



CITY OF ALEXANDRIA, VIRGINIA



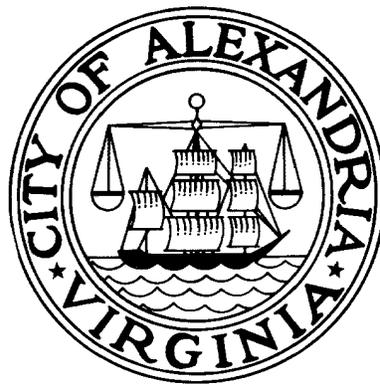
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2006

Duncan is the first City of Alexandria building with an ecologically-friendly rooftop, often referred to as a Green Roof. The vegetation and soil of a “green roof” reduce rain water to sewer run-off and naturally filter water that is discharged. A green roof also acts as an insulator by greatly reducing the indoor temperature within a building especially during summer months.

Photo and Cover Design by Justin Thompson

**CITY OF ALEXANDRIA, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR
 JULY 1, 2005 TO JUNE 30, 2006**

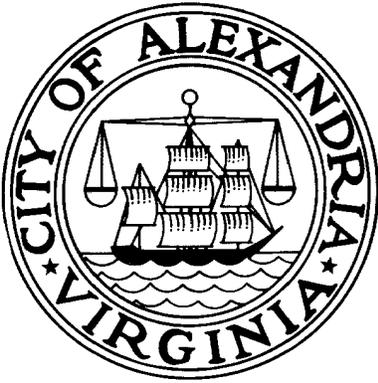


Alexandria City Council
William D. Euille, *Mayor*
Andrew H. Macdonald, *Vice-Mayor*
Ludwig P. Gaines
Rob Krupicka
Timothy B. Lovain
Redella S. Pepper
Paul C. Smedberg

City Manager.....James K. Hartmann
Deputy City ManagerMark B. Jinks
Director of FinanceDaniel A. Neckel, CPA
Director of Real Estate AssessmentsCindy Smith-Page
City Attorney.....Ignacio B. Pessoa
City Clerk and Clerk of Council..... Jacqueline Henderson
Independent Auditors.....KPMG LLP

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

alexandriava.gov



**CITY OF ALEXANDRIA, VIRGINIA
Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2006**

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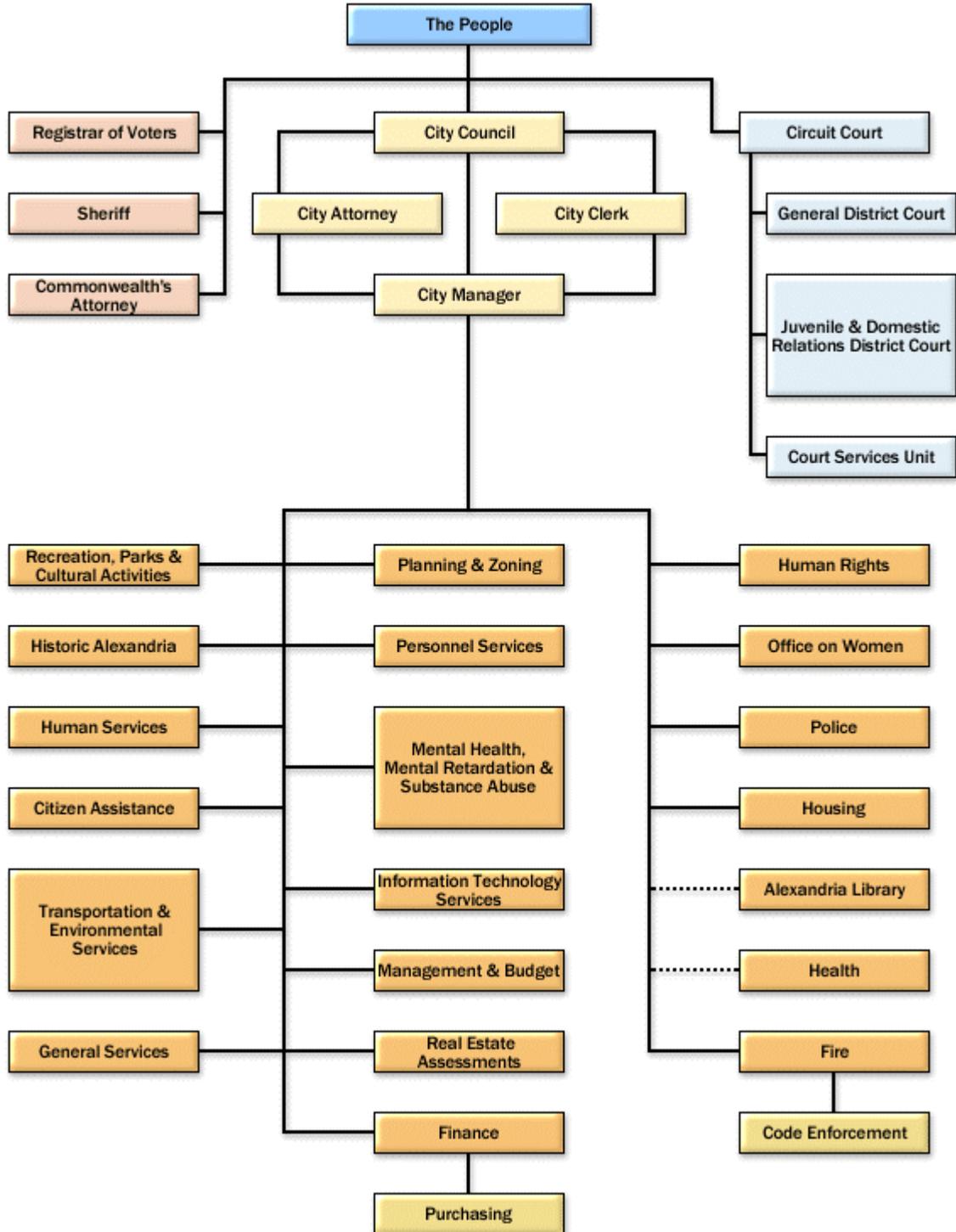
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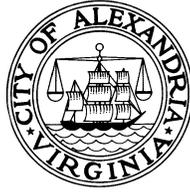
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INTRODUCTORY SECTION

ALEXANDRIA CITY GOVERNMENT ORGANIZATIONAL CHART





October 31, 2006

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, 2006. The report is designed to present fairly the financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City in all material respects and to demonstrate compliance with applicable finance-related legal and contractual provisions. The report adheres to the principle of full disclosure so that the reader may gain the maximum understanding of the City's financial affairs.

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

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

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

THE CITY

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

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

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

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

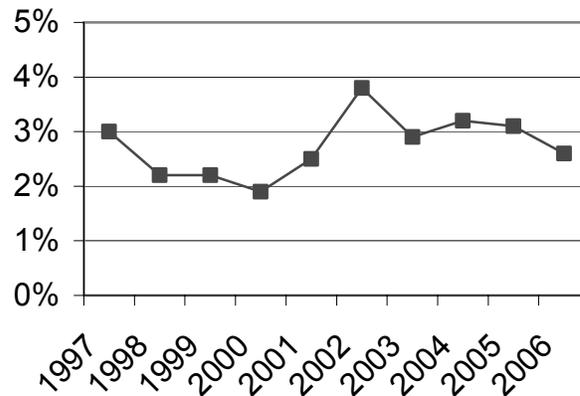
FINANCIAL REPORTING ENTITY

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

LOCAL ECONOMY

The City continues to enjoy a stable and growing economy. Tourism is strong, unemployment rates low, office vacancy rates moderate, demand for housing moderate, and the number of jobs in the City increasing. As of March 31, 2006, 92,853 persons were employed in the City, an increase of 1,364 compared to 91,489 at the end of March 2005. The local jobless rate has continued to decrease from 3.1 percent in 2005 to 2.6 percent in 2006. 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 2006 by 20.3 percent, or \$5.6 billion, including \$4.1 billion of residential appreciation and \$1.5 billion of commercial growth. This was the sixth consecutive year of double-digit growth in the City's real estate tax base.

MAJOR INITIATIVES

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

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

FINANCIAL CONDITION

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

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

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

Capital investment and the resulting debt service costs are planned to increase. The need for increased operating and capital support to fund a new high school to replace T.C. Williams and the Public Safety Center are two of the City's major capital challenges. During fiscal year (FY) 2007, revenues are budgeted to grow by about 4.9 percent over FY 2006 with revenues reflecting both an expanded real estate tax base as well as the decreased City real estate tax rate (from 91.5¢ to 81.5¢). One percent of the City's real property taxes collected continues to be dedicated to open space acquisition with another one cent dedicated to affordable housing. The City believes, in general, that the overall state of its infrastructure of streets, bridges, and many public facilities is good, with the increased capital improvement program aimed at maintaining and improving the City's infrastructure. The amount of development in the City will also influence future expenditure and revenue levels. New development generated additional tax revenues.

Over the last five years, the City's property tax base has grown an average of 15.3 percent per year, the City's real estate tax rate has dropped 24.5 percent (from \$1.08 in 2001 to 81.5¢ for 2006), and the level 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 ratings and to keep the City on firm financial footing. When City Council initially adopted the financial policies in 1987, the City's general obligation debt as a percentage of the tax base was 1.4 percent. Because of the City use of "pay-as-you-go" financing for many capital projects, the City has maintained superior debt ratios since 1987. At the end of FY 2006, the City's debt to tax base ratio was just .90 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 revenues and resources derived from spending less than the full budget to fund capital projects.

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

GENERAL GOVERNMENT FUNCTIONS

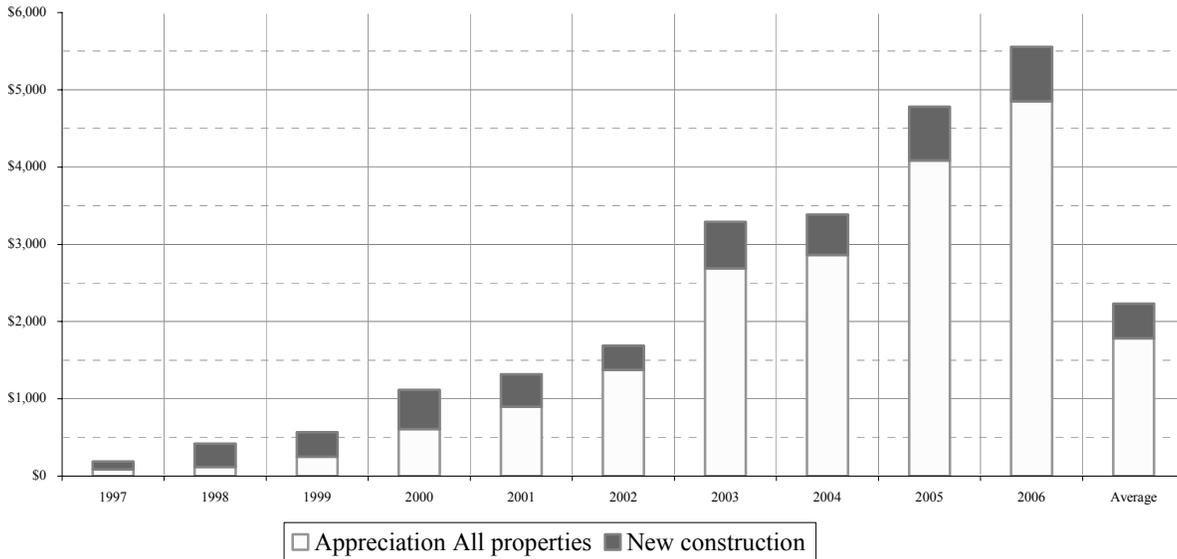
The following table shows that the overall real property assessed value has increased by over \$21 billion since 1997, including the 20.3 percent increase from calendar year 2005 to 2006. Real property taxes, which are based on assessments as of January 1 of each year, are due in two payments. The first half of the real estate tax is due on June 15 and the second half of the tax is due on November 15.

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

<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>
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
2006	20,331,756	24.9	12,574,964	13.4	32,906,720	20.3

1. Includes apartment buildings.

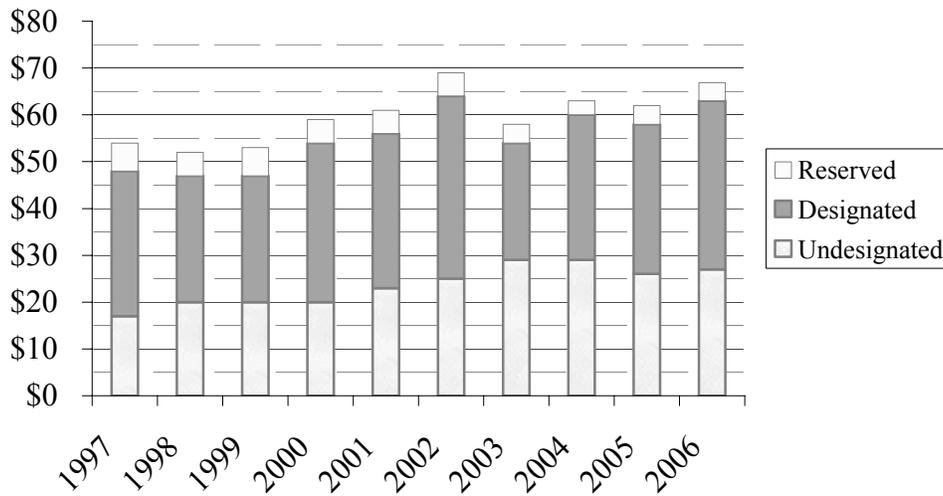
Change in Total Tax Base (in millions)



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

The General Fund Unreserved Fund Balance financial policies are one keystone in the City's overall financial strength and stability. At the end of FY 2006, the City's General Fund fund balance was \$67.4 million and included legal reservations of fund balance of \$4.1 million and several designations totaling \$36.5 million, including \$7.3 million designated for future capital funding leaving a remaining undesignated fund balance of \$26.8 million. At the end of FY 2006 the City's ending General Fund fund balance condition was consistent with the City's established financial policies.

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



CAPITAL FINANCING AND DEBT MANAGEMENT

In conjunction with the annual operating budget preparation, the City Manager annually prepares a six-year Capital Improvement Plan to provide for the financing of improvements to the City's public facilities. The first year of the program constitutes the capital budget for the current fiscal year; the remaining five years serve as a planning guide. The City accounts for capital improvement expenditures in the Capital Projects Fund and finances the projects from the General Fund (including appropriations of Designated Fund Balance), general obligation debt, the sale of surplus property, and intergovernmental grant revenues. The City's Capital Improvement Plan for FY 2007 through FY 2012 represents \$326.5 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 \$242.8 million in additional planned capital funding for the FY 2007-FY 2012 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>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>Target</u>
Debt as a Percentage of Fair Market Value	1.6%	0.86%	0.74%	0.95%	0.75%	0.87%	0.88%	0.90%	1.1%
Debt Per Capita as a Percentage of Per Capita Income ¹	3.25%	1.9%	1.6%	2.2%	2.0%	2.7%	3.1%	3.4%	2.25%
Debt Service as a Percentage of General Governmental Expenditures ²	10.0%	2.3%	3.1%	3.5%	3.6%	3.6%	4.2%	4.3%	8.0%
General Fund Balance as a Percentage of General Fund Revenue:									
Unreserved	10% (floor)	17.3%	16.6%	17.6%	14.4%	14.6%	13.3%	13.2%	N/A
Undesignated	4% (floor)	6.4%	6.6%	6.8%	7.3%	6.9%	5.9%	5.6%	5.5%
Unrestricted Net									
Assets as a Percentage of General Revenue	4% (floor)	19.4%	8.4% ³	32.2%	19.8%	18.4%	14.5%	17.7%	5.5%

¹ Per capita information from the U.S. Bureau of Economic Analysis, as revised

² Data includes School Board and Library component units.

³ Net Assets percentage decrease associated with School assets. See Note 5.

The adopted financial policies include the following:

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

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

<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 implemented by members of the Finance Department, the City's Internal Audit staff continually reviews and assesses the soundness and adequacy of the City's financial systems.

REPORT FORMAT

The City's Finance Department has prepared this **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 reporting standards. We believe the data is accurate in all material respects and is reported in a manner designed to present fairly the City's financial position and results of operations.

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

and School programs that are financed by federal grants. This information is required by the Single Audit Act Amendments of 1996 and by the Auditor of Public Accounts of the Commonwealth of Virginia.

INDEPENDENT AUDIT

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

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

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the City of Alexandria a Certificate of Achievement for Excellence in Financial Reporting for the City's **Comprehensive Annual Financial Report** for the 28th consecutive year in 2005. 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 2006.

REPORTING REQUIREMENTS

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

ACKNOWLEDGMENTS

We would like to express our appreciation to everyone in the City who assisted with and contributed to the preparation of this report. Special recognition is extended to the Accounting Division for their dedicated pursuit of excellence and leadership in financial reporting.

Respectfully submitted,



Mark B. Jinks
Deputy City Manager



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

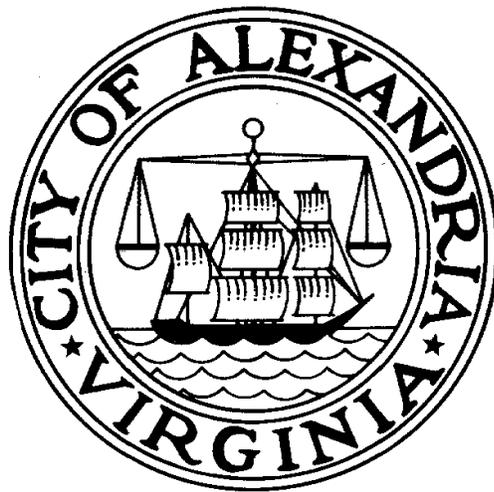
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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

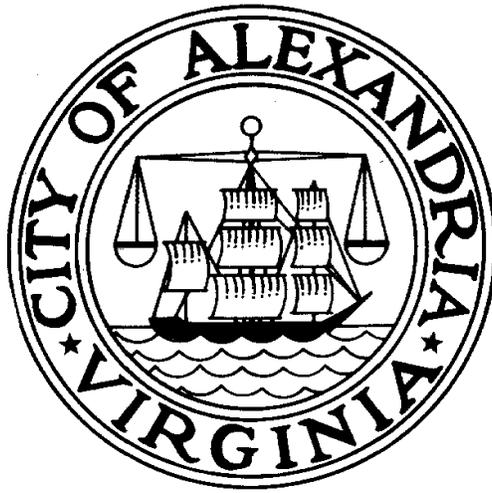


President

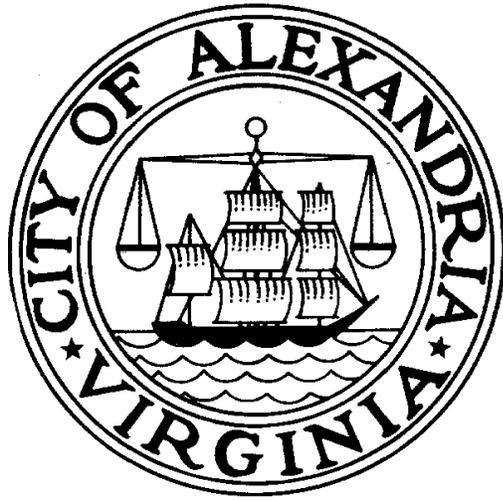
Executive Director



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 and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements identified in Exhibits I through XII in the Financial Section of the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia (Specifications). Those standards and Specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2006, 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, 96 through 98, and 99 through 101, respectively, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited 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.

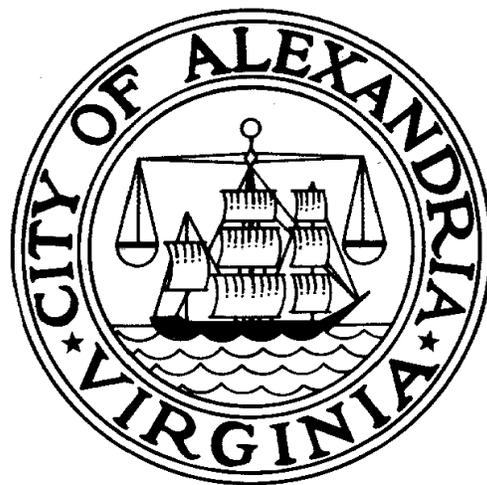
Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The information identified as schedules 1 and 2 in the Financial Section of the accompanying table of contents is presented for purposes of additional 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, 2006

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, 2006. 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 2006

The General Fund, on a current financial resource basis, reported expenditures and other financing uses in excess of revenues and other financing sources by \$4.9 million (Exhibit IV) after making a budgeted \$23.6 million transfer to the capital projects fund and a \$34.7 million transfer to the special revenue fund.

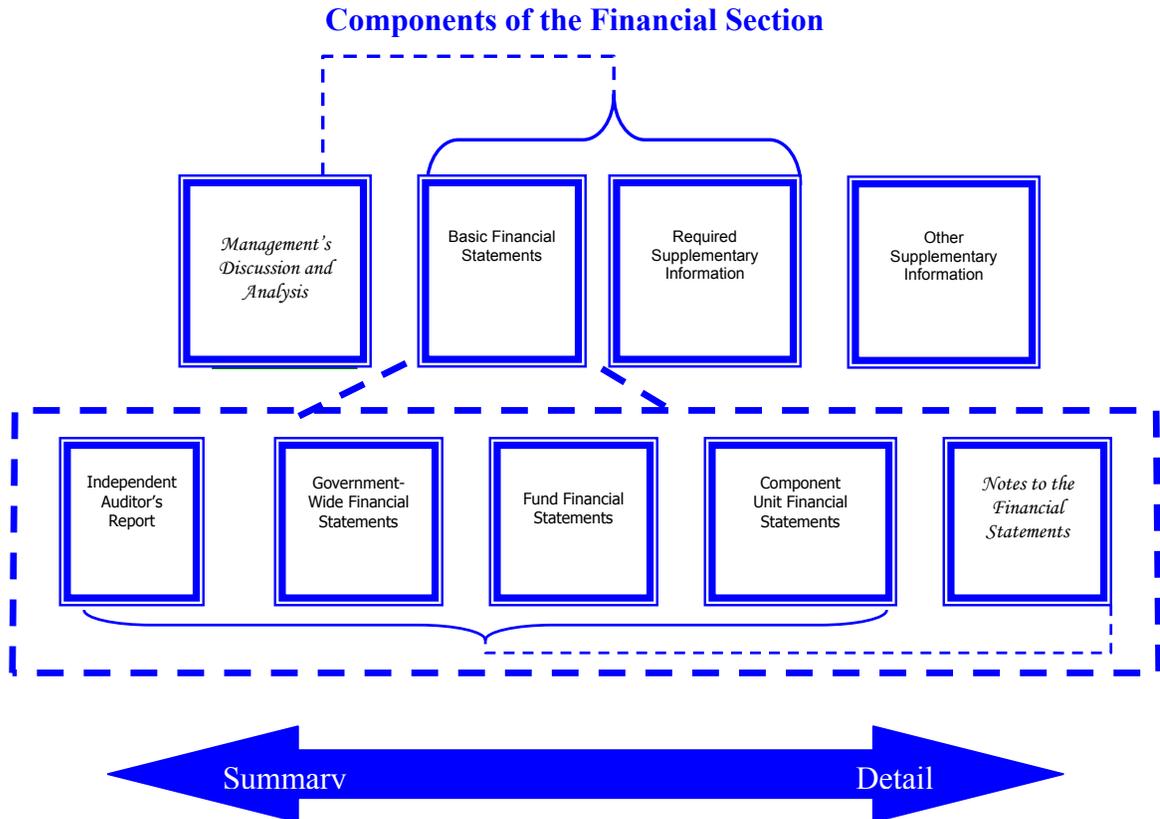
On a government-wide basis for governmental activities, the City’s general revenues of \$438.9 million were \$35.0 million more than the \$403.9 million of expenses net of program revenue (Exhibit II).

The City’s total net assets, excluding component units, on the government-wide basis, totaled \$347.4 million at June 30, 2006. Of this amount, \$81.6 million is unrestricted (Exhibit I).

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

USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

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



GOVERNMENT-WIDE STATEMENTS

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

The City has three kinds of funds:

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

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

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Statement of Net Assets:

The following table presents the condensed Statement of Net Assets:

Table 1
Summary of Net Assets
As of June 30, 2006 and 2005
(In millions)

	Primary Government Governmental Activities		Component Units	
	2006	2005	2006	2005
Current and other assets	\$ 498	\$ 453	\$ 43	\$ 48
Capital assets	415	355	22	23
Total assets	<u>\$ 913</u>	<u>\$ 808</u>	<u>\$ 65</u>	<u>\$ 71</u>
Other liabilities	\$ 251	\$ 233	\$ 24	\$ 24
Long-term liabilities	315	263	6	6
Total liabilities	<u>\$ 566</u>	<u>\$ 496</u>	<u>\$ 30</u>	<u>\$ 30</u>
Net assets:				
Invested in capital assets, net of related debt	\$ 105	\$ 100	\$ 22	\$ 23
Restricted	160	148	-	-
Unrestricted	82	64	14	18
Total Net Assets	<u>\$ 347</u>	<u>\$ 312</u>	<u>\$ 36</u>	<u>\$ 41</u>

Amounts may not add due to rounding

The City's net assets (which is the City's bottom line) increased eleven percent, or \$35 million, to \$347 million. The increase is primarily attributable to a surplus of revenues and other financing sources over expenditures of \$12 million in the City's Housing Special Revenue Fund (Schedule 4), \$6 million in the City's Sewer Special Revenue Fund (Schedule 4) and \$8 million in the City's Capital Projects Fund (Exhibit IV). The City has designated the Housing and Sewer funds for specific affordable housing and sewer related projects, respectively. The Capital Projects fund balance represents remaining debt proceeds expected to fund approved capital projects, primarily for schools. The increase in the City's current assets and liabilities is primarily attributable to the increase in real property tax assessments which are considered unearned until FY 2007. The decrease in component units' net assets is primarily attributable to the budgeted use of the School's fund balance. The City's capital assets increased \$60 million, primarily for additions to the City's construction in progress (Note 5) for the new T. C. Williams high school. The increase in long-term liabilities is attributable to the issuance of \$71 million in general obligation bonds for capital projects and affordable/workforce housing 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, 2006 and 2005
(In millions)

	Total Primary Government		Component Units	
	Governmental Activities			
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues				
Program revenues:				
Charges for services	\$ 40	\$ 31	\$ 5	\$ 4
Operating grants and Contributions	60	60	37	36
Capital grant/contributions	10	5	--	--
General revenues:				
Property taxes	289	267	--	--
Other taxes	109	101	--	--
Other	41	34	--	--
Transfer	--	--	--	--
Payment to/from from City	--	--	177	155
Total revenues	<u>\$ 549</u>	<u>\$ 498</u>	<u>\$ 220</u>	<u>\$ 195</u>
Expenses				
General government	\$ 48	\$ 48	\$ --	\$ --
Judicial administration	16	15	--	--
Public safety	107	96	--	--
Public works	41	40	--	--
Library	6	6	7	7
Health and welfare	84	79	--	--
Transit	12	11	11	9
Culture and recreation	25	26	--	--
Community development	24	16	--	--
Education	140	142	207	170
Interest on long-term debt	10	10	--	--
Total expenses	<u>\$ 515</u>	<u>\$ 489</u>	<u>\$ 225</u>	<u>\$ 186</u>
Change in net assets	<u>\$ 35</u>	<u>\$ 9</u>	<u>\$ (5)</u>	<u>\$ 9</u>
Net Assets Beginning of Year	<u>\$ 312</u>	<u>\$ 303</u>	<u>\$ 41</u>	<u>\$ 32</u>
Net Assets End of Year	<u>\$ 347</u>	<u>\$ 312</u>	<u>\$ 36</u>	<u>\$ 41</u>

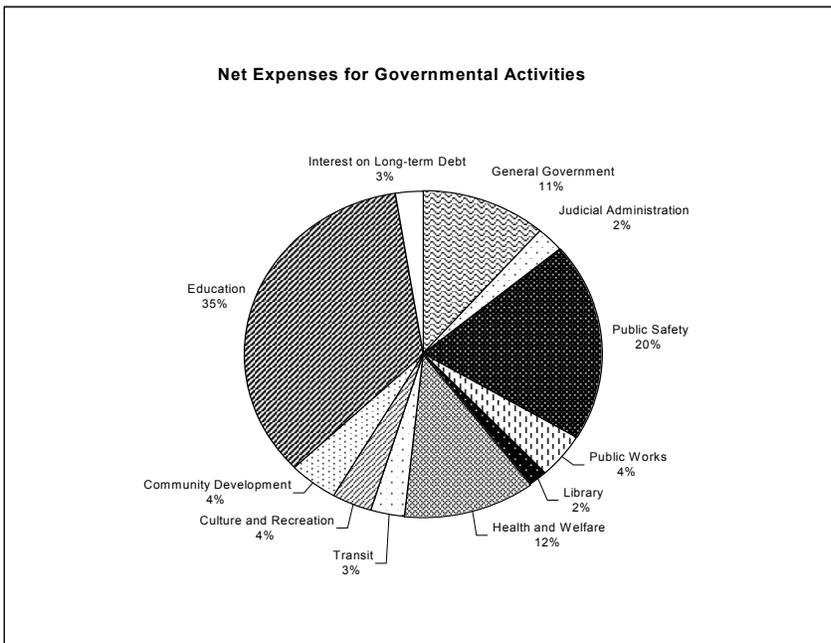
Amounts may not add due to rounding

REVENUES

For the fiscal year ended June 30, 2006 revenues from governmental activities totaled \$549 million. Real estate tax revenues, the City's largest revenue source, reflecting the recognition of the taxes associated with the last half of calendar year 2005 and the first half of calendar year 2006 real property tax billings, were \$255 million. The increase in tax revenues is primarily attributable to an increase in the City's assessed real property tax base, which increased 20.3 percent for calendar year 2006. The assessment increase was offset by a 10¢ reduction in the real estate tax rate. In addition, one percent of the City's real estate tax was set aside to fund open space initiatives and the equivalent of one cent of the real estate tax rate revenues was transferred to a Special Housing fund for affordable housing initiatives.

- The increase in other tax revenue included:
 - Recordation tax increases related to the healthy real estate market in the first half of the fiscal year,
 - A new cell phone tax to offset the loss of utility tax on land based telephone lines, and
 - A new admission tax on entertainment venues.
- The decrease in capital grants and contributions reflects the completion of the re-building of the City's marina after Hurricane Isabelle with the assistance of federal and state funds, and
- The increase in interest earnings reflects rising interest rates during the year.

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



EXPENSES

For the fiscal year ended June 30, 2006 expenses for governmental activities totaled \$514 million and include increases for employee compensation and budgeted increases in payments for educational expenses to the School Board. For FY 2006 the City provided increased resources to the following areas:

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

Education continues to be one of the City's highest priorities. Capital funding included \$0.6 million in addition to the City's operating subsidy to the Schools of \$139 million.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

For the fiscal year ended June 30, 2006, the governmental funds reflect a combined fund balance of \$255 million (Exhibit III). The fund balance increase of \$30 million is primarily funds committed to affordable/workforce housing and capital projects. In addition, these other changes in fund balance should be noted:

- The General Fund contributed \$23.6 million to pay-as-you-go financing of capital projects.
- The City contributed \$139 million to the schools for operations.
- The City spent almost \$11 million more in FY 2006 for public safety primarily to provide additional compensation.
- The City spent almost \$80 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 2006		
	Original Budget	Amended Budget	Actual
<u>Revenues, Transfers, and Other Financial Sources</u>			
Taxes	\$ 390	\$ 390	\$ 399
Intergovernmental	48	48	50
Other	26	25	30
Total	\$ 464	\$ 463	\$ 479
<u>Expenditures, Transfers, and Other Financial Uses</u>			
Expenditures	\$ 265	\$ 270	\$ 264
Transfers and other	204	211	210
Total	\$ 469	\$ 481	\$ 474
Change in Fund Balance	\$ (4)	\$ (18)	\$ 5

Amounts may not add due to rounding

Revenue and other financing sources exceeded expenditures and other financing uses by \$5 million in the General Fund for FY 2006 with \$1.8 million of this amount reserved for encumbrances and another \$2.6 million designated for projects started but not completed in FY 2006.

Actual General Fund revenues and other financial sources exceeded original budgeted revenues by \$15 million and the amended budget by \$16 million during FY 2006. This is primarily due to increased real estate tax revenue from higher assessments. Primarily due to supplemental appropriations for encumbrances and cash capital transfers, actual General Fund expenditures and transfers were greater than the original budget by \$5 million, while General Fund expenditures were less than the amended budget by \$7 million since not all planned projects were completed before the end of the fiscal year.

During FY 2006, City Council amended the budget three times. These budget amendments, or supplemental appropriation ordinances, were primarily for the following purposes:

- To reappropriate monies to pay for commitments in the form of encumbrances established prior to June 30, 2005 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, 2005, totaled \$2.1 million.
- To reappropriate monies (\$2.8 million) to pay for projects budgeted for FY 2005 but not completed before the end of the fiscal year.
- To reappropriate grant, donation and other revenues authorized in FY 2005 or earlier, but not expended or encumbered as of June 30, 2005.
- To appropriate grants, donations, and other revenues accepted or adjusted in FY 2006.
- To appropriate the designated General Fund balance of \$4.7 million to planned capital projects.

CAPITAL ASSETS

At the end of FY 2006, the City's governmental activities had invested cumulatively \$415.3 million (see Note 5) in a variety of capital assets and infrastructure, as reflected in the following schedule, which represents a net increase of \$60.8 million.

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

	Balance <u>June 30, 2005</u>	Net Additions/ <u>(Deletions)</u>	Balance <u>June 30, 2006</u>
Non-Depreciable Assets			
Land and Land Improvements	\$ 54.2	\$ 9.8	\$ 64.0
Construction in Progress	87.1	19.6	106.7
Other Capital Assets			
Buildings	195.8	35.7	231.5
Infrastructure	118.3	6.7	125.0
Furniture and Other Equipment	48.3	0.3	48.6
Accumulated Depreciation on Other Capital Assets	<u>(149.2)</u>	<u>(11.3)</u>	<u>(160.5)</u>
Totals	<u>\$354.5</u>	<u>\$ 60.8</u>	<u>\$415.3</u>

Amounts may not add due to rounding

The FY 2006 increase in construction in progress includes the new high school building under construction. The additions to land and buildings include the purchase of affordable housing, open space, and City buildings.

The FY 2007 - FY 2012 Approved Capital Improvement Program (CIP), which was approved by City Council in May 2006, sets forth a six-year program with \$326.5 million in new City funded and \$242.8 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 \$2.5 million above the FY 2006-2011 CIP. The CIP also provides an increased capital investment in quality of life initiatives, including open space acquisition, and increased Metro capital funding, to enhance the quality of life in Alexandria.

LONG-TERM DEBT

At the end of FY 2006, the City had \$296.5 million in outstanding general obligation bonds, an increase of \$54.7 million, or 23 percent, over last year. In June 2006, the City issued \$56 million in non-taxable general obligation bonds and \$15 million in taxable bonds and received an additional \$1.7 million in premium for the nontaxable bonds. The bonds and premium were issued at a true interest cost of 4.28 percent. More detailed information about the City's long-term liabilities is presented in Note 10 to the financial statements.

During 2006, Moody's Investors Services, Inc. and Standard & Poor's (S&P) credit rating agencies reaffirmed the City's triple-A bond ratings. The City received its first triple-A rating from Moody's in 1986 and from S&P in 1992.

The Commonwealth of Virginia limits the amount of general obligation debt the City can issue to ten percent of the assessed value of real property within the City. The City's outstanding debt is significantly below, or less than one-tenth of this state law limit - which would equate to \$3.3 billion for the City.

ECONOMIC FACTORS

Job growth in the City has continued moderate growth in FY 2006, with total employment of 92,853 for March 2006 (the latest data available from the Virginia Employment Commission). Tourism and travel has recovered since September 2001, with the hotel occupancy tax, restaurant food tax and sales tax all increasing in FY 2006.

As of 2004 (the latest data available from the U.S. Bureau of Economic Analysis), the City's per capita income of \$57,244 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 11.6 percent by the end of FY 2006, which is slightly lower than the office vacancy rate in Northern Virginia, as well as the Washington D.C. metropolitan area.

OTHER INFORMATION

In preparation for planning related to Governmental Accounting Standard Board Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45), the City had actuaries prepare a preliminary evaluation of post retirement medical and life insurance costs as of July 1, 2003. That evaluation estimated the Unfunded Actuarial Accrued Liability to be \$82 million and the Annual Required Contribution to be \$7 million. This information was based on a 30-year amortization of the unfunded actuarial liability and a 6 percent discount rate assumption. The 6 percent discount rate assumption was based on the assumption that the City would establish a separate investment trust fund to finance the payment of benefits. If a separate investment trust fund is not established, GASB 45 requires the City to use a discount rate assumption that reflects the rate the City receives on its general investments. If a discount rate assumption of 3 percent, to reflect the City's general investment rate, is used for the preliminary evaluation, the Total Actuarial Accrued Liability would increase to \$153 million and the Annual Required Contribution would increase to \$16 million.

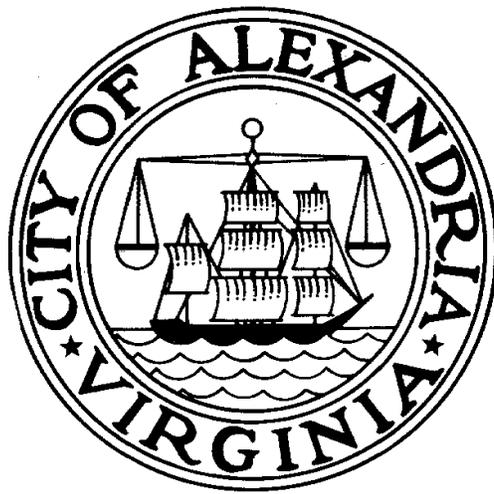
The Alexandria City Public Schools (a component unit of the City) also provides a post retirement health care subsidy per month for each retiree. For FY 2006, the Schools provided a subsidy of \$265 per month to cover 300 retirees at a total cost on a "pay-as-you-go" basis of \$0.8 million. A preliminary evaluation of their plan as of June 30, 2006, estimated that, with a separate trust fund, the Unfunded Actuarial Accrued Liability would be approximately \$39.0 million and the Annual Required Contribution would be \$4.9 million; if a separate trust fund is not used, the Unfunded Actuarial Accrued Liability would be approximately \$66.0 million and the Annual Required Contribution would be approximately \$7.0 million.

In recognition that GASB 45 reported unfunded liabilities should be funded, City Council as part of its FY 2007 budget deliberations, designated \$7.2 million of the City's General Fund balance for "Post Retirement Employees Benefits." This \$7.2 million had been previously designated for compensated absences. City Council also designated an additional \$1.5 million of FY 2006 anticipated surplus revenues to be added to the Post Retirement Employees Benefits designation bringing the total designation to \$8.7 million by the end of FY 2006. During FY 2007 funding policies and options will be reviewed, and the current benefit structure for City retiree health insurance program will be analyzed.

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, 2006

Exhibit I

	Primary Government	Component
	Governmental	Units
	Activities	Units
ASSETS		
Cash and Cash Equivalents	\$ 143,873,316	\$ 29,180,277
Cash and Investments with Fiscal Agents	131,123,589	2,165,431
Receivables, Net	179,694,378	44,704
Accrued Interest	109,717	-
Due From Other Governments	36,884,216	4,523,825
Inventory of Supplies	2,189,185	541,633
Prepaid and Other Assets	4,264,226	7,224,708
Capital Assets		
Land and Construction in Progress	170,702,415	7,504,188
Other Capital Assets, Net	244,515,703	14,099,484
Capital Assets, Net	\$ 415,218,118	\$ 21,603,672
Total Assets	\$ 913,356,745	\$ 65,284,250
LIABILITIES		
Accounts Payable	\$ 16,962,499	\$ 4,579,834
Accrued Wages	6,787,254	16,975,752
Accrued Liabilities	3,634,931	-
Unearned Revenue	194,142,797	1,171,828
Other Short-term Liabilities	5,997,414	42,422
Deposits	1,591,226	-
Long-term Liabilities Due Within One Year	21,760,381	491,040
Long-term Liabilities Due in More Than One Year	315,058,857	6,354,366
Total Liabilities	\$ 565,935,359	\$ 29,615,242
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 105,572,095	\$ 21,603,672
Restricted for:		
Capital Projects	157,203,592	-
Affordable Housing	3,032,666	-
Unrestricted Net Assets	81,613,033	14,065,336
TOTAL NET ASSETS	\$ 347,421,386	\$ 35,669,008

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Activities
For the Fiscal Year Ended June 30, 2006

Exhibit II

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating		Capital Grants & Contributions	Primary Government		Component Units
			Grants and Contributions	Contributions		Governmental Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	\$ 47,509,309	\$ 21,440	\$ 1,054,103	\$ 750,705	\$ (45,683,061)	\$ (45,683,061)	\$ -	-
Judicial Administration	15,545,384	2,011,545	3,526,221	-	(10,007,618)	(10,007,618)	-	-
Public Safety	106,903,341	10,566,734	15,758,550	-	(80,578,057)	(80,578,057)	-	-
Public Works	41,190,295	16,877,128	5,060,483	1,664,468	(17,588,216)	(17,588,216)	-	-
Library	6,438,429	-	-	-	(6,438,429)	(6,438,429)	-	-
Health and Welfare	84,353,165	5,416,003	30,942,487	-	(47,994,675)	(47,994,675)	-	-
Transit	12,452,373	-	-	-	(12,452,373)	(12,452,373)	-	-
Culture and Recreation	25,327,718	2,266,710	228,867	7,512,000	(15,320,141)	(15,320,141)	-	-
Community Development	24,429,516	3,144,500	3,692,892	-	(17,592,124)	(17,592,124)	-	-
Education	139,855,086	-	-	-	(139,855,086)	(139,855,086)	-	-
Interest on Long-term Debt	10,413,856	-	-	-	(10,413,856)	(10,413,856)	-	-
Total Primary Government	\$ 514,418,472	\$ 40,304,060	\$ 60,263,603	\$ 9,927,173	\$ (403,923,636)	\$ (403,923,636)	\$ -	-
Component Units:								
Library	\$ 7,007,725	\$ 196,359	\$ 201,113	\$ -	\$ -	\$ -	\$ (6,610,253)	(6,610,253)
Transit	10,590,482	2,639,811	16,563	-	-	-	(7,934,108)	(7,934,108)
School Board	183,000,125	2,124,749	37,250,450	-	-	-	(143,624,926)	(143,624,926)
Total Component Units	\$ 200,598,332	\$ 4,960,919	\$ 37,468,126	\$ -	\$ -	\$ -	\$ (158,169,287)	(158,169,287)
General Revenues:								
Taxes:								
General Property Taxes:								
Real Estate					\$ 255,442,439	\$ 255,442,439	\$ -	-
Personal Property					33,126,843	33,126,843	-	-
Other					109,495,556	109,495,556	-	-
Payment from City of Alexandria					-	-	152,410,686	152,410,686
Grants and Contributions Not Restricted to Specific Programs					30,944,248	30,944,248	-	-
Interest and Investment Earnings					9,121,638	9,121,638	62,371	62,371
Miscellaneous					842,030	842,030	92,946	92,946
Total General Revenues					\$ 438,972,754	\$ 438,972,754	\$ 152,566,003	(152,566,003)
Change in Net Assets					\$ 35,049,118	\$ 35,049,118	\$ (5,603,284)	(5,603,284)
Net Assets at Beginning of Year					312,372,268	312,372,268	41,272,292	41,272,292
Net Assets at End of Year					347,421,386	347,421,386	35,669,008	35,669,008

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Balance Sheet
Governmental Funds
June 30, 2006

Exhibit III

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 76,430,651	\$ 13,166,363	\$ 45,244,950	\$ 134,841,964
Cash and Investments with Fiscal Agents	-	15,097,066	116,026,523	131,123,589
Receivables, Net	177,208,279	1,789,989	696,110	179,694,378
Accrued Interest	109,717	-	-	109,717
Due From Other Governments	29,638,574	7,245,642	-	36,884,216
Inventory of Supplies	2,189,185	-	-	2,189,185
Prepaid and Other Assets	143,690	83,170	-	226,860
Total Assets	<u>\$ 285,720,096</u>	<u>\$ 37,382,230</u>	<u>\$ 161,967,583</u>	<u>\$ 485,069,909</u>
LIABILITIES				
Accounts Payable	\$ 9,961,602	\$ 2,881,200	\$ 3,946,506	\$ 16,789,308
Accrued Wages	5,419,467	1,365,467	2,320	6,787,254
Accrued Vacation	2,676,084	-	-	2,676,084
Other Liabilities	5,878,359	-	119,055	5,997,414
Deposits	1,591,226	-	-	1,591,226
Unearned Revenue	192,815,313	3,202,593	-	196,017,906
Total Liabilities	<u>\$ 218,342,051</u>	<u>\$ 7,449,260</u>	<u>\$ 4,067,881</u>	<u>\$ 229,859,192</u>
FUND BALANCES				
Reserved for:				
Capital Projects	\$ -	\$ -	\$ 141,395,119	\$ 141,395,119
Notes Receivable	-	1,319,283	696,110	2,015,393
Inventory of Supplies	2,189,185	-	-	2,189,185
Encumbrances	1,845,820	2,247,268	15,808,473	19,901,561
Unreserved	63,343,040	26,366,419	-	89,709,459
Total Fund Balances	<u>\$ 67,378,045</u>	<u>\$ 29,932,970</u>	<u>\$ 157,899,702</u>	<u>\$ 255,210,717</u>
Total Liabilities and Fund Balances	<u>\$ 285,720,096</u>	<u>\$ 37,382,230</u>	<u>\$ 161,967,583</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)	404,126,308
Other long-term assets are not available to pay for current period expenditures; the taxes offset by deferred revenue in the governmental funds. (Note 1)	5,912,476
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)	19,949,970
Long-term liabilities, including bonds payable, are not reported as liabilities in the governmental funds. (Note 10)	(337,778,085)
Net Assets of Governmental Activities	<u>\$ 347,421,386</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, 2006

Exhibit IV

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES				
General Property Taxes	\$ 290,055,692	\$ -	\$ -	\$ 290,055,692
Other Local Taxes	109,495,556	-	-	109,495,556
Permits, Fees, and Licenses	5,372,138	1,110,627	-	6,482,765
Fines and Forfeitures	3,536,342	-	-	3,536,342
Use of Money and Property	8,190,426	212,578	3,717,304	12,120,308
Charges for Services	10,837,058	12,708,978	306,384	23,852,420
Intergovernmental Revenue	50,232,988	41,648,389	174,651	92,056,028
Miscellaneous	842,030	3,417,597	901,866	5,161,493
Total Revenues	<u>\$ 478,562,230</u>	<u>\$ 59,098,169</u>	<u>\$ 5,100,205</u>	<u>\$ 542,760,604</u>
EXPENDITURES				
Current Operating:				
General Government	\$ 39,252,972	\$ 363,738	\$ -	\$ 39,616,710
Judicial Administration	13,904,977	1,106,822	-	15,011,799
Public Safety	97,853,993	6,684,216	-	104,538,209
Public Works	30,378,866	2,178,262	-	32,557,128
Library	6,438,429	-	-	6,438,429
Health and Welfare	19,350,745	64,530,258	-	83,881,003
Transit	12,452,373	-	-	12,452,373
Culture and Recreation	21,260,550	556,172	-	21,816,722
Community Development	8,758,008	14,576,378	-	23,334,386
Education	138,766,128	-	586,959	139,353,087
Debt Service:				
Principal	16,461,681	-	-	16,461,681
Interest and Other Charges	10,502,282	-	-	10,502,282
Capital Outlay	-	-	79,100,877	79,100,877
Total Expenditures	<u>\$ 415,381,004</u>	<u>\$ 89,995,846</u>	<u>\$ 79,687,836</u>	<u>\$ 585,064,686</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 63,181,226</u>	<u>\$ (30,897,677)</u>	<u>\$ (74,587,631)</u>	<u>\$ (42,304,082)</u>
OTHER FINANCING SOURCES (USES)				
Sale of Surplus Property	\$ -	\$ -	\$ 462,900	\$ 462,900
Issuance of Debt	-	15,000,000	56,000,000	71,000,000
Bond Premium (Discount)	-	(4,448)	1,687,404	1,682,956
Transfers In	-	34,767,435	24,251,796	59,019,231
Transfers Out	(58,296,860)	(1,175,396)	-	(59,472,256)
Total Other Financing Sources and Uses	<u>\$ (58,296,860)</u>	<u>\$ 48,587,591</u>	<u>\$ 82,402,100</u>	<u>\$ 72,692,831</u>
Net Change in Fund Balance	\$ 4,884,366	\$ 17,689,914	\$ 7,814,469	\$ 30,388,749
Fund Balance at Beginning of Year	62,275,183	12,243,056	150,085,233	
Increase in Reserve for Inventory	218,496	-	-	218,496
Fund Balance at End of Year	<u>\$ 67,378,045</u>	<u>\$ 29,932,970</u>	<u>\$ 157,899,702</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.	16,461,681
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)	57,645,868
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. (Note 4)	(1,486,410)
Issuance of debt and premium provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the Statement of Net Assets (Note 10)	(72,682,956)
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)	77,863
Internal service funds are used by management to charge the costs of certain equipment to individual funds. The net revenue of the internal service fund (except depreciation which is reported in capital outlays above) is reported with governmental activities. (Exhibit VI)	4,425,827
Change in Net Assets of Governmental Activities	<u>\$ 35,049,118</u>

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Net Assets
Proprietary Funds – Internal Service Fund
June 30, 2006

Exhibit V

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 9,031,352
Total Current Assets	\$ 9,031,352
Noncurrent Assets:	
Capital Assets:	
Buildings and Equipment	\$ 32,308,926
Less Accumulated Depreciation	(21,217,116)
Capital Assets, Net	\$ 11,091,810
Total Assets	\$ 20,123,162

LIABILITIES

Current Liabilities:	
Accounts Payable	\$ 173,192
Total Current Liabilities	\$ 173,192
Total Liabilities	\$ 173,192

NET ASSETS

Invested in Capital Assets	\$ 11,091,810
Unrestricted Net Assets	8,858,160
Total Net Assets	\$ 19,949,970
Total Liabilities and Net Assets	\$ 20,123,162

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds - Internal Service Fund
For the Year Ended June 30, 2006

Exhibit VI

Operating Revenues:	
Charges for Services	\$ 5,087,623
Total Operating Revenues	<u>\$ 5,087,623</u>
Operating Expenses:	
Materials and Supplies	\$ 956,261
Depreciation	3,294,032
Total Operating Expenses	<u>\$ 4,250,293</u>
Operating Income	<u>\$ 837,330</u>
Nonoperating Expenses:	
Loss on Disposal of Fixed Assets	\$ (158,560)
Total Nonoperating Expenses	<u>\$ (158,560)</u>
Net Profit/Loss Before Operating Transfers	\$ 678,770
Operating Transfers:	
Transfers In	<u>453,025</u>
Total Net Transfers	<u>\$ 453,025</u>
Change in Net Assets	1,131,795
Net Assets at Beginning of Year	<u>\$ 18,818,175</u>
Net Assets at End of Year	<u><u>\$ 19,949,970</u></u>

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2006

Exhibit VII

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts From Customers	\$ 5,087,623
Payments to Suppliers	(994,460)
Net Cash Provided by Operating Activities	<u>\$ 4,093,163</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating Subsidies and Transfers from Other Funds	<u>\$ 453,025</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of Capital Assets	<u>\$ (3,217,293)</u>
Net Cash Used By Capital and Related Financing Activities	<u>\$ (3,217,293)</u>
Net Increase in Cash and Cash Equivalents	\$ 1,328,895
Cash and Cash Equivalents at Beginning of Year	<u>7,702,457</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 9,031,352</u></u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 837,330
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	3,294,032
Change in Assets and Liabilities:	
Accounts Payable	(38,199)
Net Cash Provided by Operating Activities	<u><u>\$ 4,093,163</u></u>

Noncash investing, capital and financing activities:

Capital assets with a net book value of \$158,560 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, 2006

Exhibit VIII

	Employee Retirement Plans	Private- Purpose Trusts	Agency Funds
ASSETS			
Cash and Short-term Investments	\$ -	\$ 4,769	\$ 14,940
Investments, at Fair Value:			
U.S. Government Obligations	3,102,554	-	728,954
Repurchase Agreements	-	-	121,992
Mutual Funds	151,848,821	-	-
Corporate Stocks	9,602,093	-	-
Guaranteed Investment Accounts	87,655,914	-	-
Domestic Corporate Bonds	620,643	-	-
Other Investments	392,433	-	-
Total Investments	<u>\$ 253,222,458</u>	<u>\$ -</u>	<u>\$ 850,946</u>
Total Assets	<u>\$ 253,222,458</u>	<u>\$ 4,769</u>	<u>\$ 865,886</u>
LIABILITIES			
Refunds Payable and Other	\$ -	\$ -	\$ 865,886
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 865,886</u>
NET ASSETS			
Held in Trust for Pension Benefits and Other Purposes	<u>\$ 253,222,458</u>	<u>\$ 4,769</u>	

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Changes in Fiduciary Net Assets
As of June 30, 2006

Exhibit IX

	Employee Retirement Plans	Private- Purpose Trusts
ADDITIONS		
Contributions:		
Employer	\$ 12,595,782	\$ -
Plan Members	4,488,685	-
Total Contributions	\$ 17,084,467	\$ -
Investment Earnings:		
Net Appreciation in Fair Value of Investments	\$ 8,468,266	\$ -
Interest	6,849,394	708
Total Investment Earnings	\$ 15,317,660	\$ 708
Less Investment Expense	498,206	-
Net Investment Income	\$ 14,819,454	\$ 708
Total Additions	\$ 31,903,921	\$ 708
DEDUCTIONS		
Benefits	\$ 7,708,433	\$ 1,119
Refunds of Contributions	5,330,444	-
Administrative Expenses	261,709	-
Total Deductions	\$ 13,300,586	\$ 1,119
Change in Net Assets	\$ 18,603,335	\$ (411)
Net Assets at Beginning of Year	234,619,123	5,180
Net Assets at End of Year	\$ 253,222,458	\$ 4,769

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Net Assets
Component Units
At June 30, 2006

Exhibit X

	<u>School Board</u>	<u>Library</u>	<u>Transit</u>	<u>Total</u>
ASSETS				
Cash and Cash Equivalents	\$ 28,809,072	\$ 94,450	\$ 276,755	\$ 29,180,277
Cash and Investments with Fiscal Agents	-	2,165,431	-	2,165,431
Receivables	34,305	-	10,399	44,704
Due from Other Governments	4,428,881	-	94,944	4,523,825
Inventory of Supplies	205,428	-	336,205	541,633
Prepaid and Other Assets	7,224,708	-	-	7,224,708
Capital assets				
Land and Construction in Progress	999,381	-	6,504,807	7,504,188
Other Capital Assets, Net	5,542,154	-	8,557,330	14,099,484
Capital Assets, Net	<u>\$ 6,541,535</u>	<u>\$ -</u>	<u>\$ 15,062,137</u>	<u>\$ 21,603,672</u>
Total Assets	<u>\$ 47,243,929</u>	<u>\$ 2,259,881</u>	<u>\$ 15,780,440</u>	<u>\$ 65,284,250</u>
LIABILITIES				
Accounts Payable	\$ 4,266,923	\$ 74,947	\$ 237,964	\$ 4,579,834
Accrued Wages	16,701,299	185,323	89,130	16,975,752
Unearned Revenue	1,171,828	-	-	1,171,828
Other Short-term Liabilities	-	-	42,422	42,422
Long-term Liabilities Due Within One Year	491,040	-	-	491,040
Long-term Liabilities Due in More Than One Year	6,354,366	-	-	6,354,366
Total Liabilities	<u>\$ 28,985,456</u>	<u>\$ 260,270</u>	<u>\$ 369,516</u>	<u>\$ 29,615,242</u>
NET ASSETS				
Invested in Capital Assets	\$ 6,541,535	\$ -	\$ 15,062,137	\$ 21,603,672
Unrestricted Net Assets	<u>11,716,938</u>	<u>1,999,611</u>	<u>348,787</u>	<u>14,065,336</u>
TOTAL NET ASSETS	<u><u>\$ 18,258,473</u></u>	<u><u>\$ 1,999,611</u></u>	<u><u>\$ 15,410,924</u></u>	<u><u>\$ 35,669,008</u></u>

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Activities
Component Units
For the Year Ended June 30, 2006

Exhibit XI

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	School Board	Library	Transit	Totals
School Board							
Instructional	\$ 183,000,125	\$ 2,124,749	\$ 37,250,450	\$ (143,624,926)	\$ -	\$ -	\$ (143,624,926)
Total School Board	\$ 183,000,125	\$ 2,124,749	\$ 37,250,450	\$ (143,624,926)	\$ -	\$ -	\$ (143,624,926)
Library							
Instructional	\$ 7,007,725	\$ 196,359	\$ 201,113	\$ -	\$ (6,610,253)	\$ -	\$ (6,610,253)
Transit	10,590,482	2,639,811	16,563	-	-	(7,934,108)	(7,934,108)
Total Component Units	\$ 200,598,332	\$ 4,960,919	\$ 37,468,126	\$ -	\$ (6,610,253)	\$ (7,934,108)	\$ (158,169,287)
General Revenues:							
Payment From City				\$ 138,753,138	\$ 6,438,429	\$ 6,342,000	\$ 151,533,567
Capital Payment From City				586,959	-	-	586,959
Capital Contribution From City				-	-	290,160	290,160
Interest and Investment Earnings				-	62,371	-	62,371
Miscellaneous				42,816	16,623	33,507	92,946
Total General Revenues				\$ 139,382,913	\$ 6,517,423	\$ 6,665,667	\$ 152,566,003
Change in Net Assets				\$ (4,242,013)	\$ (92,830)	\$ (1,268,441)	\$ (5,603,284)
Net Assets Beginning of Year				22,500,486	2,092,441	16,679,365	41,272,292
Net Assets End of Year				\$ 18,258,473	\$ 1,999,611	\$ 15,410,924	\$ 35,669,008

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

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 U.S. generally accepted accounting principles (GAAP) as specified by the Governmental Accounting Standards Board (GASB). The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

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

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

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

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

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

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 FY 1995, the Alexandria City School Board (School Board) has been elected. The School Board is substantially reliant upon the City because City Council approves the School Board's total annual budget appropriation, levies taxes, and issues debt for school projects. The legal liability for the general obligation debt issued for school capital assets remains with the City. The City's primary transaction with the School Board is the City's annual General Fund revenue support, which totaled \$139 million for operations and \$0.5 million for capital equipment in FY 2006.

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

City of Alexandria Library System

City Council appoints the Library Board (Library) and approves the Library budget. The City is responsible for issuing debt, and acquiring and maintaining all capital items on behalf of the Library. The legal liability for the general obligation debt issued on behalf of the Library remains with the City. The City's primary transaction with the Library is the City's annual operating support, which was \$6.4 million for FY 2006.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

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 \$6.3 million, and a capital contribution, which was \$0.3 million, in FY 2006.

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

City of Alexandria School Board
2000 North Beauregard Street
Alexandria, Virginia 22311

City of Alexandria Library System
5005 Duke Street
Alexandria, Virginia 22304-2903

Excluded from Reporting Entity:

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

B. Government-wide and Fund Financial Statements

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

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.). Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2)

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The following is a brief description of the specific funds used by the City in FY 2006.

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, 2006

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Capital Projects Fund

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

2. Proprietary Funds

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

3. Fiduciary Funds

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

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

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

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

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

D. Budgets and Budgetary Accounting

The City Council annually adopts budgets for the General Fund and Special Revenue Fund of the primary government. All appropriations are legally controlled at the departmental level for the General Fund and Special Revenue Fund. The School Board appropriation is determined by the City Council and controlled in total by the primary government. On June 21, 2005, the City Council formally approved the original adopted budget (which had been initially approved on May 2, 2005) and on June 17, 2006 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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

E. Equity in Pooled Cash and Investments

Cash resources of the individual funds, including imprest cash of \$18,815 and excluding cash held with fiscal agents in the General Fund, Special Revenue Fund, Capital Projects Fund, Proprietary Funds, Fiduciary Funds, and discretely presented component units (School Board, Library, and Alexandria Transit Company), are combined to form a pool of cash and investments to maximize interest earnings. Investments in the pool consist of repurchase agreements, commercial paper, and obligations of the Federal Government and are recorded at fair value. Income from pooled investments is allocated only when contractually or legally required. All investment earnings not legally or contractually required to be credited to individual accounts or funds are credited to the General Fund.

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

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

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

F. Allowance for Uncollectible Accounts

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance at June 30, 2006, is comprised of the following:

GENERAL FUND:	
Taxes Receivable:	
Real Property	\$ 928,922
Personal	17,728,807
Penalties and Interest	<u>1,269,516</u>
Total taxes	\$ 19,927,245
Accounts Receivable	10,021
Notes Receivable	<u>9,000</u>
	<u>\$ 19,946,266</u>
SPECIAL REVENUE FUND:	
Housing Fund Notes Receivable	<u>\$ 7,974,019</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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory of Supplies and Prepaid and Other Assets

Primary Government

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

Component Units

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

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

Other assets in the government-wide statements also include taxes receivable discussed in Note 4, a prepaid pension asset discussed in Note 18 and deferred interest on refunding bonds discussed in Note 10. The total adjustment to these assets was comprised of the following:

Taxes receivable		\$ 1,875,110
Deferred interest		3,316,757
Prepaid pension		<u>720,609</u>
Total adjustment		<u>\$ 5,912,476</u>

H. Capital Assets

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

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

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the funds and the government-wide financial statements using the straight-line method and the following estimated useful lives:

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

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

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

I. Compensated Absences

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

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

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

J. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes. Actual results could differ from those estimates.

K. Fund Balance

Reservations of Fund Balance

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Designations of Fund Balance

General Fund designations at June 30, 2006 consisted of the following:

Subsequent Fiscal Years' Operating Budgets	
FY 2007 – Operating Budget	3,354,819
FY 2008 – Operating Budget	3,300,000
Subsequent Fiscal Years' Capital Program	
FY 2007- 2012	7,353,288
Self-Insurance	5,000,000
Retiree Health and Life (OPEB)	8,700,000
Open Space	275,703
Affordable Housing	275,703
Affordable Housing (AHOP) Grants	300,000
Federal/State Grant Reductions Set-aside	1,000,000
Monroe Avenue Pedestrian Bridge Design Funds	300,000
General Schedule Employee Compensation	4,000,000
Ongoing Projects	<u>2,649,421</u>
Total Designations	<u>\$ 36,508,934</u>

Subsequent Fiscal Year's Operating Budget – On June 21, 2006, City Council approved the FY 2007 Appropriations Ordinance, which appropriated \$3.4 million of General Fund Balance to meet anticipated expenditures. An additional \$3.3 million has been designated for FY 2008.

Subsequent Fiscal Years' Capital Program - These monies (\$7.4 million) have been designated in the Approved FY 2007 - 2012 Capital Improvement Program Funding Plans to fund a portion of the capital improvement program in FY 2007.

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

Other Post Employment Benefits - These monies (\$8.7 million) have been designated as part of the City's efforts to fund costs related to health and life insurance benefit payments made to retirees.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Open Space - These monies (\$0.3 million) represent the increase in the value of the one-cent real estate tax in the latter half of FY 2006 set aside for Open Space projects.

Affordable Housing Grants (AHOP) – These monies (\$0.3 million each) represent the increase in the value of the one-cent real estate tax in the latter half of FY 2006 set aside for affordable/workforce housing and housing grants that were available in FY 2006, which are expected to be used in FY 2007 and beyond.

Federal/State Grant Reductions – These monies (\$1.0 million) have been set aside to offset possible reductions in federal and state intergovernmental revenue.

Monroe Avenue Pedestrian Bridge Design Funds – These monies (\$0.3 million) were set aside to pay for costs associated with the design of the Monroe Avenue bridge pedestrian structure.

General Schedule Employee Compensation - These monies (\$4.0 million) were set aside for increases in compensation for City employees.

Ongoing Projects – These monies (\$2.6 million) have been set aside for projects for which funding was available in the FY 2006 budget, but not completed as of the end of the fiscal year.

NOTE 2. LEGAL COMPLIANCE – BUDGETS

After a public hearing and several work sessions, the City Council adopts an annual budget no later than June 27 for the succeeding fiscal year to commence July 1. Transfers of appropriations among departments or projects are made throughout the fiscal year by the City Council. The City Council may also approve supplemental appropriations. In FY 2006, the Council approved a reappropriation of prior fiscal year encumbrances as well as various other supplemental appropriations. The City Manager has authority to transfer appropriations within each department. In FY 2006, a number of intradepartmental transfers were made.

For the fiscal year ended June 30, 2006 expenditures exceeded appropriations for the Department of Human Services in the General Fund by \$679,843 to fund foster care costs not reimbursed by the state or federal government. These expenditures were funded by greater than anticipated revenues.

NOTE 3. DEPOSITS AND INVESTMENTS

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

A. Deposits

Primary Government

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

At June 30, 2006, the carrying value of the City's deposits was negative \$6,798,068 and the bank balance was \$964,912. The carrying value of the City's deposits represents checks outstanding. This amount will fluctuate depending on the difference between checks issued and checks paid. The funds for these checks remain invested until the checks are presented for payment at the bank. The entire bank balance was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (The Act). The Act provides for the pooling of collateral pledged with the Treasurer of Virginia to secure public deposits as a class. No specific collateral can be identified as security for one public depositor and public depositors are prohibited from holding collateral in their name as security for deposits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loan associations. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance. If any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool's collateral were inadequate to cover the loss, additional amounts would be assessed on a pro rata basis to the members of the pool. Funds deposited in accordance with the requirements of the Act are considered fully secured.

Component Units

At June 30, 2006, the carrying value of deposits for the School Board was negative \$3,953,057 and the bank balance was \$0. The entire bank balance was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act as defined above.

At June 30, 2006, the carrying value of deposits and bank balance for the Library was \$94,676. Of this amount, \$57,871 was collateralized at 102 percent with U.S. government agency securities as part of a repurchase agreement with Burke and Herbert Bank and Trust Company. The remaining balance, \$36,805 is an uninsured annuity contract.

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

B. Investments

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

A designated portfolio manager placed the City's investments during FY 2006. 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 provisions allow the assets of the pension plans to be invested by the pension carriers in accordance with provisions of the Code of the Commonwealth of Virginia.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2006, the City had the following investments and maturities:

Primary Government

	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		
		<u>Less than 1 year</u>	<u>1-5 years</u>	<u>Long term</u>
Repurchase Agreement	\$ 21,736,636	\$ 21,736,636	\$ ---	\$ ---
U.S. Treasuries	69,042,788	69,042,788	---	---
U.S. Government Agencies	<u>60,747,675</u>	<u>56,479,431</u>	<u>4,268,244</u>	<u>---</u>
Total Investments Controlled by City	\$ 151,527,099	\$ 147,258,855	\$ 4,268,244	\$ ---
Pension Plan Investments (Exhibit VIII)	\$ 253,222,458	\$ ---	\$ ---	\$ 253,222,458
Total	<u>\$ 404,749,557</u>	<u>\$ 147,258,855</u>	<u>\$ 4,268,244</u>	<u>\$ 253,222,458</u>

Reconciliation to Total Cash and Investments:

Add:

Cash on Hand and in Banks	(6,798,068)
Cash With Fiscal Agent	<u>131,138,529</u>
Total Deposits and Investments	<u>\$ 529,090,018</u>

Component Unit

School Board

	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>	
		<u>Less than 1 year</u>	<u>1-5 years</u>
Repurchase Agreement	\$ 4,699,727	\$ 4,699,727	\$ ---
U.S. Treasuries	14,927,966	14,927,966	---
U.S. Government Agencies	<u>13,134,436</u>	<u>12,379,473</u>	<u>754,963</u>
Total Investments Controlled by City	<u>\$ 32,762,129</u>	<u>\$ 32,007,166</u>	<u>\$ 754,963</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>Fair Value</u>	<u>Investment Maturities (in years)</u>	
		<u>Less than 1 year</u>	<u>1-5 years</u>
Repurchase Agreement	\$ 53,249	\$ 53,249	\$ ---
U.S. Treasuries	169,139	169,139	---
U.S. Government Agencies	<u>148,817</u>	<u>139,305</u>	<u>9,512</u>
Total Investments Controlled by City	<u>\$ 371,205</u>	<u>\$ 361,693</u>	<u>\$ 9,512</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Reconciliation of total deposits and investments to the government-wide financial statements at June 30, 2006:

	Governmental Activities	Business Type Activities	Fiduciary Responsibilities	Total
Primary Government				
Cash on Hand and In Banks	\$ (6,798,068)	\$ ---	\$ ---	\$ (6,798,068)
Cash and Investments	150,671,384	---	855,715	151,527,099
Cash and Investments with Fiscal Agents	131,123,589	---	253,237,398	384,360,987
Total	<u>\$ 274,996,905</u>	<u>\$ ----</u>	<u>\$ 254,093,113</u>	<u>\$ 529,090,018</u>
Component Unit School Board				
Cash on Hand and In Banks	\$ (3,953,057)	\$ ---	\$ ---	\$ (3,953,057)
Cash and Investments Controlled by City	32,762,129	---	---	32,762,129
Total	<u>\$ 28,809,072</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 28,809,072</u>
Other Component Units				
Cash and Investments Controlled by City	\$ 94,450	\$ 276,755	\$ ---	\$ 371,205
Cash and Investments with Fiscal Agents	2,165,431	---	---	2,165,431
Total	<u>\$ 2,259,881</u>	<u>\$ 276,755</u>	<u>\$ ---</u>	<u>\$ 2,536,636</u>
Grand Total				<u><u>\$ 560,435,726</u></u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

Exhibit XII
(Continued)

NOTE 4. RECEIVABLES

Receivables at June 30, 2006 consist of the following:

	Governmental Activities			Total
	General	Special Revenue	Capital Projects	
	Interest	\$ 109,717	\$ ---	
Taxes				
Real Property	136,274,579	---	---	136,274,579
Personal Property	48,324,470	---	---	48,324,470
Penalties and Interest	2,498,701	---	---	2,498,701
Other	574,094	---	---	574,094
Total Taxes	\$ 187,671,844	\$ ---	\$ ---	\$ 187,671,844
Accounts	9,473,701	470,706	---	9,944,407
Intergovernmental	29,638,574	7,245,642	---	36,884,216
Notes	9,000	9,293,302	696,110	9,998,412
Gross Receivables	\$ 226,902,836	\$ 17,009,650	\$ 696,110	\$ 244,608,596
Less: Allowance for Uncollectibles	19,946,266	7,974,019	---	27,920,285
Net Receivables	\$ 206,956,570	\$ 9,035,631	\$ 696,110	\$ 216,688,311

Taxes receivable represents the current and past four years of uncollected tax levies for personal property taxes and the current and past nineteen years for uncollected tax levies on real property. The allowance for estimated uncollectible taxes receivable is 10.6 percent of the total taxes receivable at June 30, 2006 and is based on historical collection rates. Almost all of the uncollectible taxes derive from personal property taxes. Almost all of the real property tax receivables as of June 30, 2006 represent the second-half payment due for real estate taxes on November 15, 2006

Receivables on a government-wide basis include taxes receivable of \$1.9 million that are not available to pay for current period expenditures and, therefore, are offset by the unearned revenue for the governmental funds. Tax revenues and the corresponding unearned revenue reported on a government-wide basis do not include approximately \$1.5 million of taxes that are considered current financial resources, and therefore, are reported in the governmental funds.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

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 2006 unearned revenue in the governmental funds consisted of the following:

	Unavailable	Unearned	Total
Property taxes, net of related allowances	\$ 189,560,991	\$ 3,254,322	\$ 192,815,313
Grant proceeds received prior to completion of eligibility requirements	---	3,202,593	3,202,593
Total unearned revenue for governmental funds	\$ 189,560,991	\$ 6,456,915	\$ 196,017,906

Component Units

Receivables at June 30, 2006 consist of following:

	School Board	Transit	Total
Accounts	\$ 34,305	\$ 10,399	\$ 44,704
Intergovernmental	4,428,881	94,944	4,523,825
Total Receivables	\$ 4,463,186	\$ 105,343	\$ 4,568,529

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

All deferred revenue in the component units is unearned.

A. Property Taxes

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

Real estate taxes are billed in equal semi-annual installments due June 15 and November 15. The taxes receivable balance at June 30, 2006 includes amounts not yet received from the January 1, 2006 levy (due June 15 and November 15, 2006), less an allowance for uncollectibles. The installment due on November 15, 2006 is included as unavailable revenue since these taxes are restricted for use until FY 2007. 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 81.5¢ and 91.5¢ per \$100 of assessed value during calendar years 2006 and 2005, respectively.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

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, 2006 includes amounts not yet billed or received from the January 1, 2006 levy (due October 5, 2006). These taxes are included as unearned revenue since these taxes are restricted for use until FY 2007. The tax rates during calendar years 2006 and 2005 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 2006 for the January 1, 2005 levy for the Commonwealth's share of the local personal property tax payment with the remainder collected by the Commonwealth from taxpayers. Unavailable revenues include the state share of the January 1, 2006 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, 2006:

Governmental Activities

General Fund	\$ 9,000
Special Revenue Fund	9,293,302
Capital Projects	696,110
Less Allowance for Uncollectible Accounts	<u>(7,983,019)</u>
Net	<u>\$ 2,015,393</u>
Amounts due within one year	<u>\$ 31,434</u>
Amounts due in more than one year	<u>\$ 1,983,959</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

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, 2006:

Governmental Activities

	Balance June 30, 2005	Increases	Decreases	Balance June 30, 2006
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 54,258,440	\$ 10,546,583	\$ 768,740	\$ 64,036,283
Construction in Progress	87,063,559	62,643,474	43,040,901	106,666,132
Total Capital Assets Not Being Depreciated	\$ 141,321,999	\$ 73,190,057	\$ 43,809,641	\$ 170,702,415
Depreciable Capital Assets:				
Buildings	\$ 195,792,879	\$ 35,696,552	\$ ---	\$ 231,489,431
Infrastructure	118,285,812	6,667,213	---	124,953,025
Furniture and Other Equipment	48,332,933	4,929,234	4,676,397	48,585,770
Total Depreciable Capital Assets	\$ 362,411,624	\$ 47,292,999	\$ 4,676,397	\$ 405,028,226
Less Accumulated Depreciation for:				
Buildings	\$ 65,377,338	\$ 4,904,078	\$ ---	\$ 70,281,416
Infrastructure	52,187,662	4,859,762	---	57,047,424
Furniture and Other Equipment	31,632,074	5,439,854	3,888,245	33,183,683
Total Accumulated Depreciation	\$ 149,197,074	\$ 15,203,694	\$ 3,888,245	\$ 160,512,523
Depreciable Capital Assets, Net	\$ 213,214,550	\$ 32,089,305	\$ 788,152	\$ 244,515,703
TOTALS	\$ 354,536,549	\$ 105,279,362	\$ 44,597,793	\$ 415,218,118

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, 2006, are comprised of the following:

General Capital Assets, Net	\$ 404,126,308
Internal Service Fund Capital Assets, Net	11,091,810
TOTAL	\$ 415,218,118

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

Exhibit XII
(Continued)

Note 5. CAPITAL ASSETS (Continued)

Depreciation was charged to governmental functions as follows:

General Government	\$ 2,174,064
Judicial Administration	533,585
Public Safety	2,211,491
Public Works	7,267,398
Health and Welfare	472,162
Culture and Recreation	1,847,527
Education	501,999
Community Development	<u>195,468</u>
Total	<u>\$ 15,203,694</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

City Capital Outlay	\$ 79,100,877
Donated Assets	8,404,021
Depreciation Expense	(15,203,694)
Capital Outlay not Capitalized	<u>(14,655,336)</u>
Total Adjustment	<u>\$ 57,645,868</u>

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

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, 2006:

	<u>Balance June 30, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2006</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>
Depreciable Capital Assets:				
Buildings	\$ 54,486,551	\$ --	\$ --	\$ 54,486,551
Furniture and Other Equipment	7,260,330	1,457,057	245,542	8,471,845
Total Depreciable Capital Assets	<u>\$ 61,746,881</u>	<u>\$ 1,457,057</u>	<u>\$ 245,542</u>	<u>\$ 62,958,396</u>
Less Accumulated Depreciation	56,757,909	903,875	245,542	57,416,242
Depreciable Capital Assets, Net	<u>\$ 4,988,972</u>	<u>\$ 553,182</u>	<u>\$ --</u>	<u>\$ 5,542,154</u>
TOTALS	<u>\$ 5,988,353</u>	<u>\$ 553,182</u>	<u>\$ --</u>	<u>\$ 6,541,535</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 for acquisition, construction or improvement of public school property. The sole purpose of the law is to allow cities and counties the ability to record together school assets and related debt liabilities. As a result, certain assets purchased with the City's general obligation bonds are now recorded as part of the primary government. According to the law, the tenancy in common ends when the associated obligation is repaid; therefore, the assets will revert to the Alexandria School Board when the bonds are repaid. Nothing in the law alters the authority or responsibility of the local school board or control of the assets.

All depreciation was charged to education.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

Exhibit XII
(Continued)

Note 5. CAPITAL ASSETS (Continued)

Component Unit – Alexandria Transit Company

	<u>Balance</u> <u>June 30, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2006</u>
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ <u>6,504,807</u>	\$ <u>----</u>	\$ <u>---</u>	\$ <u>6,504,807</u>
Depreciable Capital Assets:				
Equipment	\$ 18,831,758	\$ 410,098	\$ 2,510,137	16,731,719
Less Accumulated Depreciation	<u>8,660,534</u>	<u>2,023,992</u>	<u>2,510,137</u>	<u>8,174,389</u>
Total Depreciable Capital Assets, Net	\$ <u>10,171,224</u>	\$ <u>(1,613,894)</u>	\$ <u>---</u>	\$ <u>8,557,330</u>
 TOTALS	 \$ <u>16,676,031</u>	 \$ <u>(1,613,894)</u>	 \$ <u>---</u>	 \$ <u>15,062,137</u>

All depreciation was charged to transit.

Primary Government

Construction in progress is composed of the following at June 30, 2006:

	<u>Project</u> <u>Authorization</u>	<u>Expended</u> <u>Through</u> <u>June 30, 2006</u>	<u>Committed</u>
School Capital Projects	\$ 101,338,961	\$ 79,683,240	\$ ---
Infrastructure	31,071,656	15,454,763	5,091,983
Information Technology	3,354,370	1,871,328	64,460
Housing and Community Improvement	350,000	41,928	11,425
Alexandria Transit Facility	2,498,201	470,156	688,894
Parks and Recreation Facilities	1,452,890	1,452,233	---
Public Safety Buildings	<u>12,280,562</u>	<u>7,692,484</u>	<u>1,065,293</u>
TOTALS	\$ <u>152,346,640</u>	\$ <u>106,166,132</u>	\$ <u>6,922,055</u>

Component Units

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

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, 2006: public entity and public officials excess liability, medical malpractice liability, voting booths, special events, vacant buildings, volunteer liability, and commercial crime. In addition, the City maintains excess workers' compensation insurance. The City maintains a blanket surety bond on all City workers who handle funds and excess amounts on key officials. There were no material reductions in insurance coverage from coverage in the prior fiscal year, nor did settlements exceed coverage for any of the past three fiscal years.

The City is self insured for workers' compensation claims up to \$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, 2006:

Director of Finance.....	\$ 500,000
Treasury Division Chief.....	\$ 300,000
Revenue Division Chief.....	\$ 150,000
Clerk of the Circuit Court.....	\$ 103,000*
Sheriff.....	\$ 30,000*
All other City employees.....	\$ 100,000
Alexandria Historic Restoration and Preservation Commissioners	\$ 10,000

* Bond provided by the Commonwealth of Virginia

Self-Insurance

The non-current portion of unpaid workers' compensation claims amounted to approximately \$6.4 million as of June 30, 2006 and is reflected in the government-wide statements. The current portion is recorded as an accrued liability in the General Fund and the government-wide financial statements. Liabilities are reported when it is probable that losses have occurred and the amounts of the losses can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported to date. Liabilities are determined using a combination of actual claims experience and actuarially determined amounts and include incremental claim adjustment expenses and estimated recoveries. An independent contractor processes claims and the City records a provision and liability in the government-wide statements and General Fund (current portion only) for an estimate of incurred but not reported claims.

Changes in the estimated claims payable for workers' compensation during the fiscal years ended June 30, 2006 and 2005 were as follows:

	<u>FY 2006</u>	<u>FY 2005</u>
Estimated claims payable at beginning of period	\$ 6,433,017	\$ 4,331,306
Current fiscal year claims and changes in estimates.....	2,792,876	4,060,393
Claim payments	<u>(2,270,964)</u>	<u>(1,958,682)</u>
Estimated claims payable at end of period	<u>\$ 6,954,929</u>	<u>\$ 6,433,017</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

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, 2006.

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, 2006. Settled claims resulting from these risks have not exceeded commercial insurance coverage. There were no material reductions in insurance coverage from coverage in the prior fiscal year nor did settlements exceed coverage for any of the past three fiscal years.

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

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

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

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

In FY 2006 the Alexandria Transit Company paid an annual premium of \$0.24 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, 2006

Exhibit XII
(Continued)

NOTE 6. RISK MANAGEMENT (Continued)

workers' compensation coverage. VMGSIA is self-sustaining through member premiums and will reinsure for claims in excess of \$5 million. Each member's premium is determined through an actuarial analysis based upon the individual member's past experience and number of employees. In FY 2006, the Alexandria Transit Company paid an annual premium of \$0.23 million for participation in this pool.

NOTE 7. OPERATING LEASES

Rental Costs

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

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

<u>Fiscal Year</u>	<u>Primary Government</u>	<u>School Board Component Unit</u>
2007	\$ 5,885,921	\$ 1,163,664
2008	5,607,205	1,145,312
2009	5,767,845	1,179,656
2010	4,734,645	1,215,016
2011	4,825,522	1,251,468
2012-2016	13,431,429	6,843,541
2017-2021	249,634	--

Total rental costs during FY 2006 for operating leases were \$5.3 million for the Primary Government and \$2.0 million for the School Board.

Rental Revenues

The City also leases various City-owned properties and buildings under noncancellable long-term lease agreements through FY 2021. The net book value of leased assets of \$7.4 million (cost of \$8.7 million less accumulated depreciation of \$1.3 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>
2007	\$ 606,432
2008	159,366
2009	87,677
2010	24,370
2011	3,000
2012-2016	15,000
2017-2021	15,000

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

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 FY 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>
2007	\$ 131,885
2008	<u>132,167</u>
	\$ 264,052
Less: Amount Representing Interest.....	<u>20,298</u>
Present Value of Future Minimum Lease Payments	<u>\$ 243,754</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, 2006

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, 2006, the total City obligation was \$7.6 million, including \$1.6 million from WMATA capital grants for railcar procurement. Of this total, \$4.1 million was funded from the City Capital Project fund.

2. Operating subsidies - Bus and Rail Systems

During the fiscal year ended June 30, 2006, obligations for bus and rail subsidies amounted to \$17.4 million. The City paid this obligation from the following sources:

City payments	\$ 4,630,027
Revenues and credits available at WMATA.....	67,574
State Aid and State Motor Fuel Sales Tax revenues	<u>12,675,958</u>
TOTAL	<u>\$17,373,559</u>

Expected obligations for FY 2007 are \$18.1 million, of which \$5.2 million is expected to be paid from the City's General Fund.

3. WMATA Transit Revenue Bonds

WMATA issued approximately \$1 billion of federally guaranteed transit revenue bonds to fund part of the construction of the rail transit system. Operating revenues have been insufficient to retire this debt. The federal government and WMATA entered into an agreement whereby the federal government agreed to pay two-thirds of the debt service costs for these bonds and to advance part of the remaining one third during the first three years of the agreement. The agreement requires that WMATA repay the federal advances, with interest, and one-third of the debt service on the bonds. WMATA allocated the cost of the advances and the one-third of the debt service costs among the participating jurisdictions. The City has not agreed to any payments for the one-third allocation of debt 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, 2006. 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, 2006

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 FY 2006 and for every year the facility has been open, the City and Arlington County exceeded the minimum annual tonnage requirement. If the City would be required to augment this requirement, the financial effect on the City would be immaterial.

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

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

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

Federal law changes in the Clean Air Act and subsequent regulations required the City and Arlington County to invest in a retrofit for new equipment at the Waste-To-Energy Facility. In July 1998, the Authorities advance refunded \$55 million of the outstanding revenue bonds (Series 1998 A bonds) for the Facility to take advantage of lower interest rates. In November 1998, the Arlington Industrial Development Authority issued \$48.6 million in new retrofit revenue bonds (Series 1998 B bonds) to cover the cost of new pollution abatement equipment at the Facility required by federal law. The proceeds of the Series 1998 B bonds were lent to Authorities to construct the equipment.

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

Since Acceptance testing on each unit was completed in November 2000, the Operating Lease agreement between the Authorities and the Corporation took effect in January 2001. Since in essence the lease is a capital lease, the capital assets completed and covered by the lease and the promissory note are removed from the City records and are now considered a part of the plant. In FY 2006 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, 2006

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 million to the Trust, which was to be used as a reserve for future expenditures.

The Trust Fund derives its revenue from the following sources: a portion of the annual property tax assessment by the City of Alexandria, interest on invested funds and a portion of special revenues generated on contract waste and was \$0.6 million for FY 2006.

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 2006 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 2006. 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 2006 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, 2006 are composed of the following individual issues:

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

Exhibit XII
(Continued)

NOTE 10. LONG-TERM DEBT (continued)

\$56 million Public Improvement (tax-exempt) Bonds of 2006 installments ranging from \$1.5 million to \$2.92 million through 2026, bearing interest at rates ranging from 4.00 percent to 5.0 percent. The bonds maturing on or after June 15, 2017, are subject to optional redemption before maturity on or after June 15, 2016, at the direction of the City, in whole or in part installments of \$5,000 at any time or from time to time at par plus the interest accrued on the principal amount to be redeemed to the date fixed for redemption	\$	56,000,000
\$15 million Public Improvement (taxable) Bonds of 2006 installments of \$0.75 million through 2026, bearing interest at rates ranging from 5.5 percent to 5.95 percent. The bonds maturing before December 15, 2016 are not subject to redemption before maturity. The bonds maturing on or after June 15, 2017, are subject to optional redemption before maturity on or after June 15, 2016, at the direction of the City, in whole or in part installments of \$5,000, at any time or from time to time at par plus accrued interest on the principal amount to be redeemed to the date fixed for redemption		15,000,000
\$54.825 million Public Improvement Bonds of 2004 installments of \$2.74 million through 2024, bearing interest at rates ranging from 3.0 percent to 5.0 percent. The bonds maturing before December 15, 2015 are not subject to redemption before maturity. Beginning December 15, 2014, bonds maturing on or after June 15, 2015 are subject to redemption at the direction of the City, in whole or in part in installments of \$5,000, at certain redemption prices that include a redemption premium plus accrued interest		52,080,000
\$32.465 million Refunding Bonds of 2004 installments ranging from \$0.2 million to \$3.205 million 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		31,600,000
\$64.7 million Public Improvement Bonds of 2004 installments ranging from \$3.3 million to \$3.8 million through 2023, bearing interest at rates ranging from 4.0 percent to 5.0 percent. The bonds maturing before June 15, 2015 are not subject to redemption before maturity. Beginning June 15, 2014, bonds maturing on or after June 15, 2015 are subject to redemption at the direction of the City, in whole or in part in installments of \$5,000, at certain redemption prices that include a redemption premium plus accrued interest		58,100,000
\$54.5 million Public Improvement Bonds of 2001 installments of \$2.9 million 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		43,450,000
\$55 million Public Improvement Bonds of 2000 installments of \$2.985 million through 2010, bearing interest at rates ranging from 4.75 percent to 5.75 percent. (\$29.805 million were refunded in October 2004)		11,940,000
\$40 million Public Improvement Bonds of 1999 due in annual installments of \$2 million 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		26,000,000
\$22.655 million Public Improvement and Refunding Bonds (\$10 million refunded) of 1994 due in annual installments ranging from \$0.790 million to \$1.73 million through 2009, bearing interest rates ranging from 5.0 percent to 5.1 percent. The bonds are not subject to redemption prior to maturity		2,370,000
Total		\$ 296,540,000

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

Exhibit XII
(Continued)

NOTE 10. LONG-TERM DEBT (continued)

The outstanding bonds have been issued as follows:

<u>Public Improvement Bonds of 2006 (Tax-exempt)</u>				<u>Public Improvement Bonds of 2006 (Taxable)</u>			
<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>June 15,</u>
015302XZ0	1,500,000	5.00%	2007	015302YV8	750,000	5.50%	2007
015302YA4	2,000,000	4.25%	2008	015302YW6	750,000	5.50%	2008
015302YB2	2,920,000	4.25%	2009	015302YX4	750,000	5.50%	2009
015302YC0	2,920,000	5.00%	2010	015302YY2	750,000	5.50%	2010
015302YD8	2,920,000	5.00%	2011	015302YZ9	750,000	5.50%	2011
015302YE6	2,920,000	5.00%	2012	015302ZA3	750,000	5.50%	2012
015302YF3	2,920,000	5.00%	2013	015302ZB1	750,000	5.50%	2013
015302YG1	2,920,000	4.00%	2014	015302ZC9	750,000	5.50%	2014
015302YH9	2,915,000	4.00%	2015	015302ZD7	750,000	5.55%	2015
015302YJ5	2,915,000	5.00%	2016	015302ZE5	750,000	5.55%	2016
015302YK2	2,915,000	5.00%	2017	015302ZF2	750,000	5.65%	2017
015302YL0	2,915,000	4.25%	2018	015302ZG0	750,000	5.70%	2018
015302YM8	2,915,000	4.38%	2019	015302ZH8	750,000	5.75%	2019
015302YN6	2,915,000	4.38%	2020	015302ZJ4	750,000	5.80%	2020
015302Y91	2,915,000	4.50%	2021	015302ZK1	750,000	5.85%	2021
015302YQ9	2,915,000	5.00%	2022	015302ZL9	750,000	5.90%	2022
015302YR7	2,915,000	5.00%	2023	015302ZM7	750,000	5.95%	2023
015302YS5	2,915,000	4.25%	2024	015302ZN5	750,000	5.95%	2024
015302Y73	2,915,000	4.25%	2025	015302ZP0	750,000	5.95%	2025
015302YU0	2,915,000	4.38%	2026	015302ZQ8	750,000	5.95%	2026
Total	<u>\$56,000,000</u>			Total	<u>\$15,000,000</u>		

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

Exhibit XII
(Continued)

NOTE 10. LONG-TERM DEBT (continued)

Public Improvement Bonds of 2004				Refunding Bonds of 2004			
CUSIP	Issue	Rate	<u>Maturity Date</u> December 15,	CUSIP	Issue	Rate	<u>Maturity Date</u> June 15,
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>\$31,600,000</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>\$52,080,000</u>						

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

Exhibit XII
(Continued)

NOTE 10. LONG-TERM DEBT (continued)

<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>
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>\$ 43,450,000</u>		
015302WL2	3,300,000	4.25	2023				
Total	<u>\$ 58,100,000</u>						

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

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>
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	<u>\$ 11,940,000</u>			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>\$ 26,000,000</u>		

Public Improvement and Refunding Bonds of 1994

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>February 1,</u>
015302TB8	790,000	5.000	2007
015302TC6	790,000	5.100	2008
015302TD4	790,000	5.100	2009
Total	<u>\$ 2,370,000</u>		

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

Exhibit XII
(Continued)

NOTE 10. LONG-TERM DEBT (continued)

The requirements to pay all long-term bonds as of June 30, 2006, including interest payments of \$117.9 million, are summarized as follows:

Fiscal Year	Serial Bonds	
	<u>Principal</u>	<u>Interest</u>
2007.....	\$ 17,670,000	\$ 13,306,096
2008.....	18,175,000	12,376,035
2009.....	19,100,000	11,589,026
2010.....	18,315,000	10,760,274
2011.....	17,815,000	9,925,693
2012-2016.....	88,590,000	37,851,749
2017-2021.....	80,990,000	18,139,714
2022-2026.....	<u>35,885,000</u>	<u>3,973,743</u>
	<u>\$ 296,540,000</u>	<u>\$ 117,922,328</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, 2006, the City had a legal debt limit of \$3.3 billion and a debt margin of \$3.0 billion:

Assessed Value of Real Property, January 1, 2006.....	<u>\$32,906,720,000</u>
Debt Limit: 10 Percent of Assessed Value.....	\$ 3,290,672,000
Amount of Debt Applicable to Debt Limit:	
General Obligation Bonds.....	<u>\$296,540,000</u>
Less Total General Obligation Debt.....	<u>(296,540,000)</u>
LEGAL DEBT MARGIN REMAINING	<u>\$ 2,994,132,000</u>

Unissued Bonds - Bond authorizations expire three years from the effective date of the respective bond ordinances. Authorization of bonds, bonds issued and expired during the fiscal year ended June 30, 2006, are summarized below:

	Authorized and Unissued <u>July 1, 2005</u>	<u>Authorized</u>	<u>Issued</u>	<u>Expired</u>	Authorized and Unissued <u>June 30, 2006</u>
	General Obligation Bonds	<u>\$ 34,535,000</u>	<u>\$ 78,100,000</u>	<u>\$ 71,000,000</u>	<u>\$ 34,535,000</u>

On June 13, 2006 the City Council issued \$56.0 million in General Obligation bonds for school construction, sewers, and a public safety center. These bonds were issued with an original issue premium of approximately \$1.7 million and a true interest cost of 4.28 percent. Also, on June 13, 2006 the City Council issued \$15 million in taxable bonds for the acquisition and rehabilitation of affordable/workforce housing by non-profit housing operations. These bonds were issued with an original interest discount of \$4,448 and a true interest cost of 5.77 percent. The premium and discounts for these bonds are being amortized over the life of the bonds.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

Exhibit XII
(Continued)

NOTE 10. LONG-TERM DEBT (continued)

Changes in Long-Term Liabilities - Changes in the total long-term liabilities during the fiscal year ended June 30, 2006 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, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2006</u>	<u>Amounts Due</u> <u>Within One</u> <u>Year</u>
General Obligation Bonds	\$ 241,890,000	\$ 71,000,000	\$ 16,350,000	\$ 296,540,000	\$ 17,670,000
Bond Premium	4,807,230	1,687,403	258,463	6,236,170	338,854
Obligations Under Capital Lease	355,435	---	111,681	243,754	118,477
Workers' Compensation Claims	6,433,017	2,792,876	2,270,964	6,954,929	2,289,383
Accrued Compensated Absences	15,933,310	11,151,588	10,367,732	16,717,166	1,343,667
Net Pension Obligation	10,901,266	136,067	910,114	10,127,219	---
Total	<u>\$ 280,320,258</u>	<u>\$86,767,934</u>	<u>\$ 30,268,954</u>	<u>\$ 336,819,238</u>	<u>\$ 21,760,381</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, 2006:	
Long-term liabilities (detail above)	\$ 336,819,238
Accrued interest payable	958,847
Adjustment	<u>\$ 337,778,085</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	\$ 783,856
Workers compensation	521,912
Change in net pension obligation	(774,047)
Amortization of bond premium,	
Discount and interest	(365,612)
Accrued interest on bonds	(88,246)
Adjustment	<u>\$ 77,863</u>

Component Unit – School Board

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2006</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Accrued Compensated Absences	<u>\$6,496,756</u>	<u>\$9,633,914</u>	<u>\$9,285,264</u>	<u>\$ 6,845,406</u>	<u>\$ 491,040</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

Exhibit XII
(Continued)

NOTE 11. INTERFUND BALANCES AND COMPONENT UNIT TRANSACTIONS

There were no interfund receivables/payables at June 30, 2006.

Interfund transfers and transactions for the year ended June 30, 2006 consisted of the following:

Transfer In/Out:	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Primary Government Transactions				
Special Revenue	\$ 34,740,264	\$ 27,171	\$ ---	\$ 34,767,435
Capital Projects	23,556,596	695,200	---	24,251,796
Internal Service	---	453,025	---	453,025
Total	<u>\$ 58,296,860</u>	<u>\$ 1,175,396</u>	<u>\$ ---</u>	<u>\$ 59,472,256</u>
Component Unit Transactions				
School Board	\$ 138,753,138	\$ ---	\$ 586,959	\$ 139,340,097
Library	6,438,429	---	---	6,438,429
Alexandria Transit	6,342,000	---	---	6,342,000
Total	<u>\$ 151,533,567</u>	<u>\$ ---</u>	<u>\$ 586,959</u>	<u>\$ 152,120,526</u>

Primary government transfer activities include:

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

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

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

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

Transactions with the component units represent budgeted subsidies for the school operations and capital projects, library operations and transit operations. In addition, the City transferred capital assets totaling \$0.3 million to Alexandria Transit.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

Exhibit XII
(Continued)

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 \$129.2 million in FY 2006. Sources of these revenues were as follows:

GOVERNMENTAL FUNDS	
Federal Government	\$ 32,652,329
Commonwealth of Virginia	<u>59,403,699</u>
Total Primary Government	<u>\$ 92,056,028</u>
 COMPONENT UNITS	
Federal Government:	
School Board	<u>\$ 11,651,372</u>
 Commonwealth of Virginia:	
School Board	\$ 25,235,466
Library	201,113
Alexandria Transit Company	<u>16,563</u>
Total Component Units Commonwealth of Virginia	<u>\$ 25,453,142</u>
Total Component Units	<u>\$ 37,104,514</u>
 TOTAL CITY AND COMPONENT UNITS	
Total Federal Government	\$ 44,303,701
Total Commonwealth of Virginia	<u>84,856,841</u>
Total Intergovernmental Revenue	<u>\$ 129,160,542</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

Exhibit XII
(Continued)

NOTE 14. DUE FROM OTHER GOVERNMENTS

Due from other governments represents accrued revenue at June 30, 2006, consisting of the following:

Primary Government	
State	
General Fund	\$ 28,670,072
Special Revenue Fund	<u>2,613,917</u>
Total State	<u>\$31,283,989</u>
Federal	
General Fund	\$ 968,502
Special Revenue Fund	<u>4,631,725</u>
Total Federal	<u>\$ 5,600,227</u>
Total Primary Government	<u>\$ 36,884,216</u>
Component Units	
State	
School Board	\$ 1,361,927
Alexandria Transit Company	<u>94,944</u>
Total State	<u>\$ 1,456,871</u>
Federal	
School Board	<u>\$ 3,066,954</u>
Total Component Units	<u>\$ 4,523,825</u>
Total	<u>\$ 41,408,041</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 FY 2006, the City paid \$0.4 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, 2006

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 FY 1995. In addition, the City pays part of the Northern Virginia Juvenile Detention Home's operating costs based on the number of beds utilized by Alexandria residents. These payments totaled \$1.2 million in FY 2006.

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

C. Peumansend Creek Regional Jail Authority

In 1992, the City entered into an agreement with the Counties of Caroline, Arlington, Prince William, and Loudoun to form an authority to construct and operate a regional jail in Caroline County. The regional jail, which commenced operations in September 1999, is used primarily to hold prisoners from each member jurisdiction. The Regional Jail Authority is composed of two representatives, the Chief Administrative Officer and the Sheriff, from each participating jurisdiction. The City of Richmond, which was not party to the original agreement, is now a part of the project. The regional jail has the capacity for 336 prisoners. The City is guaranteed a minimum of 50 beds.

The total project cost of \$27 million, with 50 percent of the eligible construction cost (\$23.8 million) is expected to be reimbursed by the Commonwealth. The Regional Jail Authority issued \$10.2 million in revenue bonds and \$12 million of grant anticipation notes in March 1997. The City's total share is \$18.2 million, including approximately \$3.2 million in capital and debt service costs and \$15 million in operating costs over the 20-year period of debt service payments (1997-2016). For FY 2006, the City paid \$525,661 for operating costs and \$164,613 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 FY 2006, the City made rental payments to Sheltered Homes of Alexandria totaling \$0.2 million.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

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, 2006, 691 retirees were both eligible and received benefits from all three classes of this plan. Eligibility is contingent upon the retiree providing proof of participation and payment to a health insurance plan. The City contributed on a "pay-as-you-go" basis at the rate of up to \$260.00 per month for each retiree, for a total annual contribution of \$1.7 million for FY 2006.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

Exhibit XII
(Continued)

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 Rescue Technicians (ERT)), where contribution requirements are not actuarially determined. All of these systems are included as part of the City's reporting entity and as such are reflected as Pension Trust Funds.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

Exhibit XII
(Continued)

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

	Combining Schedule of Fiduciary Net Assets					
	Employee Retirement Plans			Firefighters and Police Officers Pension Plan		
	City Supplemental Retirement	Pension for Fire and Police	Defined Contribution Component	Defined Benefit Component	Disability Component	Retirement Income for Sheriff and ERT
	Total	Total	Total	Total	Total	Total
ASSETS						
Investments, at Fair Value						
U.S. Government Obligations	\$ -	\$ -	\$ -	\$ -	\$ 3,102,554	\$ -
Mutual Funds	38,570,030	-	15,558,307	89,607,790	-	8,112,694
Stocks	-	-	-	-	9,602,093	-
Guaranteed Investment Accounts	26,573,375	31,930,812	11,088,111	9,263,886	-	8,799,730
Domestic Corporate Bonds	-	-	-	-	620,643	-
Other Investments	-	-	-	-	392,433	-
Total Investments	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
Total Assets	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
NET ASSETS						
Held in Trust for Pension Benefits	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
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	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
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	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
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	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 16,912,424</u>
	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>				

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

Exhibit XII
(Continued)

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Combining Schedule of Changes in Fiduciary Net Assets

	Employee Retirement Plans					
	Firefighters and Police Officers Pension Plan			Retirement Income for Sheriff and ERT		
	City Supplemental Retirement	Pension for Fire and Police	Defined Contribution Component	Defined Benefit Component	Disability Component	Total
ADDITIONS						
Contributions:						
Employer Plan Members	\$ 4,311,779	\$ 1,058,000	\$ -	\$ 5,812,579	\$ 686,861	\$ 12,595,782
Total Contributions	<u>\$ 2,212,957</u>	<u>6,271</u>	<u>-</u>	<u>2,118,683</u>	<u>150,774</u>	<u>4,488,685</u>
Investment Income:						
Net Appreciation in Fair Value of Investments	\$ 3,587,406	\$ -	\$ 1,428,604	\$ 2,227,810	\$ 462,429	\$ 8,468,266
Interest	894,096	2,041,109	403,783	2,844,351	364,808	6,849,394
Total Investment Income	<u>\$ 4,481,502</u>	<u>\$ 2,041,109</u>	<u>\$ 1,832,387</u>	<u>\$ 5,072,161</u>	<u>\$ 827,237</u>	<u>\$ 15,317,660</u>
Less Investment Expense	97,269	-	-	400,937	-	498,206
Net Investment Income	<u>\$ 4,384,233</u>	<u>\$ 2,041,109</u>	<u>\$ 1,832,387</u>	<u>\$ 4,671,224</u>	<u>\$ 827,237</u>	<u>\$ 14,819,454</u>
Total Additions	<u>\$ 10,908,969</u>	<u>\$ 3,105,380</u>	<u>\$ 1,832,387</u>	<u>\$ 12,602,486</u>	<u>\$ 1,664,872</u>	<u>\$ 31,903,921</u>
DEDUCTIONS						
Benefits	\$ 428,248	\$ 4,521,719	\$ -	\$ 1,534,160	\$ 1,224,306	\$ 7,708,433
Refunds of Contributions	2,319,518	-	1,462,296	700,765	-	5,330,444
Administrative Expenses	107,268	63,608	-	30,271	60,562	261,709
Total Deductions	<u>\$ 2,855,034</u>	<u>\$ 4,585,327</u>	<u>\$ 1,462,296</u>	<u>\$ 2,265,196</u>	<u>\$ 1,284,868</u>	<u>\$ 13,300,586</u>
Net Increase (Decrease)	<u>\$ 8,053,935</u>	<u>\$ (1,479,947)</u>	<u>\$ 370,091</u>	<u>\$ 10,337,290</u>	<u>\$ 380,004</u>	<u>\$ 18,603,335</u>
Net Assets at Beginning of Year	57,089,470	33,410,759	26,276,327	88,534,386	13,337,719	234,619,123
Net Assets at End of Year	<u>\$ 65,143,405</u>	<u>\$ 31,930,812</u>	<u>\$ 26,646,418</u>	<u>\$ 98,871,676</u>	<u>\$ 13,717,723</u>	<u>\$ 253,222,458</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

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.

VRS changed many assumptions for the FY 2005 valuation. The investment rate assumption decreased from 8.0 % to 7.5% and the anticipated increase in future cost-of-living benefit adjustment was decreased from 3.0% to 2.5%. Pre-retirement and post-retirement mortality rates were adjusted to reflect longer life expectancy. The salary assumption was decreased and termination rates were increased to reflect higher turnover levels. Increases due to recognition of deferred asset losses accumulated over fiscal years 2001, 2002 and 2003 were offset by the extension of the amortization period to 21 years. All of these assumption changes increased the recommended employer contribution rate from 5% in FY 2004 to 6.6% in FY 2005. The annual required employer contribution increased from \$0.7 million in FY 2004 to \$1.4 million in FY 2005 for a net increase of \$0.7 million.

The prior year plan changes and assumption changes for the City Supplemental pension plan increased the recommended contribution (employer and employee) from \$5.5 million (5.21%) to \$6.3 million (6.08%). This increase is also due to lower investment returns and slightly higher than assumed average salary increases.

For the Fire and Police pension plan (the closed plan), the amortization period and investment return assumptions were changed effective for the July 1, 2005 valuation. The investment rate assumption decreased from 8.0% to 7.5% and the amortization period was increased to 20 years. The result of these changes is a decrease in the annual required contribution from the previous \$2.2 million to the current \$0.9 million.

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

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	06/30/2005	7/01/2005	07/01/2005	Not applicable	7/01/2005	7/01/2005	Not applicable

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

Exhibit XII
(Continued)

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

MEMBERSHIP AND PLAN PROVISIONS

As of:	6/05 (1) <u>VRS</u>	7/05 (2)	7/05 (3)	<u>Firefighters and Police Officers Pension Plan</u>			6/06 (7)
	<u>City</u>	<u>City Supplemental Retirement</u>	<u>Pension for Fire and Police</u>	<u>Defined Contribution Component</u>	<u>Defined Benefit Component</u>	<u>Disability Component</u>	<u>Retirement Income For Sheriff And ERT</u>
Active Participants	1,934	2,068	1	120	438	438	242
Retirees and Beneficiaries	584	163	164	-	44	51	-
Terminated Vested and Non-vested	423	605	-	61	9	9	9
Normal Retirement Benefits:							
Age	65 50 (30Yrs)	65 50 (30Yrs) 50 (25 Yrs)	60 50 (20Yrs)	60	55 Any age (25 Yrs)	55	60
Benefits Vesting Years	5	5	10	5	5	5	5
Disability and Death Benefits	Disability Death	Disability Death	Disability Death	Not applicable Death	Disability Death	Disability Not Applicable	Not Applicable Death
SIGNIFICANT ACTUARIAL ASSUMPTIONS							
Investment Earnings	7.5%	8.0%	7.5%	Not applicable	7.5%	7.5%	Not applicable
Projected Salary Increases							
Attributable to:							
Inflation	2.5%	3.0%	N/A	Not applicable	3.0%	3.0%	Not applicable
Seniority/Merit	1.0 – 3.23%	Up to 4%	N/A	Not applicable	Up to 5%	Up to 5%	Not applicable
Projected Postretirement Increases	2.5%	None	3.0%	Not applicable	3.0%	3.0%	Not applicable
Actuarial Cost Method	Entry Age Normal Cost	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	Open	Not applicable	Closed	Not applicable	Closed	Closed	Not applicable
Remaining Amortization Period	21	15	15	Not applicable	24	13	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, 2006

Exhibit XII
(Continued)

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

FUNDING POLICY AND ANNUAL PENSION COST

As of:	6/06 <u>VRS</u>	6/06	6/06	<u>Firefighters and Police Officers Pension Plan</u>			6/06
	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%	\$1,058,000/yr	Not applicable	20.0%	2.35%	5.1%
AMOUNT CONTRIBUTED							
Employee	\$ 5,082,941 *	\$ 2,212,957 *	\$ 6,271	\$ --	\$ 2,118,683	\$ 150,774	\$ -
Employer	<u>1,470,239</u>	<u>4,311,779</u>	<u>1,058,000</u>	<u>--</u>	<u>5,812,579</u>	<u>686,861</u>	<u>726,563</u>
Total Amount Contributed	<u>\$ 6,553,180</u>	<u>\$ 6,524,736</u>	<u>\$ 1,064,271</u>	<u>\$ --</u>	<u>\$ 7,931,262</u>	<u>\$ 837,635</u>	<u>\$ 726,563</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

	\$ 98.0 Million	\$ 110.6 Million	\$ 0.1 Million	--	\$ 28.2 Million	\$ 28.2 Million	\$ 14.2 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.

	0	41%	100%	42%	9%	-	52%
Prudential General Account (Long Term)							
Prudential Mutual Fund	0	-	-	58%	91%	-	48%
State Street Global Russell 3000	0	59%	-	-	-	-	-
Stocks	0	-	-	-	-	70%	-

0 Investment information not available on an individual jurisdiction basis.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

Exhibit XII
(Continued)

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Calculation of Net Pension Obligation (Asset)

	City Supplemental Retirement	Pension For Fire and Police	Firefighters and Police Officers Pension Plan	
			Defined Benefit Component	Disability Component
Actuarially Required Contribution	\$ 4,271,649	\$ 932,554	\$ 5,938,572	\$ 414,340
Interest on Net Pension Obligation	684,626	127,333	48,425	(34,226)
ARC Adjustment	(1,266,775)	(289,722)	(38,351)	42,490
Annual Pension Cost	\$ 3,689,500	\$ 770,165	\$ 5,948,646	\$ 422,604
Actual Deposit	(4,311,779)	(1,058,000)	(5,812,579)	(686,861)
Change in NPO	\$ (622,279)	\$ (287,835)	\$ 136,067	\$ (264,257)
NPO/A Beginning of Year	8,557,828	1,697,771	645,667	(456,352)
NPO/A End of Year (6/30/06)	\$ 7,935,549	\$ 1,409,936	\$ 781,734	\$ (720,609)

THREE-YEAR TREND INFORMATION

	Actuarial Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation/(Asset)	
City Supplemental Retirement	06/30/2004	\$ 2,849,539	50.81%	\$ 8,519,553	
	06/30/2005	2,662,038	98.56%	8,557,828	
	06/30/2006	3,689,500	116.86%	7,935,549	
Pension for Fire and Police	06/30/2004	\$ 1,057,741	85.30%	\$ 1,143,278	
	06/30/2005	1,456,493	61.93%	1,697,771	
	06/30/2006	770,165	137.37%	1,409,936	
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
		06/30/2006	5,948,646	137.37%	781,734
	Disability Component	06/30/2004	\$ 443,122	140.01%	\$ (177,481)
		06/30/2005	349,942	179.69%	(456,352)
		06/30/2006	422,604	162.53%	(720,609)
Virginia Retirement System	06/30/2004	\$ 667,108	100.00%	\$ -	
	06/30/2005	1,386,592	100.00%	-	
	06/30/2006	1,470,239	100.00%	-	

Firefighters and Police Officers Pension Plan defined benefit component commenced in FY04 and the disability component converted from a defined contribution to a defined benefit plan at that time. The City Supplemental Retirement 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, 2006

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

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

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

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

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

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2006

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.

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, 2006

EXHIBIT XIII

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance from Amended Budget - Positive (Negative)</u>
Revenues:				
General Property Taxes.....	\$ 284,556,796	\$ 284,556,796	\$ 290,055,692	\$ 5,498,896
Other Local Taxes.....	106,149,000	106,149,000	109,495,556	3,346,556
Permits, Fees, and Licenses.....	3,422,000	3,422,000	5,372,138	1,950,138
Fines and Forfeitures.....	3,877,000	3,900,150	3,536,342	(363,808)
Use of Money and Property.....	6,099,500	6,206,914	8,190,426	1,983,512
Charges for Services.....	12,158,717	10,471,688	10,837,058	365,370
Intergovernmental Revenues.....	47,666,400	47,702,731	50,232,988	2,530,257
Miscellaneous.....	460,353	473,358	842,030	368,672
Total Revenues	\$ 464,389,766	\$ 462,882,637	\$ 478,562,230	\$ 15,679,593
Expenditures:				
City Council.....	\$ 540,521	\$ 540,521	\$ 511,316	\$ 29,205
City Manager.....	2,051,412	2,069,698	1,722,204	347,494
Office on Women.....	1,176,227	1,278,761	1,207,064	71,697
Citizens Assistance.....	655,702	682,016	651,958	30,058
Office of Management and Budget.....	1,015,329	1,038,329	938,365	99,964
18th Circuit Court.....	1,250,395	1,250,856	1,146,032	104,824
18th General District Court.....	83,792	83,792	83,491	301
Juvenile And Domestic Relations Court.....	33,273	33,273	25,907	7,366
Commonwealth's Attorney.....	2,322,346	2,439,193	2,343,792	95,401
Sheriff.....	21,262,729	22,399,345	22,363,027	36,318
Clerk of Courts.....	1,540,725	1,540,725	1,438,229	102,496
Other Correctional Activities.....	4,158,231	4,158,231	4,156,558	1,673
Court Services.....	964,536	982,536	808,893	173,643
Human Rights.....	522,901	522,901	438,446	84,455
Internal Audit.....	200,520	200,520	160,181	40,339
Information Technology Services.....	7,326,123	7,969,866	7,367,385	602,481
City Clerk and Clerk of Council.....	338,143	343,744	336,596	7,148
Finance.....	8,115,684	8,590,883	7,726,380	864,503
Real Estate Assessments.....	1,268,167	1,268,167	1,163,630	104,537
Personnel.....	2,854,163	2,903,163	2,903,162	1
Planning and Zoning.....	6,614,339	6,800,744	6,663,551	137,193
City Attorney.....	2,338,305	2,438,305	2,431,689	6,616
Registrar of Voters.....	1,004,622	1,020,622	972,553	48,069
General Services.....	11,152,745	11,726,086	11,621,604	104,482
Transportation and Environmental Services.....	24,647,930	23,139,469	22,312,276	827,193
Transit Subsidies.....	6,145,697	6,145,697	6,110,373	35,324
Fire.....	31,988,218	33,193,783	33,057,501	136,282
Police.....	44,825,906	46,238,631	45,091,117	1,147,514
Office of Housing.....	1,233,413	-	-	-
Mental Health/Mental Retardation and Substance Abuse.....	509,400	838,500	673,719	164,781
Health.....	7,339,093	7,335,275	7,172,813	162,462
Human Services.....	8,045,361	8,315,363	8,648,445	(333,082)
Human Services Contributions.....	2,327,181	2,327,181	2,299,793	27,388
Office of Historic Alexandria.....	2,445,365	2,579,035	2,514,510	64,525
Recreation and Cultural Activities.....	18,244,705	18,722,502	18,636,072	86,430
Other Educational Activities.....	12,990	12,990	12,990	-
Non Departmental (including debt service).....	38,294,567	39,284,741	38,135,815	1,148,926
Total Expenditures	\$ 264,850,756	\$ 270,415,444	\$ 263,847,437	\$ 6,568,007
Other Financing Uses:				
Operating Transfers Out.....	\$ 52,335,443	\$ 59,256,437	\$ 58,296,860	\$ 959,577
Transfers Out - Component Units.....	151,533,567	151,533,567	151,533,567	-
Total Other Financing Sources Uses	\$ 203,869,010	\$ 210,790,004	\$ 209,830,427	\$ 959,577
Net Change in Fund Balance.....	\$ (4,330,000)	\$ (18,322,811)	\$ 4,884,366	23,207,177
Fund Balances at Beginning of Year.....	62,275,183	62,275,183	62,275,183	-
Increase in Reserve for Inventory	-	-	218,496	218,496
FUND BALANCES AT END OF YEAR	\$ 57,945,183	\$ 43,952,372	\$ 67,378,045	\$ 23,425,673

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

CITY OF ALEXANDRIA, VIRGINIA
Budgetary Comparison Schedule
Special Revenue Fund
June 30, 2006

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	\$ 103,475	\$ 212,578	\$ 109,103
Charges for Services.....	5,712,498	7,871,944	12,708,978	4,837,034
Permits, Fees and Licenses.....	1,231,533	1,231,533	1,110,627	(120,906)
Intergovernmental Revenues.....	37,767,958	45,132,477	41,648,389	(3,484,088)
Miscellaneous.....	584,662	5,993,130	3,417,597	(2,575,533)
Total Revenues.....	\$ 45,302,651	\$ 60,332,559	\$ 59,098,169	\$ (1,234,390)
Expenditures:				
Office of Women.....	\$ 484,347	\$ 471,817	\$ 454,443	\$ 17,374
Citizens Assistance.....	5,400	15,400	10,018	5,382
Commonwealth's Attorney.....	374,451	299,707	276,356	23,351
Sheriff.....	846,304	939,630	729,291	210,339
Clerk of Courts.....	-	75,586	45,821	29,765
Law Library.....	138,598	143,598	141,327	2,271
Other Correctional and Judicial Activities.....	198,333	198,333	198,333	-
Human Rights.....	25,479	25,479	25,429	50
Court Services.....	407,668	505,024	439,947	65,077
Personnel.....	6,000	6,100	3,379	2,721
Transportation and Environmental Services.....	1,532,726	5,244,755	2,847,884	2,396,871
Fire.....	989,163	1,394,191	1,391,924	2,267
Police.....	738,117	1,882,566	1,558,879	323,687
Office of Housing.....	6,210,287	33,469,524	13,593,931	19,875,593
Mental Health/Mental Retardation and Substance Abuse.....	25,923,334	26,311,800	24,830,421	1,481,379
Health.....	-	1,500	1,124	376
Human Services.....	39,237,685	41,131,405	39,817,042	1,314,363
Office of Historic Alexandria.....	270,682	357,749	202,729	155,020
Recreation and Cultural Activities.....	386,960	534,074	343,424	190,650
Non Departmental.....	1,000,000	3,123,495	3,084,144	39,351
Total Expenditures.....	\$ 78,775,534	\$ 116,131,733	\$ 89,995,846	\$ 26,135,887
Other Financing Sources (Uses):				
Issuance of Debt.....	\$ -	\$ 22,100,000	14,995,552	(7,104,448)
Operating Transfers In.....	33,475,708	34,941,999	34,767,435	(174,564)
Operating Transfers Out.....	(2,825)	(1,242,825)	(1,175,396)	(67,429)
Total Other Financing Sources (Uses).....	\$ 33,472,883	\$ 55,799,174	\$ 48,587,591	\$ (7,346,441)
Net Change in Fund Balance	\$ -	\$ -	\$ 17,689,914	\$ 17,689,914
Fund Balances at Beginning of Year.....	-	-	12,243,056	12,243,056
FUND BALANCES AT END OF YEAR.....	\$ -	\$ -	\$ 29,932,970	\$ 29,932,970

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Budgetary Comparison Schedules
June 30, 2006

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 21, 2005, the City Council approved the original adopted budget and on June 21, 2006 approved the revised budget reflected in the required supplementary information.

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

General Fund				
Budget Statement Title	Budgetary Statement Amount	Adjustment for Transfer to Component Unit (Footnote 11)	Exhibit IV	Exhibit IV Title
Other Educational Activities	\$ 12,990	\$ 138,753,138	\$138,766,128	Education
Transit Subsidies	6,110,373	6,342,000	12,452,373	Transit
None	-	6,438,429	6,438,429	Library
Other Expenditures (not listed separately)	257,724,074	-	257,724,074	Other Expenditures (not listed separately)
Total Expenditures	\$ 263,847,437	\$ 151,533,567	\$415,381,004	Total Expenditures
<hr/>				
Transfers Out – Component Units	\$ 151,533,567	\$ (151,533,567)	\$ -	None
Operating Transfers Out	58,296,860	-	58,296,860	Operating Transfers Out
Total Financing Uses	\$ 209,830,427	(151,533,567)	58,296,860	Total Financing Uses

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

For the fiscal year ended June 30, 2006 expenditures exceeded appropriations for the Department of Human Services in the General Fund by \$679,843 to fund foster care costs not reimbursed by the state or federal government. These expenditures were funded by greater than anticipated revenues.

CITY OF ALEXANDRIA, VIRGINIA
Public Employee Retirement Systems - Primary Government
Required Supplementary Information
June 30, 2006

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	06/30/2001	\$ 40,324,903	\$ 47,257,982	\$ 6,933,079	85.5%	\$ 55,594	12,471%	
For Fire	06/30/2002	39,116,353	45,244,734	6,128,381	86.5%	60,566	10,119%	
And Police **	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%	
	06/30/2006 *	31,930,812	41,930,821	10,000,009	76.2%	78,387	12,757%	
Firefighters	Defined	01/01/2004	\$ 73,115,648	\$ 112,392,474	\$ 39,276,826	65.1%	\$ 27,221,546	144.3%
And Police	Benefit	07/01/2004	78,577,979	115,340,503	36,762,524	68.1%	25,268,564	145.5%
Officers	Component	07/01/2005	88,534,386	135,445,004	46,910,618	65.4%	29,132,558	161.0%
Pension								
Plan ^(a)	Disability	07/01/2003	\$ 11,936,587	\$ 10,165,275	\$ (1,771,312)	117.4%	\$ 26,002,593	(6.8%)
	Component	07/01/2004	12,601,146	8,638,183	(3,962,963)	145.9%	25,268,564	(15.7%)
		07/01/2005	13,337,719	8,947,524	(4,390,195)	149.1%	29,132,558	(15.1%)
Virginia		06/30/2000	\$ 206,562,426	\$ 161,915,444	\$ (44,646,982)	127.6%	\$ 65,735,935	(68%)
Retirement		06/30/2001	227,576,669	178,701,974	(48,874,695)	127.4%	71,829,945	(68%)
System		06/30/2002	235,660,890	201,292,189	(34,368,701)	117.1%	78,337,719	(44%)
		06/30/2003	239,425,215	213,902,045	(25,523,170)	112.0%	84,710,535	(30%)
		06/30/2004	244,033,928	240,500,266	(3,533,662)	101.5%	90,113,045	(4%)
		06/30/2005	250,705,689	286,667,574	35,961,885	87.5%	93,142,752	38.6%

* Estimated

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

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

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.

See Accompanying Independent Auditors' Report

CITY OF ALEXANDRIA, VIRGINIA
Public Employee Retirement Systems - Primary Government
Required Supplementary Information
June 30, 2006

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	06/30/2001	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%
	06/30/2006	4,271,649	100.9%	06/30/2006	932,554	113.5%
	Firefighters and Police Defined Benefit Component ^(a)			Virginia Retirement System		
	06/30/2004	\$ 2,633,733	60.7%	06/30/2001	\$ 1,447,935	100.0%
	06/30/2005	4,890,046	108.3%	06/30/2002	765,204	100.0%
	06/30/2006	5,938,572	97.9%	06/30/2003	626,701	100.0%
	Firefighters and Police Disability Component ^(a)			06/30/2004	667,108	100.0%
	06/30/2004	\$ 443,122	140.1%	06/30/2005	1,386,592	100.0%
	06/30/2005	347,672	180.9%	06/30/2006	1470,239	100.0%
	06/30/2006	414,340	165.8%			

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

See Accompanying Independent Auditors' Report

OTHER SUPPLEMENTARY INFORMATION

Agency Funds

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

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

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

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

CITY OF ALEXANDRIA, VIRGINIA
Combining Schedules of Changes in Assets and Liabilities – Agency Funds
June 30, 2006

Schedule 1

	Balance	Additions	Deductions	Balance
	July 1, 2005			June 30, 2006
HUMAN SERVICES SPECIAL WELFARE ACCOUNT				
Assets:				
Cash and Investments with Fiscal Agent.....	\$ 14,719	\$ 36,457	\$ 44,638	\$ 6,538
Liabilities:				
Other Liabilities.....	\$ 14,719	\$ 36,457	\$ 44,638	\$ 6,538
Total Liabilities.....	\$ 14,719	\$ 36,457	\$ 44,638	\$ 6,538
HUMAN SERVICES DEDICATED ACCOUNT				
Assets:				
Cash and Investments with Fiscal Agent.....	\$ 15,323	\$ 313	\$ 7,234	\$ 8,402
Liabilities:				
Other Liabilities.....	\$ 15,323	\$ 313	\$ 7,234	\$ 8,402
Total Liabilities.....	\$ 15,323	\$ 313	\$ 7,234	\$ 8,402
INDUSTRIAL DEVELOPMENT AUTHORITY				
Assets:				
Equity in Pooled Cash and Investments.....	\$ 619,138	\$ 231,808	\$ -	\$ 850,946
Liabilities:				
Other Liabilities.....	\$ 619,138	\$ 231,808	\$ -	\$ 850,946
Total Liabilities.....	\$ 619,138	\$ 231,808	\$ -	\$ 850,946
TOTAL ALL AGENCY FUNDS				
Assets:				
Equity in Pooled Cash and Investments.....	\$ 619,138	\$ 231,808	\$ -	\$ 850,946
Cash and Investments with Fiscal Agent.....	30,042	36,770	51,872	14,940
Total Assets.....	\$ 649,180	\$ 268,578	\$ 51,872	\$ 865,886
Liabilities:				
Other Liabilities.....	\$ 649,180	\$ 268,578	\$ 51,872	\$ 865,886
Total Liabilities.....	\$ 649,180	\$ 268,578	\$ 51,872	\$ 865,886

CITY OF ALEXANDRIA, VIRGINIA
Statement of Cash Flows
Component Unit
Alexandria Transit Company
As of June 30, 2006

Schedule 2

Cash Flows from Operating Activities:	
Cash Received From Customers.....	\$ 2,652,565
Cash Payments to Suppliers for Goods and Services.....	(2,489,270)
Cash Payments to Employees for Services.....	(6,147,446)
Net Cash Used for Operating Activities.....	<u>\$ (5,984,151)</u>
Cash Flows from Noncapital Financing Activities:	
Payment from Primary Government.....	\$ 6,342,872
Cash Received from Nonoperating Grant.....	14,233
Cash Received from Other Nonoperating Revenue.....	16,563
Net Cash Provided by Noncapital and Related Financing Activities.....	<u>\$ 6,373,668</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets.....	\$ (119,938)
Net Cash Used for Capital and Related Financing Activities.....	<u>\$ (119,938)</u>
Net Increase in Cash and Cash Equivalents.....	\$ 269,579
Cash and Cash Equivalents at Beginning of Year.....	7,175
Cash and Cash Equivalents at End of Year.....	<u><u>\$ 276,754</u></u>

Reconciliation of Operating Loss to Cash Used for	
Operating Activities:	
Operating Loss.....	<u>\$ (7,932,269)</u>
Adjustments to Reconcile Operating Loss to Net Cash	
Used for Operating Activities:	
Depreciation Expense.....	\$ 2,023,992
Changes in Assets and Liabilities:	
(Increase) in Accounts Receivable.....	(5,648)
Decrease in Inventory of Supplies.....	41,317
(Increase) in Accounts Payable.....	(4,562)
Increase in Accrued Liabilities.....	19,714
(Decrease) in Other Liabilities.....	(126,695)
Total Adjustments.....	<u>\$ 1,948,118</u>
Net Cash Used for Operating Activities.....	<u><u>\$ (5,984,151)</u></u>

Noncash Capital and Related Financing Activities:
During Fiscal Year 2006, the City transferred capital assets totaling \$0.3 million to Alexandria Transit.

CITY OF ALEXANDRIA, VIRGINIA
Combining Statement of Net Assets
Special Revenue Funds
As of June 30, 2006

Schedule 3

	<u>Housing</u>	<u>Sewer</u>	<u>Other Special Revenue</u>	<u>Combined Special Revenue</u>
ASSETS				
Cash and Cash Equivalents	\$ 1,956,621	\$ 5,128,362	\$ 6,081,380	\$ 13,166,363
Cash and Investments with Fiscal Agents	14,987,615	-	109,451	15,097,066
Receivables, Net	1,319,285	455,938	14,766	1,789,989
Due From Other Governments	485,527	-	6,760,115	7,245,642
Prepaid and Other Assets	-	-	83,170	83,170
Total Assets	<u>\$ 18,749,048</u>	<u>\$ 5,584,300</u>	<u>\$ 13,048,882</u>	<u>\$ 37,382,230</u>
LIABILITIES				
Accounts Payable	\$ 203,155	-	\$ 2,678,045	\$ 2,881,200
Accrued Wages	19,756	-	1,345,711	1,365,467
Unearned Revenue	43,564	-	3,159,029	3,202,593
Total Liabilities	<u>\$ 266,475</u>	<u>\$ -</u>	<u>\$ 7,182,785</u>	<u>\$ 7,449,260</u>
FUND BALANCES				
Reserved for:				
Notes Receivable, net	\$ 1,319,283	\$ -	\$ -	\$ 1,319,283
Encumbrances	149,800	-	2,097,468	2,247,268
Unreserved	17,013,490	5,584,300	3,768,629	26,366,419
Total Fund Balances	<u>\$ 18,482,573</u>	<u>\$ 5,584,300</u>	<u>\$ 5,866,097</u>	<u>\$ 29,932,970</u>
Total Liabilities and Fund Balances	<u>\$ 18,749,048</u>	<u>\$ 5,584,300</u>	<u>\$ 13,048,882</u>	<u>\$ 37,382,230</u>

CITY OF ALEXANDRIA, VIRGINIA
Combing Statement of Revenues, Expenditures and Changes in Fund Balance
Special Revenue Funds
As of June 30, 2006

	Housing	Sewer	Other Special Revenue	Schedule 4 Total Combined Special Revenue
REVENUES				
Permits, Fees, and Licenses	\$ -	\$ -	\$ 1,110,627	\$ 1,110,627
Use of Money and Property	179,474	-	33,104	212,578
Charges for Services	9,027	7,266,604	5,433,347	12,708,978
Intergovernmental Revenue	2,177,462	-	39,470,927	41,648,389
Miscellaneous	2,318,318	-	1,099,279	3,417,597
Total Revenues	<u>\$ 4,684,281</u>	<u>\$ 7,266,604</u>	<u>\$ 47,147,284</u>	<u>\$ 59,098,169</u>
EXPENDITURES				
Current Operating:				
General Government	\$ -	\$ -	\$ 363,738	\$ 363,738
Judicial Administration	-	-	1,106,822	1,106,822
Public Safety	-	-	6,684,216	6,684,216
Public Works	-	1,682,304	495,958	2,178,262
Health and Welfare	-	-	64,530,258	64,530,258
Culture and Recreation	-	-	556,172	556,172
Community Development	13,566,757	-	1,009,621	14,576,378
Total Expenditures	<u>\$ 13,566,757</u>	<u>\$ 1,682,304</u>	<u>\$ 74,746,785</u>	<u>\$ 89,995,846</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (8,882,476)</u>	<u>\$ 5,584,300</u>	<u>\$ (27,599,501)</u>	<u>\$ (30,897,677)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of Debt	\$ 15,000,000	-	-	\$ 15,000,000
Bond Discount	(4,448)	-	-	(4,448)
Transfers In	\$ 5,545,145	\$ -	\$ 29,222,290	34,767,435
Transfers Out	-	-	(1,175,396)	(1,175,396)
Total Other Financing Sources and Uses	<u>\$ 20,540,697</u>	<u>\$ -</u>	<u>\$ 28,046,894</u>	<u>\$ 48,587,591</u>
Net Change in Fund Balance	<u>\$ 11,658,221</u>	<u>\$ 5,584,300</u>	<u>\$ 447,393</u>	<u>\$ 17,689,914</u>
Fund Balance at Beginning of Year	6,824,352	-	5,418,704	12,243,056
Fund Balance at End of Year	<u><u>\$ 18,482,573</u></u>	<u><u>\$ 5,584,300</u></u>	<u><u>\$ 5,866,097</u></u>	<u><u>\$ 29,932,970</u></u>

STATISTICAL SECTION

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

TABLE I

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenses							
Governmental Activities:							
General Government	\$ 40.3	\$ 40.3	\$ 45.1	\$ 47.4	\$ 56.5	\$ 47.7	\$ 47.5
Judicial Administration	12.0	11.5	12.5	13.0	14.0	14.6	15.6
Public Safety	68.0	73.6	83.2	88.4	94.9	96.5	106.9
Public Works	31.3	33.3	33.5	36.9	44.1	40.0	41.1
Library	3.8	4.2	4.8	5.1	5.5	6.0	6.4
Health and Welfare	62.2	61.5	66.8	71.9	73.9	79.4	84.3
Transit	5.0	7.1	6.8	11.9	9.1	10.5	12.5
Culture and Recreation	12.4	14.1	17.2	20.8	21.3	26.1	25.3
Community Development	9.3	8.9	11.9	13.5	16.2	16.1	24.4
Education	92.5	116.4	110.7	123.4	128.6	142.2	139.9
Interest on Long-term Debt	2.9	5.6	7.6	7.1	8.0	9.5	10.4
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>	<u>\$ 514.4</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>	<u>\$ 514.4</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>	<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>	<u>\$ 514.4</u>
Program Revenues							
Governmental Activities:							
General Government	\$ 1.0	\$ 1.0	\$ 2.0	\$ 1.6	\$ 2.5	\$ 1.7	\$ 1.8
Judicial Administration	10.6	6.8	5.2	4.8	5.4	5.6	5.6
Public Safety	19.0	18.3	19.1	21.7	22.6	20.0	26.4
Public Works	11.6	12.8	24.9	35.3	28.0	23.2	23.5
Library	-	-	-	-	-	-	-
Health and Welfare	33.7	29.3	32.4	34.2	35.8	37.1	36.3
Transit	-	-	-	-	-	-	-
Culture and Recreation	2.3	2.4	2.5	2.6	2.3	2.3	10.0
Community Development	4.5	4.3	3.9	4.7	8.0	5.5	6.9
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>	<u>\$ 110.5</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>	<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>	<u>\$ 110.5</u>

Amounts may not add due to rounding

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Changes in Net Assets
Last Seven 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>	<u>2006</u>
Net (Expense) (Revenue)							
General Government	\$ (39.2)	\$ (39.3)	\$ (43.1)	\$ (45.8)	\$ (54.1)	\$ (46.0)	\$ (45.7)
Judicial Administration	(1.4)	(4.7)	(7.3)	(8.1)	(8.6)	(9.0)	(10.0)
Public Safety	(49.0)	(55.3)	(64.1)	(66.7)	(72.2)	(76.5)	(80.5)
Public Works	(19.7)	(20.5)	(8.5)	(1.7)	(16.1)	(16.8)	(17.6)
Library	(3.8)	(4.2)	(4.8)	(5.1)	(5.5)	(6.0)	(6.4)
Health and Welfare	(28.6)	(32.1)	(34.4)	(37.7)	(38.1)	(42.3)	(48.0)
Transit	(5.0)	(7.1)	(6.8)	(11.9)	(9.1)	(10.5)	(12.5)
Culture and Recreation	(10.1)	(11.6)	(14.8)	(18.2)	(19.1)	(23.8)	(15.4)
Community Development	(4.8)	(4.5)	(8.0)	(8.8)	(8.2)	(10.6)	(17.5)
Education	(92.5)	(116.4)	(110.7)	(123.4)	(128.6)	(142.2)	(139.9)
Interest on Long-term Debt	(2.9)	(5.6)	(7.6)	(7.1)	(8.0)	(9.5)	(10.4)
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>	<u>\$ (403.9)</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>	<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>	<u>\$ (403.9)</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	\$ 255.4
Personal Property	47.6	27.0	38.5	31.1	31.3	32.0	33.1
Other	75.0	81.7	85.8	88.4	94.2	101.5	109.4
Transfer	-	-	-	1.0	-	-	-
Grants and Contributions							
not restricted to other programs	19.1	26.9	28.9	29.2	30.4	29.5	31.0
Interest and Investment Earnings	7.3	8.4	7.3	3.6	1.7	4.9	9.1
Miscellaneous	0.7	0.5	0.5	0.6	0.3	0.5	0.8
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>	<u>\$ 438.9</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>	<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>	<u>\$ 438.9</u>
Change in Net Assets							
Governmental Activities:	\$ 34.3	\$ (3.5)	\$ 14.4	\$ 8.9	\$ 1.6	\$ 9.5	\$ 35.0
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>	<u>\$ 35.0</u>

Amounts may not add due to rounding

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

TABLE II

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

Amounts may not add due to rounding

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

TABLE III

Fiscal Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Property Taxes										
Real Estate	\$ 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	\$ 255,141,063
Personal	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	33,163,126
Penalties and Interest	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	1,751,503
Other Local Taxes										
Local Sales	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	25,264,689
Utility	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	17,587,865
Business License	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	28,381,583
Cable TV Franchise License	491,671	619,112	791,691	836,041	901,777	1,025,474	978,574	1,089,381	1,154,576	1,240,841
Motor Vehicle License	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	2,461,023
Bank Franchise	811,909	880,989	1,110,481	991,609	1,403,375	1,294,376	1,922,095	1,111,691	1,364,270	1,784,565
Tobacco	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	2,840,486
Recordation	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	7,818,676
Transient Lodging	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	7,811,884
Restaurant Food	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	10,094,267
Telecommunication	-	-	422,874	655,212	762,172	1,139,266	792,025	727,384	726,112	725,684
Admissions	-	-	-	-	-	-	-	-	-	1,149,537
Cell Phone	-	-	-	-	-	-	-	-	-	2,305,525
Other	42,670	43,331	36,134	26,336	50,987	42,507	44,528	39,266	28,428	28,931
Total	\$ 213,745,142	\$ 226,641,638	\$ 243,399,674	\$ 258,337,202	\$ 271,502,449	\$ 289,105,471	\$ 307,059,210	\$ 337,485,729	\$ 366,755,360	\$ 399,551,248

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

Table IV

Calendar Year Ended December 31,	Real Property (Amounts in thousands)				Total Collections to date	
	Taxes Levied for the Calendar Year*	Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
1999	\$ 135,085	\$ 133,102	98.53%	\$ 1,932	\$ 135,034	99.96%
2000	147,059	144,741	98.42%	2,285	147,026	99.98%
2001	159,207	156,748	98.46%	2,421	159,169	99.98%
2002	174,863	172,296	98.53%	2,497	174,793	99.96%
2003	199,861	196,181	98.16%	3,542	199,723	99.93%
2004	225,242	223,047	99.03%	1,820	224,867	99.83%
2005	250,833	247,166	98.54%	-	247,166	98.54%

* Levy adjusted for changes since original levy

Table V

Calendar Year Ended December 31,	Personal Property (Amounts in thousands)				Total Collections to date	
	Taxes Levied for the Calendar Year	Commonwealth Reimbursement #	Amount	Percentage of Levy	Amount	Percentage of Levy
1999	\$ 52,178	6,887	\$ 41,507	79.55%	\$ 45,207	86.64%
2000	56,591	13,268	44,711	79.01%	48,388	85.50%
2001	56,957 *	20,842	48,136	84.51%	59,189	103.92%
2002	58,478	21,122	49,216	84.16%	52,908	90.48%
2003	60,472	22,915	50,576	83.64%	54,162	89.57%
2004	56,059	21,936	48,535	86.58%	51,913	92.60%
2005	58,942	22,558	50,422	85.55%	50,422	85.55%

* 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)			Personal Property (\$000)				Total Assessment
	Residential	Commercial	Total	Tax Rate per \$100	Motor Vehicle and Tangibles Assessment	Tax rate per \$100	Machine and Tools Assessment	
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	13,224,543	9,532,642	22,757,185	0.995	1,391,110	4.75	17,985	1,409,095
2005	16,272,324	11,087,326	27,359,650	0.915	1,455,520	4.75	15,009	1,470,529

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 Seven Fiscal Years

TABLE VII

	2000	2001	2002	2003 ^a	2004	2005	2006
Governmental Activities							
Invested in Capital Assets, Net of Related Debt	\$ 172.6	\$ 181.2	\$ 118.5	\$ 160.6	\$ 119.5	\$ 100.2	\$ 105.6
Restricted for:							
Affordable Housing	-	-	-	-	-	-	3
Capital Projects	39.2	58.3	70.1	72.8	115.7	148.3	157.2
Unrestricted Net Assets	55.1	23.9	103.8	67.9	67.7	63.9	81.6
Subtotal Governmental Activities Net Assets	\$ 266.9	\$ 263.4	\$ 292.4	\$ 301.3	\$ 302.9	\$ 312.4	\$ 347.4
Business-type Activities Net Assets							
Invested in Capital Assets, Net of Related Debt	0.2	0.1	0.1	-	-	-	-
Unrestricted Net Assets	1.5	1.2	0.9	-	-	-	-
Subtotal Business-type Activities Net Assets	\$ 1.6	\$ 1.3	\$ 1.0	\$ -	\$ -	\$ -	\$ -
Primary Government							
Invested in Capital Assets, Net of Related Debt	172.8	181.3	118.6	160.6	119.5	100.2	105.6
Restricted for:							
Affordable Housing	-	-	-	-	-	-	3.0
Capital Projects	39.2	58.3	70.1	72.8	115.7	148.3	157.2
Unrestricted Net Assets	56.6	25.1	104.6	67.9	67.7	63.9	81.6
Total Primary Government Net Assets	\$ 268.5	\$ 264.7	\$ 293.4	\$ 301.3	\$ 302.9	\$ 312.4	\$ 347.4

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

Amounts may not add due to rounding

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

TABLE VIII

	2000	2001	2002	2003	2004	2005	2006
General Fund							
Reserved for:							
Encumbrances	\$ 3,207,099	\$ 3,729,754	\$ 3,117,566	\$ 2,386,468	\$ 1,525,942	\$ 2,087,658	\$ 1,845,820
Inventories	1,288,791	1,278,362	1,480,168	1,537,404	1,681,593	1,970,689	2,189,185
Unreserved	53,502,641	55,825,487	63,630,925	54,193,856	59,589,075	58,216,836	63,343,040
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>	<u>\$ 67,378,045</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	\$ 141,395,119
Notes Receivable	1,455,942	1,287,340	1,558,984	1,922,984	4,227,041	4,147,198	2,015,393
Encumbrances	11,908,389	8,750,823	8,321,719	8,788,237	10,042,480	21,501,270	18,055,741
Unreserved Special Revenue	10,323,792	11,301,953	12,263,486	11,761,929	11,359,179	9,831,441	26,366,419
Unreserved Capital Projects	10,348,516	6,061,855	22,031,197	-	-	-	-
Subtotal All Other	<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>	<u>\$ 187,832,672</u>
Governmental Funds							
Total Governmental Funds							
Encumbrances	\$ 15,115,488	\$ 12,480,577	\$ 11,439,285	\$ 11,174,705	\$ 11,568,422	\$ 23,588,928	\$ 19,901,561
Inventories	1,288,791	1,278,362	1,480,168	1,537,404	1,681,593	1,970,689	2,189,185
Capital Projects	51,089,259	49,528,043	61,806,602	63,968,631	105,611,068	126,848,380	141,395,119
Notes Receivable	1,455,942	1,287,340	1,558,984	1,922,984	4,227,041	4,147,198	2,015,393
Unreserved	74,174,949	73,189,295	97,925,608	65,955,785	70,948,254	68,048,277	89,709,459
Total Fund Balance	<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>	<u>\$ 255,210,717</u>

CITY OF ALEXANDRIA, VIRGINIA
2006 Tax Rates for Major Revenue Sources

TABLE IX

Real Estate Tax	81.5¢ 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 gas delivered (\$2.40 maximum) \$1.28 plus \$0.050909 of each CCF gas delivered-group meter consumers) (\$2.40 maximum per dwelling unit) \$1.28 plus 0.023267 of each CCF gas delivered-group meter interruptible consumers (\$2.40 maximum per dwelling unit)
Utility Tax (for commercial users)	15% of first \$150 of water service charge 25% of first \$150 of local service charges for telephone \$0.97 plus \$0.004610 of each kwh delivered-commercial consumer \$0.97 plus \$0.003755 of each kwh delivered-industrial consumer \$1.42 plus \$0.050213 each CCF gas delivered-commercial/industrial consumer \$4.50 plus \$0.003670 of each CCF gas delivered-non-residential interruptible gas consumers
Business and Professional Licenses	
Alcoholic Beverages	\$5 - \$1,500
First year of operation:	
Gross receipts less than \$100,000	No tax due
Gross receipts of greater than \$100,000 and less than \$2,00,000	\$50
Gross receipts of \$2,000,000 or more	Same as renewal for greater than \$100,000 below
Renewal business	
Gross receipts of greater than \$10,000 and less than \$100,000:	
Any business	\$50
Gross receipts of \$100,000 or more	
Amusement and Entertainment	\$0.36 per \$100 gross receipts
Professional	\$0.58 per \$100 gross receipts
Renting of Residential Property	\$0.50 per \$100 gross receipts
Renting of Commercial Property	\$0.35 per \$100 gross receipts
Financial Services	\$0.35 per \$100 gross receipts
Personal, Business and Repair Service	\$0.35 per \$100 gross receipts
Retail Merchants	\$0.20 per \$100 gross receipts
Restaurants	\$0.20 per \$100 gross receipts
Contractors	\$0.16 per \$100 gross receipts
Wholesale Merchants	\$0.05 per \$100 total purchases
Public Utilities	
Telephone 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
Cell Phone Tax	10% of gross charge up to a \$3.00 per telephone line
Admissions Tax	10% of admissions up to \$.50 per person
Public Rights-of-Way Use Fee	\$0.64 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

	1997	1998	1999	2000	2001
Assessed Value of Real Property, January 1	\$ 11,170,803,000	\$ 11,605,290,000	\$ 12,187,519,600	\$ 13,295,308,000	\$ 14,632,348,200
Debt Limit: 10 percent	1,117,083,000	1,160,529,000	1,218,751,960	1,329,530,800	1,463,324,820
Amount of Debt Applicable to Debt Limit	<u>37,610,000</u>	<u>30,585,000</u>	<u>65,710,000</u>	<u>114,690,000</u>	<u>107,875,000</u>
Legal Debt Margin	\$ 1,049,473,000	\$ 1,129,944,000	\$ 1,153,041,960	\$ 1,153,041,960	\$ 1,355,359,820
Debt as a Percentage of Assessed Value	0.34%	0.27%	0.54%	0.86%	0.74%
	2002	2003	2004	2005	2006
Assessed Value of Real Property, January 1	\$ 16,132,989,000	\$ 19,225,926,000	\$ 22,580,995,000	\$ 27,359,649,900	\$ 32,906,720,000
Debt Limit: 10 percent	1,613,298,900	1,922,592,600	2,258,099,500	2,735,964,990	3,290,672,000
Amount of Debt Applicable to Debt Limit	<u>153,925,000</u>	<u>143,615,000</u>	<u>197,520,000</u>	<u>241,890,000</u>	<u>296,540,000</u>
Legal Debt Margin	\$ 1,459,373,900	\$ 1,778,977,600	\$ 2,060,579,500	\$ 2,494,074,990	\$ 2,994,132,000
Debt as a Percentage of Assessed Value	0.95%	0.75%	0.87%	0.88%	0.90%

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 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	Outstanding Debt			
1997	117,600	\$ 11,170,803	\$ 1,206,755	\$ 12,377,558	\$ 37,610,000	0.34	\$ 4,937,063	\$ 320	0.8
1998	119,500	11,605,290	1,213,051	12,818,341	30,585,000	0.26	5,378,238	256	0.6
1999	121,700	12,187,520	1,261,500	13,449,029	65,710,000	0.54	5,775,230	540	1.1
2000	129,147	13,295,308	1,372,621	14,667,929	114,690,000	0.86	6,211,938	888	1.8
2001	130,403	14,632,349	1,573,358	16,205,707	107,875,000	0.74	6,931,579	827	1.6
2002	129,938	16,132,989	1,426,306	17,559,295	153,925,000	0.95	7,009,871	1,185	2.2
2003	135,000	19,225,926	1,459,886	20,685,812	143,615,000	0.75	7,165,859	1,064	2.0
2004	134,000	22,580,995	1,309,443	23,890,438	197,520,000	0.87	7,435,257	1,474	2.7
2005	135,000	27,359,650	1,359,782	28,719,432	241,890,000	0.88	7,776,966	1,792	3.1
2006	138,000	32,906,270	1,409,852	34,316,122	296,540,000	0.90	8,835,057	2,148	3.4

(1) Net General Debt includes general obligation bonds and term notes.

(2) Includes real and personal property as adjusted for changes to levy.

(3) SOURCE: Alexandria Department of Planning and Zoning and the United States Bureau of Economic Analysis

(4) Personal Income and per capita income represents data from the United States Bureau of Economic Analysis, as revised, that is generally two years old. The two most recent years are estimated based on City estimates of per capita trends.

CITY OF ALEXANDRIA, VIRGINIA
Overlapping Debt and Debt History
June 30, 2006

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
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
2006	16,350,000	10,502,282	26,852,282	623,774,871	4.30

(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, 2006

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	2006 Estimate.....	138,000

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

POPULATION INDICATORS
PER CAPITA INCOME*

	<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>	<u>2004</u>
Alexandria	\$37,592	\$39,538	\$41,166	\$44,031	\$45,956	\$48,106	\$52,125	\$52,344	\$53,671	\$57,244
Arlington	\$37,505	\$39,073	\$40,830	\$43,554	\$45,703	\$49,555	\$52,673	\$53,860	\$54,496	\$58,310
Fairfax (includes Fairfax City and Falls Church)	\$37,201	\$38,482	\$40,330	\$43,193	\$47,306	\$50,035	\$51,931	\$52,494	\$54,167	\$58,266
Washington MSA	\$31,332	\$32,401	\$33,824	\$35,848	\$37,777	\$40,672	\$42,404	\$42,808	\$43,913	\$46,782

*The BEA has revised these numbers.

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

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

TABLE XV

Private Property

Owner's Name	Property	2006 Assessed Value (In millions)	Percentage of Total Assessed Valuation
1. LCOR Alexandria, L.L.C.	Office Buildings	\$ 1,000.5	3.04%
2. AIMCO Foxchase L.P.	Foxchase Apartments	277.9	0.84%
3. Alexandria Apartments L.L.C.	Alexandria Apartments	201.9	0.61%
4. Southern Towers L.L.C.	Southern Towers Apartments	198.4	0.60%
5. Washington Real Estate Investment Trust	Portfolio	192.1	0.58%
6. MR Park Center Fee L.L.C	Park Center Apartments	183.4	0.40%
7. Hoffman Buildings L.P./L.L.P.	Hoffman Office Buildings	164.0	0.50%
8. Carr Canal Center L.L.C	Canal Center	153.9	0.47%
9. CPYR Inc.	Retail Shopping Center	140.7	0.43%
10. Millbrook Apartments Associates, L.L.C.	Millbrook Apartments	140.1	0.43%
11. Potomac Yard Retail, Inc.	Vacant Land/Warehouse	112.4	0.41%
12. Hoffman Family L.L.C.	Vacant Land/Office Buildings	131.0	0.40%
13. Avalon Prop. Inc.	Avalon Apartments/Office	113.2	0.34%
14. EQR Lincoln Alexandria L.L.C.	Reserve at Potomac Yard	112.3	0.34%
15. National Electric Benefit Funds Trs. (Higgins R L et al.)	Hillwood Apts & Shops @ Mark Center	108.2	0.33%
16. Smith Property Holding Three L.P.	Apartments	101.6	0.31%
17. Meridian at Carlyle	Meridian Apartments	100.3	0.30%
18. Hamlet East L.P.	Hamlet East Apartments	98.1	0.30%
19. Potomac Club Residences L.P.	Potomac Club Residence(s)	78.7	0.29%
20. 1900 Duke Street L. P.	Office Buildings	84.5	0.26%

Owner's Name	Property	1997 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.....	\$ 410.5	3.68%
2. King Street Metro/Carlyle	King Street Station Offices/Hotel/ Retail/Condominiums.....	175.8	1.58
3. Landmark Shopping Center	Department Store Mall/Bank/Garage	138.7	1.24
4. Stone Tract/Park Center	Park Center, Kiosk Offices/ Park Center Apartments and Offices	135.6	1.21
5. Hubert N Hoffman	Offices/Vacant Land/Hotel.....	128.8	1.15
6. First Alexandria Association	Foxchase Apartments	108.6	0.97
7. RF&P Railroad Co.	Potomac Yard/Vacant Lot	103.5	0.93
8. Alexandria Country Club Apts.	Oakwood Apartments.....	74.5	0.67
9. Lazlo N. Tauber, M.D.	Office Building.....	56.7	0.51
10. Washington REIT	BradLee and Foxchase Shopping Centers ...	50.0	0.45

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

TABLE XV
(Continued)

Public Service Companies

<u>Owner's Name</u>	2006 Assessed Value (In millions)	Percentage of Total Assessed Valuation
1. Mirant Potomac River, LLC.....	\$ 260.1	0.79%
2. Virginia Electric Power Company.....	144.9	0.44
3. Covanta Alexandria, Arlington, Inc.	94.0	0.29
4. Verizon Virginia, Inc.....	85.2	0.26
5. Norfolk Southern Railway Company	63.0	0.19
6. Richmond, Fredericksburg & Potomac Railway Company.....	58.8	0.18
7. Virginia American Water Company.....	38.9	0.12
8. Potomac Electric Power Company.....	34.7	0.11
9. Washington Gas Light.....	31.4	0.10
10. Comcast Phone of Northern Virginia, Inc.....	8.6	0.03

<u>Owner's Name</u>	1997 Assessed Value (In millions)	Percentage of Total Assessed Valuation
1. Potomac Electric Power Company ¹	\$ 240.1	2.15%
2. Virginia Electric Power Company.....	98.0	0.88
3. Bell Atlantic Virginia ²	78.9	0.71
4. Norfolk Southern Railway Company	53.6	0.48
5. Richmond, Fredericksburg & Potomac Railway Co L.J.	41.0	0.37
6. Virginia American Water Company	32.4	0.29
7. Washington Gas Light Company	25.6	0.22
8. Richmond, Fredericksburg & Potomac Railway Co.	20.5	0.18
9. Jones Intercable.....	6.0	0.05
10. Washington DC SMSA Limited Partnerships.....	4.6	0.04

¹ Portion of property sold to Mirant Potomac River LLC

² Now Verizon

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

TABLE XVI

<u>Fiscal Year</u>	<u>Total Enrollment</u> ¹	<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>
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
2006	10,284	5,169	2,223 ²	1,900	436	442

¹ As of September 30

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

SOURCE: City of Alexandria Public School System

CITY OF ALEXANDRIA, VIRGINIA
General Fund
City Departments' Expenditures Detail by Function
For the Fiscal Year Ended June 30, 2006

TABLE XVII

	General Government		Judicial Administration		Public Safety		Public Works		Health and Welfare		Recreation & Culture		Community Development		Education		Transit Subsidies		Debt Service		Total
		\$		\$		\$		\$		\$		\$		\$		\$		\$		\$	
Expenditures:																					
City Council.....	511,316	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	511,316
City Manager.....	1,722,204		-		-		-		-		-		-		-		-		-		1,722,204
Office On Women.....	1,207,064		-		-		-		-		-		-		-		-		-		1,207,064
Citizens Assistance.....					651,958																651,958
Office of Management and Budget.....	938,365		-		-		-		-		-		-		-		-		-		938,365
18th Circuit Court.....			1,146,032		-		-		-		-		-		-		-		-		1,146,032
18th General District Court.....			83,491		-		-		-		-		-		-		-		-		83,491
Juvenile and Domestic Relations Courts.....			25,907		-		-		-		-		-		-		-		-		25,907
Commonwealth's Attorney.....			2,343,792		-		-		-		-		-		-		-		-		2,343,792
Sheriff.....			4,966,810		17,396,217		-		-		-		-		-		-		-		22,363,027
Clerk of Courts.....			1,438,229		-		-		-		-		-		-		-		-		1,438,229
Other Correctional Activities.....			3,091,823		945,788		-		-		-		-		-		-		-	118,947	4,156,558
Court Services.....			808,893		-		-		-		-		-		-		-		-		808,893
Human Rights.....	438,446		-		-		-		-		-		-		-		-		-		438,446
Internal Audit.....	160,181		-		-		-		-		-		-		-		-		-		160,181
Information Technology Services.....	7,367,385		-		-		-		-		-		-		-		-		-		7,367,385
City Clerk and Clerk of Council.....	336,596		-		-		-		-		-		-		-		-		-		336,596
Finance.....	7,726,380		-		-		-		-		-		-		-		-		-		7,726,380
Real Estate Assessments.....	1,163,630		-		-		-		-		-		-		-		-		-		1,163,630
Personnel.....	2,903,162		-		-		-		-		-		-		-		-		-		2,903,162
Planning and Zoning.....			-		-		-		-		-		-		-		-		-		6,663,551
City Attorney.....	2,431,689		-		-		-		-		-		-		-		-		-		2,431,689
Registrar.....	972,553		-		-		-		-		-		-		-		-		-		972,553
General Services.....	2,943,767		-		-		-	8,677,837		-	-		-		-		-		-		11,621,604
Transportation and Environmental Services.....			-		-		-	21,366,134		-	-		-	946,142		-	-		-		22,312,276
Transit Subsidies.....			-		-		-	-		-	-		-	-		6,110,373		-		-	6,110,373
Fire.....			-		33,057,501		-	-		-	-		-	-		-		-			33,057,501
Police.....			-		45,091,117		-	-		-	-		-	-		-		-			45,091,117
Mental Health/Mental Retardation and Substance Abuse.....			-		-		-	-	673,719		-		-	-		-		-			673,719
Health.....			-		-		-	-	6,958,160		-		214,653		-		-				7,172,813
Human Services.....			-		-		-	-	8,648,445		-		-		-		-				8,648,445
Human Services Contributions.....			-		-		-	-	2,299,793		-		-		-		-				2,299,793
Office of Historic Alexandria.....			-		-		-	-	-		2,514,510		-		-		-				2,514,510
Recreation and Cultural Activities.....			-		-		-	-	-		18,636,072		-		-		-				18,636,072
Other Educational Activities.....			-		-		-	-	-		-		12,990		-		-				12,990
Miscellaneous.....	8,430,234		-		711,412		-	334,895	770,628		109,968		933,662		-		-			26,845,016	38,135,815
Total Expenditures.....	39,252,972	\$	13,904,977	\$	97,853,993	\$	30,378,866	\$	19,350,745	\$	21,260,550	\$	8,758,008	\$	12,990	\$	6,110,373	\$	26,963,963	\$	263,847,437

CITY OF ALEXANDRIA
Government Employees By Function
Last Seven Fiscal Years

TABLE XVIII

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

SOURCE: City of Alexandria Approved Budget

Principal Employers
Current Year (as of July 1, 2006 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. Patent Trademark Office	8,000	9.5%	U.S. Department of Defense	8,538	11.3%
U.S. Department of Defense	6,800	8.1%	City of Alexandria	2,066	2.7%
City of Alexandria	2,357	2.8%	Alexandria Public Schools	1,764	2.3%
Alexandria Public Schools	2,125	2.5%	WMATA (Metro)	1,362	1.8%
U.S. Department of Agriculture	700	0.8%	U.S. Postal Service	758	1.0%
Northern Virginia Community College	682	0.6%	U.S. Department of Agriculture	664	0.9%
U. S. Attorney's Office	500	0.6%	Northern Virginia Community College	554	0.7%
U. S. Postal Service	500	0.6%	Total	<u>15,706</u>	<u>20.7%</u>
Total	<u>21,664</u>	<u>25.5%</u>			
LARGEST PRIVATE EMPLOYERS			LARGEST PRIVATE EMPLOYERS		
INOVA Alexandria Hospital	1,600	1.6%	Alexandria Hospital	1,800	2.4%
Institute for Defense Analysis	1,200	1.3%	Institute for Defense Analysis	750	1.0%
Alion Science and Technology	741	0.8%	Boat Owners Assoc. of the U.S	600	0.8%
Center for Naval Analysis	630	0.7%	Giant Food	592	0.8%
Boat Owners Assoc. of the U.S	500	0.5%	Pentagon Federal Credit Union	510	0.7%
Crs Facility Services	500	0.5%	Safeway Stores Incorporated	500	0.7%
Hilton Hotels	500	0.5%	Total	<u>4,752</u>	<u>6.4%</u>
Safeway Stores	500	0.5%			
Total	<u>6,171</u>	<u>7.1%</u>			

SOURCE: City of Alexandria Approved Budget

CITY OF ALEXANDRIA
Operating Indicators By Function
Last Seven Fiscal Years

TABLE XX

	2000	2001	2002	2003	2004	2005	2006 ^a
Judicial Administration							
Cases processed by Clerk of Courts	4,747	5,342	49,998	4,785	5,346	5,780	5,780
Real estate documents processed	25,011	32,754	43,105	43,805	50,522	43,900	43,900
Public Safety							
Fire calls requiring emergency response	5,669	5,930	5,939	5,586	6,256	5,666	5,800
Police calls for emergency service	3,000	2,504	3,192	2,401	2,379	2,148	2,100
Public Works							
Sq yds of concrete sidewalks replaced	*	8,831	7,515	10,575	7,846	7,448	7,500
Cubic yards of leaves collected	28,644	29,500	26,750	26,750	21,075	22,650	25,000
Library							
Circulation	668,046	874,815	987,450	1,044,868	1,032,147	972,494	1,029,124
Patron visits	619,327	668,457	755,281	833,835	893,427	813,704	823,496
Health and Welfare							
Adolescent patient visits	3,535	3,366	3,380	3,049	3,211	2,961	3,005
Average monthly food stamp cases	1,387	1,022	1,100	1,206	1,530	1,658	1,637
Transit							
Annual Ridership	2,521,925	2,640,420	2,739,719	2,986,631	3,131,284	3,323,021	3,275,000
Operating cost per mile	\$ 3.97	\$ 4.30	\$ 4.51	\$ 4.80	\$ 5.13	\$ 5.72	not available
Culture and Recreation							
Number of staff directed programs at							
City Recreation Centers and Playgrounds	*	15,900	17,365	20,437	19,128	19,154	20,500
Community Development							
Average Home rehabilitation loan	\$ 27,068	\$ 45,452	\$ 54,272	\$ 68,529	\$ 59,757	\$ 73,036	74,693
Education							
Cost per pupil	*	*	\$ 10,862	\$ 11,914	\$ 12,918	\$ 13,670	15,871
Enrollment	11,017	11,167	11,104	10,979	10,762	10,922	10,812

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

^a - Estimate

CITY OF ALEXANDRIA
Capital Indicators By Function
Last Seven Fiscal Years

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

CITY OF ALEXANDRIA, VIRGINIA
Miscellaneous Statistical Data
As of June 30, 2006

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

2006 Resident Population	138,000
Number of Households – 2006 Estimate	68,865
Household Size (2000 U.S. Census)	2.04 Persons Per Unit
2005 Population by Race (2005 U.S. Census Bureau Estimate):	
White	58.3%
Black.....	21.0%
Native American.....	0.3%
Asian and Pacific Islanders.....	5.2%
Multi-Racial.....	1.5%
Hispanic (All Races).....	13.7%

2005 Population by Age (2005 U.S. Census Bureau Estimate):	
(1-17).....	19.6%
(18-24).....	6.0%
(25-64).....	63.9%
(65 +).....	10.5%

Registered Voters

June 2006.....	87,767
Temporary Assistance to Needy Families (Cases) - Monthly Average, 2006.....	
Food Stamps (Cases) - Monthly Average, 2006	458
Medicaid (Cases) - Monthly Average, 2006	1,644
Medicaid (Cases) - Monthly Average, 2006	4,233

Economy

Employed Residents, June 2006	84,037
Unemployed Residents, June 2006	2,268
Unemployed Rate, June 2006	2.6%
Washington PMSA Inflation Rate, based on Consumer Price Index, for FY 2006	4.6%

CITY OF ALEXANDRIA, VIRGINIA

Miscellaneous Statistical Data

As of June 30, 2006

TABLE XXI

(Continued)

Housing	2006	2005
Total Housing Units	70,703	68,904
Type of Single-Family Housing		
Detached	9,126	9,135
Semi-Detached	5,387	5,337
Rowhouse	6,226	6,136
Condo Townhouse	929	917
Total Single-Family	21,668	21,525
Condominium Units	16,923	15,305
Rental Apartments	32,112	32,074
Public Housing and Public Housing Replacement Units	1,150	1,150
Average Assessed Value of Single Family Homes	\$667,386	\$563,092
Average Assessed Value of Condominiums	\$363,595	\$ 287,765
Average Market Rents		
Efficiency	\$ 880	\$ 866
1 Bedroom Apartment	\$ 1,126	\$ 1,166
2 Bedroom Apartment	\$ 1,454	\$ 1,414
3 Bedroom Apartment	\$ 1,588	\$ 1,558

Communications

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

Miles of Streets, Sidewalks and Alleys

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

Utilities

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

Public Recreation

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

Medical Facilities

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

Libraries

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

Education

	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	26
Alexandria Travelodge	40
Best Western Old Colony Inn	49
Bragg Towers	98
Comfort Inn Landmark	148
Courtyard by Marriott	177
Days Inn	200
Embassy Suites	268
Extended Stay America	104
Hampton Inn	80
Hawthorn Suites Hotel	170
Hilton Alexandria Mark Center	500
Hilton Alexandria Old Town	241
Holiday Inn Eisenhower	197
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	193
Sheraton Suites Old Town Alexandria	247
Washington Suites	225
Total	<u>4,036</u>

CITY OF ALEXANDRIA, VIRGINIA

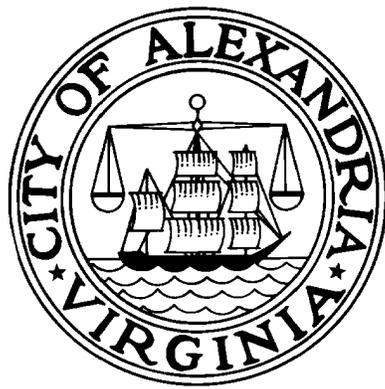
Five-Year Summary of General Fund Revenues and Expenditures

Table XXII

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenues:					
General Property Taxes	\$ 205,145,697	\$ 218,939,362	\$ 243,524,774	\$ 265,286,800	\$ 290,055,692
Other Local Taxes	83,959,774	88,119,848	93,960,955	101,468,560	109,495,556
Permits, Fees, and Licenses	3,501,475	2,902,316	3,246,124	4,439,701	5,372,138
Fines and Forfeitures	3,931,596	3,939,648	4,164,369	4,035,693	3,536,342
Use of Money and Property	8,769,357	5,246,678	4,048,134	5,790,327	8,190,426
Charges for Services	8,954,310	9,178,249	9,587,175	10,352,947	10,837,058
Intergovernmental Revenues.	46,601,917	46,755,221	49,460,664	47,054,318	50,232,988
Miscellaneous	538,278	581,673	348,868	521,372	842,030
Total Revenues	\$ 361,402,404	\$ 375,662,995	\$ 408,341,063	\$ 438,949,718	\$ 478,562,230
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	\$ 361,402,404	\$ 376,556,596	\$ 408,341,063	\$ 472,637,649	\$ 478,562,230
Expenditures:					
Current:					
General Government	\$ 29,704,416	\$ 31,518,048	\$ 35,692,807	\$ 37,233,747	\$ 39,252,972
Judicial Administration	10,779,223	11,517,348	12,350,329	13,060,768	13,904,977
Public Safety	75,925,565	82,436,138	86,328,771	90,347,799	97,853,993
Public Works	27,174,195	27,674,382	29,362,422	29,920,883	30,378,866
Health and Welfare	14,310,933	15,888,964	16,415,944	18,164,634	19,350,745
Culture and Recreation	14,554,083	17,073,254	18,005,521	19,507,018	21,260,550
Community Development	6,253,013	7,022,600	7,321,949	8,538,375	8,758,008
Education	12,923	13,246	13,058	13,299	12,990
Transit	2,755,665	3,628,477	3,890,922	4,761,857	6,110,373
Debt Service:					
Principal Retired	8,559,463	10,427,596	10,895,998	13,220,854	16,461,681
Interest and Fiscal Charges	7,577,413	7,173,024	7,909,093	9,583,716	10,502,282
Total Expenditures	\$ 197,606,892	\$ 214,373,077	\$ 228,186,814	\$ 244,352,950	\$ 263,847,437
Other Financing Uses:					
Payment to Refunded Bonds Escrow Agent	\$ -	\$ -	\$ -	\$ 33,385,875	\$ -
Operating Transfers Out	40,452,214	47,047,187	43,745,927	53,883,761	58,296,860
Transfers Out - Component Units	116,150,049	125,304,498	131,873,629	141,825,586	151,533,567
Total Other Financing Uses	\$ 156,602,263	\$ 172,351,685	\$ 175,619,556	\$ 229,095,222	\$ 209,830,427
Total Expenditures and Other Financing Uses	\$ 354,209,155	\$ 386,724,762	\$ 403,806,370	\$ 473,448,172	\$ 473,677,864
Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses					
	\$ 7,193,249	\$ (10,168,166)	\$ 4,534,693	\$ (810,523)	\$ 4,884,366
Fund Balances at Beginning of Year	60,833,603	68,228,659	58,117,728	62,796,610	62,275,183
Increase in Reserve For Inventory	201,807	57,235	144,189	289,096	218,496
FUND BALANCES AT END OF YEAR	\$ 68,228,659	\$ 58,117,728	\$ 62,796,610	\$ 62,275,183	\$ 67,378,045

CITY OF ALEXANDRIA, VIRGINIA
Summary of Total
General Obligation Bonds
Debt Service
As of June 30, 2006

Fiscal Year	Principal	Interest	Total
2007	\$ 17,670,000	\$ 13,306,096	\$ 30,976,096
2008	18,175,000	12,376,035	30,551,035
2009	19,100,000	11,589,026	30,689,026
2010	18,315,000	10,760,274	29,075,274
2011	17,815,000	9,925,693	27,740,693
2012	17,775,000	9,135,405	26,910,405
2013	17,735,000	8,350,225	26,085,225
2014	17,735,000	7,555,150	25,290,150
2015	17,685,000	6,793,175	24,478,175
2016	17,660,000	6,017,794	23,677,794
2017	17,650,000	5,184,607	22,834,607
2018	17,615,000	4,380,894	21,995,894
2019	17,580,000	3,607,007	21,187,007
2020	15,545,000	2,826,969	18,371,969
2021	12,600,000	2,140,237	14,740,237
2022	9,705,000	1,574,206	11,279,206
2023	9,705,000	1,134,356	10,839,356
2024	6,405,000	690,706	7,095,706
2025	6,405,000	402,319	6,807,319
2026	3,665,000	172,156	3,837,156
Total	\$ 296,540,000	\$ 117,922,328	\$ 414,462,328



SINGLE
AUDIT



KPMG LLP
2001 M Street, NW
Washington, DC 20036

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

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Alexandria, Virginia (the City) as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 31, 2006. 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 opinion 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. Also, the Auditor of Public Accounts of the Commonwealth of Virginia requires us to test the City's compliance with certain matters specified in the Code of Virginia, including budget and appropriations laws; cash and investments; conflicts of interest; debt provisions; procurement; local retirement systems; unclaimed property; enhanced 911 service taxes; the Personal Property Tax Relief Act; intragovernmental revenues and agreements; inmate canteen and other auxiliary funds; state agency requirements for education; Comprehensive Services Act funds; and social services. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Specifications.



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

KPMG LLP

October 31, 2006



KPMG LLP
2001 M Street, NW
Washington, DC 20036

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

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

Compliance

We have audited the compliance of the City of Alexandria, Virginia (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. 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, 2006.

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 the applicable requirements of laws, regulations, contracts, and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 31, 2006. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

KPMG LLP

October 31, 2006

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Federal Awards
Year Ended June 30, 2006

Federal Grantor/Recipient State Agency/Program Title	Federal Catalog Number	Grant Year	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Pass Through Payments:			
Department of Agriculture and Consumer Services (301 535-06):			
Commodity Food Distribution-School	10.555		\$ 234,036
Commodity Food Distribution	10.555		234,044
Food Stamp Program	10.561		1,342,114
Department of Education (197 457-07)			
Breakfast Program	10.553		451,403
Lunch Program	10.555		1,809,908
After School Program	10.559		88,635
Summer Food Program	10.559		<u>244,973</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>\$ 4,405,113</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Corporation for National and Community Services	94.006		<u>\$ 11,755</u>
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			<u>\$ 11,755</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Payments:			
Administration for Children, Youth and Families			
Head Start	93.600		<u>\$ 2,004,998</u>
Total Direct Payments			<u>\$ 2,004,998</u>
Pass Through Payments:			
Department of Health:			
Rape Crisis Treatment and Prevention Grant (140 390-01)			
	93.991		\$ 72,638
Injury Prevention and Control Research and State and Community Based			
	93.136		8,944
Department of Mental Health and Mental Retardation(790 445-00):			
Block Grant for Community Mental Health Services			
	93.958		667,857
Comprehensive Services to Children and Adolescents with			
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118		40,195
Projects for Assistance in Transition from Homelessness	93.150		51,078
Child Care Block Grant	93.575		934,477
Prevention and Treatment of Substance Abuse	93.959		870,539
Public Health & Soc Serv Emergency Fund	93.003		1,675
Department for the Aging:			
Title IIIB - Supportive Services and Senior Programs (163-455-04)			
	93.044		187,732
Special Programs for the Aging Title III - Disease Prevention (163-455-04)			
	93.043		2,190
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		147,702
Department of Social Services:			
Family Preservation and Support Services (765-453-01)			
	93.556		64,268
Temporary Assistance for Needy Families (765-460-03)			
	93.558		1,090,117
Low Income Energy Assistance (765-452-06)			
	93.568		116,933
Social Services Block Grant (765-490-04)			
	93.667		1,599,798
Refugee Resettlement (765-460-03)			
	93.566		46,103
Child Care Mandatory and Matching Funds (765-490-10)			
	93.596		3,169,466
Chafee Education and Training Vouchers Program (765-453-01)			
	93.599		17,087
Foster Care Title IV - E (765-460-03)			
	93.658		3,566,251
Adoption Assistance (765-453-03)			
	93.659		485,751
Independent Living (765-453-01)			
	93.674		13,998
State Children's Insurance Program (765-453-01)			
	93.767		1,156
Medical Assistance Program (765-460-03)			
	93.778		1,131,614
Statewide Fraud Program (765-460-03)			
	93.000		34,664
Domestic Violence Program			
	93.051		<u>115,175</u>
Total Pass Through Payments			<u>\$ 14,438,810</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>\$ 16,443,808</u>

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Federal Awards
Year Ended June 30, 2006

Federal Grantor/Recipient State Agency/Program Title	Federal Catalog Number	<u>Grant Year</u>	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Payments:			
Community Development Block Grant Program, Entitlement Grants	14.218		\$ <u>2,068,702</u>
Total Direct Payments			\$ <u>2,068,702</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		33,989
Affordable Housing (165-533-05)	14.239		<u>458,572</u>
Total Pass Through Payments			\$ <u>522,375</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			\$ <u><u>2,591,077</u></u>
DEPARTMENT OF HOMELAND SECURITY			
Direct Payments:			
Assistance to Firefighters Grants	97.044	2005	\$ <u>133,173</u>
Total Direct Payments			\$ <u>133,173</u>
Pass Through Payments (127-722-09):			
State Domestic Preparedness Equipment Support Program	97.004	2005	\$ 217,491
Urban Areas Security Initiative	97.008	2006	30,644
First Responder Counter Terrorism Training	97.038	2005	270,649
Emergency Management Performance Grants	97.042	2004	2,265
Emergency Management Response	97.042	2005	3,775
Emergency Management Response	97.042	2006	64
Emergency Management Performance Grants	97.042	2005	24,941
Citizen Corps	97.053	2005	26,067
Community Emergency Response Teams	97.054	2006	76,778
State Homeland Security Grant Program	97.067	2006	<u>248,726</u>
Total Pass Through Payments			\$ <u>901,400</u>
TOTAL DEPARTMENT OF HOMELAND SECURITY			\$ <u><u>1,034,573</u></u>
U.S. DEPARTMENT OF JUSTICE			
Direct Payments:			
Office of Community Oriented Policing Services			
COPS Grants	16.710		\$ 348,216
Edward Byrne Memorial State and Local Law Enforcement Assistance	16.580		<u>2,994,512</u>
Total Direct Payments			\$ <u>3,342,728</u>
Pass Through Payments:			
Department of Criminal Justice Services (140-390-01)			
Asset Forfeiture Report	16.000		\$ 211,484
State Crimanal Alien Assistance Program	16.606		165,141
Juvenile Accountability Incentive Block Grant	16.523		31,100
National Institute of Justice			
Advanced Generation of Interoperability for Law Enforcement	16.560		108,536
Gang Prevention Intervention	16.544		52,127
Violence Against Women Formula Grants	16.588		180,122
Grants to Encourage Arrest Policies	16.590		(6,903)
Law Enforcement Block Grant	16.592		21,211
Cops in School	16.710		<u>347,797</u>
Total Pass Through Payments			\$ <u>1,110,615</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			\$ <u><u>4,453,343</u></u>
U.S. DEPARTMENT OF LABOR			
Pass Through Payments:			
Workforce Investment Act (182-462-09):			
Employment and Training Administration Pilots	17.261		\$ 20,870
Adult Program	17.258		77,160
Youth Activities	17.259		66,715
Dislocated Workers	17.260		123,144
Department for the Aging-			
Senior Community Service Employment Program (163-455-04)	17.235		<u>97,435</u>
TOTAL U.S. DEPARTMENT OF LABOR			\$ <u><u>385,324</u></u>

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Federal Awards
Year Ended June 30, 2006

Federal Grantor/Recipient State Agency/Program Title	Federal Catalog Number	<u>Grant Year</u>	Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
Pass Through Payments:			
Department of Transportation (501-605-07):			
Highway Planning and Construction	20.205		\$ 307,767
State and Community Highway Safety	20.600		<u>39,218</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>\$ 346,985</u>
U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION			
Direct Payments:			
Title VII Age Discrimination Employment Act	30.002		<u>\$ 22,839</u>
			<u>\$ 22,839</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Pass Through Payments:			
Chesapeake Bay Program	66.466		\$ 40,000
Congressionally Mandated Projects	66.202		655,200
State Air Pollution Control Board			
Air Pollution Control Program Grants	66.001		<u>43,730</u>
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			<u>\$ 738,930</u>
U.S. DEPARTMENT OF EDUCATION			
Pass Through Payments:			
Department of Education:			
Title I Grants to Local Educational Agencies (197-171-01)	84.010		\$ 3,138,242
Special Education Grants to States (197-171-02)	84.027		3,372,032
Vocational Education Basic Grants (197-171-03)	84.048		246,289
Special Education Preschool Grants (197-171-02)	84.173		140,884
Special Education Grants for Infants and Families with Disabilities (720-445-07)	84.181		93,698
Drug-Free Schools (197-171-05)	84.186		71,012
Fund for the Improvement of Education (197-171-14)	84.215		312,900
Twenty-first Century Community Learning Centers (197-171-03)	84.287		379,468
Innovative Education Program Strategies (197-171-01)	84.298		51,807
Education Technology State Grants (197-175-18)	84.318		74,016
Advance Placement Test Fees (197-171-05)	84.330		9,412
Comprehensive School Reform Demonstration (197-171-01)	84.332		20,839
English Language Acquisition Grants	84.365		279,318
Improving Teacher Quality State Grants (201-199-28)	84.367		588,030
State Assessment Program	84.369		47,441
Hurricane Education Recovery	84.938		<u>26,730</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>\$ 8,852,118</u>
OTHER FEDERAL AID			
High Intensity Drug Trafficking Area	98.473		<u>\$ 195,500</u>
TOTAL OTHER FEDERAL			<u>\$ 195,500</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 39,481,365</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Schedule of Expenditures of Federal Awards
June 30, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards includes all federal grant activity of the City of Alexandria, Virginia and its component units during FY 2006. 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	\$ 39,481,365
Non-Reportable Federal Revenue	5,290,416
Commodities Distribution	<u>(468,080)</u>
Total Federal Revenue per Note 13	<u>\$ 44,303,701</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 2006:

<u>Program Title</u>	<u>CFDA</u>	<u>Amount</u>
HOME	14.218	\$ 481,885
Headstart	93.600	1,909,075

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

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:

- Edward Byrne Memorial State and Local Law Enforcement Assistance (CFDA 16.580)
- Temporary Assistance for Needy Families (CFDA 93.558)
- Foster Care Title IC – E (CFDA 93.658)
- Social Services Block Grants (CFDA 93.667)
- Congressionally Mandated Projects (CFDA 66.202)

Dollar threshold used to distinguish between Type A and Type B programs: \$1,184,441

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

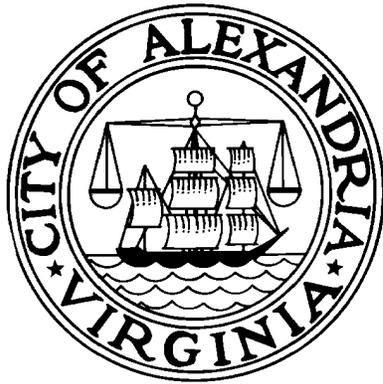
CITY OF ALEXANDRIA, VIRGINIA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2006

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, 2006

No findings reported in the prior year.





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