... | 24,138,249 | 24,530,473 | 23,599,971 | 930,502 |
| Health..... | - | 3,570 | 3,570 | - |
| Human Services..... | 36,754,262 | 39,429,043 | 37,282,363 | 2,146,680 |
| Office of Historic Alexandria..... | 221,190 | 320,258 | 267,697 | 52,561 |
| Recreation and Cultural Activities..... | 310,045 | 366,225 | 263,437 | 102,788 |
| Non Departmental..... | - | 2,588,782 | 62,535 | 2,526,247 |
| Total Expenditures..... | \$ 68,986,226 | \$ 92,430,428 | \$ 73,098,535 | \$ 19,331,893 |
| Other Financing Uses: | | | | |
| Operating Transfers Out..... | \$ - | \$ 1,949,409 | \$ 932,616 | \$ 1,016,793 |
| Total Other Financing Uses..... | \$ - | \$ 1,949,409 | \$ 932,616 | \$ 1,016,793 |
| Total Expenditures and Other Financing Uses..... | \$ 68,986,226 | \$ 94,379,837 | \$ 74,031,151 | \$ 20,348,686 |
| Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses..... | \$ - | \$ - | \$ (1,607,580) | \$ (1,607,580) |
| Fund Balances at Beginning of Year..... | \$ - | \$ - | \$ 13,850,636 | \$ 13,850,636 |
| FUND BALANCES AT END OF YEAR..... | \$ - | \$ - | \$ 12,243,056 | \$ 12,243,056 |

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Budgetary Comparison Schedules
June 30, 2004

Exhibit XV

(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 12, 2004, the City Council approved the original adopted budget and on June 21, 2005 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 presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. 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
(See Accompanying Independent Auditors' Report)

Exhibit XVI

SCHEDULE OF FUNDING PROGRESS

| | | (1) | (2) | (3) | (4) | (5) | (6) | |
|--|---------------------------------|----------------------------------|--|------------------------------------|---------------------------|-------------------------------|--|---------|
| | Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) (2)-(1) | Funded Ratio (1/2) | Annual Covered Payroll | UAAL as a Percentage Of Covered Payroll ((2-1)/5) | |
| Pension Plan For Fire And Police ** | 06/30/2000 | \$ 41,280,800 | \$ 47,687,399 | \$ 6,406,599 | 86.6% | \$ 54,818 | 11,687% | |
| | 06/30/2001 | 40,324,903 | 47,257,982 | 6,933,079 | 85.5% | 55,594 | 12,471% | |
| | 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 | 83.4% | 61,778 * | 11,683% | |
| | 06/30/2005 * | 33,410,759 | 41,061,413 | 7,650,651 | 81.4% | 67,762 ** | 11,290% | |
| Firefighters And Police Officers Pension Plan ^(a) | 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 | 68.13% | 25,268,564 | 145.5% |
| | 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) | 145.88% | 25,268,564 | (15.7%) |
| Virginia Retirement System | | 06/30/1999 | \$ 177,646,967 | \$ 161,557,398 | \$ (16,089,569) | 110.0% | \$ 62,796,400 | (26%) |
| | | 06/30/2000 | 206,562,426 | 161,915,444 | (44,646,982) | 127.6% | 65,735,935 | (68%) |
| | | 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%) |

* Estimated

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

A schedule of Funding Progress for City Supplemental Retirement pension plan is not required because it uses the aggregate actuarial cost method, where actuarial accrued liabilities are not identified or separately amortized. They are amortized through normal cost.

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.

^(a) These plan components commenced in FY 2004 and only two years of information was available. This will be expanded when information becomes available.

(See Accompanying Independent Auditors' Report)

CITY OF ALEXANDRIA, VIRGINIA
Public Employee Retirement Systems - Primary Government
Required Supplementary Information
(See Accompanying Independent Auditors' Report)

Exhibit XVI
(Continued)

SCHEDULES OF EMPLOYER CONTRIBUTIONS

| | <u>Actuarial Date</u> | <u>Annual Required Contribution</u> | <u>Percentage Contributed</u> | | <u>Actuarial Date</u> | <u>Annual Required Contribution</u> | <u>Percentage Contributed</u> |
|--|---|---|-----------------------------------|------------|---|---|-----------------------------------|
| | City Supplemental | | | | Pension Plan for Police and Fire | | |
| For Defined Benefit Pension Plans | 06/30/2000 | \$ 1,546,936 | 47.5% | 06/30/2000 | \$ 752,554 | 93.0% | |
| | 06/30/2001 | 2,370,343 | 35.8% | 06/30/2001 | 929,905 | 75.3% | |
| | 06/30/2002 | 2,579,707 | 33.2% | 06/30/2002 | 1,088,844 | 64.3% | |
| | 06/30/2003 | 3,229,768 | 28.9% | 06/30/2003 | 1,033,916 | 87.2% | |
| | 06/30/2004 | 3,229,768 | 44.8% | 06/30/2004 | 1,125,912 | 80.1% | |
| | 06/30/2005 | 3,172,787 | 82.7% | 06/30/2005 | 1,547,955 | 58.3% | |
| | Firefighters and Police Defined Benefit Component ^(a) | | | | Virginia Retirement System | | |
| | 06/30/2004 | \$ 2,633,733 | 60.7% | 06/30/2000 | \$ 3,807,027 | 100.0% | |
| | 06/30/2005 | 4,890,046 | 108.3% | 06/30/2001 | 1,447,935 | 100.0% | |
| | | | | 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% | |
| | Firefighters and Police Disability Component ^(a) | | | | | | |
| | 06/30/2004 | \$ 443,122 | 140.1% | | | | |
| | 06/30/2005 | 347,672 | 180.9% | | | | |

^(a) These plan components commenced in FY 2004 and only two years of information was 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, 2005

Schedule 1

| | <u>Balance</u> <u>July 1, 2004</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>June 30, 2005</u> |
|---|---------------------------------------|-------------------|-------------------|--|
| HUMAN SERVICES SPECIAL WELFARE ACCOUNT | | | | |
| Assets: | | | | |
| Cash and Investments with Fiscal Agent..... | \$ 5,906 | \$ 58,479 | \$ 49,666 | \$ 14,719 |
| Liabilities: | | | | |
| Other Liabilities..... | \$ 5,906 | \$ 58,479 | \$ 49,666 | \$ 14,719 |
| Total Liabilities..... | <u>\$ 5,906</u> | <u>\$ 58,479</u> | <u>\$ 49,666</u> | <u>\$ 14,719</u> |
| HUMAN SERVICES DEDICATED ACCOUNT | | | | |
| Assets: | | | | |
| Cash and Investments with Fiscal Agent..... | \$ 16,359 | \$ 8,735 | \$ 9,771 | \$ 15,323 |
| Liabilities: | | | | |
| Other Liabilities..... | \$ 16,359 | \$ 8,735 | \$ 9,771 | \$ 15,323 |
| Total Liabilities..... | <u>\$ 16,359</u> | <u>\$ 8,735</u> | <u>\$ 9,771</u> | <u>\$ 15,323</u> |
| INDUSTRIAL DEVELOPMENT AUTHORITY | | | | |
| Assets: | | | | |
| Equity in Pooled Cash and Investments..... | \$ 638,075 | \$ 200,626 | \$ 219,563 | \$ 619,138 |
| Liabilities: | | | | |
| Other Liabilities..... | \$ 638,075 | \$ 200,626 | \$ 219,563 | \$ 619,138 |
| Total Liabilities..... | <u>\$ 638,075</u> | <u>\$ 200,626</u> | <u>\$ 219,563</u> | <u>\$ 619,138</u> |
| TOTAL ALL AGENCY FUNDS | | | | |
| Assets: | | | | |
| Equity in Pooled Cash and Investments..... | \$ 638,075 | \$ 200,626 | \$ 219,563 | \$ 619,138 |
| Cash and Investments with Fiscal Agent..... | 22,265 | 67,214 | 59,437 | 30,042 |
| Total Assets..... | <u>\$ 660,340</u> | <u>\$ 267,840</u> | <u>\$ 279,000</u> | <u>\$ 649,180</u> |
| Liabilities: | | | | |
| Other Liabilities..... | \$ 660,340 | \$ 267,840 | \$ 279,000 | \$ 649,180 |
| Total Liabilities..... | <u>\$ 660,340</u> | <u>\$ 267,840</u> | <u>\$ 279,000</u> | <u>\$ 649,180</u> |

CITY OF ALEXANDRIA, VIRGINIA
Statement of Cash Flows
Component Unit
Alexandria Transit Company
As of June 30, 2005

Schedule 2

| | |
|---|-------------------------------|
| Cash Flows from Operating Activities: | |
| Cash Received From Customers..... | \$ 2,477,962 |
| Cash Payments to Suppliers for Goods and Services..... | (2,248,021) |
| Cash Payments to Employees for Services..... | (6,125,374) |
| Net Cash Used for Operating Activities..... | <u>\$ (5,895,433)</u> |
| Cash Flows from Noncapital Financing Activities: | |
| Transfers-In from Primary Government..... | \$ 5,746,720 |
| Cash Received from Nonoperating Grant..... | 60,808 |
| Cash Received from Other Nonoperating Revenue..... | 17,309 |
| Net Cash Provided by Noncapital and Related Financing Activities..... | <u>\$ 5,824,837</u> |
| Cash Flows from Capital and Related Financing Activities: | |
| Acquisition of Capital Assets..... | \$ (2,371,230) |
| Net Cash Used for Capital and Related Financing Activities..... | <u>\$ (2,371,230)</u> |
| Net Increase in Cash and Cash Equivalents..... | \$ (2,446,826) |
| Cash and Cash Equivalents at Beginning of Year..... | 2,449,001 |
| Cash and Cash Equivalents at End of Year..... | <u><u>\$ 7,175</u></u> |

Reconciliation of Operating Loss to Cash Used for

| | |
|---|-------------------------------------|
| Operating Activities: | |
| Operating Loss..... | \$ (7,249,016) |
| Adjustments to Reconcile Operating Loss to Net Cash | |
| Used for Operating Activities: | |
| Depreciation Expense..... | \$ 1,374,869 |
| Changes in Assets and Liabilities: | |
| (Increase) in Accounts Receivable..... | 230,616 |
| (Increase) in Inventory of Supplies..... | (44,343) |
| Increase in Accounts Payable..... | (3,253) |
| (Decrease) in Accrued Liabilities..... | (146,470) |
| (Decrease) in Other Liabilities..... | (57,836) |
| Total Adjustments..... | <u>\$ 1,353,583</u> |
| Net Cash Used for Operating Activities..... | <u><u>\$ (5,895,433)</u></u> |

Noncash Capital and Related Financing Activities:

During Fiscal Year 2005, the City transferred capital assets totaling \$3.6 million to Alexandria Transit.

STATISTICAL SECTION

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

TABLE I

| | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Expenses | | | | | | |
| Governmental Activities: | | | | | | |
| General Government | \$ 40.3 | \$ 40.3 | \$ 45.1 | \$ 47.4 | \$ 56.5 | \$ 47.7 |
| Judicial Administration | 12.0 | 11.5 | 12.5 | 13.0 | 14.0 | 14.6 |
| Public Safety | 68.0 | 73.6 | 83.2 | 88.4 | 94.9 | 96.5 |
| Public Works | 31.3 | 33.3 | 33.5 | 36.9 | 44.1 | 40.0 |
| Library | 3.8 | 4.2 | 4.8 | 5.1 | 5.5 | 6.0 |
| Health and Welfare | 62.2 | 61.5 | 66.8 | 71.9 | 73.9 | 79.4 |
| Transit | 5.0 | 7.1 | 6.8 | 11.9 | 9.1 | 10.5 |
| Culture and Recreation | 12.4 | 14.1 | 17.2 | 20.8 | 21.3 | 26.1 |
| Community Development | 9.3 | 8.9 | 11.9 | 13.5 | 16.2 | 16.1 |
| Education | 92.5 | 116.4 | 110.7 | 123.4 | 128.6 | 142.2 |
| Interest on Long-term Debt | 2.9 | 5.6 | 7.6 | 7.1 | 8.0 | 9.5 |
| Total Governmental Activities | <u>\$ 339.8</u> | <u>\$ 376.5</u> | <u>\$ 400.1</u> | <u>\$ 439.3</u> | <u>\$ 472.0</u> | <u>\$ 488.6</u> |
| Subtotal Governmental Activities Expenses | <u>\$ 339.8</u> | <u>\$ 376.5</u> | <u>\$ 400.1</u> | <u>\$ 439.3</u> | <u>\$ 472.0</u> | <u>\$ 488.6</u> |
| Business-type Activities: | | | | | | |
| Recycling | \$ 0.6 | \$ 0.6 | \$ 0.5 | \$ - | \$ - | \$ - |
| Subtotal Business-type Activities: | <u>\$ 0.6</u> | <u>\$ 0.6</u> | <u>\$ 0.5</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total Primary Government Expenses | <u>\$ 340.5</u> | <u>\$ 377.1</u> | <u>\$ 400.6</u> | <u>\$ 439.3</u> | <u>\$ 472.0</u> | <u>\$ 488.6</u> |
| Program Revenues | | | | | | |
| Governmental Activities: | | | | | | |
| General Government | \$ 1.0 | \$ 1.0 | \$ 2.0 | \$ 1.6 | \$ 2.5 | \$ 1.7 |
| Judicial Administration | 10.6 | 6.8 | 5.2 | 4.8 | 5.4 | 5.6 |
| Public Safety | 19.0 | 18.3 | 19.1 | 21.7 | 22.6 | 20.0 |
| Public Works | 11.6 | 12.8 | 24.9 | 35.3 | 28.0 | 23.2 |
| Library | - | - | - | - | - | - |
| Health and Welfare | 33.7 | 29.3 | 32.4 | 34.2 | 35.8 | 37.1 |
| Transit | - | - | - | - | - | - |
| Culture and Recreation | 2.3 | 2.4 | 2.5 | 2.6 | 2.3 | 2.3 |
| Community Development | 4.5 | 4.3 | 3.9 | 4.7 | 8.0 | 5.5 |
| Education | - | - | - | - | - | - |
| Subtotal Governmental Activities | <u>\$ 82.8</u> | <u>\$ 75.1</u> | <u>\$ 90.0</u> | <u>\$ 104.9</u> | <u>\$ 104.5</u> | <u>\$ 95.4</u> |
| Business-type Activities: | | | | | | |
| Recycling | 0.8 | 0.3 | 0.1 | - | - | - |
| Subtotal Business-type Activities: | <u>\$ 0.8</u> | <u>\$ 0.3</u> | <u>\$ 0.1</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total Primary Government Revenues | <u>\$ 83.6</u> | <u>\$ 75.4</u> | <u>\$ 90.1</u> | <u>\$ 104.9</u> | <u>\$ 104.5</u> | <u>\$ 95.4</u> |

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

Table I (continued)

| | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Net (Expense) (Revenue) | | | | | | |
| General Government | \$ (39.2) | \$ (39.3) | \$ (43.1) | \$ (45.8) | \$ (54.1) | \$ (46.0) |
| Judicial Administration | (1.4) | (4.7) | (7.3) | (8.1) | (8.6) | (9.0) |
| Public Safety | (49.0) | (55.3) | (64.1) | (66.7) | (72.2) | (76.5) |
| Public Works | (19.7) | (20.5) | (8.5) | (1.7) | (16.1) | (16.7) |
| Library | (3.8) | (4.2) | (4.8) | (5.1) | (5.5) | (6.0) |
| Health and Welfare | (28.6) | (32.1) | (34.4) | (37.7) | (38.1) | (42.3) |
| Transit | (5.0) | (7.1) | (6.8) | (11.9) | (9.1) | (10.5) |
| Culture and Recreation | (10.1) | (11.6) | (14.8) | (18.2) | (19.1) | (23.8) |
| Community Development | (4.8) | (4.5) | (8.0) | (8.8) | (8.2) | (10.7) |
| Education | (92.5) | (116.4) | (110.7) | (123.4) | (128.6) | (142.2) |
| Interest on Long-term Debt | (2.9) | (5.6) | (7.6) | (7.1) | (8.0) | (9.5) |
| Subtotal Governmental Activities | <u>\$ (257.1)</u> | <u>\$ (301.4)</u> | <u>\$ (310.2)</u> | <u>\$ (334.4)</u> | <u>\$ (367.5)</u> | <u>\$ (393.2)</u> |
| Business-type Activities: | | | | | | |
| Recycling | \$ 0.2 | \$ (0.3) | \$ (0.3) | \$ - | \$ - | \$ - |
| Subtotal Business-type Activities: | <u>0.2</u> | <u>(0.3)</u> | <u>(0.3)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Primary Government | <u>\$ (256.9)</u> | <u>\$ (301.7)</u> | <u>\$ (310.5)</u> | <u>\$ (334.4)</u> | <u>\$ (367.5)</u> | <u>\$ (393.2)</u> |
| 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 |
| Personal Property | 47.6 | 27.0 | 38.5 | 31.1 | 31.3 | 32.0 |
| Other | 75.0 | 81.7 | 85.8 | 88.4 | 94.2 | 101.5 |
| Transfer | - | - | - | 1.0 | - | - |
| Grants and Contributions | | | | | | |
| Not Restricted to Other Programs | 19.1 | 26.9 | 28.9 | 29.2 | 30.4 | 29.5 |
| Interest and Investment Earnings | 7.3 | 8.4 | 7.3 | 3.6 | 1.7 | 4.9 |
| Miscellaneous | 0.7 | 0.5 | 0.5 | 0.6 | 0.3 | 0.5 |
| Subtotal Governmental Activities | <u>\$ 291.4</u> | <u>\$ 297.9</u> | <u>\$ 324.5</u> | <u>\$ 343.3</u> | <u>\$ 369.1</u> | <u>\$ 402.7</u> |
| Business-type Activities: | | | | | | |
| Payment for City | \$ 0.3 | \$ - | \$ - | \$ (1.0) | \$ - | \$ - |
| Subtotal Business-type Activities: | <u>\$ 0.3</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (1.0)</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total Primary Government | <u>\$ 291.7</u> | <u>\$ 297.9</u> | <u>\$ 324.5</u> | <u>\$ 342.3</u> | <u>\$ 369.1</u> | <u>\$ 402.7</u> |
| Change in Net Assets | | | | | | |
| Governmental Activities: | \$ 34.3 | \$ (3.5) | \$ 14.4 | \$ 8.9 | \$ 1.6 | \$ 9.5 |
| Business-type Activities: | 0.5 | (0.3) | (0.3) | (1.0) | - | - |
| | <u>\$ 34.8</u> | <u>\$ (3.8)</u> | <u>\$ 14.0</u> | <u>\$ 7.9</u> | <u>\$ 1.6</u> | <u>\$ 9.5</u> |

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

TABLE II

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| General Property Taxes | \$ 183.3 | \$ 189.8 | \$ 205.1 | \$ 218.9 | \$ 243.5 | \$ 265.3 |
| Other Local Taxes | 75.0 | 81.7 | 84.0 | 88.1 | 94.0 | 101.5 |
| Permits Fees and License | 4.4 | 4.1 | 4.2 | 4.5 | 4.0 | 4.5 |
| Fines and Forfeitures | 4.2 | 4.1 | 3.9 | 3.9 | 4.2 | 4.0 |
| Use of Money and Property | 7.6 | 11.2 | 9.9 | 6.3 | 4.6 | 7.9 |
| Charges for Services | 14.4 | 14.4 | 14.2 | 15.6 | 16.1 | 19.2 |
| Intergovernmental Revenue | 67.3 | 66.3 | 79.1 | 92.9 | 95.4 | 90.1 |
| Sale of Surplus Property | - | - | - | - | 2.8 | - |
| Miscellaneous and Non Revenue Receipts | 7.2 | 4.8 | 4.9 | 4.8 | 7.6 | 4.2 |
| Total Governmental Revenues | \$ 363.5 | \$ 376.3 | \$ 405.3 | \$ 435.1 | \$ 472.1 | \$ 496.7 |
| Expenditures | | | | | | |
| General Government | 27.3 | 28.0 | 30.2 | 31.9 | 36.1 | 37.7 |
| Judicial Administration | 11.5 | 11.0 | 12.0 | 12.5 | 13.5 | 14.1 |
| Public Safety | 66.5 | 71.9 | 78.2 | 86.6 | 89.6 | 93.8 |
| Public Works | 27.4 | 27.4 | 27.5 | 29.8 | 30.0 | 30.1 |
| Library | 3.8 | 4.1 | 4.8 | 5.1 | 5.5 | 6.0 |
| Health and Welfare | 62.0 | 61.0 | 66.4 | 71.5 | 73.5 | 78.9 |
| Transit and Transit Transfer | 5.0 | 7.1 | 6.8 | 8.5 | 9.1 | 10.5 |
| Culture and Recreation | 11.6 | 12.6 | 15.0 | 17.4 | 18.5 | 20.1 |
| Community Development | 9.3 | 8.1 | 9.5 | 12.1 | 13.3 | 15.1 |
| Education | 92.5 | 116.4 | 110.1 | 122.9 | 128.0 | 141.7 |
| Capital Outlay | 30.2 | 21.6 | 46.9 | 49.4 | 53.4 | 51.5 |
| Debt Service - Principal | 6.1 | 6.9 | 8.6 | 10.4 | 10.9 | 13.2 |
| Debt Service - Interest | 2.9 | 5.6 | 7.6 | 7.2 | 7.9 | 9.6 |
| Total Governmental Expenditures | \$ 356.0 | \$ 381.9 | \$ 423.5 | \$ 465.2 | \$ 489.1 | \$ 522.3 |
| Excess of Revenues over (under) expenditures | \$ 7.5 | \$ (5.6) | \$ (18.2) | \$ (30.1) | \$ (17.0) | \$ (25.6) |
| Other Financing Sources/(Uses) | | | | | | |
| Proceeds from borrowing | \$ 55.0 | \$ - | \$ 54.5 | \$ - | \$ 67.9 | \$ 55.8 |
| Transfers in | 41.5 | 45.1 | 40.5 | 48.0 | 45.0 | 54.7 |
| Transfers out | (41.9) | (45.1) | (40.6) | (47.6) | (46.5) | (54.7) |
| Sale of Land | - | 0.2 | - | - | - | - |
| Total Other Financing Sources (Uses) | \$ 54.6 | \$ 0.2 | \$ 54.4 | \$ 0.4 | \$ 66.3 | \$ 55.8 |
| Net change in Fund balance | \$ 62.1 | \$ (5.4) | \$ 36.2 | \$ (29.7) | \$ 49.3 | \$ 30.2 |

**Tax Revenues by Source
Last Ten Fiscal Years**

TABLE III

| Fiscal Year | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | |
|---------------------------|----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| General Property Taxes | Real Estate | \$ 114,489,608 | \$ 116,260,580 | \$ 124,085,617 | \$ 131,094,190 | \$ 142,401,311 | \$ 152,560,694 | \$ 164,959,409 | \$ 186,431,815 | \$ 210,922,789 | \$ 232,528,457 |
| | Personal | 34,017,236 | 37,159,733 | 36,959,003 | 41,093,457 | 38,435,852 | 35,222,613 | 38,331,453 | 30,745,962 | 30,944,059 | 31,243,560 |
| | Penalties and Interest | 2,289,538 | 2,299,095 | 2,436,776 | 2,264,927 | 2,459,101 | 1,992,370 | 1,854,835 | 1,761,585 | 1,657,926 | 1,514,783 |
| Other Local Taxes | Local Sales | 14,631,265 | 15,543,633 | 16,840,794 | 18,552,625 | 19,802,533 | 20,730,807 | 20,316,345 | 21,216,124 | 22,541,886 | 23,812,277 |
| | Utility | 14,026,826 | 13,875,737 | 14,306,024 | 14,426,824 | 15,034,992 | 16,937,315 | 17,761,931 | 17,793,919 | 18,570,290 | 18,520,667 |
| | Business License | 14,070,809 | 14,093,577 | 15,750,740 | 16,707,988 | 19,022,675 | 20,762,586 | 22,233,330 | 23,679,889 | 25,601,366 | 27,098,032 |
| | Cable TV Franchise License | 494,074 | 491,671 | 619,112 | 791,691 | 836,041 | 901,777 | 1,025,474 | 978,574 | 1,089,381 | 1,154,576 |
| | Motor Vehicle License | 1,974,082 | 1,147,403 | 2,031,038 | 2,040,226 | 2,173,654 | 2,247,172 | 2,285,722 | 2,313,054 | 2,427,656 | 2,460,980 |
| | Bank Franchise | 828,981 | 811,909 | 880,989 | 1,110,481 | 991,609 | 1,403,375 | 1,294,376 | 1,922,095 | 1,111,691 | 1,364,270 |
| | Tobacco | 1,641,880 | 1,769,440 | 1,702,955 | 1,649,055 | 1,647,047 | 1,607,292 | 1,597,140 | 2,083,135 | 2,430,092 | 2,277,366 |
| | Recordation | 851,022 | 1,026,652 | 1,311,463 | 2,022,539 | 1,710,477 | 2,028,522 | 2,494,425 | 3,262,783 | 4,046,517 | 7,244,022 |
| | Transient Lodging | 3,007,115 | 3,325,672 | 3,478,983 | 4,129,594 | 5,228,467 | 5,827,803 | 5,206,418 | 5,241,018 | 6,323,906 | 7,183,067 |
| | Restaurant Food | 5,797,139 | 5,897,370 | 6,194,813 | 7,057,069 | 7,911,895 | 8,466,964 | 8,562,840 | 8,792,704 | 9,051,520 | 9,598,763 |
| | Telecommunication | - | - | - | 422,874 | 655,212 | 762,172 | 1,139,266 | 792,025 | 727,384 | 726,112 |
| | Other | 44,562 | 42,670 | 43,331 | 36,134 | 26,336 | 50,987 | 42,507 | 44,528 | 39,266 | 28,428 |
| | Total | <u>\$ 208,164,137</u> | <u>\$ 213,745,142</u> | <u>\$ 226,641,638</u> | <u>\$ 243,399,674</u> | <u>\$ 258,337,202</u> | <u>\$ 271,502,449</u> | <u>\$ 289,105,471</u> | <u>\$ 307,059,210</u> | <u>\$ 337,485,729</u> | <u>\$ 366,755,360</u> |

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

Table IV

| Calendar Year ended December 31, | Real Property Amounts in thousands | | | | | | |
|--|---|------------|-----------------------|-----------------------|------------------------------------|---------------------------|--|
| | Collected within the Fiscal Year of the | | | | | | |
| | Taxes Levied for the Calendar Year* | Levy | | Percentage of Levy | Collections in Subsequent Years | Total Collections to date | |
| | Amount | Amount | Percentage of Levy | Amount | Amount | Percentage of Levy | |
| 1999 | \$ 135,085 | \$ 133,102 | 98.53% | \$ 1,932 | \$ 135,034 | 99.96% | |
| 2000 | 147,059 | 144,741 | 98.42% | 2,260 | 147,001 | 99.96% | |
| 2001 | 159,207 | 156,748 | 98.46% | 2,375 | 159,123 | 99.95% | |
| 2002 | 174,863 | 172,296 | 98.53% | 2,421 | 174,717 | 99.92% | |
| 2003 | 199,861 | 196,181 | 98.16% | 3,302 | 199,483 | 99.81% | |
| 2004 | 225,242 | 223,047 | 99.03% | - | 223,047 | 99.03% | |

* Levy adjusted for changes since original levy

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Table V

| Calendar Year ended December 31, | Personal Property Amounts in thousands | | | | | | |
|--|---|---------------------------------|-----------|--------------------|---------------------------------------|---------------------------|--|
| | Collected within the Fiscal Year of | | | | | | |
| | Taxes Levied for the Calendar Year | | 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% | 3,588 | 48,299 85.35% | |
| 2001 | 56,957 * | 20,842 | 48,136 | 84.51% | 10,937 | 59,073 103.72% | |
| 2002 | 58,478 | 21,122 | 49,216 | 84.16% | 3,433 | 52,649 90.03% | |
| 2003 | 60,472 | 22,915 | 50,576 | 83.64% | 3,081 | 53,657 88.73% | |
| 2004 | 56,059 | 21,936 | 48,535 | 86.58% | - | 48,535 86.58% | |

* 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

| Calendar Year | Real Property (\$000) | | | Tax Rate per \$100 | Personal Property (\$000) | | | Total Assessment |
|---------------|-----------------------|--------------|---------------|--------------------|--|--------------------|------------------------------|------------------|
| | Residential | Commercial | Total | | Motor Vehicle and Tangibles Assessment | Tax rate per \$100 | Machine and Tools Assessment | |
| 1995 | \$ 5,576,578 | \$ 5,260,736 | \$ 10,837,314 | \$ 1.07 | \$ 985,520 | \$ 4.75 | \$ 7,319 | \$ 992,839 |
| 1996 | 5,658,106 | 5,284,168 | 10,942,274 | 1.070 | 1,095,920 | 4.75 | 10,493 | 1,106,413 |
| 1997 | 5,742,376 | 5,428,427 | 11,170,803 | 1.070 | 1,197,485 | 4.75 | 9,270 | 1,206,755 |
| 1998 | 5,882,796 | 5,722,494 | 11,605,290 | 1.070 | 1,203,370 | 4.75 | 9,681 | 1,213,051 |
| 1999 | 6,169,055 | 6,018,465 | 12,187,520 | 1.110 | 1,251,250 | 4.75 | 10,259 | 1,261,509 |
| 2000 | 6,716,942 | 6,578,366 | 13,295,308 | 1.110 | 1,359,340 | 4.75 | 13,281 | 1,372,621 |
| 2001 | 7,573,897 | 7,058,452 | 14,632,349 | 1.110 | 1,386,141 | 4.75 | 187,217 | 1,573,358 |
| 2002 | 8,889,290 | 7,243,699 | 16,132,989 | 1.080 | 1,409,955 | 4.75 | 16,351 | 1,426,306 |
| 2003 | 11,191,850 | 8,034,076 | 19,225,926 | 1.035 | 1,459,886 | 4.75 | 20,369 | 1,480,255 |
| 2004 | 13,245,349 | 9,335,046 | 22,580,395 | 0.995 | 1,409,095 | 4.75 | 18,175 | 1,427,270 |

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.

The City is autonomous from any city, town or other political subdivision of the Commonwealth of Virginia, and there are no overlapping taxing powers with other political subdivisions.

CITY OF ALEXANDRIA, VIRGINIA
Net Assets
Last Six Fiscal Years

TABLE VII

| | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003^a</u> | <u>2004</u> | <u>2005</u> |
|---|-----------------|-----------------|-----------------|-------------------------|-----------------|-----------------|
| Governmental Activities | | | | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 172.6 | \$ 181.2 | \$ 118.5 | \$ 160.6 | \$ 119.5 | \$ 100.2 |
| Restricted for: | | | | | | |
| Capital Projects | 39.2 | 58.3 | 70.1 | 72.8 | 115.7 | 148.3 |
| Unrestricted Assets | <u>55.1</u> | <u>23.9</u> | <u>103.8</u> | <u>67.9</u> | <u>67.7</u> | <u>63.9</u> |
| Subtotal Governmental Activities Net Assets | \$ 266.9 | \$ 263.4 | \$ 292.4 | \$ 301.3 | \$ 302.9 | \$ 312.4 |
| Business-type Activities Net Assets | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 0.2 | 0.1 | 0.1 | - | - | - |
| Restricted for: | | | | | | |
| Unrestricted Assets | <u>1.5</u> | <u>1.2</u> | <u>0.9</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 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 |
| Restricted for: | | | | | | |
| Capital Projects | 39.2 | 58.3 | 70.1 | 72.8 | 115.7 | 148.3 |
| Unrestricted Assets | <u>56.6</u> | <u>25.1</u> | <u>104.6</u> | <u>67.9</u> | <u>67.7</u> | <u>63.9</u> |
| Total Primary Government Net Assets | <u>\$ 268.5</u> | <u>\$ 264.7</u> | <u>\$ 293.4</u> | <u>\$ 301.3</u> | <u>\$ 302.9</u> | <u>\$ 312.4</u> |

^a Recycling fund transferred to the General Fund in FY 2003

Note: Accounting Standards require that net assets be reported in three components in the financial statements: invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are considered restricted when (1) and external party, such as the state or federal government, places restriction on how the resources may be used, or (2) enabling legislation is enacted by the City

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

TABLE VIII

| | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> |
|---------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| General Fund | | | | | | |
| Reserved for: | | | | | | |
| Encumbrances | \$ 3,207,099 | \$ 3,729,754 | \$ 3,117,566 | \$ 2,386,468 | \$ 1,525,942 | \$ 2,087,658 |
| Inventories | 1,288,791 | 1,278,362 | 1,480,168 | 1,537,404 | 1,681,593 | 1,970,689 |
| Unreserved | 53,502,641 | 55,825,487 | 63,630,925 | 54,193,856 | 59,589,075 | 58,216,836 |
| Subtotal General Fund | <u>\$ 57,998,531</u> | <u>\$ 60,833,603</u> | <u>\$ 68,228,659</u> | <u>\$ 58,117,728</u> | <u>\$ 62,796,610</u> | <u>\$ 62,275,183</u> |
| 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 |
| Notes Receivable | 1,455,942 | 1,287,340 | 1,558,984 | 1,922,984 | 4,227,041 | 4,147,198 |
| Encumbrances | 11,908,389 | 8,750,823 | 8,321,719 | 8,788,237 | 10,042,480 | 21,501,270 |
| Unreserved Special Revenue | 10,323,792 | 11,301,953 | 12,263,486 | 11,761,929 | 11,359,179 | 9,831,441 |
| Unreserved Capital Projects | 10,348,516 | 6,061,855 | 22,031,197 | - | - | - |
| Subtotal all other Governmental Funds | <u>\$ 85,125,898</u> | <u>\$ 76,930,014</u> | <u>\$ 105,981,988</u> | <u>\$ 86,441,781</u> | <u>\$ 131,239,768</u> | <u>\$ 162,328,289</u> |
| Total Governmental Funds | | | | | | |
| Encumbrances | \$ 15,115,488 | \$ 12,480,577 | \$ 11,439,285 | \$ 11,174,705 | \$ 11,568,422 | \$ 23,588,928 |
| Inventories | 1,288,791 | 1,278,362 | 1,480,168 | 1,537,404 | 1,681,593 | 1,970,689 |
| Capital Projects | 51,089,259 | 49,528,043 | 61,806,602 | 63,968,631 | 105,611,068 | 126,848,380 |
| Notes Receivable | 1,455,942 | 1,287,340 | 1,558,984 | 1,922,984 | 4,227,041 | 4,147,198 |
| Unreserved | 74,174,949 | 73,189,295 | 97,925,608 | 65,955,785 | 70,948,254 | 68,048,277 |
| | <u>\$ 143,124,429</u> | <u>\$ 137,763,617</u> | <u>\$ 174,210,647</u> | <u>\$ 144,559,509</u> | <u>\$ 194,036,378</u> | <u>\$ 224,603,472</u> |

III

CITY OF ALEXANDRIA, VIRGINIA
2005 Tax Rates for Major Revenue Sources

TABLE IX

| | |
|---|---|
| Real Estate Tax | 91.5¢ 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 25% of local service charge for telephone \$1.12 plus \$0.012075 of each kwh (\$2.40 maximum) \$1.28 plus \$0.124444 of each CCF of gas delivered (\$2.40 maximum) \$1.28 plus \$0.050909 of each CCF of gas delivered to group meter consumers (\$2.40 maximum per dwelling unit) \$1.28 plus 0.023267 of each CCF of gas delivered to group meter interruptible consumers (\$2.40 maximum per dwelling unit) |
| Utility Tax (for commercial users) | 15% of first \$150 of water service charge 25% of first \$150 of local service charges for telephone \$0.97 plus \$0.004610 of each kwh delivered to commercial consumer \$0.97 plus \$0.003755 of each kwh delivered to industrial consumer \$1.42 plus \$0.050213 of each CCF of gas delivered to commercial or industrial consumer \$4.50 plus \$0.003670 of each CCF of gas delivered to non-residential interruptible gas consumers |
| Business and Professional Licenses | |
| Alcoholic Beverages | \$5 - \$1,500 |
| 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 Co. | \$1.03 per \$100 gross receipts |
| Telegraph Co. | \$2.00 per \$100 gross receipts |
| Water, heat, electric and gas companies | \$0.50 per \$100 gross receipts |
| E-911 Tax | \$0.50 per line per month |
| Public Rights-of-Way Use Fee | \$0.59 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

| | <u>1996</u> | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Assessed Value of Real Property, January 1 | \$ 10,942,274,000 | \$ 11,170,803,000 | \$ 11,605,290,200 | \$ 12,187,519,600 | \$ 13,295,308,000 |
| Debt Limit: 10 percent | 1,094,227,400 | 1,117,08,300 | 1,160,529,020 | 1,218,751,960 | 1,329,530,800 |
| Amount of Debt Applicable to Debt Limit | <u>44,725,000</u> | <u>37,610,000</u> | <u>30,585,000</u> | <u>65,710,000</u> | <u>114,690,000</u> |
| Legal Debt Margin | \$ 1,049,502,400 | \$ 1,079,470,300 | \$ 1,129,944,020 | \$ 1,1530,41,960 | \$ 1,153,041,960 |
| Debt as a Percentage of Assessed Value | 0.41% | 0.34% | 0.26% | 0.54% | 0.86% |
| | | | | | |
| | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> |
| Assessed Value of Real Property, January 1 | \$ 14,632,348,200 | \$ 16,132,989,000 | \$ 19,225,926,000 | \$ 22,757,185,300 | \$ 27,359,649,900 |
| Debt Limit: 10 percent | 1,463,324,820 | 1,613,298,900 | 1,922,592,600 | 2,275,718,530 | 2,735,964,990 |
| Amount of Debt Applicable to Debt Limit | <u>107,875,000</u> | <u>153,925,000</u> | <u>143,615,000</u> | <u>197,520,000</u> | <u>241,890,000</u> |
| Legal Debt Margin | \$ 1,355,359,820 | \$ 1,459,373,900 | \$ 1,778,977,600 | \$ 2,078,198,530 | \$ 2,494,074,990 |
| Debt as a Percentage of Assessed Value | 0.74% | 0.95% | 0.75% | 0.87% | 0.88% |

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⁾ | | | Outstanding Debt | Outstanding Debt As Percentage Of Assessed | | Personal Income (\$000) | Debt Per Capita | Debt Per Capita As a Percentage of Per Capita Income ⁽⁴⁾ |
|------|---------------------------|--|----------------------|---------------|---------------------|--|-------------------|-------------------------------|--------------------|--|
| | | Real Property | Personal Property | Total | | Real Property | Total Property | | | |
| 1996 | 117,300 | \$ 10,942,274 | \$ 1,106,413 | \$ 12,048,687 | \$ 44,725,000 | 0.41 | 0.40 | \$ 4,675,304 | \$ 381 | 1.0 |
| 1997 | 117,600 | 11,170,803 | 1,206,755 | 12,377,558 | 37,610,000 | 0.34 | 0.30 | 4,937,063 | 320 | 0.8 |
| 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 |

(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 per capita trends.

CITY OF ALEXANDRIA, VIRGINIA
Overlapping Debt and Debt History
June 30, 2005

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 |
|------|--------------|-----------------------------|-----------------------|--|--|
| 1996 | \$ 7,530,000 | \$ 2,582,095 | \$ 10,112,095 | \$ 312,902,626 | 3.23 % |
| 1997 | 7,115,000 | 2,174,745 | 9,289,745 | 326,248,912 | 2.85 |
| 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 |

(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, 2005

TABLE XIV

Population

| <u>Calendar Year</u> | <u>Population</u> | <u>Calendar Year</u> | <u>Population</u> |
|----------------------|-------------------|----------------------|-------------------|
| 1940 | 33,523 | 1980 | 103,217 |
| 1950 | 61,787 | 1990 | 111,183 |
| 1960 | 91,023 | 2000 | 129,147 |
| 1970 | 110,938 | 2005 Estimate..... | 135,000 |

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

**POPULATION INDICATORS
PER CAPITA INCOME***

| | <u>1994</u> | <u>1995</u> | <u>1996</u> | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Alexandria | \$36,856 | \$37,592 | \$39,538 | \$41,166 | \$44,031 | \$45,956 | \$48,106 | \$53,155 | \$54,017 | \$55,690 |
| Arlington | \$35,916 | \$37,505 | \$39,073 | \$40,830 | \$43,554 | \$45,703 | \$49,555 | \$53,676 | \$54,910 | \$56,888 |
| Fairfax (includes Fairfax City and Falls Church) | \$35,779 | \$37,201 | \$38,482 | \$40,330 | \$43,193 | \$47,306 | \$50,035 | \$51,921 | \$52,501 | \$53,984 |
| Washington MSA | \$30,476 | \$31,332 | \$32,401 | \$33,824 | \$35,848 | \$37,777 | \$40,672 | \$42,451 | \$42,987 | \$44,045 |

*The BEA has revised these numbers.

SOURCE: U.S. Bureau of Economic Analysis

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

TABLE XV

Private Property

| Owner's Name | Property | 2005 Assessed Value (In millions) | Percentage of Total Assessed Valuation |
|---|------------------------------|--|---|
| 1. LCOR Alexandria, L.L.C. | Vacant Land/Office Buildings | \$ 884.2 | 3.23% |
| 2. AIMCO Foxchase L.P. | Foxchase Apartments | 233.0 | 0.85% |
| 3. Alexandria Apartments L.L.C. | Alexandria Apartments | 187.5 | 0.69% |
| 4. Southern Towers L.L.C. | Southern Towers Apartments | 172.2 | 0.63% |
| 5. Washington Real Estate Investment Trust | Portfolio | 151.5 | 0.55% |
| 6. Carr Canal Center L.L.C | Office Buildings | 141.0 | 0.52% |
| 7. Hoffman Buildings L.P./L.L.P. | Hoffman Office Buildings | 140.5 | 0.51% |
| 8. CPYR Inc. | Retail Shopping Center | 136.8 | 0.50% |
| 9. Hoffman Family L.L.C. | Vacant Land/Office Buildings | 113.3 | 0.41% |
| 10. Potomac Yard Retail, Inc. | Vacant Land/Warehouse | 112.4 | 0.41% |
| 11. Millbrook Apartments Associates, L.L.C. | Millbrook Apartments | 112.3 | 0.41% |
| 12. MR Park Center Fee L.L.C | Park Center Apartments | 108.1 | 0.40% |
| 13. Northampton West L.L.C. | Northampton West | 99.8 | 0.36% |
| 14. Avalon Prop. Inc. | Avalon Apartments/Office | 99.1 | 0.36% |
| 15. EQR Lincoln Alexandria L.L.C. | Reserve at Potomac Yard | 96.7 | 0.35% |
| 16. Meridian at Carlyle | Meridian Apartments | 85.0 | 0.31% |
| 17. Smith Property Holding Three L.P. | Apartments | 84.3 | 0.31% |
| 18. Exchange at Van Dorn L.L.C | Exchange at Van Dorn | 81.4 | 0.30% |
| 19. Palazzo at Park Center L.L.C. | Palazzo at Park Center | 79.7 | 0.29% |
| 20. Potomac Club Residences L.P. | Potomac Club Residence(s) | 78.7 | 0.29% |

| Owner's Name | Property | 1996 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..... | \$ 400.6 | 3.67% |
| 2. Landmark Shopping Center | Department Store Mall/Bank/Garage | 144.6 | 1.33 |
| 3. Stone Tract/Park Center | Park Center, Kiosk Offices Park Center Apartments | 130.0 | 1.19 |
| 4. King Street Metro/Carr | King Street Station Offices/Hotel/Retail | 118.7 | 1.08 |
| 5. Hubert N Hoffman | Offices/Vacant Land/Hotel..... | 115.2 | 1.08 |
| 6. First Alexandria Association | Foxchase Apartments/Shopping Center | 109.1 | 1.00 |
| 7. RF&P Railroad Co. | Potomac Yard/Vacant Lot..... | 107.0 | 0.98 |
| 8. Alexandria Country Club Apts. | Oakwood Apartments..... | 70.3 | 0.64 |
| 9. Lazlo N. Tauber, M.D. | Office Building..... | 52.1 | 0.48 |
| 10. Washington REIT | BradLee and Foxchase Shopping Centers ... | 47.2 | 0.43 |

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

TABLE XV
(Continued)

Public Service Companies

| <u>Owner's Name</u> | 2005 Assessed Value (In millions) | Percentage of Total Assessed Valuation |
|--|--|---|
| 1. Mirant Potomac River, LLC..... | \$ 232.6 | 0.85% |
| 2. Virginia Electric Power Company..... | 126.5 | 0.46 |
| 3. Covanta Alexandria, Arlington, Inc. | 89.8 | 0.33 |
| 4. Verizon Virginia, Inc..... | 86.1 | 0.31 |
| 5. Richmond, Fredericksburg & Potomac Railway Company..... | 55.3 | 0.20 |
| 6. Norfolk Southern Railway Company | 52.2 | 0.19 |
| 7. Virginia American Water Company..... | 34.9 | 0.13 |
| 8. Potomac Electric Power Company..... | 32.0 | 0.12 |
| 9. Washington Gas Light..... | 29.2 | 0.11 |
| 10. Comcast Phone of Northern Virginia, Inc..... | 11.6 | 0.04 |

| <u>Owner's Name</u> | 1996 Assessed Value (In millions) | Percentage of Total Assessed Valuation |
|---|--|---|
| 1. Potomac Electric Power Company ¹ | \$ 233.5 | 2.13% |
| 2. Virginia Electric Power Company..... | 94.1 | 0.86 |
| 3. Bell Atlantic Virginia ² | 77.4 | 0.70 |
| 4. Richmond, Fredericksburg & Potomac Railway Co..... | 58.1 | 0.53 |
| 5. Norfolk Southern Railway Company | 55.1 | 0.50 |
| 6. Virginia American Water Company | 32.3 | 0.29 |
| 7. Washington Gas Light Company | 24.5 | 0.22 |
| 8. Washington DC SMSA Limited Partnerships..... | 4.4 | 0.04 |
| 9. American Telephone and Telegraph Co. Of Virginia | 3.3 | 0.03 |
| 10. Washington Baltimore Cellular..... | 2.1 | 0.01 |

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

| <u>Fiscal Year</u> | <u>Total Enrollment¹</u> | <u>Number Receiving Free or Reduced Meals</u> | <u>Number in English as Second Language</u> | <u>Number Receiving Special Education</u> | <u>Number in Elementary School Gifted and Talented Programs</u> | <u>Number in Middle (6-8) School Gifted and Talented Programs</u> |
|---------------------------|--|--|--|--|--|--|
| 1996 | 10,043 | 5,051 | 1,213 | 1,800 | 604 | 527 |
| 1997 | 10,156 | 5,189 | 1,288 | 1,850 | 552 | 515 |
| 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 |

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, 2005

TABLE XVII

| | General | Judicial | Public | Public | Health and | Recreation | Community | | Transit | Debt | |
|---|-------------------|-----------------------|---------------|---------------|-------------------|----------------------|--------------------|------------------|------------------|----------------|----------------|
| | Government | Administration | Safety | Works | Welfare | & Culture | Development | Education | Subsidies | Service | Total |
| Expenditures: | | | | | | | | | | | |
| City Council..... | \$ 514,093 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 514,093 |
| City Manager..... | 1,832,710 | - | - | - | - | - | - | - | - | - | 1,832,710 |
| Office On Women..... | 1,141,147 | - | - | - | - | - | - | - | - | - | 1,141,147 |
| Citizens Assistance..... | - | - | 621,586 | - | - | - | - | - | - | - | 621,586 |
| Office of Management and Budget..... | 887,472 | - | - | - | - | - | - | - | - | - | 887,472 |
| 18th Circuit Court..... | - | 1,147,883 | - | - | - | - | - | - | - | - | 1,147,883 |
| 18th General District Court..... | - | 72,358 | - | - | - | - | - | - | - | - | 72,358 |
| Juvenile and Domestic Relations Courts..... | - | 32,146 | - | - | - | - | - | - | - | - | 32,146 |
| Commonwealth's Attorney..... | - | 2,254,518 | - | - | - | - | - | - | - | - | 2,254,518 |
| Sheriff..... | - | 4,519,024 | 15,805,713 | - | - | - | - | - | - | - | 20,324,737 |
| Clerk of Courts..... | - | 1,481,089 | - | - | - | - | - | - | - | - | 1,481,089 |
| Other Correctional Activities..... | - | 2,827,979 | 919,157 | - | - | - | - | - | - | 122,323 | 3,869,459 |
| Court Services..... | - | 725,771 | - | - | - | - | - | - | - | - | 725,771 |
| Human Rights..... | 453,058 | - | - | - | - | - | - | - | - | - | 453,058 |
| Internal Audit..... | 177,184 | - | - | - | - | - | - | - | - | - | 177,184 |
| Information Technology Services..... | 6,254,620 | - | - | - | - | - | - | - | - | - | 6,254,620 |
| City Clerk and Clerk of Council..... | 303,201 | - | - | - | - | - | - | - | - | - | 303,201 |
| Finance..... | 7,723,498 | - | - | - | - | - | - | - | - | - | 7,723,498 |
| Real Estate Assessments..... | 1,004,232 | - | - | - | - | - | - | - | - | - | 1,004,232 |
| Personnel..... | 2,502,541 | - | - | - | - | - | - | - | - | - | 2,502,541 |
| Planning and Zoning..... | - | - | - | - | - | - | 6,306,097 | - | - | - | 6,306,097 |
| City Attorney..... | 1,485,621 | - | - | - | - | - | - | - | - | - | 1,485,621 |
| Registrar..... | 1,031,783 | - | - | - | - | - | - | - | - | - | 1,031,783 |
| General Services..... | 3,013,621 | - | - | 7,751,321 | - | - | - | - | - | - | 10,764,942 |
| Transportation and Environmental Services..... | - | - | - | 22,043,311 | - | - | 797,756 | - | - | - | 22,841,067 |
| Transit Subsidies..... | - | - | - | - | - | - | - | - | 4,761,857 | - | 4,761,857 |
| Fire..... | - | - | 30,504,844 | - | - | - | - | - | - | - | 30,504,844 |
| Police..... | - | - | 41,945,385 | - | - | - | - | - | - | - | 41,945,385 |
| Office of Housing..... | - | - | - | - | - | - | 879,831 | - | - | - | 879,831 |
| Mental Health/Mental Retardation and Substance Abuse..... | - | - | - | - | 578,000 | - | - | - | - | - | 578,000 |
| Health..... | - | - | - | - | 6,637,583 | - | 219,098 | - | - | - | 6,856,681 |
| Human Services..... | - | - | - | - | 9,380,429 | - | - | - | - | - | 9,380,429 |
| Human Services Contributions..... | - | - | - | - | 1,153,683 | - | - | - | - | - | 1,153,683 |
| Office of Historic Alexandria..... | - | - | - | - | - | 2,381,397 | - | - | - | - | 2,381,397 |
| Recreation and Cultural Activities..... | - | - | - | - | - | 17,113,263 | - | - | - | - | 17,113,263 |
| Other Educational Activities..... | - | - | - | - | - | - | - | 13,299 | - | - | 13,299 |
| Miscellaneous..... | 8,908,966 | - | 551,114 | 126,251 | 414,939 | 12,358 | 335,593 | - | - | 22,682,247 | 33,031,468 |
| Total Expenditures..... | \$ 37,233,747 | \$ 13,060,768 | \$ 90,347,799 | \$ 29,920,883 | \$ 18,164,634 | \$ 19,507,018 | \$ 8,538,375 | \$ 13,299 | \$ 4,761,857 | \$ 22,804,570 | \$ 244,352,950 |

CITY OF ALEXANDRIA
Government Employees By Function
Last Five Fiscal Years

TABLE XVIII

| | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> |
|-------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| General Government | 288 | 290 | 300 | 303 | 305 | 317 |
| Judicial Administration | 106 | 109 | 118 | 119 | 117 | 120 |
| Public Safety | 861 | 868 | 887 | 900 | 910 | 926 |
| Public Works | 221 | 225 | 224 | 227 | 229 | 231 |
| Library | 49 | 53 | 52 | 52 | 54 | 55 |
| Health and Welfare | 479 | 491 | 492 | 497 | 511 | 519 |
| Transit | | | | | | |
| Culture and Recreation | 139 | 143 | 145 | 145 | 150 | 153 |
| Community Development | 58 | 64 | 66 | 67 | 57 | 57 |
| Education | 2,010 | 2,091 | 2,098 | 2,079 | 2,082 | 2,120 |
| TOTAL | <u>4,211</u> | <u>4,334</u> | <u>4,382</u> | <u>4,389</u> | <u>4,415</u> | <u>4,498</u> |

SOURCE: City of Alexandria Approved Budget

Principal Employers
Current Year (as of July 1, 2003) and Nine Years Ago

TABLE XIX

| <u>Current Year</u> | <u>Employees</u> | <u>Percentage Of Total City Employment</u> | <u>Nine Years Ago</u> | <u>Employees</u> | <u>Percentage of Total City Employment</u> |
|-------------------------------------|------------------|--|-------------------------------------|------------------|--|
| LARGEST PUBLIC EMPLOYERS | | | LARGEST PUBLIC EMPLOYERS | | |
| U.S. Department of Defense | | | U.S. Department of Defense | | |
| Civilian | 4,606 | 5.1% | Civilian | 8,574 | 10.6% |
| Military | 4,367 | 4.8% | Military | 3,884 | 4.8% |
| Total Defense | 8,973 | 10.0% | Total Defense | 12,458 | 15.3% |
| City of Alexandria | 2,285 | 2.5% | City of Alexandria | 1,981 | 2.4% |
| Alexandria Public Schools | 2,099 | 2.3% | Alexandria Public Schools | 1,664 | 2.1% |
| WMATA (Metro) | 1,162 | 1.3% | WMATA (Metro) | 1,316 | 1.6% |
| Northern Virginia Community College | 952 | 1.1% | U.S. Department of Agriculture | 1,042 | 1.3% |
| U.S. Department of Agriculture | 675 | 0.7% | Northern Virginia Community College | 645 | 0.8% |
| U.S. Postal Service | 396 | 0.4% | U.S. Postal Service | 357 | 0.4% |
| Total | <u>16,542</u> | <u>18.2%</u> | Total | <u>19,463</u> | <u>23.9%</u> |
| LARGEST PRIVATE EMPLOYERS | | | LARGEST PRIVATE EMPLOYERS | | |
| Alexandria Hospital | 1,539 | 1.7% | Alexandria Hospital | 1,863 | 2.3% |
| Institute for Defense Analysis | 1,200 | 1.3% | Pentagon Federal Credit Union | 517 | 0.6% |
| American Diabetes Assoc | 900 | 1.0% | May Department Store | 510 | 0.6% |
| Center for Naval Analysis | 600 | 0.7% | Woodward and Lothrop | 483 | 0.6% |
| Boat Owners Assoc. of the U.S | 570 | 0.6% | Time-Life Books | 478 | 0.6% |
| Public Broadcasting System | 500 | 0.6% | CNA Corporation | 473 | 0.6% |
| Total | <u>5,309</u> | <u>5.9%</u> | Total | <u>4,324</u> | <u>5.3%</u> |

SOURCE: City of Alexandria Approved Budget

CITY OF ALEXANDRIA
Operating Indicators By Function
Last Six Fiscal Years

TABLE XX

| | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| Judicial Administration | | | | | | |
| Cases processed by Clerk of Coaruts | 4,747 | 5,342 | 49,998 | 4,785 | 5,346 | 5,000 a |
| Real estate documents processed | 25,011 | 32,754 | 43,105 | 45,000 | 45,000 | 45,000 a |
| Public Safety | | | | | | |
| Fire calls requiring emergency response | 5,669 | 5,930 | 5,939 | 6,080 | 6,225 | 6,225 |
| Police calls for emergency service | 3,000 | 2,504 | 3,192 | 3,200 | 3,200 | 3,200 |
| Public Works | | | | | | |
| Sq yds of concrete replaced | * | 8,831 | 7,515 | 6,500 | 7,000 | 7,000a |
| Cubic yards of leaves collected | 28,644 | 29,500 | 26,750 | 28,000 | 28,000 | 28,000 |
| Library | | | | | | |
| Circulation | 668,046 | 874,815 | 987,450 | 1,115,100 | 943,000 | 943,000 a |
| Patron visits | 619,327 | 668,457 | 755,281 | 851,004 | 750,000 | 750,000 |
| Health and Welfare | | | | | | |
| Adolescent clinic visits | 3,535 | 3,366 | 3,380 | 3,448 | 3,517 | 3,517 |
| Average monthly food stamp case | 1,387 | 1,022 | 1,100 | 1,202 | 1,202 | 1,202 |
| Transit | | | | | | |
| Annual Ridership | 2,521,925 | 2,640,420 | 2,739,719 | 2,900,000 | 3,050,000 | 3,050,000 |
| Operating cost per mile | \$ 3.97 | \$ 4.30 | \$ 4.51 | \$ 5.26 | \$ 5.17 | \$ 5.17 |
| Culture and Recreation | | | | | | |
| Attendance at recreation center and playgrc | 590,320 | 530,000 | 618,464 | 578,184 | 583,162 | 603,000 a |
| Community Development | | | | | | |
| Average Home rehabilitation loan | \$ 27,068 | \$ 45,452 | \$ 54,272 | \$ 57,600 | \$ 61,350 | \$ 61,350 |
| Education | | | | | | |
| Cost per pupil | * | * | \$ 10,862 | \$ 11,914 | \$ 12,918 | \$ 13,670 |
| Enrollment | 11,017 | 11,167 | 11,104 | 10,979 | 10,762 | 10,667 |

* New indicator – Additional information will be provided as it becomes available

a - estimate

CITY OF ALEXANDRIA
Capital Indicators By Function
Last Six Fiscal Years

TABLE XX (cont)

| | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| Judicial Administration | | | | | | |
| Number beds at Sheltercare | 14 | 14 | 14 | 14 | 14 | 14 |
| Public Safety | | | | | | |
| Rescue Apparatus | * | * | * | * | 98 | 98 |
| Public Works | | | | | | |
| Paved Streets | 506 | 508 | 511 | 513 | 514 | 514 |
| Sidewalks | 319 | 320 | 320 | 321 | 321 | 321 |
| Library | | | | | | |
| Full Service Branches and Central Library | 4 | 4 | 4 | 4 | 4 | 4 |
| Health and Welfare | | | | | | |
| Preventative health care sites | * | * | * | 4 | 3 | 3 |
| Transit | | | | | | |
| DASH Transit Buses | 42 | 49 | 49 | 49 | 49 | 57 |
| Culture and Recreation | | | | | | |
| Playgrounds | 45 | 45 | 45 | 45 | 45 | 45 |
| Acreage of Park and Open Space | 944 | 944 | 964 | 964 | 964 | 949 |
| Community Development | | | | | | |
| Public Housing and Public Housing Replacement Units | 1150 | 1150 | 1150 | 1150 | 1150 | 1150 |
| Education | | | | | | |
| Public Schools | 17 | 17 | 17 | 17 | 17 | 17 |

CITY OF ALEXANDRIA, VIRGINIA
Miscellaneous Statistical Data
As of June 30, 2005

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 rail transit 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

| | |
|---|-----------------------|
| 2005 Resident Population | 135,000 |
| Number of Households – 2004 Estimate | 67,092 |
| Household Size (2000 U.S. Census) | 2.04 Persons Per Unit |
| 2002 Population by Race (2003 U.S. Census Bureau Estimate): | |
| White | 57.4% |
| Black..... | 21.2% |
| Native American..... | 0.2% |
| Asian and Pacific Islanders..... | 5.2% |
| Multi-Racial..... | 1.4% |
| Hispanic (All Races)..... | 14.5% |

| | |
|--|-------|
| 2002 Population by Age (2003 U.S. Census Bureau Estimate): | |
| (1-17)..... | 18.3% |
| (18-24)..... | 5.0% |
| (25-64)..... | 66.8% |
| (65 +)..... | 9.9% |

Registered Voters

| | |
|---|--------|
| June 2004..... | 85,152 |
| Temporary Assistance to Needy Families (Cases) - Monthly Average, 2005 | |
| | 541 |
| Food Stamps (Cases) - Monthly Average, 2005 | 1,658 |
| Medicaid (Cases) - Monthly Average, 2005 | 5,242 |

Economy

| | |
|---|--------|
| Employed Residents, June 2005 | 85,420 |
| Unemployed Residents, June 2005 | 2,607 |
| Unemployed Rate, June 2004 | 3.1% |
| Washington PMSA Inflation Rate, based on Consumer Price Index, for FY 2005 | 4.0% |

CITY OF ALEXANDRIA, VIRGINIA

Miscellaneous Statistical Data

As of June 30, 2005

TABLE XXI

(Continued)

| Housing | 2005 | 2004 |
|---|-------------|-------------|
| Total Housing Units | 68,904 | 68,782 |
| Type of Single-Family Housing | | |
| Detached | 9,135 | 9,135 |
| Semi-Detached | 5,337 | 5,292 |
| Rowhouse | 6,136 | 6,076 |
| Condo Townhouse | 917 | 917 |
| Total Single-Family | 21,525 | 21,420 |
| Condominium Units | 15,305 | 14,303 |
| Rental Apartments | 32,074 | 31,432 |
| Public Housing and Public Housing Replacement Units | 1,150 | 1,150 |
| Average Assessed Value of Single Family Homes | \$563,092 | \$474,681 |
| Average Assessed Value of Condominiums | \$287,765 | \$ 216,571 |
| Average Market Rents | | |
| Efficiency | \$ 866 | \$ 840 |
| 1 Bedroom Apartment | \$ 1,166 | \$ 1,173 |
| 2 Bedroom Apartment | \$ 1,414 | \$ 1,357 |
| 3 Bedroom Apartment | \$ 1,558 | \$ 1,490 |

Communications

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

Miles of Streets, Sidewalks and Alleys

| | |
|--------------------------|-------|
| Streets: | |
| Paved - Lane Miles | 513.5 |
| 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 | 949.2 |
| 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 | 210 |
| 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

| | Number |
|--|---------------|
| Public Schools: | |
| 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 | 11 |
| Credit Unions | 9 |

Hotels and Motels

| | Rooms |
|---|--------------|
| Alexandria Towne Motel | 27 |
| Alexandria Travelodge | 40 |
| Best Western Old Colony Inn | 49 |
| Bragg Towers | 98 |
| Comfort Inn Landmark | 150 |
| Courtyard by Marriott | 176 |
| Days Inn | 200 |
| Embassy Suites | 268 |
| Extended Stay America | 104 |
| Hampton Inn | 80 |
| Hawthorn Suites Hotel | 185 |
| Hilton Alexandria Mark Center | 496 |
| Hilton Alexandria Old Town | 241 |
| Holiday Inn Eisenhower | 196 |
| Holiday Inn Select | 227 |
| Holiday Inn Hotel & Suites | 178 |
| Homestead Village | 130 |
| Morrison House | 45 |
| Radisson Old Town | 253 |
| Residence Inn by Marriott | 240 |
| Sheraton Pentagon Suites | 192 |
| Sheraton Suites Old Town Alexandria | 247 |
| Washington Suites | 224 |
| Total | 4,046 |

CITY OF ALEXANDRIA, VIRGINIA

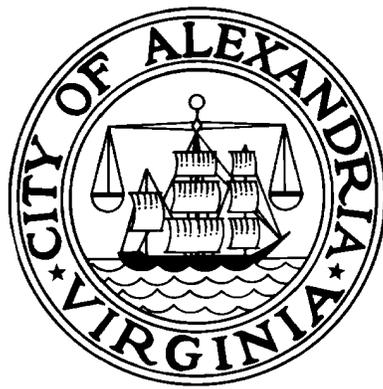
Five-Year Summary of General Fund Revenues and Expenditures

Table XXII

| | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Revenues: | | | | | |
| General Property Taxes | \$ 189,775,677 | \$ 205,145,697 | \$ 218,939,362 | \$ 243,524,774 | \$ 265,286,800 |
| Other Local Taxes. | 81,726,772 | 83,959,774 | 88,119,848 | 93,960,955 | 101,468,560 |
| Permits, Fees, and Licenses | 4,065,880 | 3,501,475 | 2,902,316 | 3,246,124 | 4,439,701 |
| Fines and Forfeitures | 4,116,463 | 3,931,596 | 3,939,648 | 4,164,369 | 4,035,693 |
| Use of Money and Property | 10,418,646 | 8,769,357 | 5,246,678 | 4,048,134 | 5,790,327 |
| Charges for Services. | 8,711,053 | 8,954,310 | 9,178,249 | 9,587,175 | 10,352,947 |
| Intergovernmental Revenues. | 37,679,452 | 46,601,917 | 46,755,221 | 49,460,664 | 47,054,318 |
| Miscellaneous | 464,686 | 538,278 | 581,673 | 348,868 | 521,372 |
| Total Revenues. | \$ 336,958,629 | \$ 361,402,404 | \$ 375,662,995 | \$ 408,341,063 | \$ 438,949,718 |
| Other Financing Sources: | | | | | |
| Operating Transfers In | \$ - | \$ - | \$ 893,601 | \$ - | \$ - |
| Refunding Bonds | - | - | - | - | 32,465,000 |
| Premium | | | | | 1,222,931 |
| Total Other Financing Sources | \$ - | \$ - | \$ 893,601 | \$ - | \$ 33,687,931 |
| Total Revenues and Other Financing Sources | \$ 336,958,629 | \$ 361,402,404 | \$ 376,556,596 | \$ 408,341,063 | \$ 472,637,649 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General Government | \$ 27,643,951 | 29,704,416 | 31,518,048 | 35,692,807 | 37,233,747 |
| Judicial Administration | 10,066,727 | 10,779,223 | 11,517,348 | 12,350,329 | 13,060,768 |
| Public Safety | 69,674,678 | 75,925,565 | 82,436,138 | 86,328,771 | 90,347,799 |
| Public Works | 27,418,389 | 27,174,195 | 27,674,382 | 29,362,422 | 29,920,883 |
| Health and Welfare | 14,603,243 | 14,310,933 | 15,888,964 | 16,415,944 | 18,164,634 |
| Culture and Recreation | 12,143,260 | 14,554,083 | 17,073,254 | 18,005,521 | 19,507,018 |
| Community Development | 5,178,420 | 6,253,013 | 7,022,600 | 7,321,949 | 8,538,375 |
| Education | 13,017 | 12,923 | 13,246 | 13,058 | 13,299 |
| Transit | 3,515,994 | 2,755,665 | 3,628,477 | 3,890,922 | 4,761,857 |
| Debt Service: | | | | | |
| Principal Retired | 6,918,641 | 8,559,463 | 10,427,596 | 10,895,998 | 13,220,854 |
| Interest and Fiscal Charges | 5,591,167 | 7,577,413 | 7,173,024 | 7,909,093 | 9,583,716 |
| Total Expenditures | \$ 182,767,487 | \$ 197,606,892 | \$ 214,373,077 | \$ 228,186,814 | \$ 244,352,950 |
| Other Financing Uses: | | | | | |
| Payment to Refunded Bonds | | | | | |
| Escrow Agent | \$ - | \$ - | \$ - | \$ - | \$ 33,385,875 |
| Operating Transfers Out | \$ 44,866,553 | 40,452,214 | 47,047,187 | 43,745,927 | 53,883,761 |
| Transfers Out - Component Units | 106,479,088 | 116,150,049 | 125,304,498 | 131,873,629 | 141,825,586 |
| Total Other Financing Uses | \$ 151,345,641 | \$ 156,602,263 | \$ 172,351,685 | \$ 175,619,556 | \$ 229,095,222 |
| Total Expenditures and Other Financing Uses | \$ 334,113,128 | \$ 354,209,155 | \$ 386,724,762 | \$ 403,806,370 | \$ 473,448,172 |
| Revenues and Other Financing Sources Over/ | | | | | |
| (Under) Expenditures and Other Financing Uses | | | | | |
| | \$ 2,845,501 | \$ 7,193,249 | \$ (10,168,166) | \$ 4,534,693 | \$ (810,523) |
| Fund Balances at Beginning of Year | 57,998,531 | 60,833,603 | 68,228,659 | 58,117,728 | 62,796,610 |
| Increase/(Decrease) in Reserve For Inventory | \$ (10,429) | \$ 201,807 | \$ 57,235 | \$ 144,189 | \$ 289,096 |
| FUND BALANCES AT END OF YEAR | \$ 60,833,603 | \$ 68,228,659 | \$ 58,117,728 | \$ 62,796,610 | \$ 62,275,183 |

CITY OF ALEXANDRIA, VIRGINIA
Summary of Total
General Obligation Bonds
Debt Service
As of June 30, 2005

| Fiscal Year | Principal | Interest | Total |
|--------------------|-----------------------|----------------------|-----------------------|
| 2006 | 16,350,000 | 10,495,016 | 26,845,016 |
| 2007 | 15,420,000 | 9,751,479 | 25,171,479 |
| 2008 | 15,425,000 | 9,070,729 | 24,495,729 |
| 2009 | 15,430,000 | 8,409,970 | 23,839,970 |
| 2010 | 14,645,000 | 7,746,568 | 22,391,568 |
| 2011 | 14,145,000 | 7,099,236 | 21,244,236 |
| 2012 | 14,105,000 | 6,496,199 | 20,601,199 |
| 2013 | 14,065,000 | 5,898,269 | 19,963,269 |
| 2014 | 14,065,000 | 5,290,444 | 19,355,444 |
| 2015 | 14,020,000 | 4,686,519 | 18,706,519 |
| 2016 | 13,995,000 | 4,069,362 | 18,064,362 |
| 2017 | 13,985,000 | 3,423,550 | 17,408,550 |
| 2018 | 13,950,000 | 2,807,962 | 16,757,962 |
| 2019 | 13,915,000 | 2,200,713 | 16,115,713 |
| 2020 | 11,880,000 | 1,591,332 | 13,471,332 |
| 2021 | 8,935,000 | 1,075,631 | 10,010,631 |
| 2022 | 6,040,000 | 684,650 | 6,724,650 |
| 2023 | 6,040,000 | 434,800 | 6,474,800 |
| 2024 | 2,740,000 | 181,525 | 2,921,525 |
| 2025 | 2,740,000 | 61,650 | 2,801,650 |
| Total | \$ 241,890,000 | \$ 91,475,603 | \$ 333,365,603 |



SINGLE
AUDIT



KPMG LLP
2001 M Street, NW
Washington, DC 20036

**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, 2005, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 31, 2005. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting 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 misstatements caused by error or fraud in amounts that would be material in relation to the financial statements 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 financial reporting and its operation that we consider to be material weaknesses.

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, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and the Specifications.



Compliance with the Conflict of Interests Act

The State and Local Government Conflict of Interests Act (The Act) requires local government officials to file a statement of economic interests with the clerk of the governing body annually. The Act sets out the format of this statement, which involves extensive disclosure of personal financial interests that may cause conflicts with holding public office. These statements are required to be submitted in a timely manner (i.e. by January 15, 2005). We observed that five out of the nine School Board members had failed to return their Statement of Economic Interests forms by the submission deadline of January 15, 2005 to the Clerk of the School Board. We also observed that 19 out of 155 City personnel and Board members required to submit these disclosure forms to the Clerk of the City Council failed to do so by the January 15, 2005 deadline. We recommend that the respective Clerks distribute a reminder communication to members of the Boards and other personnel with outstanding forms two weeks prior to the submission deadline of the Statement of Economic Interests forms.

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

October 31, 2005



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

The Honorable 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, 2005. 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, 2005.

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.



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 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 accompanying basic financial statements of the City of Alexandria, Virginia (the City) as of and for the year ended June 30, 2005, and have issued our report thereon dated October 31, 2005. 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 the 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

October 31, 2005

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Federal Awards
Year Ended June 30, 2005

| <u>Federal Grantor/Recipient State Agency/Program Title</u> | <u>Federal Catalog Number</u> | <u>Grant Year</u> | <u>Expenditures</u> |
|---|-------------------------------|-------------------|----------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| Pass Through Payments: | | | |
| Department of Agriculture and Consumer Services (301 535-06): | | | |
| Commodity Food Distribution-Summer | 10.559 | | 754 |
| Commodity Food Distribution-School | 10.555 | | 604,406 |
| Commodity Food Distribution | 10.555 | | 299,638 |
| Food Stamp Program | 10.561 | | 1,327,682 |
| Department of Education (197 457-07) | | | |
| Breakfast Program | 10.553 | | 444,231 |
| Lunch Program | 10.555 | | 1,816,386 |
| After School Program | 10.559 | | 79,194 |
| Summer Food Program-schools | 10.559 | | 118,785 |
| Summer Food Program | 10.559 | | 108,721 |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | <u>\$ 4,799,797</u> |
| DEPARTMENT OF COMMERCE | | | |
| Economic Development Technical Assistance | 11.303 | | \$ 30,272 |
| TOTAL DEPARTMENT OF COMMERCE | | | <u>\$ 30,272</u> |
| CORPORATION FOR NATIONAL AND COMMUNITY SERVICE | | | |
| Learn and Serve America School and Community Based Programs | 94.004 | | \$ |
| Corporation for National and Community Services | 94.006 | | 8,407 |
| TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE | | | <u>\$ 8,407</u> |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| Direct Payments: | | | |
| Administration for Children, Youth and Families | | | |
| Head Start | 93.600 | | \$ 1,723,455 |
| Total Direct Payments | | | <u>1,723,455</u> |
| Pass Through Payments: | | | |
| Department of Health: | | | |
| Rape Crisis Treatment and Prevention Grant (140 390-01) | 93.991 | | 76,529 |
| Injury Prevention and Control Research and State and Community Based | 93.136 | | 29,285 |
| Department of Mental Health and Mental Retardation(790 445-00): | | | |
| Block Grant for Community Mental Health Services | 93.958 | | 430,106 |
| Comprehensive Services to Children and Adolescents with | | | |
| Acquired Immunodeficiency Syndrome (AIDS) Activity | 93.118 | | 32,720 |
| Projects for Assistance in Transition from Homelessness | 93.150 | | 49,892 |
| Child Care Block Grant | 93.575 | | 2,284,416 |
| Prevention and Treatment of Substance Abuse | 93.959 | | 1,156,974 |
| Public Health & Soc Serv Emergency Fund | 93.003 | | 299 |
| Department for the Aging: | | | |
| Title IIIB - Supportive Services and Senior Programs (163-455-04) | 93.044 | | 138,113 |
| Special Programs for the Aging Title III - Disease Prevention (163-455-04) | 93.043 | | 1,780 |
| Special Programs for the Aging Title IIIG - Prevention of Abuse (163-455-04) | 93.041 | | 1,402 |
| Special Programs for the Aging Title IIIC - Nutritional Services (163-457-03) | 93.045 | | 145,883 |
| Department of Social Services: | | | |
| Family Preservation and Support Services (765-453-01) | 93.556 | | 51,376 |
| Temporary Assistance for Needy Families (765-460-03) | 93.558 | | 1,199,677 |
| Low Income Energy Assistance (765-452-06) | 93.568 | | 12,552 |
| Social Services Block Grant (765-490-04) | 93.667 | | 1,384,028 |
| Refugee Resettlement (765-460-03) | 93.566 | | 40,575 |
| Refugee Community (197-192-02) | 93.576 | | 2,750 |
| Child Care Mandatory and Matching Funds (765-490-10) | 93.596 | | 2,068,301 |
| Chafee Education and Training Vouchers Program (765-453-01) | 93.599 | | 18,064 |
| Foster Care Title IV - E (765-460-03) | 93.658 | | 4,132,531 |
| Adoption Assistance (765-453-03) | 93.659 | | 437,740 |
| Independent Living (765-453-01) | 93.674 | | 14,415 |
| Medical Assistance Program 765-460-03) | 93.778 | | 1,079,619 |
| Statewide Fraud Program | 93.000 | | 8,101 |
| Domestic Violence Program | 93.051 | | 115,617 |
| Total Pass Through Payments | | | <u>14,912,745</u> |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | <u>\$ 16,636,200</u> |

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Federal Awards
Year Ended June 30, 2005

| 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 | | \$ 1,567,270 |
| Total Direct Payments | | | <u>1,567,270</u> |
| Pass Through Payments: | | | |
| Regional and Community Development and Planning (1665-533-05) | 14.235 | | 29,814 |
| Emergency Shelter Grants for the Homeless (165-458-05) | 14.231 | | 46,470 |
| Affordable Housing (165-533-05) | 14.239 | | <u>959,923</u> |
| Total Pass Through Payments | | | <u>1,036,207</u> |
| TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | <u><u>\$ 2,603,477</u></u> |
| DEPARTMENT OF HOMELAND SECURITY | | | |
| Direct Payments: | | | |
| Assistance to Firefighters Grants | 97.044 | 2005 | \$ 36,400 |
| Total Direct Payments | | | <u>36,400</u> |
| Pass Through Payments (127-722-09): | | | |
| State Domestic Preparedness Equipment Support Program | 97.004 | 2004 | \$ 34,067 |
| State Domestic Preparedness Equipment Support Program | 97.004 | 2005 | 15,765 |
| First Responder Counter Terrorism Training | 97.038 | 2005 | 154,068 |
| Emergency Management Performance Grants | 97.042 | 2004 | 18,877 |
| Emergency Management Response | 97.042 | 2005 | 16,458 |
| Emergency Management Performance Grants | 97.067 | 2005 | 302,749 |
| State and Local All Hazards Emergency Operations Planning | 97.051 | 2005 | 17,000 |
| Citizen Corps | 97.053 | 2005 | 13,133 |
| Community Emergency Response Teams | 97.054 | 2004 | <u>27,640</u> |
| Total Pass Through Payments | | | <u>599,757</u> |
| TOTAL DEPARTMENT OF HOMELAND SECURITY | | | <u><u>\$ 636,157</u></u> |
| U.S. DEPARTMENT OF JUSTICE | | | |
| Direct Payments: | | | |
| Jail Security | 16.999 | | \$ 140,625 |
| Juvenile Justice and Delinquency Prevention | 16.541 | | 68,530 |
| Office of Community Oriented Policing Services | | | |
| COPS Grants | 16.710 | | 243,391 |
| Edward Byrne Memorial State and Local Law Enforcement Assistance | 16.580 | | <u>873,479</u> |
| Total Direct Payments | | | <u>1,326,025</u> |
| Pass Through Payments: | | | |
| Department of Criminal Justice Services (140-390-01) | | | |
| Asset Forfeiture Report | 16.000 | | 140,860 |
| Juvenile Accountability Incentive Block Grant | 16.523 | | 44,840 |
| Violence Against Women Formula Grants | 16.588 | | 146,752 |
| Grants to Encourage Arrest Policies | 16.590 | | 28,513 |
| Law Enforcement Block Grant | 16.592 | | <u>35,465</u> |
| Total Pass Through Payments | | | <u>396,430</u> |
| TOTAL U.S. DEPARTMENT OF JUSTICE | | | <u><u>\$ 1,722,455</u></u> |
| U.S. DEPARTMENT OF LABOR | | | |
| Pass Through Payments: | | | |
| Workforce Investment Act (182-462-09): | | | |
| Employment and Training Administration Pilots | 17.261 | | 22,078 |
| Adult Program | 17.258 | | 80,456 |
| Youth Activities | 17.259 | | 76,924 |
| Dislocated Workers | 17.260 | | 188,852 |
| Department for the Aging- | | | |
| Senior Community Service Employment Program (163-455-04) | 17.235 | | <u>124,673</u> |
| TOTAL U.S. DEPARTMENT OF LABOR | | | <u><u>\$ 492,983</u></u> |

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Federal Awards
Year Ended June 30, 2005

| 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 | | \$ 180,951 |
| Sobriety Checkpoints | 20.600 | | <u>141,550</u> |
| TOTAL U.S. DEPARTMENT OF TRANSPORTATION | | | \$ 322,501 |
| U.S EQUAL EMPLOYMENT OPPORTUNITY COMMISSION | | | |
| Direct Payments: | | | |
| Title VII Age, New Charges Age Discrimination Employment Act | 30.002 | | \$ 6,635 |
| | | | <u>\$ 6,635</u> |
| U.S. ENVIRONMENTAL PROTECTION AGENCY | | | |
| Pass Through Payments: | | | |
| Surveys, Studies, Investigations and Special Purpose Grants (440-515-02) | | | |
| State Air Pollution Control Board | 66.606 | | \$ 456,271 |
| Air Pollution Control Program Grants | 66.001 | | <u>43,730</u> |
| TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY | | | <u>\$ 500,001</u> |
| U.S. DEPARTMENT OF EDUCATION | | | |
| Pass Through Payments: | | | |
| Department of Education: | | | |
| Title 1 Grants to Local Educational Agencies (197-171-01) | 84.010 | | \$ 2,880,562 |
| Special Education Grants to States (197-171-02) | 84.027 | | 2,149,496 |
| Vocational Education Basic Grants (197-171-03) | 84.048 | | 259,763 |
| Special Education Preschool Grants (197-171-02) | 84.173 | | 145,050 |
| Special Education Grants for Infants and Families with Disabilities (720-445-07) | 84.181 | | 120,933 |
| Drug-Free Schools (197-171-05) | 84.186 | | 90,971 |
| Fund for the Improvement of Education (197-171-14) | 84.215 | | 427,251 |
| Twenty-first Century Community Learning Centers (197-171-03) | 84.287 | | 237,624 |
| Innovative Education Program Strategies (197-171-01) | 84.298 | | 102,335 |
| Education Technology State Grants (197-175-18) | 84.318 | | 81,509 |
| Advance Placement Test Fees (197-171-05) | 84.330 | | 5,668 |
| Comprehensive School Reform Demonstration (197-171-01) | 84.332 | | 126,615 |
| English Language Acquisition Grants | 84.365 | | 239,654 |
| Improving Teacher Quality State Grants (201-199-28) | 84.367 | | 655,461 |
| State Assessment Program | 84.369 | | <u>31,917</u> |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | <u>\$ 7,554,809</u> |
| OTHER FEDERAL AID | | | |
| High Intensity Drug Trafficking Area | 98.473 | | <u>217,240</u> |
| TOTAL OTHER FEDERAL | | | <u>\$ 217,240</u> |
| TOTAL FEDERAL ASSISTANCE | | | <u>\$ 35,530,934</u> |

CITY OF ALEXANDRIA, VIRGINIA
Notes to Schedule of Expenditures of Federal Awards
June 30, 2005

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 fiscal year 2005. 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 13 in the Notes to the Financial Statements, Intergovernmental Revenues, is provided below.

| | |
|---|----------------------|
| Total Federal Expenditures per Schedule | \$ 35,530,934 |
| Non-Reportable Federal Revenue | 4,959,131 |
| Commodities Distribution | <u>(300,394)</u> |
| Total Federal Revenue per Note 13 | <u>\$ 40,189,671</u> |

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 2005:

| <u>Program Title</u> | <u>CFDA</u> | <u>Amount</u> |
|----------------------|-------------|---------------|
| HOME | 14.218 | \$ 1,075,300 |
| Headstart | 93.600 | 1,723,455 |

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

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

Reportable conditions 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

Reportable conditions 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:

- Community Development Block Grant (CFDA 14.218)
- Child Care Cluster (CFDA 93.575 and 93.596)
- Head Start (CFDA 93.600)
- Block Grants for Prevention and Treatment of Substance Abuse (CFDA 93.959)
- Justice Jail Security (CFDA 16.999)
- Medicaid Cluster (CFDA 93.778)

Dollar threshold used to distinguish between Type A and Type B programs: \$1,222,952

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

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2005

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, 2005

No findings reported in the prior year.