

NEW ISSUE
Book-Entry-Only

Ratings: Moody's –Aaa
Standard & Poor's – AAA
(See "Ratings" herein.)

In the opinion of Bond Counsel, under existing law and subject to conditions described in the section herein entitled "Tax Matters," interest on the Bonds (1) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code" and, (2) is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Such interest may be included in the calculation of a corporation's alternative minimum income tax and will be subject to other federal tax consequences as described in the section "TAX MATTERS" herein. Interest on the Bonds is excludable from gross income for purposes of income taxation by the Commonwealth of Virginia. See the section herein entitled "TAX MATTERS" regarding certain other tax considerations.

\$63,625,000
City of Alexandria, Virginia
General Obligation Refunding Bonds
Series 2012A
(the "Bonds")

Dated: Date of Delivery

Due: June 15, as shown on inside cover

Interest Payable: June 15 and December 15

First Interest Payment: June 15, 2012

The Bonds will constitute general obligations of the City of Alexandria, Virginia (the "City") for the payment of which the full faith and credit and unlimited taxing power of the City will be irrevocably pledged. The City Council will be authorized and required, unless other funds are lawfully available and appropriated for timely payment of the Bonds, to levy and collect annually on all locally taxable property in the City an ad valorem tax over and above all other taxes authorized or limited by law and without limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds as the same respectively become due and payable.

The Bonds will be issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository of the Bonds. So long as Cede & Co. is registered owner of the Bonds, as the nominee for DTC, (a) references herein to the Bondholder or registered owner shall mean Cede & Co. and (b) principal and interest shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of beneficial ownership interest in the Bonds will be made in book-entry form only, in denominations of \$5,000 or multiples thereof. Bond certificates will be immobilized at DTC and not available for delivery to the public (See "THE BONDS – DESCRIPTION OF THE BONDS-Book-Entry-Only System"). The Bonds will bear interest from their dated date, payable semiannually on June 15 and December 15, commencing June 15, 2012.

The Bonds maturing on June 15, 2023 are subject to optional redemption prior to maturity as set forth in the Bonds and described in the section herein entitled "THE BONDS – DESCRIPTION OF THE BONDS – Redemption Provisions".

The Bonds are offered for delivery when, as and if issued, subject to the approval of validity by McGuireWoods LLP, Richmond, Virginia, Bond Counsel, as described herein. Certain legal matters will be passed upon for the City by the City Attorney, James L. Banks, Esquire. It is expected that the Bonds will be available for delivery through The Depository Trust Company in New York, New York, on or about April 4, 2012.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Dated: March 27, 2012

MATURITY SCHEDULES

\$63,625,000
City of Alexandria, Virginia
General Obligation Refunding Bonds, Series 2012A

(Base CUSIP Number 015302)

<u>Maturity June 15</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP Suffix</u>
2013	\$2,890,000	2.000%	0.230%	M33
2015	3,135,000	4.000%	0.600%	M58
2016	5,740,000	4.000%	0.850%	M66
2017	5,715,000	4.000%	1.050%	M74
2018	5,690,000	4.250%	1.450%	M82
2019	8,595,000	4.500%	1.710%	M90
2020	8,615,000	4.500%	2.000%	N24
2021	8,625,000	4.500%	2.210%	N32
2022	8,635,000	4.000%	2.400%	N40
2023	5,985,000	4.000%	2.540%*	N57

*Priced to first optional redemption date.

Optional Redemption

The Bonds maturing on June 15, 2023 will be subject to optional redemption in whole or in part on or after June 15, 2022 as set forth herein. See the section “THE BONDS – DESCRIPTION OF THE BONDS – Redemption Provisions– Optional Redemption.”

CITY OF ALEXANDRIA, VIRGINIA

CITY COUNCIL

William D. Euille, Mayor
Kerry J. Donley, Vice Mayor
Redella S. Pepper
K. Rob Krupicka
Paul C. Smedberg
Frank H. Fannon, IV
Alicia R. Hughes

CITY OFFICIALS

Rashad M. Young, City Manager
Mark B. Jinks, Deputy City Manager
Laura B. Triggs, Acting Chief Financial Officer
James L. Banks, City Attorney
Dr. Morton Sherman, Superintendent of Schools

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No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement in connection with the offering of the Bonds and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Bonds. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

Certain persons participating in this offering may engage in transactions that stabilize, maintain or otherwise affect the price of the Bonds, including transactions (a) to overalloc in arranging the sales of the Bonds and (b) to make purchases and sales of Bonds, for long or short account, on a when-issued basis or otherwise, at such prices, in such amounts and in such manner as the Underwriter may determine.

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OFFICIAL STATEMENT

\$63,625,000

**City of Alexandria, Virginia
General Obligation Capital Improvement Bonds
Series 2012A**

SECTION ONE: INTRODUCTION

The purpose of this Official Statement is to furnish information in connection with the sale by the City of Alexandria, Virginia (the "City") of \$63,625,000 General Obligation Refunding Bonds, Series 2012A (the "Bonds").

The Bonds will be general obligations of the City, for the payment of which the full faith and credit of the City are irrevocably pledged. Financial and other information contained in this Official Statement have been prepared by the City from its records (except where other sources are noted). This information speaks as of its date and is not intended to indicate future or continuing trends in the financial or economic position of the City.

THE ISSUER

The issuer of the Bonds is the City of Alexandria, which is an independent, full-service City located on the west bank of the Potomac River. The City retains sole local governmental taxing power within its boundaries. The City is autonomous from any county, town or other political subdivision of the Commonwealth of Virginia. The City of Alexandria is authorized to issue bonds without referendum, subject to certain indebtedness limitations, for the purpose of financing its capital projects.

Alexandria's first recorded beginnings were in 1669, when the site was included in a patent granted by colonial Governor William Berkeley of Virginia. The patent was purchased by John Alexander, the pioneer for whom the town was later named. In 1749, the Virginia House of Burgesses authorized a town of 60 acres. With its incorporation in 1779, Alexandria was made a Port of Entry to the United States and a Customs House was established. Prospering, it became a city of fine houses and shops, a center of culture and trade. George Washington and George Mason were prominent in the community and served as town trustees. In 1852, Alexandria acquired city status and its first charter.

Alexandria has grown by a series of seven annexations from adjoining Arlington and Fairfax Counties, with the last boundary change being a minor adjustment with Fairfax County, which occurred in 1973. Alexandria's total land area is now 15.75 square miles.

Alexandria is one of America's most historic communities. Its Old and Historic District, "Old Town," and Parker-Gray District are carefully preserved by strict architectural and demolition standards.

THE BONDS

The Bonds will be dated the date of their delivery and will mature on the dates and in the amounts set forth on the inside front cover of this Official Statement. The Bonds will be issued in authorized denominations of \$5,000 and multiples thereof and will be held by The Depository Trust Company, New York, New York ("DTC"), or by its nominee as securities depository with respect to the Bonds.

Interest on the Bonds will be payable on each June 15 and December 15, commencing June 15, 2012, until maturity. As long as the Bonds are held by DTC or its nominee, interest will be paid to Cede & Co., as nominee of DTC, on each interest payment date.

SECURITY FOR THE BONDS

The Bonds are general obligation bonds of the City, to which the full faith and credit and unlimited taxing power of the City are pledged for the payment thereof. Refer to “DESCRIPTION OF THE BONDS – Security for the Bonds” in SECTION TWO for a more complete description of the pledge.

USE OF PROCEEDS

The proceeds of the Bonds will be used to refund certain of the City’s outstanding bonds in advance of their stated maturities described under “PLAN OF REFUNDING” in SECTION TWO.

OPTIONAL REDEMPTION

The Bonds maturing on June 15, 2023 are subject to optional redemption, in whole or in part, at the direction of the City on or after June 15, 2022. Refer to the subsection entitled “DESCRIPTION OF THE BONDS – Redemption Provisions” in SECTION TWO for a more detailed description of the optional redemption features of the Bonds.

DELIVERY

The Bonds are offered for delivery, when, as, and if issued by the City and received by the Underwriters, subject to the approval of validity by McGuireWoods LLP, Richmond, Virginia, Bond Counsel, and to certain other conditions referred to herein. Certain legal matters will be passed upon for the City by the City Attorney, James L. Banks, Esquire. It is expected that the Bonds will be available for delivery, at the expense of the City, in New York, New York, through the facilities of DTC, on or about April 4, 2012.

RATINGS

The Bonds have been rated as shown on the cover page hereto by Moody’s Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, and Standard & Poor’s Ratings Services, a division of the McGraw Hill Companies, Inc., 55 Water Street, New York, New York 10041. A more complete description of the ratings is provided in SECTION SIX.

OFFICIAL STATEMENT

This Official Statement has been authorized by the City for use in connection with the sale of the Bonds. Its purpose is to supply information to prospective buyers of the Bonds. Financial and other information contained in this Official Statement has been prepared by the City from its records, except where other sources are noted. The information is not intended to indicate future or continuing trends in the financial or economic position of the City.

None of the quotations from, and summaries and explanations of, laws contained in this Official Statement purport to be complete, and reference is made to said laws for full and complete statements of their provisions.

DISCLOSURE

The City intends to make the final Official Statement available through the Municipal Securities Rulemaking Board (the “MSRB”). Copies of the City’s Comprehensive Annual Financial Report for the year ended June 30, 2011, are available upon request from the City and at alexandriava.gov/financialreports.

ADDITIONAL INFORMATION

Any question concerning the content of this Official Statement should be directed to Laura B. Triggs, Acting Chief Financial Officer, Post Office Box 178, Alexandria, Virginia 22313 (703.746.3900), e-mail: laura.triggs@alexandriava.gov, or to the City’s Financial Advisor, Davenport & Company LLC, 901 East Cary Street, Richmond, Virginia 23219 (804.697.2900).

SECTION TWO: THE BONDS

AUTHORIZATION AND PURPOSE OF THE BONDS

Issuance of the Bonds is authorized by a resolution adopted by the City Council on January 24, 2012 (the "Resolution") pursuant to and in conformity with Article VII of the Constitution of the Commonwealth of Virginia, and pursuant to the Public Finance Act of 1991 (Chapter 26, Title 15.2 of the Code of Virginia of 1950, as amended). The proceeds of the Bonds will be used (a) to refund certain maturities of the City's general obligation bond issues as shown under "PLAN OF REFUNDING" below (collectively, the "Prior Bonds"), and (b) to pay all or a portion of the expenses incurred in connection with the issuance of the Bonds and the refunding of the Prior Bonds. The proceeds of the Prior Bonds financed all or portions of the costs of certain capital improvement projects in the City.

PLAN OF REFUNDING

A portion of the proceeds of the Bonds is expected to provide funds to be used to refund the following Prior Bonds at or in advance of the stated maturity.

<u>Issue</u>	<u>Maturities being Refunded</u>	<u>Principal Amount to be Refunded</u>	<u>Redemption/Maturity Date</u>	<u>Redemption Price</u>
Consolidated Public Improvement General Obligation Bonds, Series 2001	June 15, 2013	\$2,895,000	May 4, 2012	101%
General Obligation Capital Improvement Bonds, Series 2004	June 15, 2014, through June 15, 2023, inclusive	\$29,860,000	June 15, 2014	100%
Consolidated Public Improvement General Obligation Bonds, Series 2004C	June 15, 2015, through June 15, 2021, inclusive	\$19,180,000	December 15, 2014	100%
General Obligation Bonds (Tax-Exempt), Series 2006A	June 15, 2019, through June 15, 2023, inclusive	\$14,575,000	June 15, 2016	100%

The proceeds of the Bonds, exclusive of the proceeds to be used to pay costs of issuing the Bonds, will be irrevocably deposited with Regions Bank, as escrow agent (the "Escrow Agent") under an escrow agreement (the "Escrow Agreement") between the City and the Escrow Agent. The Escrow Agent will apply such money to pay principal of and interest when due and redemption premium, if any, on the Prior Bonds on their respective redemption dates.

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

DESCRIPTION OF THE BONDS

The Bonds will be issued in fully registered form in the denominations of \$5,000 or integral multiples thereof and will be held by The Depository Trust Company ("DTC"), or its nominee, as securities depository with respect to the Bonds. See "Book-Entry-Only System." Purchases of beneficial ownership interests in the Bonds will be made only in book-entry form and individual purchasers will not receive physical delivery of bond certificates. The Bonds will be dated the date of their delivery, will bear interest at the rates per annum set forth on the inside cover page hereof, payable on June 15, 2012, and semi-annually thereafter on December 15 and June 15 of each year (an "Interest Payment Date"), and will mature on June 15, in the years and in the principal amounts set forth on the inside cover page hereof.

Redemption Provisions

Optional Redemption

The Bonds maturing on or before June 15, 2022 are not subject to optional redemption prior to their maturity. The Bonds maturing on June 15, 2023 are subject to optional redemption before maturity on or after June 15, 2022, at the direction of the City, in whole or in part, in installments of \$5,000 at any time or from time to time at par plus the interest accrued and unpaid on the principal amount to be redeemed to the date fixed for redemption.

Selection for Redemption

If less than all of the Bonds are called for redemption, the maturities of the Bonds to be redeemed shall be called in such order as may be determined by the Chief Financial Officer of the City.

If less than all of such Bonds of any maturity are called for optional or mandatory redemption, the Bonds to be redeemed will be selected by DTC or any successor securities depository pursuant to its rules and procedures or, if the book-entry system is discontinued, will be selected by the registrar and paying agent (the "Registrar") by lot in such manner as the Registrar in its discretion may determine.

Notice of Redemption

The City shall cause notice of redemption to be sent by facsimile transmission, registered or certified mail or overnight express delivery, not less than 30 nor more than 60 days prior to the redemption date, to DTC or its nominee as the registered owner of the Bonds. The City shall not be responsible for mailing notice of redemption to anyone other than DTC or another qualified securities depository or its nominee unless no qualified securities depository is the registered owner of the Bonds. If no qualified securities depository is the registered owner of the Bonds, notice of redemption shall be mailed to the registered owners of the Bonds. Each notice of redemption shall identify the Bonds or portions thereof to be redeemed. Interest shall cease to accrue on any Bonds duly called for prior redemption, on the redemption date, if payment thereof has been duly provided. The Registrar shall not be required to transfer or exchange any Bond or portion thereof after the notice of redemption has been duly provided. During the period that DTC or the DTC nominee is the registered holder of the Bonds, the Registrar will not be responsible for mailing notices of redemption to the beneficial owners of the Bonds. See "Description of the Bonds - Book-Entry-Only System."

Book-Entry-Only System

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest and other amounts due on the Bonds to DTC, its nominee, Direct and Indirect Participants, defined below, or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, Direct and Indirect Participants and Beneficial Owners is based solely on information furnished by DTC.

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

registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTCC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

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

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, either a successor securities depository will be selected by the City or Bond certificates are required to be prepared, executed and delivered.

THE CITY HAS NO RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR BY ANY DIRECT OR INDIRECT PARTICIPANT, (B) THE PAYMENT BY ANY DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS, (C) THE DELIVERY OR TIMELINESS OF DELIVERY BY ANY DIRECT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BONDS TO BE GIVEN TO BONDHOLDERS, OR (D) ANY OTHER ACTION TAKEN BY DTC, OR ITS NOMINEE, CEDE & CO., AS BONDHOLDER, INCLUDING THE EFFECTIVENESS OF ANY ACTION TAKEN PURSUANT TO AN OMNIBUS PROXY.

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

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

Security for the Bonds

The Bonds constitute general obligations of the City, and the full faith and credit of the City are irrevocably pledged to the payment of principal of and interest on the Bonds. The proceedings authorizing the issuance of the Bonds provide that the City Council shall, in each year while any of the Bonds shall be outstanding, levy and collect on all property in the City subject to local taxation an annual ad valorem tax over and above all other taxes authorized or limited by law and without limitation as to rate or amount, sufficient to pay when due the principal of and the interest on the Bonds, unless other funds are legally available and appropriated for timely payment of the Bonds.

Bondholders' Remedies in the Event of Default

Section 15.2-2659 of the Code of Virginia of 1950, as amended, provides that upon affidavit filed by or on behalf of any owner, or by any paying agent therefor, of a general obligation bond in default as to payment of principal or interest, the Governor shall forthwith conduct a summary investigation and, if such default is established to the Governor's satisfaction, the Governor shall immediately order the State Comptroller to withhold all funds appropriated and payable by the Commonwealth of Virginia (the "Commonwealth") to the political subdivision so in default and apply the amount so withheld to payment of the defaulted principal and interest. Section 15.2-2659 also provides for notice to registered owners of the Bonds of the default and the availability of withheld funds. The State Comptroller advises that to date no order to withhold funds pursuant to Section 15.2-2659 or its predecessor provisions Section 15.1-227.61 and Section 15.1-225 has ever been issued. Although neither Section 15.2-2659 nor its predecessors Section 15.1-227.61 or Section 15.1-225 has been approved by a Virginia court, the Attorney General of Virginia has ruled that appropriated funds may be withheld by the Commonwealth pursuant to that section. The City received a total of \$66,673,359 for the primary government and \$28,473,281 for the School Board from the Commonwealth during the fiscal year ended June 30, 2011.

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

Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") permits a municipality such as the City, if insolvent or otherwise unable to pay its debts as they become due, to file a voluntary petition for the adjustment of debts provided that such municipality is "specifically authorized, in its capacity as a municipality or by name, to be a debtor under such chapter by State law, or by a governmental officer or organization empowered by State law to authorize such entity to be a debtor..." (Bankruptcy Code, § 109(c)(2)). Current Virginia statutes do not expressly authorize the City or municipalities generally to file for bankruptcy under Chapter 9. Chapter 9 does not authorize the filing of involuntary petitions against municipalities such as the City.

Bankruptcy proceedings by the City could have adverse effects on Bondholders including (a) delay in the enforcement of their remedies, (b) subordination of their claims to claims of those supplying goods and services to the City after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings, and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Bonds. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the holders of general obligation bonds, such creditors will have the benefit of their original claims or the "indubitable equivalent" thereof, although such plan may not provide for payment of the Bonds in full. The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretations.

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

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters relating to the authorization and validity of the Bonds will be subject to the approval of McGuireWoods LLP, Richmond, Virginia, Bond Counsel, whose opinion with respect to the Bonds in substantially the form attached as Appendix C (the "Bond Opinion") will be furnished at the expense of the City upon delivery of the Bonds. The Bond Opinion will be limited to matters relating to the authorization and validity of the Bonds and to the tax status of interest thereon as described in the following section. Bond Counsel has not been engaged to investigate the financial resources of the City or its ability to provide for payment of the Bonds, and the Bond Opinion will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in making the decision to purchase Bonds. Certain legal matters will be passed on for the City by the City Attorney, James L. Banks, Esquire.

TAX MATTERS

Approval of Legal Matters

Certain legal matters relating to the authorization and validity of the Bonds are subject to the approval of McGuireWoods LLP, Richmond, Virginia, Bond Counsel, whose opinion with respect to the Bonds will be furnished at the expense of the City upon delivery of the Bonds. Bond Counsel has not verified the accuracy, completeness, or fairness of this Official Statement. Accordingly, Bond Counsel will express no opinion of any kind as to the Official Statement, and the opinion of Bond Counsel will be limited to matters relating to the authorization and validity of the Bonds and certain other matters described in this section.

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

Opinion of Bond Counsel – Federal Income Tax Status of Interest

Bond Counsel's opinion will state that, under current law, (i) interest on the Bonds (including any accrued "original issue discount" properly allocable to the owners of the Bonds) is excludable from gross income for purposes of federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), (ii) interest on the Bonds is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (iii) for purposes of the alternative minimum tax imposed on corporations (as defined for federal income tax purposes under Section 56 of Code) interest on the Bonds must be included in computing adjusted current earnings.

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

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

Reliance and Assumptions; Effect of Certain Changes

In delivering its opinion regarding the treatment of interest on the Bonds, Bond Counsel is relying upon certifications of representatives of the City, the underwriter of the Bonds, and other persons as to facts material to the opinion, which Bond Counsel has not independently verified.

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

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

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

Certain Collateral Federal Tax Consequences

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

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

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

Original Issue Discount

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

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

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

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

Bond Premium

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

Effects of Future Enforcement, Regulatory and Legislative Actions.

The IRS has established a program to audit tax-exempt obligations to determine whether the interest thereon is includable in gross income for federal income tax purposes. If the IRS does audit the Bonds, the IRS will, under its current procedures, treat the City as the taxpayer. As such, the beneficial owners of the Bonds will have only limited rights, if any, to participate in the audit or any administrative or judicial review or appeal thereof. Any action of the IRS, including but not limited to the selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the marketability or market value of the Bonds.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and various State legislatures. Such legislation may effect changes in federal or State income tax rates and the application of federal or State income tax laws (including the substitution of another type of tax), or may repeal or reduce the benefit of the excludability of interest on the tax-exempt obligations from gross income for federal or State income tax purposes.

The U.S. Department of the Treasury and the IRS are continuously drafting regulations to interpret and apply the provisions of the Code and court proceedings may be filed the outcome of which could modify the federal or State tax treatment of tax-exempt obligations. There can be no assurance that legislation proposed or enacted after the date of issue of the Bonds, regulatory interpretation of the Code or actions by a court involving either the Bonds or other tax-exempt obligations will not have an adverse effect on the Bonds' federal or State tax status, marketability or market price or on the economic value of the tax-exempt status of the interest on the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential consequences of any such pending or proposed federal or State tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Opinion of Bond Counsel—Virginia Income Tax Consequences

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

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SECTION THREE: THE CITY OF ALEXANDRIA

Alexandria is an independent, full-service City located on the west bank of the Potomac River. The City retains sole local governmental taxing power within its boundaries and is autonomous from any county, town or other political subdivision of the Commonwealth of Virginia. Alexandria is authorized to issue bonds without referendum, subject to certain indebtedness limitations, for the purpose of financing its capital projects.

The City has no overlapping general obligation debt or taxing powers with other political subdivisions. The water system and the sewage treatment plant within the City are operated by a private company and an independent authority, respectively, and the City has no debt obligations for these facilities.

OVERVIEW OF GOVERNMENTAL ORGANIZATION

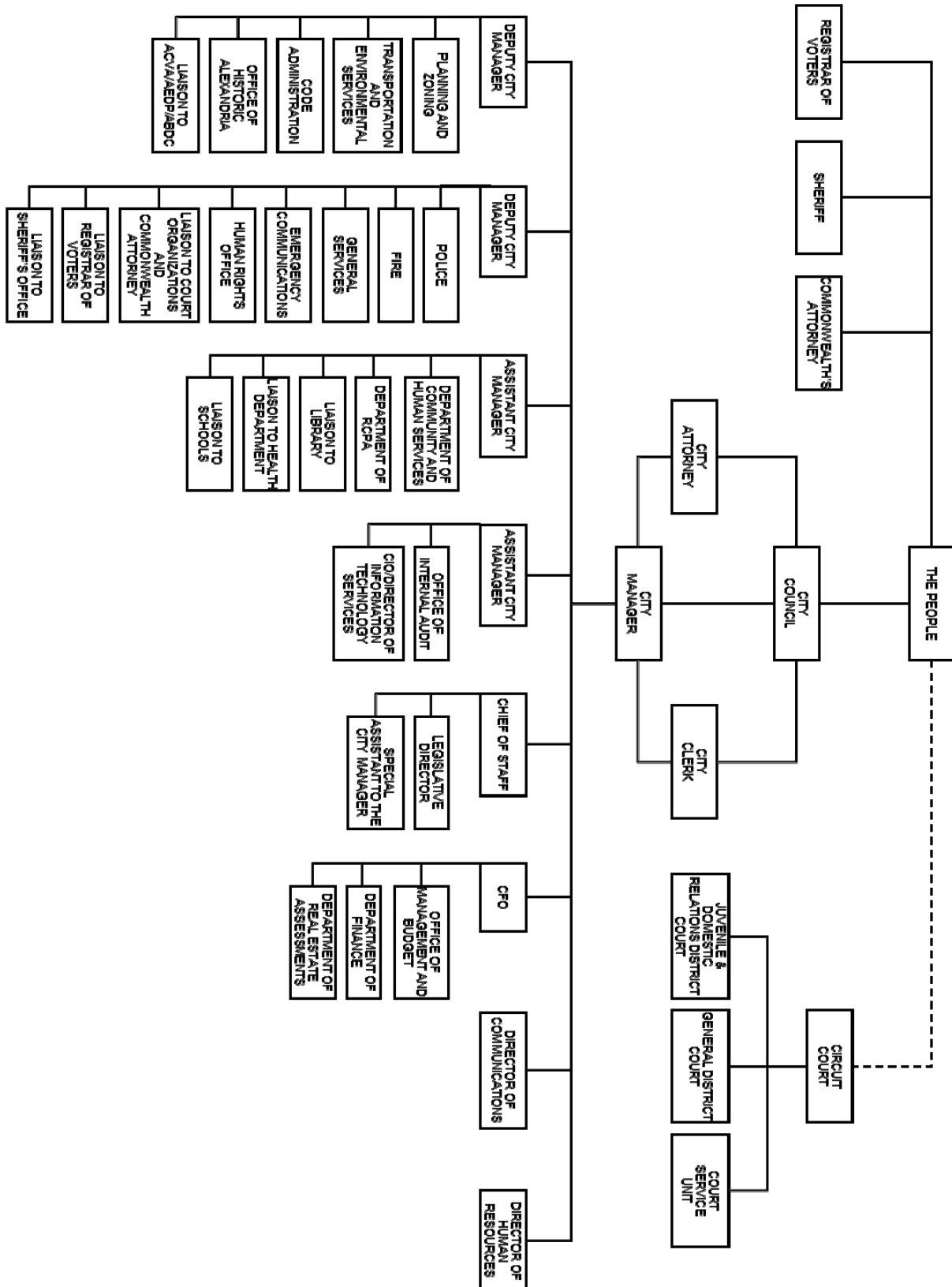
The City adopted the Council-Manager form of government in 1922. The governing body of the City is the City Council, which formulates policies for the administration of the City. The City Council is composed of a mayor and six council members elected at-large for a three-year term. The Mayor is chosen on a separate ballot. City Council appoints the City Manager who serves as the City's Chief Executive Officer. The City Manager has appointment and removal authority over department heads and other employees of the City and is responsible for implementing the policies established by the City Council.

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, libraries, consumer assistance, cultural and historic activities; and transportation, environmental services and planning.

The executive offices of the City are located at 301 King Street, Alexandria, Virginia 22314. The City's central telephone number is 703.746.4000. The City's website address is alexandriava.gov.

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ALEXANDRIA CITY GOVERNMENT ORGANIZATIONAL CHART



CERTAIN ELECTED OFFICIALS AND ADMINISTRATIVE/FINANCIAL STAFF MEMBERS

Elected Officials

Mayor William D. Euille was elected Mayor in 2003 and re-elected in May 2006 and May 2009. Prior to that, he was elected to the Alexandria City Council in 1994, re-elected both in 1997 (when he served as Vice Mayor) and in 2000. Mayor Euille serves on the Governor's Council on Virginia's Future and is president of the Virginia Transit Association. He continues to work with the Alexandria Welfare Reform Committee (*Alexandria Works!*) and the Economic Opportunities Commission. He also represents the City as president of the Council of Governments' Board of Directors and on the City Council/School Board Sub-Committee, the City Manager's Quality of Life Committee, the Northern Virginia Transportation Commission/Authority, Pension and Employee Compensation Committee, Washington Metropolitan Transit Authority Board (Alternate), and Youth Policy Commission. In the community, Mayor Euille has been active on the boards of the Alexandria YMCA, the Boys & Girls Club of Greater Washington, Hopkins House Association, Northern Virginia Urban League, and the Alexandria Scholarship Fund. He resides in Del Ray, and served on the Alexandria School Board from 1974 to 1984. As President/CEO of William D. Euille and Associates, Inc., he was a 1996 finalist for the Greater Washington Entrepreneur of the Year. Mayor Euille is a graduate of T.C. Williams High School and Quinnipiac College.

Vice Mayor Kerry J. Donley was elected to City Council in May 2009. He previously served as a member of City Council from 1988 to 1994, as Vice Mayor from 1994 to 1996, and as Mayor from 1996 to 2003. He served as Chairman of the Virginia Democratic Party from 2003 to 2005. Donley has a long history of leadership in various community organizations and previously served as chair of the Alexandria Economic Development Partnership, Washington Area Housing Partnership, Northern Virginia Transportation Commission, and Business Finance Group. He was founding Chair of the Alexandria Campaign on Adolescent Pregnancy and Open Door Housing. He co-chaired the Cameron Station Redevelopment Task Force and was a member of the Board of Directors of the Metropolitan Council of Governments. Donley received the Skull Award for Public Service from the Metropolitan Washington Council of Governments in 2002, was named the Alexandria Chamber of Commerce Business Leader of the Year in 2004, and was chosen as the Grand Marshall of the 2006 Alexandria St. Patrick's Day Parade. He served as Vice President of Crestar Bank from 1979 to 1998, Executive Vice President of Virginia Commerce Bank from 1998 to 2003, Athletic Director for T.C. Williams High School from 2005 to 2008, and currently is Senior Vice President of Virginia Commerce Bank. Donley lives in the West End, where he and his wife, Eva, have raised five daughters.

Councilwoman Redella S. "Del" Pepper was first elected to the City Council in 1985 and has been re-elected every three years to the present. She served as Vice Mayor from 1996 to 1997, from 2003 to 2006, and from 2007 to 2009. Pepper Co-Chairs the Mirant Community Monitoring Group. She serves as the Mayor's Alternate on the Metropolitan Washington Council of Governments (COG) and is a former President of COG's Corporation. Pepper is the Chair of COG's Metropolitan Washington Air Quality Committee (MWAQC) and represents City Council on COG's Climate Energy and Environment Policy Committee (CEEPC). Pepper serves as the Treasurer of the Northern Virginia Regional Commission (NVRC) and as the Chair of NVRC's Operations Committee. Pepper represents the Council on the Alexandria Commission on Aging, the Commission on Information Technology, the Alexandria Environmental Action Plan Steering Committee, the City's Facilities Naming Committee, the Alexandria Works! Coalition (Job Links), and the Strategic Planning Subcommittee. Pepper serves on the Boards of the YMCA, the T. C. Williams PTSA, the Alexandria Arts Forum, the Friendship Firehouse, and the Senior Services Advisory Board. She is a former First Vice President of the Alexandria Branch NAACP and a former board member of the City's Community Services Board. She is a recipient of the Jaycees Appreciation Award, the Council of Senior Citizens Organization's Outstanding Women of Alexandria Award, and the Commission for Women's Living Legend Award. Pepper is a graduate of Grinnell College. She is married to Dr. F. J. Pepper, a practicing psychiatrist with an office in Alexandria. The Peppers moved to Alexandria in 1968. They have a married son, Murphy Pepper. He and his wife, Soo, have five children.

Councilman Rob Krupicka was elected to the City Council in May 2003 and re-elected in both 2006 and 2009. He presently consults with ReadyNation at the America's Promise Alliance where he works with business leaders around the country to promote quality early childhood programs that have a positive impact on the economy of the United States. In 2009, Governor Tim Kaine appointed him to the State Board of Education. Councilman Krupicka's other statewide roles include Chair of the Virginia Safe Routes to School Network, Chair of Governor Kaine's School Readiness Task Force and member of the Virginia Municipal League's Transportation Committee.

Locally, he is Co-Chair of Eco-Alexandria, is a Council liaison to the Alexandria Transportation Commission and the Alexandria Community Emergency Response Team, and serves on the Alexandria Youth Policy Commission, Alexandria's Campaign to Prevent Adolescent Pregnancy, the Alexandria Gang Task Force, the Community Policy Management Team, the Council of Governments Green Building Task Force and the City Council—Alexandria School Board coordinating Committee. He is a former Vice Chairman of the Alexandria Community Services Board and has been awarded the 2007 Virginia Jaycees Young Virginian of the Year, the 2006 Elizabeth Ann Campagna Award for support of children and families, and the 2006 Bike Walk Virginia State Legislative Award. He holds a degree in economics from the University of Virginia and is a graduate of the Virginia Natural Resources Leadership Institute. He currently lives in Del Ray with his wife Lisa and two daughters.

Paul C. Smedberg, first elected to the Alexandria City Council in May 2003, was re-elected to a third term in May 2009. He served on the City's highly visible Economic Sustainability Committee, which offered long-range and short-term solutions to ensure Alexandria's economic viability during the current economic downturn. He is a City representative to the Northern Virginia Transportation Commission and Northern Virginia Regional Commission and a member of both the Alexandria Marketing Committee and the City Waterfront Committee. Smedberg co-chaired the 2010-2011 Alexandria Strategic Plan, which serves as a guide for directing financial resources and analyzing program effectiveness. As co-chair of the Council's Legislative Subcommittee, he monitored proposed state and federal legislation of interest to the City. With the Mayor, Smedberg is on the Pension and Employee Compensation Committee and serves on the Board of Governors of the Alexandria Convention and Visitors Association. A member of the VRE Operations Board since 2005, he was elected Secretary of the Board in 2010 and previously served as Treasurer. He was recently named to represent Alexandria on the NVTAP Planning Coordination Advisory Committee. Professionally, Smedberg is Director of Government Affairs & Advocacy Relations at Affymax, Incorporated. He earned degrees in economics and history from Allegheny College and is a Fellow, Sorenson Institute for Political Leadership at the University of Virginia. In 2010, he was named an Outstanding Virginian by Equality Virginia.

Councilman Frank H. Fannon, IV was elected to City Council in May 2009. Fannon is a member of the Board of Directors of the Friendship Firehouse as well as Director of the Alexandria Aces Collegiate Baseball Team. Previously, he was the Finance Chairman of the 250th Anniversary Commission of Alexandria, a member of the Board of Directors of the Alexandria Chamber of Commerce, and a member of the Board of Governors for the Old Dominion Boat Club. He has been a member of the Sons of the American Legion since 2001 and of the Alexandria Rotary Club since 2004. Fannon graduated from West Potomac High School and received his bachelor's degree in corporate communications from Elon College in North Carolina. He is also a graduate of Leadership Alexandria and the Sorenson Institute for Political Leadership at the University of Virginia. Fannon has worked for Sun Trust Mortgage since 1995 and is currently the Branch Manager of Sun Trust Mortgage Old Town. He has lived in worked in Old Town for the past seven years.

Councilwoman Alicia Hughes was elected to the City Council in May 2009. She serves as a member of the Alexandria Economic Opportunities Commission, the Alexandria Sister Cities Committee, Alexandria Policy Commission on Youth and Family Services, Vice-chair of the Metropolitan Washington Council of Governments Public Safety and Human Services Committee and the Potomac Watershed Roundtable. She has also been appointed by Governor McDonnell to serve on Virginia's Commission on Government Reform and Restructuring and as a Special Liaison on the Governor's Task Force on Local Mandates Review. She has been employed as the Associate Director of the Delaware Biotechnology Institute and at the United States Patent and Trademark Office. Prior to her election to City Council, Hughes served as a member of the Alexandria Social Services Advisory Board and the Alexandria Early Childhood Commission. She has maintained an active presence in the community, reading to children at the Hopkins House Early Childhood Center weekly, chairing a literacy program at the Charles Houston Recreation Center, and mentoring young girls through Project StepOut, a collaboration between her sorority and the Alexandria Office on Women. She remains an active member of the Junior League, serving as a member of the Development and Training Committee, Alpha Kappa Alpha Sorority, Inc. and a life member of the Northern Virginia Urban League. She also serves on the Board of Directors for the Alexandria Dunbar Boys and Girls Club and on the Board of Trustees of the Historic Alexandria Friendship Firehouse. Hughes received the Alexandria Commission for Women's 2009 Rising Star Award, the Mid-Atlantic Region of Alpha Kappa Alpha Sorority, Inc.'s 2009 Political Action Award and 2010 Service From A Global Perspective Award, the Virginia Leadership Institute's 2009 Trailblazer Award and Texas Southern University's 2010 Distinguished Alumnus Award. Hughes received a B.S. in Biology from Texas Southern University and her J.D. from the University of

Miami School of Law. She is also a University of Virginia Sorensen Institute Political Leaders Fellow, an Aspen Institute Rodel Fellow for Public Leadership, and a resident of Alexandria's West End.

Appointed Officials

Rashad M. Young was appointed by City Council to be the City Manager of Alexandria in October 2011, following the resignation of City Manager James K. Hartmann in May 2011. Prior to joining the City of Alexandria, Mr. Young served as the city manager in Greensboro, NC, city manager in Dayton, Ohio, and as assistant city manager in Cincinnati, Ohio. He is a member of the executive board of the Urban Libraries Council, the International City/County Management Association and the National Forum for Black Public Administrators. Mr. Young received his masters degree in business administration and undergraduate degree in business management from the University of Dayton.

Mark B. Jinks, Deputy City Manager, has served with the City since March 1999. His responsibilities include overseeing land use planning, transportation, code administration, housing, parks, environmental services, economic development, historic preservation and project finance initiatives. Mr. Jinks served as the City's Chief Financial Officer from 1999 to 2009. Prior to his appointment as the City's Chief Financial Officer, Mr. Jinks served as the Director of the Department of Management and Finance for Arlington County, Virginia and previously its Budget Director as well as Acting Assistant County Manager, Acting Comptroller and as a Trustee of the Arlington County Retirement Fund. Mr. Jinks has also worked as Capital Programs Coordinator for the Michigan Department of Mental Health. Mr. Jinks holds both a Bachelor's degree in Political Science and a Master of Public Administration from the Pennsylvania State University. Mr. Jinks has also taught at the George Mason University School of Public Policy. Mr. Jinks has previously served as an advisor to City governments in Poland, as well as on the Debt and Fiscal Policy Committee and Disclosure Subcommittee of the Government Finance Officers Association of the United States and Canada.

James L. Banks, City Attorney, began his service with the City on May 4, 2009. Prior to joining the City, Banks worked for Seyfarth Shaw LLP, as partner to its labor and employment practice. Previously, he served as partner for McGuire Woods LLP, and served as a substitute judge in Richmond in Virginia's Thirteenth Judicial District from 1998 to 2002. In addition to his legal expertise, Mr. Banks possesses public and non-profit sector experience, serving as a City Council member and Vice Mayor of the Richmond, VA City Council and as Deputy Commonwealth's Attorney for the City of Richmond. In Richmond, he also served as president of the Board of Trustees for the Friends Association for Children, a nonprofit provider of childcare, family and educational services for low-income residents, and was board member and general counsel for the Southside Community Development and Housing Corporation, a nonprofit community development corporation. Currently, Mr. Banks serves as member of the Virginia Law Foundation Board of Directors and was formerly a member of the Metropolitan Washington Airports Authority Board of Directors. Mr. Banks is a graduate of Gettysburg College in Pennsylvania, where he is on the Board of Trustees, and received his law degree from the University of Virginia.

Laura B. Triggs, CPA, currently serves as Acting Chief Financial Officer. She previously served as Deputy Chief Financial Officer, Director of Finance, and Deputy Director of Finance/Comptroller for the City of Alexandria, Virginia. She also served as the Associate Chief Financial Officer for the District of Columbia during the District of Columbia's financial crisis and as Director of Financial Projects for the District of Columbia Financial Responsibility and Management Assistance Authority (also known as the Financial Control Board). Before that, Ms. Triggs worked for the U.S. Government Accountability Office and KPMG LLP, auditing financial, insurance, service, nonprofit, and government institutions. Ms. Triggs has also been a guest lecturer at Harvard University's Business School and has served on the Arlington, Virginia Public Schools Fiscal Advisory Commission. Ms. Triggs holds a Bachelor's degree in Accounting from Southwestern University.

GOVERNMENTAL SERVICES AND FACILITIES

The City of Alexandria provides a comprehensive range of public services that are characteristic of its form of government under Virginia law and of its integral position within the Washington metropolitan area. These services are designed to meet the changing needs of a largely urban city and to provide an environment within which the educational, physical, social and cultural needs of its citizens are met.

City Attorney

The Office of the City Attorney has the general responsibility of providing legal counsel to the City Council, the City Manager, and all departments, boards, commissions, and agencies of the City, and to represent the City in civil litigation. The Office of the City Attorney also renders opinions, on request; is responsible for drafting ordinances, deeds, affidavits, bonds, leases, and other legal papers; and institutes and prosecutes legal proceedings on behalf of the City.

Finance

The Finance Department collects and manages all City funds and administers the City's retirement and pension plans. It collects revenues and taxes, issues business licenses, assesses personal property taxes, and adjudicates parking tickets. The Finance Department strives to provide long-term financial stability to the City through effective expenditure control, reliable and equitable revenue collections practices, sound cash and debt management policies, and responsible accounting and purchasing practices.

The Pension Administration Division manages the pension and deferred compensation (457) plans for City employees, including public safety employees. The Division also advises City employees during the retirement process.

The Office of Risk Management, a division of the Finance Department, is responsible for managing the City's insurance portfolio; monitoring the adjustment of claims filed against the City; administering the City's workers' compensation program, and providing training and information to City agencies and departments on specific means for avoiding and protecting against losses.

The Purchasing Division, purchases goods, services, construction and insurance at the request and in support of the 21 Departments of the City of Alexandria government and is responsible for centralized City procurement, including the processing of purchase orders and vendor list control. All City purchases exceeding \$30,000 are made by the Purchasing Division through formal, informal or cooperative competitive bidding procedures

Management and Budget

The Office of Management and Budget ("OMB") prepares the annual operating budget and capital improvement program; performs on-going fiscal and management analyses of City programs; and is responsible for budget review and analysis during the course of the fiscal year. This office also coordinates State and federal aid applications and monitors issues and legislative developments in federal and State agencies that may affect the City. OMB staff provides support to the Budget and Fiscal Affairs Advisory Committee and other task forces and advisory groups.

Real Estate Assessments

The Department of Real Estate Assessments annually provides estimates, for assessment purposes, of the fair market value of all real property within the City, except that owned by public service corporations. Public service corporation assessments are provided by the State Corporation Commission and the Virginia Department of Taxation. The Department notifies property owners of any changes in assessed values and helps property owners to understand the nature of the assessment change, the reasons for the change and the avenues available for administrative review and appeal. There are three levels of appeal: first, to the Department of Real Estate Assessments; second, to the Board of Equalization and Assessment Review; and third, to the Circuit Court of Alexandria. In calendar year 2010, the Department assessed 44,624 parcels and processed 331 administrative reviews to the Department.

Information Technology Services

The Department of Information Technology Services ("ITS") is responsible for most electronic information processing in the City and is the primary resource for the planning and implementation of new information technology systems. ITS provides City agencies with reliable information technology services using the most cost-

effective and efficient means available. ITS maintains the City's information infrastructure by providing networked computing services and supporting office automation for all City agencies. The Director of ITS serves as the City's Chief Information Officer.

Human Resources

The Human Resources Department is responsible for employee recruitment, selection, training, benefits, records, classification and compensation, and ensuring compliance with local, State, and federal regulations governing all phases of personnel activities. The Human Resources Department adheres to and promotes the City's Affirmative Action/Equal Opportunity policy.

Communications and Public Information

The Office of Communications and Public Information provides direct assistance to the community in response to telephone or in-person inquiries; connects the people to City departments and services; and helps people navigate City government in getting the answers or solutions they need. This team sets the customer service standards for the City. The Web Team, which is part of the Office of Communications and Public Information, develops and manages the City's website and e-government portals.

Police Department

The Police Department is responsible for the maintenance of law and order, protection of persons and property, prevention and suppression of crime, investigation and apprehension of persons suspected of crimes, direction and control of traffic, traffic accident investigation, and enforcement of all State and City criminal laws. The Police Department has a full-time staff of 415 employees, of whom 306 are sworn officers.

Fire Department

The Fire Department is responsible for fire and emergency medical services protection, and the prevention and suppression of fires. The Department maintains eight City-staffed and operated fire stations and five medic units providing 24-hour service. Fire suppression services are also provided through a regional program, which provides service from the closest station without regard to jurisdictional boundaries.

Code Administration

The Department of Code Administration enforces the Virginia Uniform Statewide Building Code, which governs building, mechanical, plumbing, and electrical work in the City, to ensure the health and safety of the public.

Emergency Communications

The Department of Emergency Communications provides 9-1-1 call taking and emergency law enforcement, fire and EMS dispatching (as well as combinations of those services) throughout the City and to the City's mutual aid partners in the National Capital Region, including Fairfax County and Arlington County in Virginia, Washington, D.C., and Prince George's County in Maryland.

Transportation and Environmental Services

The Department of Transportation and Environmental Services is responsible for the planning, engineering, design, construction, inspection, and maintenance of streets, bridges, City sewers, and traffic control mechanisms. The Department is also responsible for the coordination of transit services in the City, the collection and disposal of solid waste, and the implementation of the City's comprehensive recycling program, including the curbside collection of recyclable goods, the operation of 5 recycling centers, environmental management, environmental facility, the collection of newspapers, and special pickups for white goods, including household appliances and other metal items. In addition, the Department is responsible for responding to environmental quality issues including air quality monitoring, noise control, information related to toxic and hazardous materials; development review for the

abatement of contaminated land as identified by the City and State; water quality development review for erosion and sediment impacts and local implementation of the Chesapeake Bay Preservation Act.

Community and Human Services

The Department of Community and Human Services serves the diverse needs of the citizens of Alexandria to promote economic and social independence and self-sufficiency. The Department administers a broad range of social services and financial assistance payments that are legislated by the State and federal governments. Services include child and adult protective services, companion care for the elderly, adoptive services, foster care, early childhood development programs and child day care, and refugee assistance. Financial assistance payments are provided through the Temporary Assistance for Needy Families program and other medical and general financial relief programs. The Department also administers the federally mandated Agency on Aging program, operates a residential care facility for senior citizens, and provides a special day care program for the elderly. The Department provides employment services programs for target population groups, administers programs to assist at-risk youth, ex-offenders, and homeless persons and operates the City's homeless shelter. The Department provides emergency shelter and crisis intervention services for battered women and sexual assault victims.

The Department also operates and coordinates services for persons with mental illness, mental retardation, and substance abuse problems. The services provided include residential, outpatient, inpatient, emergency, community prevention/early intervention, and vocational or day support programs for all three disability areas. The Department receives general policy direction concerning mental health-related issues from the Alexandria Community Services Board.

Planning and Zoning

The Department of Planning and Zoning evaluates zoning changes, prepares small area plans, and updates the Master Plan; monitors economic and demographic trends; enforces the zoning ordinance; recommends action on requests for special use permits; participates in the review of site plans; and administers the Transportation Management Plan Special Use Permit process.

Recreation, Parks, and Cultural Activities

The Department of Recreation, Parks, and Cultural Activities provides facilities and programming to serve the leisure, social, cultural and recreational needs of the community. The Department operates seven full-time recreation centers, five after-school centers, two large pools and four mini-pools, a nature center, and the Chinquapin Park Recreation Center, which houses the City's only indoor 25-meter pool, four racquetball courts and a fitness room with exercise machines. Special programs are also provided for people 55 years of age or older and for disabled individuals who are not effectively served by general recreation programs.

Office of Housing

The Office of Housing coordinates and administers all City housing and housing-related programs and services, including landlord/tenant relations and assistance to low and moderate income households under the Community Development Block Grant program, funded by the U.S. Department of Housing and Urban Development; the federal Rental Rehabilitation Program, and the Virginia Housing Partnership Fund.

Office of Human Rights

The Office of Human Rights is responsible for receiving and investigating allegations of discrimination in the areas of employment, housing education, public accommodations, credit, health and social services.

Office of Historic Alexandria

The Office of Historic Alexandria coordinates and develops programs to preserve the City's historic character and promote tourism. The Office is responsible for the preservation of historic sites, archaeological sites,

artifacts and records, and ensuring that the use of these resources is in accordance with professional standards of scholarship and museum procedures.

General Services

The General Services Department provides support services to other City agencies in the area of facilities planning, construction and maintenance, vehicle acquisition and maintenance, printing and graphics, and communications.

Alexandria Public Library

The Alexandria Library System, under the supervision of the Alexandria Library Board, provides public library services to the City of Alexandria through a central library, and three branch libraries (Burke, Duncan, and Barrett). Library services include a reference service, children's services, and special services for the homebound, persons with disabilities, and institutionalized persons. The library system holds approximately 1.2 million items, including books, magazines, newspapers and numerous non-print items, such as films, records and videotapes.

Health Department

The Alexandria Health Department is one of 35 State health district offices that comprise the Virginia Health Department's Division of Community Health Services. The Health Department administers immunizations and offers family planning clinics. General medical and specialty clinics are conducted at the Flora Krause Casey Health Center. The Department records vital statistics for the City; provides laboratory services; and inspects food and personal grooming establishments, swimming pools and other businesses to ensure safe and healthful conditions.

Sheriff

The Sheriff administers the Alexandria Detention Center in a safe and secure manner for inmate residents, staff and volunteers. The Sheriff provides for the safe and uninterrupted operation of all judicial proceedings at the Alexandria Courthouse and the Sheriff supports the court through timely service of legal process and warrants.

Alexandria City Public Schools

The Alexandria City Public Schools are governed by the Alexandria City School Board, which formulates, adopts, reviews and revises policies essential to school operations and long-range planning based on community expectations and the recommendations of the Superintendent. School Board members are elected to three-year terms, and the current Board is serving a term that started on July 1, 2009, and will run through June 30, 2012. The School Board functions independently of the City Council, but is required to prepare and submit an annual budget to the City Council for its consideration. Because the School Board can neither levy taxes nor incur indebtedness under Virginia law, the local costs of the school system are provided by appropriation from the General Fund of the City. The costs of constructing school facilities are provided by capital appropriations from the General Fund of the City or by bonds issued as City general obligations for the benefit of Alexandria City Public Schools.

The School Board's adopted FY 2012 Schools Budget provides for the operation of thirteen elementary schools, five middle schools, one ninth-grade center, one high school and the Secondary Training and Education Program ("STEP"), which provides special programs for students who are unable to function within the traditional classroom setting. The FY 2012 enrollment on September 30, 2011, of 12,395, represented an increase of 396 students, or 3.3 percent, from the enrollment of 11,999 on September 30, 2010. The typical Alexandria Public Schools teacher has a Master's Degree and 8.5 years of teaching experience.

**PUBLIC SCHOOL FACILITIES
AS OF JANUARY 2012**

TYPE OF SCHOOL	NUMBER
High School (including STEP*)	1
Middle Schools	5
Elementary Schools	<u>13</u>
TOTAL	19

*STEP is the Secondary Training and Education Program

Alexandria Sanitation Authority

The Alexandria Sanitation Authority (“ASA”) is an independent agency which provides wastewater treatment services to most of the City of Alexandria and to a portion of southern Fairfax County. ASA levies user fees to finance its operating and capital programs. The current ASA treatment facility has a treatment capacity of 54 million gallons per day (“MGD”) of which 60 percent is allocated to Fairfax County and 40 percent to the City of Alexandria. Based on City new development build-out projections, the City’s allocated capacity is projected to be fully utilized by about 2025, unless the City and Fairfax County negotiate a swap of unused Fairfax sewer capacity at ASA. In order to provide additional capacity of up to about 4 MGD more in new capacity to carry the City beyond the year 2040, while undertaking a plant systems upgrade for which engineering is in process, ASA will be planning a 58 MGD eventual capacity. Implementation of such additional capacity will require an increase in permitted nutrient discharge levels for which ASA will need to acquire one or more of the following: acquisition of nutrient credits, implementation of a graywater reuse program and other conservation initiatives. In addition, (1) wet weather flow mitigation initiatives, such as an infiltration and inflow program, will be needed in the western portion of the City, and (2) capacity expansion will be needed in the Holmes Run Trunk Sewer line as well as pump and storage facilities near Hooff’s Run.

Alexandria Redevelopment and Housing Authority

The Alexandria Redevelopment and Housing Authority (“ARHA”) is the primary provider of low-income housing in the City through its 1,150 public housing units as well as through the administration and issuance of federal housing choice vouchers. ARHA is primarily financed with monies from the Federal Department of Housing and Urban Development. Periodically, to assist with financing replacement public housing units, ARHA accesses federal low income housing tax credits. The City has periodically provided both short-term and long-term capital project loans to ARHA.

Alexandria Industrial Development Authority

The Alexandria Industrial Development Authority (“AIDA”) is a conduit financing agency to assist non-profit associations and educational institutions with access to the tax-exempt markets through the issuance of project-related revenue bonds. These AIDA bonds are secured solely by the projects themselves and are not obligations of the City of Alexandria government.

DEMOGRAPHIC AND ECONOMIC FACTORS

Population Characteristics

After growing by 15.4 percent during the 1990’s to a record level of 129,173 residents in 2000, Alexandria’s population growth slowed to a lower but still substantial 9.1 percent in the 2000’s to 139,966 in 2010. It is expected that the City’s population will increase gradually to 154,114 by 2020. The following table presents population figures for selected years through 2020.

**POPULATION AND RATES OF CHANGE
ACTUAL AND PROJECTED**

Year	Population	Percent Change
1960	91,023	47.3
1970	110,938	21.9
1980	103,217	(7.0)
1990	111,183	7.7
2000	128,283	16.2
2010	139,966	9.1
2020	154,114	10.1

Sources: 2010 Census, US Department of Commerce, Bureau of the Census; and the United States Bureau of Economic Analysis

During the 2000's, the City of Alexandria underwent significant changes. Alexandria's population increased by 9.1 percent and the number of housing units in the City increased by 12.6 percent, as the City's historic, livable urban environment located close to Washington, DC, coupled with a wide range of home ownership and rental opportunities, made the City a highly desirable location to live.

The 2010 Census showed a city whose population grew in size, but remained relatively stable in terms of racial and ethnic diversity. Due to a combination of immigration, high birth rates and better enumeration, the number of persons in Alexandria identifying themselves as Hispanic increased by 19.3 percent during the 2000's, so that the Hispanic population now comprised 16.1 percent of the City's total population in the 2010 Census. Although the number of Non-Hispanic Black and African American persons in the City increased by 4.6 percent in the 2000's, their representation in the population decreased slightly from 22.2 percent to 21.3 percent.

According to the Census, between 2000 and 2010, the City's median age grew slightly from 34.4 years to 35.6 years; however, the population under the age of 18 grew 11.3 percent from 21,537 to 23,970 or from 16.8 to 17.1 percent of the City's population. This growth in the under 18 population was primarily the result of an increase in the population under age 5, which increased from 6.2 percent of the population in 2000 to 7.1 percent in 2010. This cohort remains significantly smaller than in the surrounding suburban counties of Fairfax, Loudoun and Prince William. The under 18 population comprises 25 to 30 percent of the total population in those jurisdictions.

Comparisons between the 2010 and 2000 Censuses show that the slight increase in the median age to 35.6 years despite the increase in the number and percentage of children can be partially attributed a 22.3 percent increase in the number of residents age 62 or older. The percentage of residents age 62 or older increased from 10.8 percent to 12.1 percent of the population from 2000 to 2010.

Families, defined as households with two or more persons related by birth, marriage or adoption and residing together in a single housing unit, comprised 45.5 percent of all City households in 2010. This figure was slightly higher than the 44.8 percent of households made up by families according to the 2000 Census. Despite the increase in families, average household size remained relatively flat, declining only slightly from 2.04 to 2.03 between 2000 and 2010.

The percentage of persons 25 and older with four or more years of college rose from 54.3 percent of the population in 2000 to 59.0 percent by 2009, which is more than double the national average.

SELECTED POPULATION CHARACTERISTICS

Characteristics	Alexandria	Virginia	United States
Median Age 2000	34.4	35.7	35.3
2010	35.6	37.5	37.2
Percent under Age 5 2000	6.2	6.5	6.8
2010	7.1	6.4	6.5
Percent School Age (5-17) 2000	10.6	18.0	18.9
2010	10.0	16.8	17.5
Percent under Age 18 2000	16.8	24.6	25.7
2010	17.1	23.2	24.0
Percent of Persons 65 and Older 2000	9.0	11.2	12.4
2010	9.1	12.2	13.0
Number of Persons/Household 2000	2.04	2.54	2.59
2010	2.03	2.54	2.58
Percent of Persons 25 and Older with four or more years of college 2000	54.3	29.5	24.4
2009	59.0	33.4	27.5

Source: 2000 US Census, 2010 US Census, and 2009 American Community Survey 5-Year Estimates

Public School Characteristics

Summarized below are selected items of information concerning total annual school enrollments.

**ALEXANDRIA CITY PUBLIC SCHOOL ENROLLMENTS
ACTUAL AND PROJECTED AND PERCENTAGE CHANGE
2003 THROUGH 2012**

Fiscal Year	¹ Total	Percentage Change
2003	11,239	-0.3
2004	10,995	-2.2
2005	10,921	-0.7
2006	10,521	-3.7
2007	10,332	-1.8
2008	10,557	2.2
2009	11,225	6.3
2010	11,623	3.5
2011	11,999	3.2
2012	12,395	3.3
1 Enrollments on September 30.		

Source: City of Alexandria Public School System

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Employment

During the last decade, the City's economy became one of the strongest in the nation, driven by steady growth in its service-oriented employment base and income base. Despite the recent drop in service-sector employment nationwide, following national trends, the greatest employment growth for the City over the last decade has been in this sector.

EMPLOYMENT BY SECTOR AS A PERCENTAGE OF TOTAL

	2 nd Quarter 2010	2 nd Quarter 2011
Alexandria Employment¹		
Construction	3.4	3.0
Manufacturing	1.4	1.6
Transportation, Communications and Utilities	5.9	5.5
Trade	9.4	9.9
Financial, Insurance and Real Estate	6.0	5.6
Services	58.2	59.8
Government	15.7	14.5
Agriculture	0.0	0.0
Total ²	100.0	100.0

Source: U.S. Bureau of Labor Statistics Quarterly Census of Employment and Wages

¹Including the U.S. Patent and Trademark Office

²Total may differ due to rounding

PRINCIPAL PRIVATE EMPLOYERS AS OF JUNE 2011

(With at least 500 employees)

Company	Nature Of Business	Approximate Number Of Employees	Percentage Of Total City Employment
INOVA Alexandria Hospital	Health Services	1,800	1.8%
CRS Facilities Services	Janitorial Services	1,500	1.5
VT Systems	Engineers	1,100	1.1
Institute for Defense Analysis	R&D/Consulting	900	0.9
System Planning & Analysis (SPA)	CAD Systems & Services	600	0.6
Amtek Engineering Group	Plumbing & HVAC	550	0.6
Integrated Systems Analysts	Marketing Programs & Services	550	0.6
Pentagon Federal Credit Union	Credit Unions	550	0.6
Deloitte	Business Mgmt Consultants	550	0.6

Source: Virginia Employment Commission

UNEMPLOYMENT RATE ANNUAL AVERAGE RATES

	2005	2006	2007	2008	2009	October 2010	October 2011
Alexandria	2.6%	2.2%	2.2%	2.7%	4.7%	4.4%	4.5%
Commonwealth of Virginia	3.5	3.0	3.0	3.9	6.7	6.7	6.4
United States	5.1	4.6	4.6	5.8	9.3	9.8	8.6

Income

Per capita income for Alexandria was \$70,846 in 2009. Selected income data for the City and other jurisdictions in the Washington metropolitan area are compared to state and national data in the following table.

**PER CAPITA PERSONAL INCOME
JURISDICTIONS IN THE WASHINGTON, D.C. AREA
2005 TO 2009**

	2005	2006	2007	2008	2009
Alexandria (VA)	\$62,947	\$68,799	\$70,448	\$72,325	\$70,846
Arlington County (VA)	63,560	68,533	72,609	74,501	73,187
Fairfax County (VA)	63,364	67,361	70,446	71,423	69,241
Commonwealth of Virginia	38,966	41,362	43,437	44,676	44,057
Washington MSA	50,140	53,409	55,986	57,784	56,984
United States	35,424	37,698	39,461	40,674	39,635

Source: US Department of Commerce, Bureau of Economic Analysis (These data have been revised from previous estimates provided by the Department of Commerce). Fairfax County, VA data includes Fairfax City, VA and the City of Falls Church, VA.

Economic Development Activity

The Alexandria Economic Development Partnership, Inc. (“AEDP”) is a public/private partnership whose goal is to attract, retain and assist in the expansion of businesses. AEDP has selectively targeted specific businesses to facilitate diversification of the local business base, expand the tax base, increase employment opportunities, and expand trade for local businesses.

As the marketing arm for Alexandria, AEDP focuses its efforts on promoting the City on a regional, national and international level through exhibitions, marketing events and missions, direct mail campaigns, business networking, and media outreach. At the local level, AEDP serves as a liaison between local businesses and the City. Business outreach meetings throughout the year help to connect local businesses with appropriate City services and to alert public officials of any needs or concerns. AEDP additionally provides staff support to numerous City and business entities, such as the Marketing Fund Committee, the Alexandria Industrial Development Authority, and the Small Business Development Center. In addition, the Partnership’s executive director serves as an ex-officio member of the Alexandria Convention and Visitors Association Board of Directors, Alexandria Chamber of Commerce Board of Directors and other economic development organizations throughout the City. These efforts contribute to nurturing a viable and growing business environment in Alexandria.

Alexandria continues to grow as a center for national association headquarters, a center for government contracting, a center for high technology and related headquarters operations, and a center for national, regional and divisional headquarters for corporations representing a broad range of fields. Alexandria is a primary business center in the Washington metropolitan area. Lower operational costs, a competitive tax environment, unsurpassed access, diverse office opportunities, a unique ambiance, and safe work and living environments are just several of the advantages enjoyed by business operations located here. Despite recent declines due to the economic downturn, the City had approximately 3,000 more jobs in 2011 than it did in 2001.

As part of the federal Department of Defense (“DOD”) Base Realignment and Closing process, the City was slated to lose some 7,200 DOD jobs from leased office space in the City. Subsequently, DOD decided to acquire land and construct a new 1.8 million square foot set of office buildings in the City which opened in mid-2011, and which will eventually house 6,400 DOD workers and is continuing to lease, in the short term until 2015, office space for several thousand DOD workers. The timing of the phase-in of these 6,400 workers was delineated by federal legislative action in 2011. As a result, the City expects to experience a net gain of the remaining DOD workers over the next few years.

NUMBER OF BUILDING PERMITS ISSUED AND VALUE

Fiscal Year	Residential	Commercial ¹	Miscellaneous ²	Total Building Permits	Total Value
2002	1,805	37	13,380	15,222	910,764,990
2003	312	18	9,471	9,801	354,246,666
2004	763	14	12,659	13,436	365,789,889
2005	470	10	15,867	16,347	480,126,718
2006	1,389	8	17,124	18,521	493,510,491
2007	1,122	11	13,475	14,608	478,171,215
2008	628	29	10,676	11,333	393,086,250
2009	324	14	8,164	8,502	387,289,972
2010	327	10	8,260	8,597	156,425,836
2011	303	16	10,564	10,883	196,691,388

¹ Excludes 1.8 million square foot Department of Defense office building construction.
² The miscellaneous category includes alterations and repairs, electrical, plumbing, and mechanical permits, and other construction activity.

Source: City of Alexandria Department of Code Administration

VALUE OF NEW CONSTRUCTION

Fiscal Year	Residential	Commercial ¹	Miscellaneous ²	Total Value
2002	174,981,553	612,675,154	123,108,283	910,764,990
2003	45,082,740	181,592,915	127,571,011	354,246,666
2004	109,390,144	81,966,555	174,433,190	365,789,889
2005	177,398,911	130,163,097	164,543,291	480,126,718
2006	272,537,290	53,870,310	167,012,891	493,510,491
2007	181,504,324	115,541,751	181,125,140	478,171,215
2008	104,539,385	134,016,584	154,530,291	393,086,260
2009	89,606,084	158,415,943	139,267,945	387,289,972
2010	48,940,298	32,243,020	75,242,518	156,425,836
2011	84,339,573	37,242,270	75,109,545	196,691,388

¹ Excludes the value of 1.8 million square foot Department of Defense office building construction.
² The miscellaneous category includes alterations and repairs, electrical, plumbing, and mechanical permits, and other construction activity.

Source: City of Alexandria Department of Code Administration

Growth and Development Goals

The City began updating its Master Plan in 1987. The process involved developing goals and objectives for fourteen small planning areas, which allowed for extensive community debate and citizen involvement. The City's Master Plan was adopted on June 24, 1992, and includes the following land use goals and objectives:

Goals

1. To have a harmonious set of land uses which preserves the predominant character of Alexandria as a city of residential neighborhoods with a lively and attractive mix of commercial, institutional or community facilities, and recreational activity, and maintains an appropriate economic base.
2. To preserve and enhance residential neighborhoods.
3. To preserve and enhance the historic aspect of the City.

4. To preserve the residential and commercial diversity that has historically characterized Alexandria.
5. To preserve and increase parkland (for both active and passive uses) and open space throughout the City.

Objectives

1. To promote mixed-use development in most major development or redevelopment areas.
2. To maintain existing residential areas.
3. To ensure that new development is compatible with adjacent or nearby residential neighborhoods.
4. To maintain a mix of uses compatible with existing uses and pedestrian oriented scale.
5. To maintain existing mixed-use areas and ensure that nearby development is complementary.
6. To require open space or parkland, particularly in nearby developing areas targeted for dense residential and commercial use.

As part of its attempts to meet these goals and objectives, the City has begun planning for the implementation of a major new infrastructure project: the construction of the Potomac Yard Metrorail Station. The Potomac Yard Metrorail Station will service a revitalized Potomac Yard and allow it to be redeveloped as a pedestrian-oriented urban environment with a mix of uses. Redevelopment of these areas will include the construction of new hotels, residential properties, office buildings, and retail outlets as well as the creation of public open space and common private open space. The Metro station, with a cost estimated between \$190 million and \$220 million (depending on location), is planned to be funded by the City issuance of general obligation bonds. Repayment of these bonds is projected to originate from developer contributions, special tax district revenues, and incremental tax revenues generated from Potomac Yard development.

Office Vacancy Rates

Alexandria's office vacancy rate was 13.6 percent in the 3rd quarter of 2011 based on CoStar data. As shown in the table below, this is slightly higher than the office vacancy rates for Northern Virginia and the Washington, D.C. Metro Area. The vacancy rate has increased several percentage points over the last few years due to the slowdown in the regional economy, as well as the move of some Department of Defense leased offices to military bases.

OFFICE VACANCY RATES

Jurisdiction	3rd Quarter 2010	3rd Quarter 2011
Alexandria, VA	11.6%	13.6%
Northern Virginia	12.7%	12.4%
Washington D.C. Metro Area	11.6%	11.2%

Source: CoStar

Travel and Tourism

With its adjacency to Washington, D.C. and the Ronald Reagan National Airport and with over 380 associations headquartered in the City, Alexandria is a major tourist destination attracting approximately one million tourists and business travelers per year. The City's Old Town area is an historically preserved, vibrant enclave of 18th and 19th century structures, which serve today as residences, restaurants, retail stores, offices, and museums, as well as arts and antique shops. The City is a major draw for residents of the Washington, D.C. Metropolitan area to visit, shop, and dine. There are nearly 4,700 hotel rooms operated in the City. The Alexandria Convention and

Visitors Association estimated that the tourism industry generates over \$20 million in direct City tax revenues annually.

Housing

As of January 2011, there were 72,706 total housing units (including rental apartments) located in the City of Alexandria. The average assessed value of a single-family home in 2011 is \$617,826, an increase of approximately 1.03 percent from the previous year. The average assessed value of a residential condominium as of January 1, 2011, is \$266,451, a decrease of approximately 1.15 percent compared to the previous year.

HOUSING UNITS BY TYPE OF STRUCTURE ¹			
		2010	2011
Single Family:			
	Detached	9,117	9,129
	Semi-Detached	5,610	5,672
	Rowhouse	6,208	6,345
	Condo Townhouse	987	1,013
Multi-family:			
	Condominium Units	19,372	19,465
	Rental Apartments	<u>31,082</u>	<u>31,082</u>
Total:		72,376	72,706
	Public Housing & Public Housing Replacement Units	1,150	1,150
¹ Includes vacant and occupied units			

Source: Department of Real Estate Assessments, Department of Housing, 2010 U.S. Census

Transportation

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

In FY 2007, an updated Transportation Plan, a part of the City's Master Plan, was approved by City Council. This plan incorporates the City's vision of a transportation system that encourages the use of alternative modes of transportation, reducing dependence on the private automobile. This system will lead to the establishment of transit-oriented, pedestrian friendly village centers, focused on neighborhood preservation and increased community cohesion, forming a more urban, vibrant and sustainable Alexandria. The City will promote a balance between travel efficiency and quality of life, providing Alexandrians with transportation choice, continued economic growth and a healthy environment.

Streets and Highways

Major highway facilities include Interstate 95 (the Capital Beltway), which borders Alexandria on the south, Interstate 395, which bisects western Alexandria, and the George Washington Parkway, which runs near the City's eastern border. Traditionally, decisions about streets have focused on how to accommodate the automobile. The City is changing this focus to ensure that City streets serve everyone, whether young or old, motorist or bicyclist, walker or wheelchair user, transit user or shopkeeper. Overall, the transportation plan update addresses City streets as a shared resource—outlining actions and strategies that incorporate equal consideration of the street's travel area, pedestrian area and adjacent land uses into the transportation decision making process, with the overall goal of creating multimodal corridors that protect and enhance the character of the City and its diverse neighborhoods.

Ronald Reagan Washington National Airport

Ronald Reagan Washington National Airport, one of the top 50 busiest airports in the world, serving approximately 16 million passengers per year, is located just outside the City's northern border. In 1987, control of Ronald Reagan Washington National and Dulles International Airports was transferred from the Federal Aviation Administration to the Metropolitan Washington Airports Authority. This transfer has enabled the Authority to undertake major capital improvements financed through user fees at the two airports.

Freight Rail

Freight lines entering the City are CSX Transportation and Norfolk Southern Company.

Metro Transit System

The City of Alexandria joined the other political subdivisions in the Washington, D.C. Metropolitan Area in an agreement to develop the Metro subway and surface rail transit systems to serve the metropolitan area. The current Metrorail system has 106.3 miles and 86 stations, of which 4 are located in Alexandria.

Bus Lines and the King Street Trolley

The City of Alexandria is served by three major bus lines, DASH, Metrobus, and the Fairfax Connector. The DASH system provides bus service within the City of Alexandria and connects with Metrobus, Metrorail, Virginia Railway Express, and other local bus systems. The Washington Metropolitan Area Transit Authority (WMATA) operates Metrobus, which consists of 335 routes and 15,000 bus stops throughout Virginia, Washington D.C., and Maryland. The Fairfax Connector system serves a number of communities throughout Fairfax County as well as areas of Alexandria and Arlington.

The City of Alexandria's free King Street Trolley transports residents, visitors, and those who work in Old Town between the King Street Metrorail Station and the Potomac River waterfront. The free trolley operates along the one-and-a-half mile route seven days a week, providing access to accommodations, dining, entertainment and shopping. The King Street Trolley has served approximately 2.0 million passengers since coming into operation on April 1, 2008.

Virginia Railway Express

The City is also served by Virginia Railway Express (VRE), a commuter train that started operations in 1992. Two rail lines, one originating at Manassas Airport and the other in Fredericksburg, stop in Alexandria en route to and from Washington, D.C.'s Union Station. The Express diverts riders from private autos that would otherwise travel through the City using Interstate 395 or U.S. Route 1.

Other Passenger Rail

The City is served by the North-South routes of Amtrak, as well as Virginia intra-city service.

Port Facilities

The port of Alexandria has one privately-operated dock for ocean going freighters and other large ships, which is not frequently used, and several large public docks.

SECTION FOUR: CITY INDEBTEDNESS AND CAPITAL IMPROVEMENT PROGRAM

ISSUANCE AND AUTHORIZATION OF BONDED INDEBTEDNESS

Pursuant to the Constitution of Virginia (the “Constitution”) and the Public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia of 1950, as amended, a city in Virginia is authorized to issue bonds and notes secured by a pledge of its full faith and credit and unlimited taxing power. The Constitution and the Public Finance Act of 1991 also limit the indebtedness that may be incurred by cities to ten percent (10%) of the assessed valuation of real estate subject to local taxation. There is no requirement in the Constitution or the Code of Virginia that the issuance of general obligation bonds of the City be subject to approval of the voters of the City at referendum.

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

As of January 1, 2011, the total assessed value of real property in the City was \$32,631,951,698, which translated into a debt limit of \$3,263,195,200. The City’s net obligations subject to debt limitations as of June 30, 2011, totaled \$415,720,000 and represented 12.74 percent of the allowed debt limit.

AUTHORIZED AND UNISSUED DEBT

In June 2009, the City issued \$79,700,000 aggregate principal amount of General Obligation Capital Improvement Bonds (the “Series 2009 Bonds”). The ordinance adopted by the City Council with respect to the Series 2009 Bonds authorized the issuance of a maximum amount of \$106,700,000 general obligation bonds. The City does not anticipate issuing the authorized and unissued bonds in the amount of \$27,000,000 in subsequent fiscal years.

OVERLAPPING DEBT

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

TAX AND REVENUE ANTICIPATION NOTE BORROWING

The City has not issued any revenue anticipation notes at any time for the past two decades. The City has no plans to borrow for cash flow purposes in FY 2012 or FY 2013.

DEBT INFORMATION

Information on the City’s indebtedness is presented in the following tables. Included is information on key debt ratios, debt service to expenditure ratios and selected debt service schedules.

DEBT STATEMENT

Bonded Debt Outstanding:

Outstanding General Obligation Bonds *	<u>\$476,980,000</u>
Net Tax Supported Debt:	<u>\$476,980,000</u>

* As of January 1, 2012

**RATIO OF NET GENERAL DEBT¹ TO ASSESSED VALUE
AND NET DEBT PER CAPITA
LAST TEN FISCAL YEARS**

		Assessed Value (\$000)²			Outstanding Debt as Percentage of Assessed					Debt Per Capita As Percentage of Per Capita Income⁵
Year	Population³	Real Property	Personal Property	Total	Outstanding Debt	Real Property	Total Property	Personal Income (\$000)	Debt Per Capita⁴	
2002	131,365	16,132,989	1,426,306	17,559,295	153,925,000	0.95	0.88	7,009,871	1,172	2.2
2003	131,602	19,225,926	1,459,886	20,685,812	143,615,000	0.75	0.69	7,165,859	1,091	2.0
2004	132,432	22,580,995	1,309,443	23,890,438	197,520,000	0.87	0.82	7,435,257	1,491	2.7
2005	132,903	27,359,650	1,359,782	28,719,432	241,890,000	0.88	0.84	7,776,966	1,820	3.2
2006	133,211	32,906,270	1,409,852	34,316,122	296,540,000	0.90	0.86	8,835,057	2,226	3.4
2007	134,193	34,243,031	1,411,599	35,654,630	278,525,000	0.81	0.75	9,507,531	2,075	2.9
2008	136,285	35,554,958	1,426,679	36,981,637	260,350,000	0.73	0.71	10,204,006	1,910	2.6
2009	138,751	34,379,163	1,354,932	35,734,095	383,950,000	1.12	1.09	10,178,071	2,767	3.8
2010	139,966	31,649,490	1,170,972	32,990,238	364,485,000	1.15	1.10	10,441,443	2,604	3.5
2011	141,287	32,631,952	1,226,896	33,858,848	415,720,000	1.27	1.23	10,627,334	2,942	3.8

¹Net General Debt includes general obligations bonds and term notes.
²Includes real and personal property as adjusted for change to levy.
³Source: Alexandria Department of Planning and Zoning and the 2010 US Census; 2001 – 2009 numbers have been recalculated based on Census data
⁴Debt per capita has been recalculated based on revised population numbers.
⁵Personal income and per capita income represent data from the United States Bureau of Economic Analysis, as revised, that is two years old.
The most recent two years are estimated based on per capita trends. Data has been recalculated based on revised population numbers.

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR NET GENERAL DEBT¹
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES**

Year	Principal	Interest and Other Costs	Total Debt Service	General Expenditures²	Ratio of Debt Service To General Governmental Expenditures
2002	8,450,000	7,565,996	16,015,996	452,671,072	3.54
2003	10,310,000	7,173,024	17,483,024	488,044,085	3.59
2004	10,795,000	7,887,768	18,682,768	516,275,303	3.62
2005	13,115,000	9,567,247	22,682,247	545,688,442	4.16
2006	16,350,000	10,502,282	26,852,282	623,774,871	4.30
2007	17,670,000	13,306,096	30,976,096	689,280,260	4.49
2008	18,175,000	12,344,320	30,519,320	688,844,141	4.43
2009	19,100,000	12,800,634	31,900,634	720,924,777	4.42
2010	19,465,000	15,123,463	34,588,463	705,338,251	4.90
2011	21,065,000	17,414,349	38,479,349	722,966,982	5.32

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

OPERATING AND CAPITAL LEASES

Operating Leases

The City and the School Board lease office space and equipment under various long-term operating lease agreements expiring at various dates through fiscal year 2026. Certain leases contain provisions for possible future increased rentals based upon changes in the Consumer Price Index.

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

FISCAL YEAR	Primary Government	School Board Component Unit
2012	5,323,508	1,065,854
2013	4,842,093	1,071,305
2014	4,823,508	852,123
2015	3,988,817	873,426
2016	2,476,797	--
2016-2021	4,042,151	--
2022-2026	5,338,675	--

COMMITMENTS AND CONTINGENCIES

Washington Metropolitan Area Transit Authority

The City's commitments to 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:

Capital Contributions – Bus and Rail Replacement

During FY 2004, The WMATA Board, the City and other participating jurisdictions in the Washington DC area 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 projected at \$82.5 million over the 20-year period with \$40.7 million planned during the first six years. The Metro Matters inter-jurisdictional agreement was signed by the City of Alexandria on September 28, 2004. The City opted out of the new 2009 series bond issue by prefunding its share. In June 2010, a new funding agreement was signed by all members of the WMATA Compact. It sets forth a commitment of one year's funding with five planning years. The new funding agreement assumes an increase of \$150 million per year of new federal funds, matched by the Commonwealth of Virginia, the State of Maryland, and the District of Columbia. The new agreement totals to \$5.0 billion, of which \$2.5 billion is proposed to be funded by the federal government. 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, 2011, the total City Metro Matters obligation to WMATA was \$7.0 million, \$6.2 million of which was funded from the City Capital Projects Fund with the remaining \$0.8 million being funded from credits arising from past City payments to WMATA.

Operating Subsidies - Bus and Rail Systems

During the year ended June 30, 2011, obligations for bus and rail operating subsidies amounted to \$20.3 million. The City paid this obligation from the following sources:

City payments	\$ 6,070,331
State Aid and State Motor Fuel Sales Tax revenues	14,253,652
Investment earnings	--
TOTAL	\$20,323,983

Expected operating obligations for FY 2012 are \$22.7 million, of which \$5.7 million is expected to be paid from the City's General Fund.

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, 2010. 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.

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 reserves or fund balance commitments that may ultimately be incurred as a result of the suits and claims will not be material.

Waste-To-Energy Facility

The City has a guaranteed annual tonnage of acceptable waste commitment to the Waste to Energy Facility, which is owned and operated by a private corporation. The commitment, shared with Arlington County, is based on a percent of the solid waste the City and Arlington County expect to collect together. The facility charges fees on each ton based on defined costs and 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 2011 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. This put or pay contract expires in 2013. The City, Arlington County and the owner-operator of the facility, Covanta Energy, Inc., have negotiated an agreement that has been put in place prior to the expiration of the existing put or pay agreement in 2013.

The Alexandria/Arlington Waste Disposal Trust Fund (the "Trust") is a private purpose trust fund of Arlington County, Virginia and, accordingly, the financial position and results of operations of the Trust are reflected in the comprehensive annual financial report of Arlington County, Virginia. The City of Alexandria, Virginia and Arlington County, Virginia each have a 50 percent 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, pursuant to which the Corporation

acquired the Waste to Energy Facility, the Corporation made a payment of \$1 million to the Trust, which was to be used as a reserve for future expenditures.

The Trust in recent years has been primarily 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 City, Arlington County, the Alexandria Sanitation Authority and the Arlington Solid Waste Authority. There are expected to be sufficient funds in the Trust fund, and through the availability of other City and County monies, to satisfy the obligations of the City and Arlington County to make any deficit payments through 2013.

The facility’s operating costs are paid for primarily through tipping fees. The City paid \$1.7 million in tipping fees in FY 2011. In the event of an unexpected 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 through 2013. After 2013, the facility becomes a merchant plant until 2025, when its ownership reverts back to the City and the County.

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 2011 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.

CAPITAL IMPROVEMENT PROGRAM

The City of Alexandria responds to the changing demands for infrastructure brought about by commercial growth and the changing needs and expectations of its residential and school communities through its multi-year capital improvement plan. The Capital Improvement Program (“CIP”) is the primary planning tool for scheduling the City’s capital projects. This program, which is now a ten-year CIP, is prepared and updated annually.

The FY 2012 – FY 2021 Approved Capital Improvement Program totals \$1.17 billion. Federal, State and other non-City sources fund \$64.7 million of this total. The City is responsible for the remaining \$1.11 billion, \$35.2 million of which has been funded in prior fiscal years. Thus, the remaining City share of the CIP is \$1.07 billion, an increase of 1.1 percent from the FY 2011 – FY 2020 CIP, which was modified in June 2010 to include \$275.0 million in funding for the construction of the proposed Potomac Yard Metrorail Station. This increase is primarily attributable to the real estate tax reservation for transportation initiatives, which was approved to start in 2011.

The FY 2012 – FY 2021 CIP addresses two broad areas of expenditure: protection of the City’s investment in existing public facilities or infrastructure (physical assets) and planning and construction of major new public facilities and infrastructure, including School capital investment. In addition to the primary goal of capital maintenance, the CIP focuses on growth and economic development projects such as the construction of the proposed Potomac Yard Metrorail Station, and planning for three dedicated, high-capacity transit corridors. To fund these investments, the CIP’s identified revenue sources over the ten-year period include \$243.5 million in City appropriations largely from General Fund transfers, \$19.1 million from the General Fund Balance, \$8.5 million in bond interest earnings, \$803.1 million in future general obligation bond issuance, and \$0.3 million in reprogrammed prior year unallocated funds. The debt service on \$265.3 million in general obligation bonds for the Potomac Yard Metrorail Station will be funded by developer contributions, special tax district revenues, and net new tax revenues generated by the project. This ten-year capital plan was balanced through calculated prioritization and decision making.

	Total Cost	Federal/State Grants, Reallocations And Others	Net City Cost	Unallocated Balance¹	Remaining City Cost²
Schools	\$211,053,459	\$0	\$211,053,459	\$0	\$211,053,459
Community Development	\$44,534,401	\$17,305,314	\$27,229,087	\$3,129,997	\$24,099,090
Recreation & Parks	\$82,645,586	\$500,000	\$82,145,586	\$6,713,586	\$75,432,000
Public Buildings	\$112,375,000	\$0	\$112,375,000	\$545,000	\$111,830,000
Transportation & Transit Infrastructure	\$556,497,766	\$46,893,090	\$509,604,676	\$5,728,819	\$503,875,857
Stormwater Management	\$32,523,186	\$0	\$32,523,186	\$4,012,465	\$28,510,721
Sanitary Sewers	\$48,731,485	\$0	\$48,731,485	\$10,664,617	\$38,066,868
Information Technology Plan	\$58,883,181	\$0	\$58,883,181	\$4,365,581	\$54,517,600
Other Regional Contributions	\$7,794,501	\$0	\$7,794,501	\$0	\$7,794,501
Allowance for Inflation or Additional Projects	\$19,329,147	\$0	\$19,329,147	\$0	\$19,329,147
TOTAL CIP	\$1,174,367,712	\$64,698,404	\$1,109,669,308	\$35,160,065	\$1,074,509,243

¹ Unallocated balances as of April 2011.

² Includes both restricted and unrestricted City funds.

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SUMMARY OF CAPITAL IMPROVEMENT PROGRAM BY PROJECT GROUP

FY 2012 - FY 2021

City Share by Program Year												
	Unallocated Balance ¹	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total ²
Schools	\$0	\$21,986,475	\$30,949,356	\$24,930,211	\$31,371,027	\$36,386,123	\$12,000,000	\$13,000,000	\$13,500,000	\$13,366,000	\$13,564,267	\$211,053,459
Community Development	\$3,129,997	\$310,545	\$4,110,545	\$2,359,000	\$3,600,000	\$1,225,000	\$2,440,000	\$1,851,000	\$2,072,000	\$4,681,000	\$1,450,000	\$24,099,090
Recreation & Parks	\$6,713,586	\$2,050,000	\$3,448,000	\$3,508,000	\$8,688,000	\$4,423,000	\$15,273,000	\$10,123,000	\$11,773,000	\$9,823,000	\$6,323,000	\$75,432,000
Public Buildings	\$545,000	\$16,650,000	\$5,575,000	\$12,260,000	\$17,890,000	\$11,310,000	\$10,075,000	\$12,340,000	\$10,040,000	\$6,340,000	\$9,350,000	\$111,830,000
Transportation & Transit Infrastructure	\$5,728,819	\$20,243,000	\$25,868,000	\$21,078,857	\$291,968,000	\$19,818,000	\$23,738,000	\$29,388,000	\$28,388,000	\$20,848,000	\$22,538,000	\$503,875,857
Stormwater Utility	\$4,012,465	\$2,401,398	\$2,465,741	\$2,553,435	\$2,654,733	\$2,762,312	\$2,876,552	\$2,997,860	\$3,126,664	\$3,263,418	\$3,408,608	\$28,510,721
Sanitary Sewers	\$10,664,617	\$7,027,868	\$7,679,000	\$6,115,000	\$5,535,000	\$1,950,000	\$1,950,000	\$1,950,000	\$1,950,000	\$1,950,000	\$1,960,000	\$38,066,868
Information Technology Plan	\$4,365,581	\$7,524,600	\$15,373,000	\$7,570,000	\$3,690,000	\$3,185,000	\$3,235,000	\$3,485,000	\$3,485,000	\$3,485,000	\$3,485,000	\$54,517,600
Other Regional Contributions	\$0	\$701,683	\$734,128	\$770,327	\$807,600	\$847,947	\$849,368	\$758,862	\$766,862	\$774,862	\$782,862	\$7,794,501
Inflationary Allowance/ New Projects	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,410,138	\$7,027,138	\$9,891,871	\$19,329,147
TOTAL CIP	\$35,160,065	\$78,895,569	\$96,202,770	\$81,144,830	\$366,204,360	\$81,907,382	\$72,436,920	\$75,893,722	\$77,511,664	\$71,558,418	\$72,753,608	\$1,074,509,243

1 City Share Unallocated Balance as of April 2011.

2 Includes both restricted and unrestricted City funds.

CAPITAL FINANCING AND DEBT MANAGEMENT

City Council passed a set of debt-related financial policies on June 9, 1987. To continue a strategy of improving the City's creditworthiness, City Council revised and reaffirmed the City's 1987 debt-related financial policies on December 9, 1997. City Council amended the policies on October 26, 1999, to allow priority consideration for an increase in the designation of fund balance for capital project funding. On June 24, 2008, City Council increased both the target and limit for debt per capita as a percentage of per capita income. By using these debt-related financial policies, the City has been able to maintain a fiscally prudent framework for establishing a realistic, usable, and financially achievable capital improvement program.

As a major long-term economic development initiative, on June 12, 2010, the City approved a major rezoning of 69 acres of prime real estate into a high density mixed-use development of over 7.5 million square feet. An integral part of this proposal, which will add approximately 10 percent to the City's tax base and generate over \$1 billion in new tax revenue over a 30-year period, would entail the construction of a new Metrorail station on the existing heavy rail Metrorail line that runs to the east of this 69 acres. The cost of this Metrorail station is estimated (in 2015 dollars) at about \$240 million, depending on the location of the station and other cost variables. The City is currently planning on issuing general obligation bonds to finance this Metrorail station construction project and plans to repay these bonds with new tax revenues, two special tax districts, and developer contributions. Planning, further studies, station design and refinement of costs are scheduled to occur between 2010 and 2014. A final decision by City Council to proceed with the Metrorail station financing will be made in late 2014 at the earliest.

The City's financing of the Metrorail station will require an upward revision to two of its current debt policy guideline targets and limits to address the bonds used to finance the project, in that the amount of debt that may be issued would exceed two of the City's current debt targets and ceilings (debt as a percentage of fair market real property value and debt as a percentage of per capita income).

Debt Ratio Policies

During FY 1998, the Budget and Fiscal Affairs Advisory Committee ("BFAAC"), a City Council-appointed citizen committee, analyzed the City's debt-related financial policies and examined the City's financial condition in comparison to other jurisdictions with superior credit ratings (other double-triple A rated jurisdictions). The BFAAC and the City Manager recommended that City Council reaffirm the updated debt-related financial policies, incorporating BFAAC's recommended updates to the policies, to establish a consistent set of appropriate relationships between debt targets and limits. Because three of six debt indicators measure the debt capacity of the City in relation to the size of the City and its economy, BFAAC recommended that these indicators should not produce debt capacity limits that vary greatly from each other.

City Council reaffirmed its commitment to sound financial management and adopted the updated debt-related financial policies on December 9, 1997. City Council amended the policies on October 26, 1999, to allow priority consideration for an increase in the designation of fund balance for capital project funding. On June 24, 2008, based on comparison with other AAA/Aaa rated jurisdictions and recommendations by BFAAC, City Council adopted a revision to one guideline: the debt per capita as a percent of per capita income guideline was adjusted upward to a 3.2 percent target and a 4.5 percent limit. The new target and limit are in the range of what other AAA/Aaa rated Washington area jurisdictions experience. This revision also resynchronizes this guideline with that for debt as a percentage of the fair market value of real property. These two indicators had diverged since they were last reviewed and adopted in December 1997.

These policies are currently as follows:

DEBT AS A PERCENTAGE OF FAIR MARKET REAL PROPERTY VALUE			
June 30, 1986 (At Original Adoption Of Policies)	Target	Limit	June 30, 2011
1.9%	1.1%	1.6%	1.27%

This ratio indicates the relationship between the City's debt and the full value of real property in the City as assessed annually at fair market value. It is an important indicator of the City's ability to repay debt, because real

property taxes are the primary source of the City's revenues used to repay debt. A small ratio indicates that the City will be better able to withstand possible future economic downturns and continue to meet its debt obligations.

DEBT PER CAPITA AS A PERCENTAGE OF PER CAPITA INCOME

June 24, 2008 (At Adoption Of Revised Policies)	Target	Limit	June 30, 2011*
Debt per Capita 2.6% (\$1,947 in 2008)	3.2% (\$2,407 in 2011)	4.5% (\$3,385 in 2011)	3.8% (\$2,942)

*Recalculated based on revised populations numbers per 2010 US Census.

This ratio is a measure of the capacity of citizens to finance tax-supported debt. A lower percentage means that taxes required to repay debt represent a smaller portion of the average citizen's income.

DEBT SERVICE AS A PERCENTAGE OF GENERAL GOVERNMENT EXPENDITURES

June 30, 1986 (At Original Adoption Of Policies)	Target	Limit	June 30, 2011
9.8%	8%	10%	5.32%

This ratio is a measure of the City's ability to repay debt without hampering other City services. A small ratio indicates a lesser burden on the City's operating budget.

GENERAL FUND BALANCE AS A PERCENTAGE OF GENERAL FUND REVENUE

	June 30, 1986 (At Original Adoption Of Policies)	Target	Lower Limit	June 30, 2011
Uncommitted/Unassigned	5.5%	5.5%	4.0%	5.3%
Uncommitted/Unassigned + Revenue Shortfall Reserve	N/A	5.5%	4.0%	6.1%
Spendable	11.2%	N/A	10%	13.7%

These ratios indicate the ability of the City to cope with unexpected financial problems or emergencies. The Spendable (Unreserved) General Fund Balance represents the funds legally available to the City. It is desirable that the City maintain a Spendable (Unreserved) General Fund Balance that is comparable to the ratio maintained by other double-triple A rated jurisdictions, but not to fall below the limit of 10 percent. The Unassigned and Uncommitted (Undesignated) General Fund Balance corresponds to the checkbook balance of the City. Both balances are important to consider. The spendable balance includes commitments and assignments that the City Council has made but presumably could change. The larger the Unassigned and Uncommitted (Undesignated) General Fund Balance, the greater the City's ability to cope with financial emergencies and fluctuations in revenue cycles.

Debt Issuance Policies

The following policies have been adopted by the City Council and represent current City plans, which are subject to change based upon actions of future City Councils.

The City will not issue tax or revenue anticipation notes to fund ongoing governmental operations. The City of Alexandria will manage its cash in a fashion that will prevent any borrowing to meet working capital needs.

The City will not issue bond anticipation notes ("BAN") for a period of longer than two years. If the City issues a BAN for a capital project, the BAN will be converted to a long-term bond or redeemed at its expiration, but will not be rolled over.

The City will continue to rely on current revenue, including its fund balance, to finance its short-lived and maintenance-oriented capital improvements. The City believes in funding a significant portion of capital improvements on a "pay-as-you-go" basis; therefore, the City will continue to finance short-lived and maintenance-oriented capital improvements with current revenues and its fund balance. The priority to consider when additional

General Fund revenues become available at the end of the fiscal year would be a commitment within the General Fund Balance for pay-as-you-go capital.

The City will not establish a trend of using General Fund equity to finance current recurring operations. The City's General Fund equity balance has been built over the years to provide the City with sufficient work capital and to enable it to finance equipment replacement, capital projects and unforeseen emergencies without borrowing. To conserve the General Fund equity balance and to avoid reliance on the balance, the City will not finance recurring operations from the General Fund equity balance for periods longer than two consecutive fiscal years, then the City will adopt in its next ensuing budget a balanced budget in which the operating revenues meet the operating expenditures without any consideration of the General Fund Equity balance.

In accordance with the City Charter and in order to meet the debt ratio targets, to schedule debt issuance and to systematically improve the capital structure, each year the City will prepare and adopt a capital improvement program. This capital improvement program will identify the source of funding for all capital projects. The debt issuances that are a part of the capital improvement program will be structured to meet the City's debt policies and debt ratio targets.

The City Manager will prepare each year and submit a set of scenarios of possible future revenues and expenditures that match the Capital Improvement Program time horizon with the proposed budget to be considered by the City Council. Those scenarios will be updated to reflect the decisions of the City Council and issued with the approved budget. In order to improve financial planning and decisions, the City Manager also will annually prepare with the approved budget a set of scenarios of possible future General Fund revenues and expenditures and their effects on the debt-related financial policy ratios outlined above, including the effect of planned borrowing under the approved CIP. Beginning in FY 2011 and continuing in all subsequent fiscal years, the City Manager will present a ten-year capital improvement program each year, rather than a six-year program as presented in prior years.

Equipment Replacement Reserve Fund

It has been the policy of the City to allocate monies each year for the future replacement of City equipment. On June 30, 1987, the City established an internal service fund (Equipment Replacement Reserve Fund) for the purpose of providing an orderly accumulation of monies to replace capital equipment. As of June 30, 2011, the Equipment Replacement Reserve Fund, which derives its revenues from scheduled equipment rental charges to user departments, had a cash balance of \$13.2 million.

Risk Management Program

The City's risk management program is designed to protect against accidental losses that would significantly affect personnel, property, the budget or the City's ability to fulfill its responsibility to the taxpayers and the public. 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 risk internally and account for any claims settlement in the General Fund. Exceptions are made when insurance coverage is available and when premiums are cost effective. A total of \$5 million of Spendable (Unreserved) General Fund balance has been committed to meet potential self-insurance losses.

In addition, the risk management program includes employee training in prevention and administration of workers' compensation claims. As part of the program, all employees who drive City vehicles must attend defensive driving classes.

SECTION FIVE: FINANCIAL INFORMATION

ACCOUNTING STRUCTURE AND BASIS OF ACCOUNTING

Certificate of Achievement

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 (“CAFR”) for the 33rd consecutive year for fiscal year 2010. The City expects to receive the certificate for its FY 2011 CAFR. The GFOA awards a Certificate to governmental units that display excellence in financial reporting and conform to stringent reporting requirements promulgated by that Association and various authoritative bodies. For all fiscal years beginning July 1, 1990, through July 1, 2010, the City received the GFOA’s Award for Distinguished Budget Presentation.

Government-wide and Fund Accounting

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, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are 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 statement presentations provide valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the financial information. The City generally uses unspendable assets first for expenses incurred for which both unspendable and spendable assets are available. The City may defer the use of unspendable 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.) or a business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly 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 to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, 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. The 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 the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide financial 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 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 2011.

Governmental Funds

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

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 are transferred to other funds, principally to finance the operations of the City of Alexandria School Board.

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 government-wide reporting purposes. A significant portion of the Special Revenue Fund is used for health and welfare programs.

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 government-wide reporting purposes.

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 non-operating 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, which is considered an enterprise fund, accounts for the financing of goods or services provided by one department to other departments or agencies of the City on a cost reimbursement basis. The City established the Equipment Replacement Reserve Account, 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.

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, Pension Trust Funds, the Mental Health Client Account, the Human Services Special Welfare Account, 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 operation. Fiduciary Funds are not included in the government-wide financial statements.

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 liability are included in the government-wide statements. Operating statements of these 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 statements of net assets and statements of activities, all Proprietary Funds, and Private Purpose Trust Fund 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 balance sheet or on the statement of fiduciary net assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

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

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Five-Year Summary of General Fund Revenues and Expenditures

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

	2007	2008	2009	2010	2011
Revenues:					
General Property Taxes	\$ 310,821,622	\$ 324,113,019	\$ 333,482,063	\$ 337,220,918	\$ 349,779,825
Other Local Taxes	110,979,367	112,263,941	112,271,370	114,371,351	118,259,357
Permits, Fees, and Licenses	5,944,363	4,764,924	4,827,422	4,811,588	2,543,789
Fines and Forfeitures	3,628,938	3,903,807	4,116,453	3,941,372	4,472,520
Use of Money and Property	9,712,862	9,044,947	4,433,015	3,033,638	3,591,323
Charges for Services	10,286,955	11,302,195	12,404,166	13,803,578	14,939,668
Intergovernmental Revenues	53,608,403	54,447,311	53,095,127	52,465,911	53,728,609
Miscellaneous	590,351	618,907	1,065,130	787,960	987,727
Total Revenues:	\$ 505,572,861	\$ 520,459,051	\$ 525,694,746	\$ 540,436,316	\$ 548,302,818
Other Financing Sources:					
Operating Transfers In	\$ 1,063,895	\$ 1,311,109	\$ 2,223,910	\$ 1,301,560	\$ 1,446,713
Refunding Bonds	22,815,000	-	-	-	-
Premium	1,448,072	-	-	-	-
Total Other Financing Sources	\$ 25,326,967	\$ 1,311,109	\$ 2,223,910	\$ 1,301,560	\$ 1,446,713
Total Revenues and Other Financing Sources	\$ 530,899,828	\$ 521,770,160	\$ 527,918,656	\$ 531,737,876	\$ 549,749,531
Expenditures:					
Current:					
General Government	\$ 44,983,189	\$ 42,536,812	\$ 46,137,096	\$ 44,487,379	\$ 43,476,795
Judicial Administration	16,024,123	17,028,954	17,958,782	17,743,109	17,895,917
Public Safety	105,381,228	108,941,895	113,896,868	111,666,800	111,860,869
Public Works	33,072,866	34,206,948	34,755,649	33,298,427	26,218,026
Health and Welfare	20,889,031	21,058,544	20,723,663	19,152,519	20,101,509
Culture and Recreation	22,855,258	23,822,427	23,109,869	20,748,594	21,586,342
Community Development	9,219,603	13,009,454	13,840,168	12,594,376	13,542,955
Education	12,548	12,399	12,004	12,304	12,229
Transit	6,755,289	6,644,738	4,595,401	5,168,369	16,273,035
Debt Service:					
Principal Retired	17,729,329	18,175,000	19,100,000	19,465,000	21,065,000
Interest and Fiscal Charges	13,307,530	12,344,320	12,800,635	15,123,463	17,414,349
Total Expenditures	\$ 290,229,994	\$ 297,781,491	\$ 306,930,135	\$ 299,460,340	\$309,447,026
Other Financing Uses:					
Payment to Refunded Bonds					
Escrow Agent	\$ 24,104,018	\$ -	\$ -	\$ -	\$ -
Operating Transfers Out	47,816,337	55,343,575	50,769,720	42,940,615	40,621,320
Transfers Out - Component Units	164,032,522	174,651,343	182,702,659	179,538,720	181,944,218
Total Other Financing Uses	235,952,877	229,994,918	\$ 233,472,379	\$ 222,479,335	\$222,565,538
Total Expenditures and Other Financing Uses	\$ 524,233,704	\$ 527,776,409	\$ 540,402,514	\$ 521,939,675	\$532,012,564
Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses					
	\$ 4,716,957	\$ (6,006,249)	\$ (12,483,858)	\$ 9,798,201	\$17,736,967
Fund Balances at Beginning of Year	67,378,045	72,253,728	65,488,041	53,306,991	63,041,371
Increase/(Decrease) in Reserve For Inventory	158,726	(759,438)	302,808	(63,821)	81,829
FUND BALANCES AT END OF YEAR	\$ 72,253,728	\$ 65,488,041	\$ 53,306,991	\$ 63,041,371	\$80,860,167

Summaries for fiscal years 2007 to 2011 are compiled from the CAFR and City records which the independent auditor for the City has audited. The summaries should be read in conjunction with their related financial statements and notes.

**GENERAL FUND BALANCE
FISCAL YEARS 2007 TO 2011**

	2007	2008	2009	2010	2011
Unspendable:*					
Inventory of Supplies	\$ 2,347,911	\$ 1,588,472	\$ 1,891,281	\$ 1,827,459	\$ 1,909,288
Encumbrances	2,345,051	1,579,168	1,967,201	2,007,557	3,200,000
Notes Receivable	--	--	400,000	400,000	400,000
Total Unspendable	\$ 4,692,962	\$ 3,167,640	\$4,258,482	\$4,235,016	\$5,509,288
Spendable Committed/Assigned (Designated) For:					
Subsequent Year's Budget	\$ 1,999,550	\$ 4,600,000	\$ 2,315,347	\$ 4,744,921	\$3,625,000
Next Subsequent Year's Budget	4,000,000	1,285,347	3,600,000	2,000,000	--
Subsequent Years' Capital Expenditures	3,643,211	7,350,000	226,958	--	--
Next Subsequent Years' Capital Expenditures	7,350,000	1,026,958	--	--	--
Subsequent Years' Capital Program FY 2011 & Beyond	--	--	--	10,971,240	19,109,737
Self-Insurance	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Retiree Health and Life (OPEB)	10,700,000	10,700,000	6,500,000	3,700,000	2,100,000
Open Space Fund	--	--	--	--	--
Affordable Housing	--	--	--	--	--
Affordable Housing (AHOP) Grants	--	--	--	--	--
Federal/State Grant Reductions Set-aside	--	--	--	--	--
Monroe Avenue Pedestrian Bridge Design Funds	--	--	--	--	--
General Schedule Employee Compensation	--	--	--	--	--
Fiscal Year 2010 Revenue Shortfall Reserve	--	--	4,309,397	--	--
Natural Disasters/ Emergencies	--	--	--	1,000,000	2,000,000
Storm Water Utility Fund	--	--	--	783,660	--
King Street Gardens	25,000	25,000	25,000	25,000	--
National Harbor	700,000	-	--	--	--
Fuel Costs	500,000	250,000	250,000	--	--
Social Services Contingency	530,000	530,000	400,000	--	--
Fire Station/Affordable Housing Project	--	1,600,000	--	--	--
BRAC Contingency Funds	--	--	--	--	1,000,000
Revenue Shortfall	--	--	--	--	4,000,000
Encumbrances (for GASB requirements)	--	--	--	--	1,788,689
Transportation Improvements	--	--	--	--	3,363,139
Emergency Response	--	--	--	--	1,600,000
Projects Under Discussion	3,368,000	--	--	--	--
On-going Projects	2,345,870	2,902,820	1,694,734	2,255,523	2,300,000
Unassigned	27,399,135	27,050,271	24,727,073	28,326,641	29,191,314
Total Spendable	\$ 67,560,766	\$ 62,320,401	\$ 49,048,509	\$ 58,806,355	75,350,879
Total General Fund	\$ 72,253,728	\$ 65,488,041	\$ 53,306,991	\$ 63,041,371	80,860,167
General Fund Balance as a percent of General Fund Expenditures and Other Financing Uses	13.8%	12.4%	10.6%	12.1%	15.2%

*GASB rules require the use of the categories committed, assigned, spendable and unspendable. Category titles are estimated for prior years.

BUDGETARY PROCEDURES

The City's annual budget is based on a fiscal year of July 1 to the following June 30. Under the City Charter, the City Council must adopt an appropriation ordinance for the subsequent fiscal year no later than June 27. The appropriation ordinance is based on a balanced budget of all fiscal operating expenditures to be financed from current fiscal year revenues and balances available from prior years.

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. The City Manager's Proposed Budget for the following year is presented to the City Council in February of each year. The Proposed Budget includes recommended funding levels for all City programs, including School operations. The Proposed Budget also includes a recommended program of capital expenditures to be financed from current revenues. A separate ten-year Capital Improvement Program (CIP) is also prepared each year, and the first year of that CIP is included in the City Manager's Proposed Budget. Estimated revenues are detailed in the Proposed Budget along with any recommended new taxes or changes in tax rate or service charges that may be proposed by the City Manager, or as directed by City Council.

Public hearings on the Proposed Budget and tax rates are held in early spring and are followed by a series of work sessions of the City Council, during which City Council discusses the proposed operating and capital programs and the revenue outlook. Final City Council decisions are made in early May, and these decisions are incorporated into the appropriation ordinance for the subsequent fiscal year. This appropriation ordinance is approved by City Council no later than June 27 for the succeeding fiscal year to commence July 1.

During the fiscal year, the Department of Finance and the Office of Management and Budget conduct detailed reviews of both expenditures and revenues. As a management tool, budgetary control is maintained in the General Fund at the character level by the encumbrance of estimated purchase amounts before the release of purchase orders to vendors. The City follows a similar procedure with Special Revenue Funds, but the level of control is the grant or program level. Throughout the fiscal year, City Council transfers appropriations among departments, divisions and projects. The City Manager has authority to transfer appropriations within departments. The City Council also approves supplemental appropriations, including the reappropriation of prior year encumbrances.

FY 2012 OPERATING BUDGET

The City Council adopted the FY 2012 Approved Operating Budget on May 2, 2011. The City's FY 2012 Approved General Fund Budget of \$566.9 million represents an increase of 6.6 percent compared to the FY 2011 Approved Budget. The General Fund Budget for FY 2012 (July 1, 2011, to June 30, 2012) is financed principally by tax revenues. For tax year 2011, which coincides with calendar year 2011, the adopted real property tax rate is \$0.998 per \$100 of assessed value, an increase of \$0.02 over the previous rate. At the adopted rate of \$0.998 per \$100 of assessed value, the 2011 tax bill on the average single-family residential property will increase by \$107 or 2.5 percent. The revenues from 2.2 cents of this rate will be reserved and applied to transportation capital and operating projects. The FY 2012 Approved Budget includes \$175.0 million for the Alexandria City Public Schools, representing a 4.2 percent increase from the FY 2011 Budget in the City appropriation to the Schools.

As part of a continued effort to control costs and maintain a balanced budget, the FY 2012 Approved Budget includes an increase for City employees in healthcare premium cost-sharing ratios. The share for employees hired prior to July 1, 2010, will increase to 16 percent as of July 1, 2011, and increase to 20 percent as of July 1, 2012. These changes in cost-sharing ratios will contain the City's cost for healthcare to an annual increase of 5.1 percent in FY 2012.

In FY 2012, employees eligible on a merit basis will receive salary increases ranging from 2.3 percent to 5 percent. For the fourth year in a row, there will be no Cost of Living Adjustment or Market Rate Adjustment for City or School employees. Total compensation for employees will increase by 3.6 percent from the FY 2011 Approved Budget, primarily due to the merit-based step increase provided in the FY 2012 Approved Budget and the continued cost of the merit-based step provided in FY 2011.

The City Manager submitted a proposed budget and CIP for FY 2013 to the City Council on February 14, 2012. As of the date of this Official Statement, such proposals have not been approved by the City Council.

REVENUES

The following table shows the City's principal tax revenues by source for each of the last six fiscal years. Annual growth in total tax revenues has averaged 3.3 percent over this period although growth has slowed over the last three fiscal years due to the economic slowdown.

PRINCIPAL TAX REVENUES BY SOURCE

Fiscal Year	Real Property Taxes	Personal Property Taxes	Local Sales Taxes	Business License Taxes	Transient Lodging & Restaurant Food Taxes	Utility Taxes	Other Local Taxes ¹	Total
2006	255,141,063	33,163,126	25,264,689	28,381,583	17,906,151	17,587,865	22,106,771	399,551,248
2007	274,477,589	34,487,106	25,440,638	30,947,412	18,072,899	13,836,170	24,539,175	421,800,989
2008	287,344,299	34,883,037	24,256,803	32,026,526	19,478,810	10,019,854	28,367,631	436,376,960
2009	295,518,893	36,023,945	21,679,635	30,527,956	25,505,602	10,409,248	26,088,154	445,753,433
2010	302,666,192	32,923,178	22,744,483	30,295,624	25,733,409	10,462,233	26,767,150	451,592,269
2011	314,506,526	34,891,944	23,880,909	30,444,798	27,460,101	10,812,989	27,906,746	469,904,013

¹Other local taxes include cable TV franchise license tax, motor vehicle license tax, bank franchise tax, tobacco tax, recordation tax, telecommunication tax, admissions tax, cell phone tax, communications sales tax and penalties and interest on property tax.

Source: City Department of Finance

Real Estate and Personal Property Taxes

An annual ad valorem tax is levied by the City on the assessed value of real and tangible personal property located within the City. State property assessment law requires real property assessments throughout the State to be made at a ratio of 100 percent of estimated fair market value. Real property is assessed as of January 1 of the calendar year and the taxes are due on June 15 and November 15 of the same year. The Director of Real Estate Assessments, by the authority of City ordinance, prorates billings for property incomplete on January 1, but completed during the year. Personal property taxes are due on October 5 of the calendar year in which the tax is levied. There is no limit on the property tax rates, which may be established by the City.

The penalty for late payment of property taxes is 10 percent of the tax due or \$10, whichever is greater. However, late payment penalty may not exceed the amount of the tax. Interest charges on unpaid balances are assessed at an annual rate of 10 percent the first year and 5 percent each year thereafter until all unpaid balances are paid. In the case of real estate on which delinquent taxes are not paid within three years, the City may sell the property at public auction to recover the amounts due.

During its 1998 Special Session, the General Assembly of Virginia enacted the Personal Property Tax Relief Act ("PPTRA") that required the Commonwealth to reimburse local governments for the portion of the taxes levied on the first \$20,000 of assessed value on qualifying vehicles. This portion of the tax was in turn then exempted from personal property taxes by the Commonwealth. Beginning in FY 2000, the Commonwealth reimbursed localities for 27.5 percent of the personal property tax. The reimbursement was gradually increased to 70 percent of the personal property taxes by FY 2002 and remained at 70 percent through FY 2006. Beginning in FY 2007 and thereafter, Alexandria is no longer being reimbursed for 70 percent of the personal property taxes on qualifying vehicles. Rather, the Commonwealth reimburses the City a fixed dollar amount (\$23.6 million) instead of the reimbursement schedule. In FY 2011, the City reimbursement rate was 69 percent.

The following tables set forth information concerning the City's real property tax collection rate for calendar years 2003 to 2010 and personal property tax collection rate for calendar years 2004 to 2010. The real

property tax rate increased from \$0.978 to \$0.998 per \$100 in calendar year 2011. The City's personal property tax rate remains at \$4.75 per \$100 of value for FY 2011.

REAL ESTATE TAX LEVIES AND COLLECTIONS
(Amounts in thousands)

Calendar Year Ended December 31	Taxes Levied for Calendar Year*	Collected within the Fiscal Year of the Levy			Total Collections To Date	
		Amount Collected	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2003	199,799	196,181	98.19	3,604	199,785	99.99
2004	225,156	223,047	99.06	2,094	225,141	99.99
2005	250,180	247,166	98.80	2,999	250,165	99.99
2006	267,015	264,951	99.23	1,861	266,812	99.92
2007	282,563	279,948	99.07	2,528	282,476	99.97
2008	296,204	292,996	98.92	2,801	295,797	99.86
2009	308,330	305,691	99.14	301	305,992	99.24
2010	308,848	305,548	98.93	-	305,548	98.93

* Levy adjusted for changes since original levy

PERSONAL PROPERTY TAX LEVIES AND COLLECTIONS
(Amounts in thousands)

Calendar Year Ended December 31,	Taxes Levied for the Calendar Year		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to date	
	Total	Commonwealth Reimbursement*	Amount	Percentage of Levy		Amount	Percentage of Levy
2004	56,059	21,936	48,535	86.58	3,860	52,395	93.46
2005	58,942	22,558	50,422	85.55	4,807	55,229	93.70
2006	62,213	24,193	55,284	88.86	2,745	58,029	93.27
2007	61,974	23,849	55,247	89.15	2,936	58,183	93.88
2008	62,740	23,768	56,201	89.58	3,114	59,315	94.54
2009	60,820	24,635	54,784	90.08	1,719	56,503	92.90
2010	60,301	24,057	55,611	92.22	-	55,611	92.22

*Commonwealth reimbursement included in taxes levied and collections.

The City of Alexandria aggressively levies a personal property tax even where businesses or individuals have failed to file. For example, if a business is licensed in the City and fails to file a business personal property tax return, that business is automatically billed on the basis of an assumed \$75,000 in personal property. If a business filed a personal property tax return last year and fails to file a return this year, that business is automatically billed 115 percent of last year's tax levy. Automobile registrations for the personal property tax are automatically carried over each year unless the vehicle owner reports that the vehicle is no longer taxable in the City and in some cases, provides documentation of the same. If a vehicle owner fails to report that the vehicle is no longer taxable, the City will assess and bill the personal property tax as if the vehicle remains taxable. If an individual registers his or her vehicle with the Department of Motor Vehicles ("DMV") and fails to register with the City, he or she is automatically billed based on the DMV description of the vehicle. Improvements to the automatic registration process carried out in 2009 have increased revenues from this process while decreasing erroneous registrations. In many cases, personal property tax bills (for both businesses and automobiles) are ultimately reduced or relieved due to, for example, individuals moving out of the City or businesses submitting amended returns. Because the validity

of these billings cannot be known at the time personal property taxes are levied, they are included in the total tax levy and artificially reduce the City's collection rate.

Under Virginia law (Section 58.1-3340), delinquent real estate taxes automatically constitute a lien on the property. The following table lists the estimated delinquent tax liens as of December 31, 2011. These liens represent a small portion of the \$308.9 million annual tax levy. The City may sell real property that has three or more years of outstanding taxes (Virginia Code Section 58.1-3965). After ten years, the City may petition the General District Court to determine if the property has been abandoned and should be sold to the State for the collection of delinquent taxes (Virginia Code sections 55-168, et seq.) Finally, any property against which a judgment has been rendered may be sold by court order (Virginia Code section 8.01-462).

**TAX LIENS AS OF
DECEMBER 31, 2011**

Calendar Year Tax Due	Delinquent Real Estate Taxes
2004	8,024
2005	5,853
2006	28,909
2007	63,051
2008	144,937
2009	241,000
2010	660,674
2011	3,383,850

Source: City Department of Finance

Principal Taxpayers

The following table sets forth the ten largest private property and public utility taxpayers of ad valorem real property taxes and the assessed value of property owned by each taxpayer. The aggregate assessed value of the ten largest private taxpayers and the ten largest public service corporations represents 11.02 percent of the \$32.6 billion of real property assessed as of January 1, 2011.

**PRINCIPAL TAXPAYERS
PRIVATE PROPERTY
JANUARY 1, 2011**

Owner's Name	Property	2011 Assessed Value (In millions)	Percentage of Total Assessed Valuation
1. LCOR Alexandria, LLC	Office Buildings	\$982.3	3.01%
2. AIMCO Foxchase LP	Foxchase Apartments	283.8	0.87
3. Washington Real Estate Investment Trust	Portfolio	251.4	0.77
4. Southern Towers LLC	Southern Towers Apartments	219.9	0.67
5. Lafayette Buildings LLC	Mark Center Office Buildings	213.9	0.66
6. Hoffman Buildings LP	Hoffman Office Buildings	182.9	0.56
7. Tishman Speyer Archstone Smith Newport Village I & II	Newport Village Apartments	165.8	0.51
8. T C Duke Street LLC	Office Buildings	163.6	0.50
9. Alexandria Apartments LLC	EOS 21 Apartments	161.1	0.49
10. CPYR Inc.	Potomac Yard Retail	155.7	0.48
Total Value of Property owned by the Ten Largest Private Property Owners		\$2,780.4	8.52%

**PUBLIC SERVICE COMPANIES
JANUARY 1, 2011**

Owner's Name		2011 Assessed Value (In millions)	Percentage Of Total Assessed Valuation*
1.	Mirant Potomac River, LLC**	\$252.8	0.80%
2.	Virginia Electric & Power Company	169.6	0.52%
3.	Norfolk Southern Railway Company	72.6	0.22%
4.	Richmond, Fredericksburg & Potomac Railway	68.2	0.21%
5.	Verizon Virginia, Inc.	63.6	0.19%
6.	Covanta Alexandria/Arlington, Inc.	56.6	0.17%
7.	Virginia-American Water Company	48.8	0.15%
8.	Washington Gas Light Company	32.2	0.10%
9.	Potomac Electric Power Company	31.8	0.10%
10.	T-Mobil Northeast, LLC	6.2	0.02%
Total Value of Property Owned by the Ten Largest Utility Property Taxpayers		\$802.4	2.48%
* Percentage of Total Assessed Valuation is based on a total assessed value of \$32.6 billion. ** Scheduled to close in October 2012, and as a result much of this facility's values, except the land it sits on, will be written off.			

Source: City's Department of Finance

The following table sets forth the assessed value of all taxable property in the City from calendar (tax) year 2000 to the present. Tax-exempt properties owned by the federal government, the Commonwealth, local government, churches and schools, totaling \$5.4 billion for calendar year 2011, are not included in the table.

HISTORICAL ASSESSED VALUATION AND PROPERTY TAX RATES

Calendar Year	<u>REAL PROPERTY (\$000)</u>			Tax Rate Per \$100	Motor Vehicle and Tangibles Assessment	<u>PERSONAL PROPERTY (\$000)</u>			Total Assessment
	Residential	Commercial	Total			Tax Rate Per \$100	Machine and Tools Assessment	Tax Rate Per \$100	
2000	6,716,942	6,578,366	13,295,308	1.110	1,359,340	4.75	13,281	4.50	1,372,621
2001	7,573,897	7,058,452	14,632,349	1.110	1,386,141	4.75	187,217	4.50	1,573,358
2002	8,889,290	7,243,699	16,132,989	1.080	1,409,955	4.75	16,351	4.50	1,426,306
2003	11,191,850	8,034,076	19,225,926	1.035	1,459,886	4.75	20,369	4.50	1,480,255
2004	13,224,543	9,532,642	22,757,185	0.995	1,391,110	4.75	17,895	4.50	1,409,005
2005	16,272,324	11,087,326	27,359,650	0.915	1,455,520	4.75	15,009	4.50	1,470,529
2006	20,331,756	12,574,963	32,906,719	0.815	1,394,947	4.75	14,906	4.50	1,409,853
2007	20,205,364	14,037,667	34,243,031	0.830	1,210,281	4.75	11,486	4.50	1,221,767
2008	20,139,614	14,071,150	34,210,764	0.845	1,223,164	4.75	17,837	4.50	1,241,001
2009	19,255,906	14,246,272	33,502,178	0.903	1,170,972	4.75	14,245	4.50	1,185,217
2010	18,203,923	12,731,953	30,935,876	0.978	1,226,896	4.75	14,336	4.50	1,241,232
2011	18,430,731	13,356,474	31,787,205	0.998*	N/A	4.75	N/A	4.50	N/A

* Excludes Potomac Yard and Tier 1 special tax district rates of up to \$0.20, which is dedicated to the planned Metrorail station.

Local Sales Tax

The City one percent sales tax is collected with the Commonwealth sales tax. The Commonwealth remits the tax monies for the local portion to the City during the month following receipt. These receipts amounted to

\$23.9 million or 5.1 percent of all tax revenues for the fiscal year ended June 30, 2011. The table below shows revenue from the local sales tax for the past five years.

Part of the local sales tax revenue decrease in FY 2009 is attributable to a one-time repayment of \$1.5 million to Fairfax County for businesses located in Fairfax County that had been erroneously remitting sales tax to the City. Excluding this one-time repayment, local sales tax revenues decreased by approximately 4.4 percent between FY 2008 and FY 2009 and 1.9 percent between FY 2009 and FY 2010. FY 2011 sales tax revenues rebounded with a 5.0 percent increase over FY 2010.

LOCAL SALES TAX REVENUES		
Fiscal Year	Revenues	Percent Change
2007	25,440,638	0.70
2008	24,256,803	-4.65
2009	21,679,635	-10.62
2010	22,744,483	4.91
2011	23,880,909	5.00

Source: City Department of Finance

Business License Taxes

These taxes are levied for the privilege of conducting business and engaging in certain businesses, professions, trades and occupations in the City. Both flat license fees and rates established as a percentage of gross receipts are imposed. The calendar year is the tax year. All license taxes are due on March 1 of each year. Persons liable for payment of the license tax apply to the City for the license and, in cases where the tax is based on gross receipts, must furnish the City with a sworn statement of the amount of gross receipts from the previous year. In the fiscal year ended June 30, 2011, business license taxes represented 6.5 percent of all tax revenues.

BUSINESS LICENSE TAX REVENUES		
Fiscal Year	Revenues	Percent Change
2006	28,381,583	4.74
2007	30,947,412	9.04
2008	32,026,526	3.49
2009	30,527,956	-4.68
2010	30,295,624	-0.76
2011	30,444,798	0.49

Source: City Department of Finance

Utility Tax

Every public service corporation that sells or furnishes a utility service must collect a City tax from the purchaser of the service. The tax rates for electricity and natural gas are based on the class of consumers and amount of energy consumption. A monthly maximum tax of \$2.40 applies for both electricity and gas for residential consumers. The tax rate for water is based on the class of consumers and the amount of the monthly utility bill. A monthly maximum tax of \$22.50 for water applies for commercial consumers. In the fiscal year ended June 30, 2011, utility taxes represented 2.3 percent of total tax revenues.

Effective January 1, 2007, State law changed and the Commonwealth assumed responsibility for collecting a flat five percent tax on landline telephone service. Phone revenues that previously appeared in this category (approximately \$0.6 million per month) now appear as part of the Communications Tax. For this reason, the substantial declines in this tax category in FY 2007, when compared to FY 2006, and in FY 2008, when compared to FY 2007, are offset by the new Communications Tax.

UTILITY TAX REVENUES

Fiscal Year	Revenues	Percent Change
2007	13,836,170	-21.33
2008	10,019,854	-27.58
2009	10,409,248	3.89
2010	10,462,233	0.51
2011	10,812,989	3.35

Source: City Department of Finance

Communications Tax

Virginia HB568 replaced many of the telephone and cable television taxes previously collected by the City and other Virginia localities with a State administered Communications Sales and Use Tax and a uniform statewide E-911 tax on landline telephone service. Taxes previously collected by the City such as utility tax on phone service, the E-911 service tax, the cable franchise fee, and part of the gross receipt tax on telecommunications companies will now be collected by Virginia and remitted to Alexandria. The new tax of five percent on all communications services went into effect on January 1, 2007. The implementation of the new State collected tax was designed to be revenue neutral for local governments. In FY 2011, the City received \$11.3 million from the Communications Sales and Use Tax, which represented 2.4 percent of total tax revenues.

The substantial increase in this category between FY 2007 and FY 2008 reflects the fact that the revenues now covered under this tax were included in other categories for the first half of FY 2007.

COMMUNICATIONS TAX REVENUES

Fiscal Year	Revenues	Percent Change
2007	5,318,253	N/A
2008	12,402,256	133.20
2009	11,268,560	-9.14
2010	11,315,541	0.42
2011	11,259,534	-0.49

Source: City Department of Finance

Transient Lodging Tax

In FY 2009, the transient lodging tax rate was increased from 5.5 percent to 6.5 percent of the amount charged for hotel and motel rooms, plus \$1.00 per room per night. In addition, the Presidential inauguration in January 2009 created a significant bump in hotel room rentals and thus, transient lodging tax revenues. For the fiscal year ended June 30, 2011, transient lodging taxes amounted to \$11.2 million and represented 2.4 percent of all tax revenues.

TRANSIENT LODGING TAX REVENUES

Fiscal Year	Revenues	Percent Change
2007	7,415,060	-5.08
2008	8,506,762	14.72
2009	10,592,806	24.52
2010	10,824,410	2.19
2011	11,245,201	3.89

Source: City Department of Finance

Restaurant Meals Tax

In FY 2009, the meals tax rate levied on all food and drink (including alcoholic beverages) sold in the City was increased to four percent, up from three percent in FY 2008. In addition, the Presidential inauguration in January 2009 created a significant bump in the number of visitors to the City and thus, restaurant meals tax revenues. For the fiscal year ended June 30, 2011, restaurant meal taxes amounted to \$16.2 million and represented 3.5 percent of total tax revenues.

RESTAURANT MEALS TAX REVENUES

Fiscal Year	Revenues	Percent Change
2007	10,657,839	5.58
2008	10,972,048	2.95
2009	14,912,796	35.92
2010	14,908,999	- 0.03
2011	16,214,900	8.76

Source: City Department of Finance

Other Taxes

Revenues received from other local taxes include a per pack cigarette tax (which increased from \$0.70 to \$0.80 per pack in 2010), a recordation tax, a bank franchise tax, a motor vehicle license tax, telecommunication tax, admissions tax, and penalty and interest on property taxes. For the fiscal year ended June 30, 2011, other local taxes represented 3.5 percent of total tax revenues. The previously levied cable television franchise license tax, cell phone tax and a portion of the telecommunication tax became part of the communications sales and use tax effective January 1, 2007, leading to substantial decreases in this category for FY 2007 (when compared to FY 2006) and FY 2008 (when compared to FY 2007).

OTHER LOCAL TAX REVENUES

Fiscal Year	Revenues	Percent Change
2007	19,220,922	-13.1
2008	15,965,375	-19.9
2009	14,819,594	-7.2
2010	15,451,609	4.3
2011	16,647,212	7.7

Source: City Department of Finance

Revenues from the Commonwealth

The Commonwealth of Virginia reimburses the City for a portion of certain shared expenses involving the Circuit Court Clerk, the Commonwealth's Attorney, the Finance Department, the Health Department, Sheriff, Registrar and electoral board, and law enforcement aid. In addition, the Commonwealth provides the City with a share of motor vehicle carriers' tax, wine sale taxes, and net profits of the Alcoholic Beverage Control Board derived from liquor sales. Starting in FY 1999, the Commonwealth began to reimburse the City for the State's mandated personal property tax relief. In 2004, the General Assembly passed legislation capping personal property tax relief at \$950 million for the entire state, beginning with the year 2006 (FY 2007). The City's portion of this relief amounts to \$23.6 million in revenues each year. The accounting for grants from the Commonwealth is maintained in the Special Revenue Fund.

Revenue from the Federal Government

The federal government reimburses the City on a per diem basis for federal prisoners maintained in the City jail. The reimbursement for the year ended June 30, 2011, was \$7.0 million. Revenues from the federal government also include indirect cost reimbursement and federal drug recovery money. The accounting for grants from the federal government is maintained in the Special Revenue Fund.

The City of Alexandria and its partners received federal grant funds from the American Recovery and Reinvestment Act ("ARRA"). As of December 2011, the City of Alexandria has been awarded \$18.6 million in federal grant funds on a competitive and formula basis through the American Recovery & Reinvestment Act of 2009 ("ARRA"). Of this funding, about \$13.2 million is being spent on transportation infrastructure and transit projects. The remaining grant funds are allocated for energy efficiency and conservation projections (\$1.3 million), the expansion of early childhood programs (\$0.7 million), social safety net programs (\$1.6 million), one-time expenditures on public safety projects (\$0.3 million), and one-time grant funding (\$1.6 million) over two years to provide 4 person minimum staffing coverage per truck for the Fire Department.

The City's total stimulus award does not include federal funding provided to the Alexandria City Public Schools (ACPS). Since FY 2009, ACPS has received approximately \$16.4 million in stimulus funds from the federal government.

Finally, additional ARRA benefits that have accrued to the City of Alexandria, but which are not included in the \$17.1 million above, include a 35 percent Build America Bonds (BAB) interest rate subsidy from the federal government. In June 2009 the City sold \$79.7 million in general obligation bonds, of which \$44.5 million were sold as BAB bonds resulting in a reimbursement to the City of \$13.2 million over the 20-year life span of the bonds. The City will also receive \$12.4 million in reimbursements over the 20-year life span of \$72.3 million in general obligation bonds sold in July 2010. Of the total amount of bonds sold in July 2010, \$55.3 million were sold as BAB bonds. Together this equals \$25.6 million in total BAB reimbursements over the 20-years of bonds. Total BAB reimbursements were \$0.4 million in FY 2010 and \$1.6 million in FY 2011.

Other Revenues

The revenue category "Permits, Fees and Licenses" includes building permits, residential parking fees, and a variety of fees and licenses. The revenue category "Fines and Forfeitures" includes moving traffic violations fines, parking violations fines, and a variety of other court costs. The "Use of Money and Property" category consists of revenues from the rental of City facilities and interest earnings on the City's investment portfolio. "Charges for Services" include revenues from parking meter receipts, recreational program fees, and charges for other services.

EXPENDITURES

Costs of General City Government

General City government services are paid out of the General Fund. These costs include public works, environmental services, public safety, judicial administrations, health and welfare, planning and community development, parks and recreation, libraries, governmental administration, support of regional agencies for services such as mass transit, as well as debt service.

Transfers to Other Operating Funds

The City transfers monies from the General Fund to the School Board to pay the City's share of the costs of operating public schools in the City of Alexandria. This expenditure represented 32 percent of total disbursements from the General Fund in the fiscal year ended June 30, 2011, and 76.4 percent of total General Fund receipts of the School Board. The principal sources of other revenues credited directly to the School Board are derived from the Commonwealth and the Federal Government and locally from fees imposed on students.

The City also makes transfers from the General Fund to other Component Units, Special Revenue, Capital Projects and Enterprise funds. Transfers to these funds represented approximately 10 percent of total General Fund disbursements in the fiscal year ended June 30, 2011.

Sanitary Sewer Special Revenue Fund

In FY 2004, the City began incrementally increasing the sewer line maintenance fee for the purpose of achieving revenue self-sufficient enterprise status for sanitary sewer maintenance, debt service and capital costs. This was accomplished in FY 2006 when the sewer line maintenance fee was increased to \$1.00 per 1,000 gallons of

water used. As a result, a separate Special Revenue Fund for sanitary sewers was established in FY 2006 to account for sanitary sewer revenues and expenses apart from the General Fund. This fund is supported by sewer line maintenance fee and sewer connection fee revenues and will include operating expenditures for maintenance as well as capital contributions and debt service expenditures associated with capital reconstruction, rehabilitation and expansion projects. In FY 2011, the sewer line maintenance fee increased to \$1.25 per 1,000 gallons of water used. In the FY 2012 Approved Budget, anticipated Sanitary Sewer Special Revenue Fund revenues are comprised of \$6.7 million in sewer line maintenance fees and \$0.8 million in connection fees. Budgeted expenditures include \$2.6 million for operation and maintenance expenditures, \$1.4 million for debt service and \$3.5 million for capital projects. The Sanitary Sewer fund balance was \$7.4 million as of June 30, 2011. The financing of the Sanitary Sewer Special Revenue Fund is not associated with the operations of the Alexandria Sanitation Authority, which is a separate self-sufficient fee-supported entity responsible for the construction, operation, and maintenance of a wastewater treatment system located in the City.

EMPLOYEE RETIREMENT PLANS

City (non-public safety), public transit and school employees are covered by a combination of defined benefit plans, which include the Virginia Retirement System (“VRS”) and City supplemental retirement plans. Public safety employees are covered by a pension plan that contains defined benefit provisions and defined contribution provisions. All City employees are participants in the federal Social Security System. Further information regarding City retirement plans is provided in the “Notes to Financial Statements” in Appendix A.

OTHER POST-EMPLOYMENT BENEFITS (“OPEB”)

In 1989, City Council voted to establish three classes of post-employment health care benefits to supplement the increasing health care costs for City retirees. The three classes are as follows: (a) Full Time City employees who are eligible to retire under the Virginia Retirement System and City Supplemental Pension Plan; (b) Fire and police employees who are eligible to retire under the current defined benefit pension plan; and (c) Fire and police employees who retired and were eligible for normal retirement with 20 years of service under the old defined contribution retirement income plan and the retirees under the old defined benefit pension. In addition, spouses of deceased retirees are also eligible to receive continued benefits.

The plan is a reimbursement program that is based on the actual cost of the retiree’s monthly premium up to a maximum amount determined by the City Council. Effective July 1, 2005, the maximum monthly amount an eligible retiree or a surviving spouse may receive is \$260. That amount has remained unchanged since then. The City Council has authority to establish or amend the provisions. As of June 30, 2010, 845 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 per month for each retiree, for a total annual contribution of \$2.1 million for FY 2010. Employees hired after September 30, 2007, will have their retiree health benefits prorated based on the length of service.

In addition to the healthcare benefits, the City pays for basic life insurance two times the amount of salary at the time of retirement to regular full time employees with applicable reductions if over 65 at no cost to the employees. On the January 1 following the retiree’s 65th birthday, the basic life insurance amount is reduced by 25 percent, followed by reductions of 10 percent of the original amount each year until the retiree’s 70th birthday. The ultimate insurance amount is 25 percent of the amount of salary at the time of retirement. As of July 1, 2008, any new City employee will not be eligible to retain City-paid life insurance when they retire.

The City implemented Statement No. 45 of the Governmental Accounting Standards Board (“GASB”), (*Accounting and Financing Reporting by Employers for Post Employment Benefits Other than Pensions*) for the year ended June 30, 2008. The City established a Single Employer OPEB Trust and plans to fund on a phased in basis the obligation through this trust. An evaluation of its plan as of December 31, 2009, by an independent actuarial company estimated the City’s unfunded actuarial liability to be \$82.5 million. To date, the City has transferred \$14.3 million to the trust from the General Fund and has budgeted \$9.6 million in FY 2012, which is 93 percent of the annual required contribution. There are no legal or contractual requirements for contributing to the OPEB Trust Fund. The City does not issue a stand-alone financial report for the OPEB Trust Fund. The financial statements and required supplementary information are included in the City’s CAFR.

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 2012, the Schools plan to provide a subsidy of \$265 per month to approximately 430 retirees at a total cost on a “pay-as-you-go” basis of \$1.37 million. An evaluation of their plan as of January 2011 by an independent actuarial company estimated the Unfunded Actuarial Accrued Liability to be \$11.29 million and the Annual Required Contribution to be \$1.42 million. As recommended by the actuarial study, the Schools plan to provide \$1.4 million in annual contributions for the next few years.

OTHER EMPLOYEE BENEFITS

City employees are granted vacation leave based upon length of employment; a maximum total of 52 days may be carried over from one year to the next. Compensatory leave is granted to some City employees for overtime work on an hour-to-hour basis; no more than 120 hours of compensatory leave may be carried over from one year to the next. The City does not place a maximum limitation on the accumulation of sick leave that may be carried over from one year to the next. Compensatory leave is vested, while sick leave vests under certain limited circumstances. As of June 30, 2011, the City’s total compensated absences liability, including Schools, was \$28.2 million.

Expenses associated with retirees’ health benefits, unemployment compensation and workers’ compensation are funded annually. Expenses in fiscal year 2011 were \$2.2 million for retirees’ health insurance, \$0.1 million for unemployment compensation and \$3.0 million for workers’ compensation. The long-term workers’ compensation liability as of June 30, 2011, was estimated at \$13.5 million.

EMPLOYEE RELATIONS

Many City employees are members of employee associations; however, the City of Alexandria does not, and may not under Virginia law, bargain collectively with any of its employees. The Virginia General Assembly has rejected several legislative proposals to authorize public employees to engage in collective bargaining. Public employees of Virginia, or of any county, city or towns in Virginia, do not have a legal right to strike. Any such employee who engages in any organized strike or willfully refuses to perform his duties shall, according to Virginia law, be deemed to have terminated his employment. Re-employment of any such employee requires court approval.

GOVERNMENT AND SCHOOL EMPLOYEES BY FUNCTION

	2005	2006	2007	2008	2009	2010	2011
General Government	304	300	300	297	273	269	259
Judicial Administration	120	121	120	120	120	123	123
Public Safety	926	929	933	936	937	930	934
Public Works	231	232	225	228	231	232	240
Library	55	55	55	55	56	55	54
Health and Welfare	502	509	514	515	511	510	530
Culture and Recreation	155	154	157	158	155	152	144
Community Development	57	57	55	55	59	57	57
Education	2,120	2,125	2,119	2,058	2,015	2,098	2,115
TOTAL	4,470	4,482	4,478	4,422	4,357	4,426	4,456

PUBLISHED FINANCIAL INFORMATION

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

The independent public accounting firm of KPMG LLP has audited the City’s general-purpose financial statements for the fiscal year ended June 30, 2011. The City’s financial statements are available through the Department of Finance, 301 King Street, Suite 1600, Alexandria, Virginia 22314 or on the City’s Finance Department website at alexandriava.gov/financialreports.

Sections of the Comprehensive Annual Financial Report of the City of Alexandria for the fiscal year ended June 30, 2011, which correspond to the basic financial statement and required supplementary information, are presented herein in Appendix A. These financial statements, along with the accompanying Notes to Financial Statements, are intended to provide a broad overview of the financial position and operating results of the City's various funds and account groups.

In addition to the Comprehensive Annual Financial Report, the City also annually publishes a comprehensive Operating Budget document and the Capital Improvement Program document. These documents are available through the Office of Management and Budget, 301 King Street, Suite 3600, Alexandria, Virginia 22314 or on the Office of Management and Budget's home page at alexandriava.gov/Budget.

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SECTION SIX: MISCELLANEOUS

RATINGS

Moody's Investors Service, Inc. ("Moody's") has assigned a rating of "Aaa" and Standard & Poor's Ratings Services ("S&P") has assigned a rating of "AAA" to the Bonds as set forth on the cover page of this Official Statement. The City requested that the Bonds be rated and provided information to Moody's and S&P, including certain information that may not be included in this Official Statement.

Such ratings reflect only the respective views of such organizations. An explanation of the significance of such ratings may only be obtained from the rating agency furnishing the same. There is no assurance that such ratings will be continued for any given period of time or that they will not be revised or withdrawn entirely by either of such rating agencies, if in the judgment of either circumstance so warrants. A downward revision or withdrawal of such ratings, or any of them, may have an adverse effect on the market price of the Bonds.

LITIGATION

During the normal course of business, the City or its officers or employees are or may be named as defendants in litigation involving personal injury, property damage, or other matters, which are defended by the City Attorney and associated counsel. The City's potential liability is protected partially by insurance. It is the opinion of the City Attorney that any possible losses in connection with any such pending or threatened litigation will not materially affect the City's financial condition or operations. There is no litigation pending against the City, which would in any way affect the validity of the Bonds or the ability of the City to levy or collect ad valorem taxes, without limitation as to rate or amount, for the payment of the Bonds or the interest thereon.

AUDITORS

The City's Basic Financial Statements and Required Supplementary Information for the Fiscal Year ended June 30, 2011, have been audited by the independent public accounting firm of KPMG LLP. KPMG LLP has not been engaged to perform and has not performed, since the date of its report included herein, any procedures of the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this Official Statement.

FINANCIAL ADVISOR

Davenport & Company LLC, Richmond, Virginia, serves as financial advisor to the City on debt management and capital financing matters.

SALE AT COMPETITIVE BIDDING

After competitive bidding on March 21, 2012, the Bonds were awarded to J. P. Morgan Securities LLC (the "Underwriter"). The Underwriter has supplied the information as to the interest rates and offering prices or yields of the Bonds set forth on the inside cover hereof. If all of the Bonds are resold to the public at such public offering prices or yields, the Underwriter has informed the City that it anticipates total underwriting compensation of \$141,086.78 for the Bonds. The Underwriter may change the public offering prices or yields of the Bonds from time to time.

CERTIFICATES OF CITY OFFICIALS

Concurrently with the delivery of the Bonds, the City will furnish to each of the successful bidders a certificate dated the date of delivery of the Bonds, signed by the appropriate City officials and stating that (a) to their knowledge, no litigation is then pending or threatened against the City to restrain or enjoin the issuance, sale or delivery of the Bonds or the levy or collection of taxes to pay principal or interest thereon, to affect, contest or challenge the validity of the Bonds or in any manner questioning the proceedings and authority under which the Bonds are issued, and (b) the descriptions and statements in this Official Statement (except in the subsection entitled

“DESCRIPTION OF THE BONDS - Book-Entry-Only System” and the information as to yield or price on the inside cover page) on the date of this Official Statement and on the date of delivery were and are true and correct in all material respects, did not and do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such descriptions and statements, in the light of the circumstances under which they were made, not misleading, and that no material adverse change has occurred in the financial condition of the City between the date of this Official Statement and the date of delivery of the Bonds other than as contemplated in this Official Statement. Such certificate will also state, however, that such City officials did not independently verify the information indicated in this Official Statement as having been obtained or derived from sources other than the City and its officers but that they have no reason to believe that such information is not accurate.

The City Attorney will also furnish to the successful bidders concurrently with the delivery of the Bonds a certificate dated the date of delivery of the Bonds, stating that the statements in the subsection herein entitled “LITIGATION” on the date of this Official Statement and on the date of delivery were and are true and correct in all material respects and did not and do not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such statements, in the light of the circumstances under which they were made, not misleading.

CONTINUING DISCLOSURE

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

The City has not previously failed to comply with any previous undertaking with regard to the Rule.

SUMMARIES AND DESCRIPTIONS

All summaries in this Official Statement of provisions of the Constitution of the Commonwealth of Virginia, statutes of the Commonwealth of Virginia, resolutions or ordinances of the City, or other documents and instruments and of the Bonds are subject to the detailed provisions and judicial interpretations to which reference is hereby made for further information. Such summaries do not purport to be complete statements of any or all of such provisions.

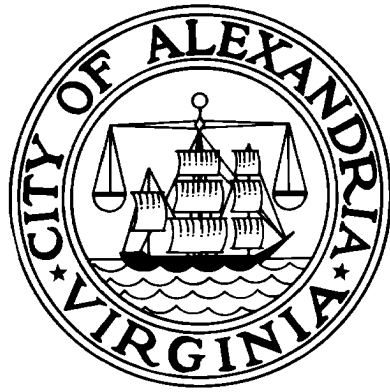
This Official Statement and any advertisement of the Bonds are not to be construed as a contract with the purchasers of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly identified, are set forth as such and not as representations of fact, and no representation is made that any of these estimates will be realized.

CITY OF ALEXANDRIA, VIRGINIA

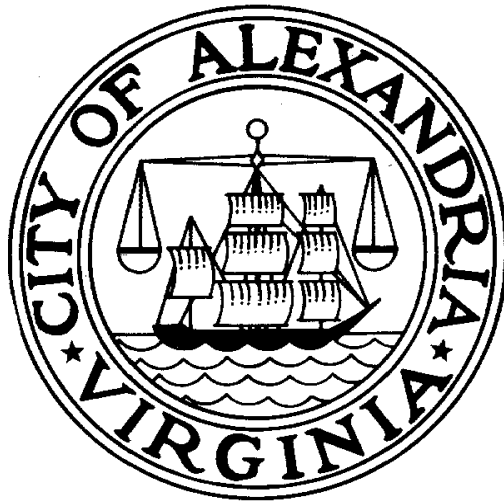
By: /s/ Rashad M. Young
City Manager

APPENDIX A

**BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION FOR
FISCAL YEAR ENDED JUNE 30, 2011**



INDEPENDENT AUDITORS' REPORT





KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

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, 2011, which collectively comprise the City's basic financial statements identified in Exhibits I through XI 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 the *Specification for Audits for Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia (Specifications). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Alexandria, as of June 30, 2011, 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.

As discussed in Note 19, the City adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2011 on our consideration of the City's internal control over financial reporting

KPMG LLP is a Delaware limited liability partnership,
the U.S. member firm of KPMG International Cooperative
("KPMG International"), a Swiss entity.



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 accompanying management's discussion and analysis, the budgetary comparison schedules, and the schedules of funding progress and employer contributions on pages 21 through 30, 104 through 106, and 107 through 109, 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 the information and express no opinion on it.

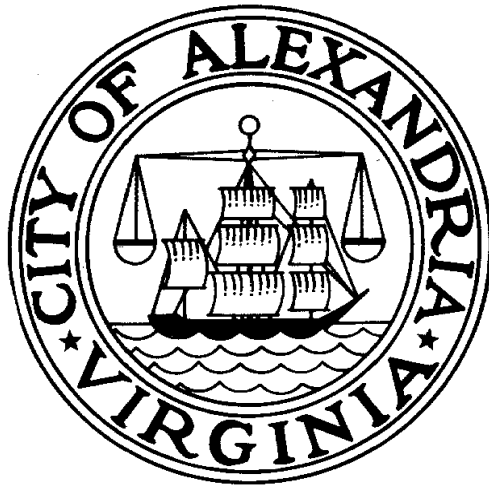
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The information identified as schedules 1, 2, 3, and 4 in the Financial Section of the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards 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 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

November 23, 2011

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, 2011. 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 2011

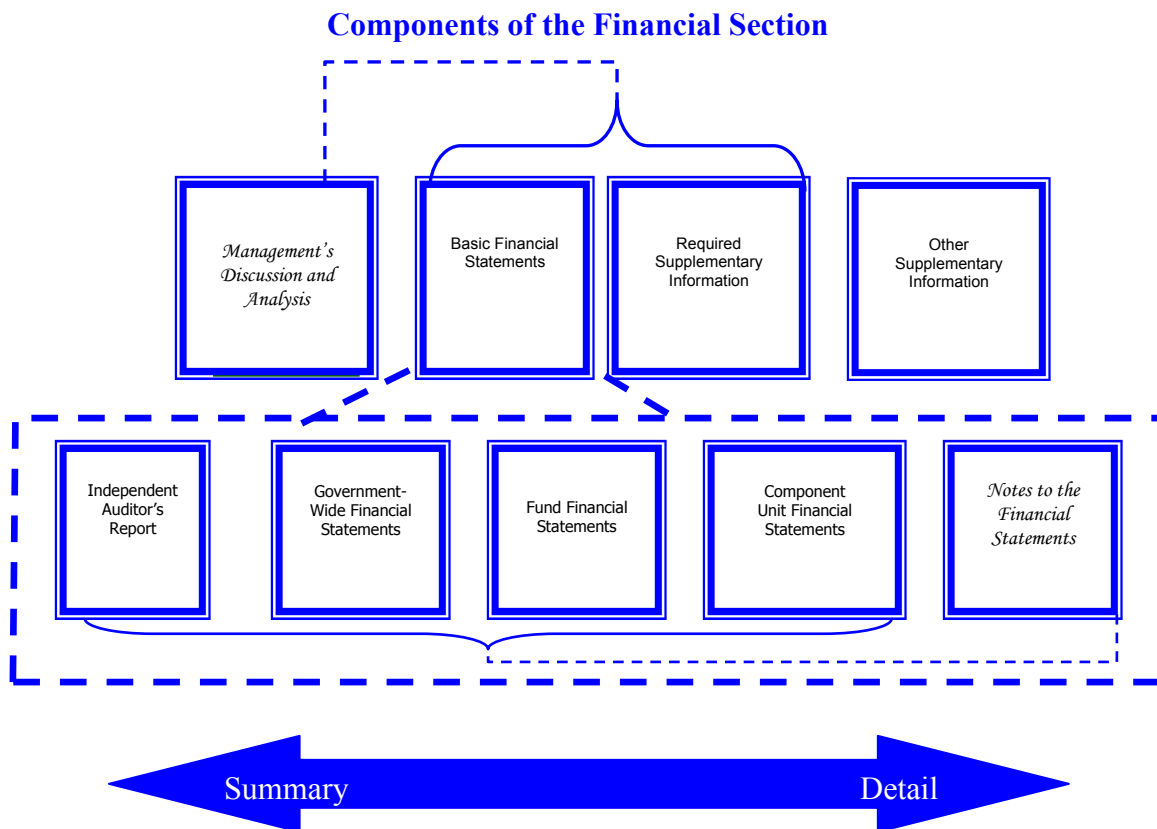
The General Fund, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other financing uses by \$17.7 million (Exhibit IV) after making a budgeted \$5.5 million transfer to the capital projects fund and a \$35.1 million transfer to the special revenue fund.

On a government-wide basis for governmental activities, the City's general revenues of \$505.2 million were \$16.8 million more than the \$488.4 million of expenses net of program revenue (Exhibit II).

The City's total net assets, excluding component units, on the government-wide basis, totaled \$394.4 million at June 30, 2011. Of this amount, \$59.1 million is unrestricted (Exhibit I).

USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

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



GOVERNMENT-WIDE STATEMENTS

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

These two statements report the City's net assets and changes in those assets. The City's net assets position - the difference between assets and liabilities - is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors 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 and employee benefit trusts. 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, 2011 and 2010
(In millions)

	Primary Government		Component	
	Governmental		Units	
	Activities			
	2011	2010	2011	2010
Current and other assets	\$ 452	\$ 426	\$ 66	\$ 59
Capital assets	<u>694</u>	<u>639</u>	<u>15</u>	<u>21</u>
Total Assets	<u>\$ 1,146</u>	<u>\$ 1,065</u>	<u>\$ 81</u>	<u>\$ 80</u>
Other Liabilities	\$ 269	\$ 286	\$ 34	\$ 33
Long-term liabilities	<u>483</u>	<u>401</u>	<u>11</u>	<u>11</u>
Total Liabilities	<u>\$ 752</u>	<u>\$ 687</u>	<u>\$ 45</u>	<u>\$ 44</u>
Net Assets:				
Invested in Capital assets, net				
of related debt	\$ 335	\$ 320	\$ 14	\$ 21
Unrestricted	<u>59</u>	<u>57</u>	<u>22</u>	<u>15</u>
	<u>\$ 394</u>	<u>\$ 377</u>	<u>\$ 36</u>	<u>\$ 36</u>

Amounts may not add due to rounding

The City's net assets, (which is the City's bottom line) increased five percent, or \$17 million, to \$394 million. The increase is primarily attributable to a planned increase in General Fund balance to support future transportation needs. Component units net assets decreased by \$0.1 million. The City's capital assets increased \$55 million mainly due to various Sanitary Sewer and School projects completed during the year and the DASH bus system parking lot transferred to the City from DASH. Long-term liabilities increased by \$82 million with the issue of the new FY 2011 general obligation bond series.

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, 2011 and 2010
(In millions)
Total

	Primary Government		Component	
	Governmental		Units	
	2011	2010	2011	2010
Revenues				
Program revenues:				
Charges for services	\$ 51	\$ 44	\$ 7	\$ 5
Operating grants and contributions	65	65	22	44
Capital grant/contributions	7	50		
General revenues:				
Property taxes	353	337		
Other taxes	118	114		
Other	35	33	29	2
Payment to/from City	-	-	178	182
	<u>\$ 629</u>	<u>\$ 643</u>	<u>\$ 236</u>	<u>\$ 233</u>
Total Revenues				
Expenses				
General Government	\$ 59	\$ 61	\$	\$
Judicial Administration	20	19		
Public Safety	122	118		
Public Works	51	57		
Library	6	6	6	7
Health and Welfare	93	91		
Transit	16	13	14	13
Culture and Recreation	28	26		
Community Development	25	21		
Education	175	173	216	210
Interest on Long-term Debt	17	16		
	<u>\$ 612</u>	<u>\$ 601</u>	<u>\$ 236</u>	<u>\$ 230</u>
Total Expenses				
Change in Net assets	<u>\$ 17</u>	<u>\$ 42</u>	<u>\$ -</u>	<u>\$ 3</u>
Net Assets beginning of Year	<u>\$ 377</u>	<u>\$ 336</u>	<u>\$ 36</u>	<u>\$ 33</u>
Net Assets end of Year	<u>\$ 394</u>	<u>\$ 377</u>	<u>\$ 36</u>	<u>\$ 36</u>

Amounts may not add due to rounding

REVENUES

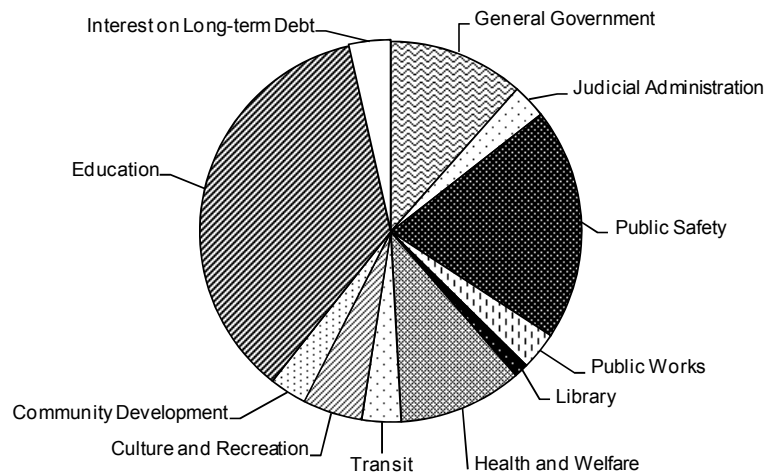
For the fiscal year ended June 30, 2011 revenues from governmental activities totaled \$629 million. Real estate tax revenues, the City's largest revenue source, reflecting the recognition of the taxes associated with the last half of calendar year 2010 and the first half of calendar year 2011 real property tax billings, were \$316 million. The increase in tax revenues is primarily attributable to an increase in the City's assessed real property tax base in calendar year 2011 and a tax rate increase of 2.0¢ to support transportation.

In addition:

- Charges for services increased in the special revenue fund.
- The decrease in capital contributions reflects the addition of the Monroe Avenue bridge in FY 2010.

Component units' net assets remained the same as last year.

Net Expenses for Governmental Activities



EXPENSES

For the fiscal year ended June 30, 2011, expenses for governmental activities totaled \$612 million reflecting an increase of \$11 million due to spending on the completion of the public safety center.

Education continues to be one of the City's highest priorities. Capital funding included \$2.2 million in addition to the City's operating subsidy to the Schools of \$167.9 million.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

For the fiscal year ended June 30, 2011, the governmental funds reflect a combined fund balance of \$171 million (Exhibit III). The Governmental fund balance increase of \$19 million is primarily due to a planned surplus in the General Fund for transportation. In addition, these other changes in fund balance should be noted:

- The General Fund contributed \$5.5 million to pay-as-you-go financing of capital projects.
- The City contributed \$167.9 million to the schools for operations.

- The sewer funds contributed \$5.0 million to pay-as-you go capital projects.
- The City spent \$93.8 million in the Capital Projects Fund primarily to fund the new Public Safety facility and school projects.

Except for non-spendable and restricted 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 2011			
	Original Budget	Amended Budget	Actual
<u>Revenues, Transfers, and Other Financial Sources</u>			
Taxes	\$ 330	\$ 330	\$ 350
Other Local Taxes	116	116	118
Transfers and Other	80	82	82
Total	\$ 526	\$ 527	\$ 550
<u>Expenditures, Transfers, and Other Financial Uses</u>			
Expenditures	\$ 310	\$ 316	\$ 309
Transfers and Other	222	224	223
Total	\$ 532	\$ 540	\$ 532
Change in Fund Balance	\$ (6)	\$ (13)	\$ 18

Amounts may not add due to rounding

Expenditures and other financing uses exceeded revenue and other financing sources by \$18 million in the General Fund for FY 2011.

Actual General Fund revenues and other financial sources were above the original budget by \$14 million and the amended budget by \$13 million during FY 2011. This is primarily due to an increase in the tax rate and tax base for real estate taxes to support school and transportation projects. As a result of supplemental appropriations actual General Fund expenditures and transfers were equal to the original budget, while General Fund expenditures were less than the amended budget by \$8 million primarily as a result of fiscal restraint by all City departments.

During FY 2011, 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, 2010 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, 2010, totaled \$1.8 million.
- To reappropriate monies (\$0.8 million) to pay for projects budgeted for FY 2010 but not completed before the end of the fiscal year.

- To reappropriate grant, donation and other revenues authorized in FY 2010 or earlier, but not expended or encumbered as of June 30, 2010.
- To appropriate grants, donations, and other revenues accepted or adjusted in FY 2011.

CAPITAL ASSETS

At the end of FY 2011, the City's governmental activities had invested cumulatively \$694.1 million (see Note 5) in a variety of capital assets and infrastructure, as reflected in the following schedule, which represents a net increase of \$54.8 million.

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

	Balance <u>30-Jun-10</u>	Net Additions/ <u>Deletions</u>	Balance <u>30-Jun-11</u>
Non-Depreciable Assets			
Land and Land Improvements	\$ 92.0	\$ 6.7	\$ 98.7
Construction in Progress	90.2	28.0	118.2
Other Capital Assets			
Buildings	431.2	9.1	440.3
Infrastructure	186.4	20.2	206.6
Intangible Assets	11.3	-	11.3
Furniture and Other Equipment	57.1	11.5	68.6
Accumulated Depreciation on other Capital Assets	<u>(228.9)</u>	<u>(20.7)</u>	<u>(249.6)</u>
Totals	<u>\$ 639.3</u>	<u>\$ 54.8</u>	<u>\$ 694.1</u>

Amounts may not add due to rounding

The FY 2011 increase in buildings reflects the completion of renovation work on Minnie Howard school. The increase in infrastructure reflects the completion of various sanitary sewer projects around the City.

The FY 2012- FY 2021 Approved Capital Improvement Program (CIP), which was approved by City Council in May 2011, sets forth a ten-year program with \$1.2 billion in new City funding and \$22 million in other non- City sources for public improvements for the City and the Alexandria Public Schools.

For the purpose of comparison the first six years funding totals \$795 million as compared with \$438 million in the FY 2011-FY 2016 CIP. This represents (in City funding) an increase of approximately \$357 million above the FY 2011-2016 CIP. The CIP also provides an increased capital investment in quality of life initiatives, including open space acquisition, Potomac Yard Metrorail station, funding affordable housing initiatives and improvement in the storm water infrastructure, to enhance the quality of life in Alexandria.

LONG-TERM DEBT

At the end of FY 2011, the City had \$415.7 million in outstanding general obligation bonds, an increase of \$51.2 million, or 14.1 percent, over last year. More detailed information about the City's long-term liabilities is presented in Note 9 to the financial statements.

During 2011, 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. Standard and Poor's Financial Management Assessment concluded that the City's financial practices were "strong."

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.

On July 14, 2011 the City Council issued \$69.95 million in General Obligation bonds. The bonds were issued with an original issue premium of \$4.5 million and a true interest cost of 3.18 percent. The \$69.95 million in bonds will be used to finance certain capital improvement projects including transportation improvements, sanitary sewers, public school facilities and other infrastructure costs. On July 28, 2011, Moody's put the City and several surrounding jurisdictions Aaa on credit watch due to the City's proximity to Washington, D.C.

The City did not issue any short-term debt or have any short-term debt outstanding during FY 2011. Other short term liabilities represent unclaimed money and deposits.

ECONOMIC FACTORS

The number of jobs in the City decreased in FY 2011; as of June 2011, the number of Alexandria jobs totalled 93,628 (the latest data available from the Virginia Employment Commission). Tourism improved, with lodging and restaurant food tax showing an increase of 4.0 and 9.0 percent respectively in FY 2011.

As of 2009 (the latest data available from the U.S. Bureau of Economic Analysis), the City's major per capita income of \$70,846 remains one of the highest in the United States, and is the second highest of any major jurisdiction in Virginia. The City's office vacancy rate stood at 13.0 percent by the end of FY 2011, compared to the office vacancy rate in Northern Virginia (12.7 percent), as well as the Washington, DC metropolitan area (11.5 percent).

OTHER INFORMATION

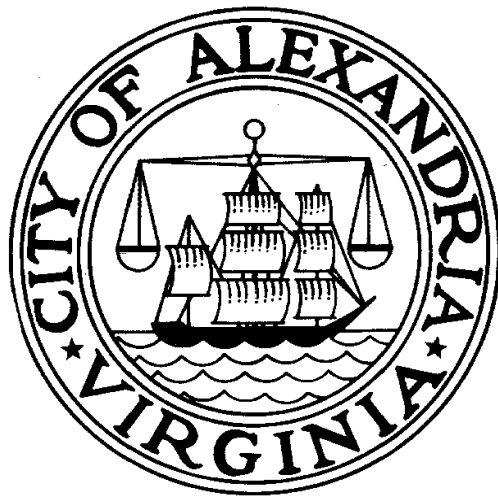
The following regulations came into force during FY 2011.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Laura Triggs, Acting Chief Financial Officer, City Hall, P.O. Box 178, Alexandria, VA 22313, laura.triggs@alexandriava.gov, telephone (703) 746-3900, 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, 2011

Exhibit I

	Primary Government	
	Governmental	Component
	Activities	Units
ASSETS		
Cash and Cash Equivalents	\$ 127,714,414	\$ 44,146,726
Cash and Investments with Fiscal Agents	67,210,915	2,797,414
Receivables, Net	208,976,631	579,820
Due From Other Governments	40,807,904	9,995,156
Inventory of Supplies	1,909,288	737,827
Prepaid and Other Assets	5,696,735	8,608,755
Capital Assets		
Land and Construction in Progress	216,910,211	999,381
Other Capital Assets, Net	477,157,892	13,524,829
Capital Assets, Net	694,068,103	14,524,210
Total Assets	<u>\$ 1,146,383,990</u>	<u>\$ 81,389,908</u>
LIABILITIES		
Accounts Payable	\$ 12,410,004	\$ 4,640,808
Accrued Wages	12,581,271	29,046,337
Accrued Liabilities	3,714,793	-
Deferred Revenue	228,844,577	357,123
Other Short-term Liabilities	8,956,300	419,255
Deposits	1,832,011	-
Long-term Liabilities Due Within One Year	29,405,962	1,255,919
Long-term Liabilities Due in More Than One Year	454,192,116	9,388,699
Total Liabilities	<u>\$ 751,937,034</u>	<u>\$ 45,108,141</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 335,368,020	\$ 14,524,210
Unrestricted Net Assets	59,078,936	21,757,557
TOTAL NET ASSETS	<u><u>\$ 394,446,956</u></u>	<u><u>\$ 36,281,767</u></u>

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Activities
For the Fiscal Year Ended June 30, 2011

Exhibit II

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Primary Government		Component Units
					Governmental Activities	Total	
Primary Government:							
Governmental Activities:							
General Government	\$ 59,207,496	\$ 1,314,411	\$ 673,503	\$ 784,755	\$ (56,434,827)	\$ (56,434,827)	\$ -
Judicial Administration	19,780,824	1,725,527	3,932,301	-	(14,122,996)	(14,122,996)	-
Public Safety	122,207,105	13,275,093	12,737,297	-	(96,194,715)	(96,194,715)	-
Public Works	50,832,526	21,311,717	7,884,914	5,805,699	(15,830,196)	(15,830,196)	-
Library	5,879,455	-	-	-	(5,879,455)	(5,879,455)	-
Health and Welfare	92,699,351	6,449,691	34,814,083	-	(51,435,577)	(51,435,577)	-
Transit	16,273,035	-	-	-	(16,273,035)	(16,273,035)	-
Culture and Recreation	28,359,110	3,140,541	324,164	190,576	(24,703,829)	(24,703,829)	-
Community Development	24,629,436	3,921,432	4,576,996	686,460	(15,444,548)	(15,444,548)	-
Education	174,792,461	-	-	-	(174,792,461)	(174,792,461)	-
Interest on Long-term Debt	17,277,344	-	-	-	(17,277,344)	(17,277,344)	-
Total Primary Government	\$ 611,938,143	\$ 51,138,412	\$ 64,943,258	\$ 7,467,490	\$ (488,388,984)	\$ (488,388,984)	\$ -
Component Units:							
Library	\$ 6,494,117	\$ 258,829	\$ 188,491	\$ -	\$ -	\$ -	\$ (6,046,797)
Transit	13,628,280	4,053,016	7,434	-	-	-	(9,567,830)
School Board	215,552,440	2,569,290	21,446,298	-	-	-	(191,536,852)
Total Component Units	\$ 235,674,837	\$ 6,881,135	\$ 21,642,223	\$ -	\$ -	\$ -	\$ (207,151,479)
General Revenues:							
Taxes:							
General Property Taxes:							
Real Estate					\$ 315,613,596	\$ 315,613,596	\$ -
Personal Property					36,967,115	36,967,115	-
Other Local Taxes:							
Business License Tax					30,444,798	30,444,798	
Local Sales Tax					23,880,909	23,880,909	
Meals Tax					16,214,900	16,214,900	
Transient Lodging Tax					11,245,201	11,245,201	-
Utility Tax					10,812,989	10,812,989	
Communications Sales Tax					12,099,382	12,099,382	
Motor Vehicle License, Recordation, and other local taxes					13,561,178	13,561,178	
Transfer							
Payment from (To) City of Alexandria					-	-	181,944,218
Capital Transfers (To) From City							(3,877,044)
Grants and Contributions Not Restricted to Specific Programs					32,442,767	32,442,767	26,759,897
Interest and Investment Earnings					960,501	960,501	247,452
Miscellaneous					987,727	987,727	2,103,268
Total General Revenues					\$ 505,231,063	\$ 505,231,063	\$ 207,177,791
Change in Net Assets					\$ 16,842,079	\$ 16,842,079	\$ 26,312
Net Assets at Beginning of Year					377,604,877	377,604,877	36,255,455
Net Assets at End of Year					\$ 394,446,956	\$ 394,446,956	\$ 36,281,767

CITY OF ALEXANDRIA, VIRGINIA
Balance Sheet
Governmental Funds
June 30, 2011

Exhibit III

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 90,062,175	\$ 24,455,720	\$ 44,341	\$ 114,562,236
Cash and Investments with Fiscal Agents		-	67,210,915	67,210,915
Receivables, Net	205,011,590	3,783,365	-	208,794,955
Accrued Interest	181,676	-	-	181,676
Due From Other Funds	500,000	-	-	500,000
Due From Other Governments	31,821,457	8,986,447	-	40,807,904
Inventory of Supplies	1,909,288	-	-	1,909,288
Prepaid and Other Assets	3,230,470	45,837	-	3,276,307
Total Assets	<u>\$ 332,716,656</u>	<u>\$ 37,271,369</u>	<u>\$ 67,255,256</u>	<u>\$ 437,243,281</u>
LIABILITIES				
Accounts Payable	\$ 6,963,731	\$ 2,538,082	\$ 2,557,512	\$ 12,059,325
Accrued Wages	9,613,645	2,954,331	13,295	12,581,271
Other Liabilities	8,956,300	-	-	8,956,300
Deposits	1,832,011	-	-	1,832,011
Due to Other Funds		-	500,000	500,000
Deferred Revenue	224,490,802	5,909,444	-	230,400,246
Total Liabilities	<u>\$ 251,856,489</u>	<u>\$ 11,401,857</u>	<u>\$ 3,070,807</u>	<u>\$ 266,329,153</u>
FUND BALANCES				
Non-Spendable	\$ 5,509,288	\$ 2,625,521	\$ -	\$ 8,134,809
Restricted	-	9,720,387	-	9,720,387
Committed	16,149,828	8,562,334	64,184,449	88,896,611
Assigned	30,009,737	4,961,270	-	34,971,007
Unassigned	29,191,314	-	-	29,191,314
Total Fund Balances	<u>\$ 80,860,167</u>	<u>\$ 25,869,512</u>	<u>\$ 64,184,449</u>	<u>\$ 170,914,128</u>
Total Liabilities and Fund Balances	<u>\$ 332,716,656</u>	<u>\$ 37,271,369</u>	<u>\$ 67,255,256</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)	684,985,471
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)	3,976,097
Internal service funds are used by management to charge the costs of equipment replacement; and, therefore, the assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets. (Exhibit V)	21,884,131
Long-term liabilities, including bonds payable, are not reported as liabilities in the governmental funds. (Note 9)	(487,312,871)
Net Assets of Governmental Activities	<u><u>\$ 394,446,956</u></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, 2011

Exhibit IV

	General	Special Revenue	Capital Projects	Total Governmental Funds
REVENUES				
General Property Taxes	\$ 349,779,825	\$ 1,864,831	\$ -	\$ 351,644,656
Other Local Taxes	118,259,357	-	-	118,259,357
Permits, Fees, and Licenses	2,543,789	4,527,999	-	7,071,788
Fines and Forfeitures	4,472,520	5,000	-	4,477,520
Use of Money and Property	3,591,323	279,845	183,861	4,055,029
Charges for Services	14,939,668	14,899,345	75,365	29,914,378
Intergovernmental Revenue	53,728,609	43,657,415	4,514,661	101,900,685
Miscellaneous	987,727	5,258,069	1,322,129	7,567,925
Total Revenues	<u>\$ 548,302,818</u>	<u>\$ 70,492,504</u>	<u>\$ 6,096,016</u>	<u>\$ 624,891,338</u>
EXPENDITURES				
Current Operating:				
General Government	\$ 43,476,795	\$ 815,687	\$ -	\$ 44,292,482
Judicial Administration	17,895,917	1,433,753	-	19,329,670
Public Safety	111,860,869	6,571,060	-	118,431,929
Public Works	34,396,222	3,495,627	-	37,891,849
Library	5,879,455	-	-	5,879,455
Health and Welfare	20,101,509	71,997,918	-	92,099,427
Transit	16,273,035	-	-	16,273,035
Culture and Recreation	21,586,342	1,204,085	-	22,790,427
Community Development	13,542,955	9,240,781	-	22,783,736
Education	167,898,796	-	2,248,196	170,146,992
Debt Service:				
Principal	21,065,000	-	-	21,065,000
Interest and Other Charges	17,414,349	-	-	17,414,349
Capital Outlay	-	-	91,546,712	91,546,712
Total Expenditures	<u>\$ 491,391,244</u>	<u>\$ 94,758,911</u>	<u>\$ 93,794,908</u>	<u>\$ 679,945,063</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 56,911,574</u>	<u>\$ (24,266,407)</u>	<u>\$ (87,698,892)</u>	<u>\$ (55,053,725)</u>
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	\$ -	\$ -	\$ 72,300,000	\$ 72,300,000
Bond Premium (Discount)	-	-	1,877,864	1,877,864
Transfers In	1,446,713	35,092,801	11,377,140	47,916,654
Transfers Out	(40,621,320)	(7,451,231)	-	(48,072,551)
Total Other Financing Sources and Uses	<u>\$ (39,174,607)</u>	<u>\$ 27,641,570</u>	<u>\$ 85,555,004</u>	<u>\$ 74,021,967</u>
Net Change in Fund Balance	<u>\$ 17,736,967</u>	<u>\$ 3,375,163</u>	<u>\$ (2,143,888)</u>	<u>\$ 18,968,242</u>
Fund Balance at Beginning of Year	63,041,371	22,494,349	66,328,337	
Increase in Reserve for Inventory	81,829	-	-	81,829
Fund Balance at End of Year	<u>\$ 80,860,167</u>	<u>\$ 25,869,512</u>	<u>\$ 64,184,449</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.	21,065,000
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)	52,342,850
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. (Note 4)	936,055
Issuance of debt and premium provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the Statement of Net Assets (Note 9)	(74,177,864)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (Note 9)	(5,727,580)
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)	3,353,547

Change in Net Assets of Governmental Activities

\$ 16,842,079

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Net Assets
Proprietary Funds – Internal Service Fund
June 30, 2011

Exhibit V

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 13,152,178
Total Current Assets	<u>\$ 13,152,178</u>

Capital Assets:

Buildings and Equipment	\$ 34,962,006
Less Accumulated Depreciation	<u>25,879,374</u>
Capital Assets, Net	<u>\$ 9,082,632</u>

Total Assets	<u><u>\$ 22,234,810</u></u>
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LIABILITIES

Current Liabilities:

Accounts Payable	\$ 350,679
Total Current Liabilities	<u>\$ 350,679</u>
Total Liabilities	<u>\$ 350,679</u>

NET ASSETS

Invested in Capital Assets	\$ 9,082,632
Unrestricted Net Assets	<u>12,801,499</u>
Total Net Assets	<u>\$ 21,884,131</u>
Total Liabilities and Net Assets	<u><u>\$ 22,234,810</u></u>

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, 2011

Exhibit VI

Operating Revenues:	
Charges for Services	\$ 4,707,639
Total Operating Revenues	<u>\$ 4,707,639</u>
Operating Expenses:	
Materials and Supplies	\$ 1,472,944
Depreciation	2,942,812
Total Operating Expenses	<u>\$ 4,415,756</u>
Operating Income	<u>\$ 291,883</u>
Nonoperating Expenses:	
Loss on Disposal of Capital Assets	\$ (37,045)
Total Nonoperating Expenses	<u>\$ (37,045)</u>
Net Profit/Loss Before Operating Transfers	<u>254,838</u>
Operating Transfers:	
Transfers In	\$ 155,897
Total Net Transfers	<u>\$ 155,897</u>
Change in Net Assets	\$ 410,735
Net Assets at Beginning of Year	21,473,396
Net Assets at End of Year	<u><u>\$ 21,884,131</u></u>

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011

Exhibit VII

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts From Customers	\$ 4,707,639
Payments to Suppliers	(1,464,322)
Net Cash Provided by Operating Activities	<u>\$ 3,243,317</u>

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

Operating Subsidies and Transfers from Other Funds	\$ 155,897
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**CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES**

Purchases of Capital Assets	\$ (1,932,249)
Net Cash Used By Capital and Related Financing Activities	<u>\$ (1,776,352)</u>

Net Increase in Cash and Cash Equivalents	\$ 1,466,965
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Cash and Cash Equivalents at Beginning of Year	<u>11,685,213</u>
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Cash and Cash Equivalents at End of Year	<u><u>\$ 13,152,178</u></u>
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**Reconciliation of Operating Income to Net Cash
Provided by Operating Activities**

Operating Income	\$ 291,883
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	2,942,812
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Payable	8,622
Net Cash Provided by Operating Activities	<u><u>\$ 3,243,317</u></u>

Noncash investing, capital and financing activities:

Capital assets with a net book value of \$37,045 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, 2011

Exhibit VIII

	Employee Retirement Plans	Other Post Employment Benefits	Private- Purpose Trusts	Agency Funds
ASSETS				
Cash and Short-term Investments	\$ -	\$ -	\$ -	\$ 47,184
Investments, at Fair Value:				
LGIP/CDARS/NOW			5,716	18,255
Mutual Funds	79,871,340	3,462,980		
Stocks	193,317,196	11,696,900		
Guaranteed Investment Accounts	41,522,059			
Real Estate	14,122,953			
Timber/Private Equity	12,002,260	461,190		
Other Investments	2,239,867	190,647		
Total Investments	<u>\$ 343,075,675</u>	<u>\$ 15,811,717</u>	<u>\$ 5,716</u>	<u>\$ 18,255</u>
Total Assets	<u>\$ 343,075,675</u>	<u>\$ 15,811,717</u>	<u>\$ 5,716</u>	<u>\$ 65,439</u>
LIABILITIES				
Refunds Payable and Other	\$ -	\$ -	\$ -	\$ 65,439
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,439</u>
NET ASSETS				
Held in Trust for:				
Pension Benefits	\$ 343,075,675	\$ -	\$ -	
Other Post Employment Benefits	-	15,811,717	-	
Other Purposes	-	-	5,716	
TOTAL NET ASSETS	<u>\$ 343,075,675</u>	<u>\$ 15,811,717</u>	<u>\$ 5,716</u>	

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Changes in Fiduciary Net Assets
For the Fiscal Year Ended June 30, 2011

Exhibit IX

	Employee Retirement Plans	Other Post Employment Benefits	Private- Purpose Trusts
ADDITIONS			
Contributions:			
Employer	\$ 19,116,447	\$ 3,397,049	\$ -
Plan Members	2,739,801	-	-
Total Contributions	<u>\$ 21,856,248</u>	<u>\$ 3,397,049</u>	<u>\$ -</u>
Investment Earnings:			
Net Appreciation in Fair Value of Investments	\$ 53,850,260	\$ 2,017,818	\$ -
Interest	5,874,597	377,983	-
Net Investment Income	<u>\$ 59,724,857</u>	<u>\$ 2,395,801</u>	<u>\$ 541</u>
 Total Additions	 <u>\$ 81,581,105</u>	 <u>\$ 5,792,850</u>	 <u>\$ 541</u>
 DEDUCTIONS			
Benefits	\$ 16,944,002	\$ -	\$ 570
Refunds of Contributions	2,524,487	-	-
Administrative Expenses	600,040	26,065	-
Total Deductions	<u>\$ 20,068,529</u>	<u>\$ 26,065</u>	<u>\$ 570</u>
Change in Net Assets	<u>\$ 61,512,576</u>	<u>\$ 5,766,785</u>	<u>\$ (29)</u>
Net Assets at Beginning of Year	<u>281,563,099</u>	<u>10,044,932</u>	<u>5,745</u>
Net Assets at End of Year	<u><u>\$ 343,075,675</u></u>	<u><u>\$ 15,811,717</u></u>	<u><u>\$ 5,716</u></u>

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Net Assets
Component Units
As of June 30, 2011

Exhibit X

	School Board	Library	Transit	Total
ASSETS				
Cash and Cash Equivalents	\$ 43,670,021	\$ 165,507	\$ 311,198	\$ 44,146,726
Cash and Investments with Fiscal Agents	-	2,797,414	-	2,797,414
Receivables	576,829	-	2,991	579,820
Due from Other Governments	9,991,876	-	3,280	9,995,156
Inventory of Supplies	131,925	-	605,902	737,827
Prepaid and Other Assets	8,608,755	-	-	8,608,755
Capital assets				
Land and Construction in Progress	999,381	-	-	999,381
Other Capital Assets, Net	7,185,273	-	6,339,556	13,524,829
Capital Assets, Net	<u>\$ 8,184,654</u>	<u>\$ -</u>	<u>\$ 6,339,556</u>	<u>\$ 14,524,210</u>
Total Assets	<u>\$ 71,164,060</u>	<u>\$ 2,962,921</u>	<u>\$ 7,262,927</u>	<u>\$ 81,389,908</u>
LIABILITIES				
Accounts Payable	\$ 4,351,863	\$ 89,514	\$ 199,431	\$ 4,640,808
Accrued Wages	28,470,409	274,814	301,114	29,046,337
Deferred Revenue	357,123	-	-	357,123
Other Short-term Liabilities			419,255	419,255
Long-term Liabilities Due Within One Year	1,255,919	-	-	1,255,919
Long-term Liabilities Due in More Than One Year	9,388,699	-	-	9,388,699
Total Liabilities	<u>\$ 43,824,013</u>	<u>\$ 364,328</u>	<u>\$ 919,800</u>	<u>\$ 45,108,141</u>
NET ASSETS				
Invested in Capital Assets	\$ 8,184,654	\$ -	\$ 6,339,556	\$ 14,524,210
Unrestricted Net Assets	19,155,393	2,598,593	3,571	21,757,557
TOTAL NET ASSETS	<u><u>\$ 27,340,047</u></u>	<u><u>\$ 2,598,593</u></u>	<u><u>\$ 6,343,127</u></u>	<u><u>\$ 36,281,767</u></u>

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Activities
Component Units
For the Year Ended June 30, 2011

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	\$ 215,552,440	\$ 2,569,290	\$ 21,446,298	\$ (191,536,852)	\$ -	\$ -	\$ (191,536,852)
Total School Board	\$ 215,552,440	\$ 2,569,290	\$ 21,446,298	\$ (191,536,852)	\$ -	\$ -	\$ (191,536,852)
 Library	\$ 6,494,117	\$ 258,829	\$ 188,491	\$ -	\$ (6,046,797)	\$ -	\$ (6,046,797)
Transit	13,628,280	4,053,016	7,434	-	-	(9,567,830)	(9,567,830)
Total Component Units	\$ 235,674,837	\$ 6,881,135	\$ 21,642,223	\$ -	\$ (6,046,797)	\$ (9,567,830)	\$ (207,151,479)

General Revenues:

Payment From/(To) City	\$ 167,886,567	\$ 5,879,455	\$ 8,178,196	\$ 181,944,218
Capital Payment From City *****	2,248,196	-	(6,125,240)	(3,877,044)
Grants not restricted to specific programs	26,759,897	-		26,759,897
Interest and Investment Earnings	-	242,471	4,981	247,452
Miscellaneous	1,751,150	352,118		2,103,268
Total General Revenues	\$ 198,645,810	\$ 6,474,044	\$ 2,057,937	\$ 207,177,791
Change in Net Assets	\$ 7,108,958	\$ 427,247	\$ (7,509,893)	\$ 26,312
Net Assets Beginning of Year	20,231,089	2,171,346	13,853,020	36,255,455
Net Assets End of Year	\$ 27,340,047	\$ 2,598,593	\$ 6,343,127	\$ 36,281,767

See Accompanying Notes to Financial Statements

***** Net Capital Assets with net book value of \$6,274,644 were transferred to the City and \$149,404 was spent by City on Bus Rehabilitation

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

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 141,287 and a land area of 15.75 square miles, Alexandria is the 7th largest city in the Commonwealth of Virginia and one of the most densely populated cities in the Commonwealth.

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

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

A. Financial Reporting Entity

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

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

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

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

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

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 \$168 million for operations and \$2.2 million for capital equipment in FY 2011.

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 \$5.9 million for FY 2011.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

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 \$8.2 million in FY 2011.

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

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

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

Excluded from Reporting Entity:

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

B. Government-wide and Fund Financial Statements

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

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2011.

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

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. A significant portion of the Special Revenue Fund is used for Health and Welfare programs.

The special revenue funds of the City as of the end of FY 2011 are comprised of the following:

Housing – This fund accounts for the City's housing programs.

Sanitary Sewer – This fund accounts for the funding of sanitary sewer maintenance and construction.

Stormwater Management Fund – This fund was established in FY 2011. It is funded by a dedicated real estate property tax rate of 0.5 cents per \$100 of assessed value.

Potomac Yard Special Tax District – This fund accounts for funding for improvements in Potomac Yards, including the development of a metro rail station.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Special Revenue – This fund accounts for grants and donations.

c. Capital Projects Fund

The Capital Projects Fund (Capital Improvements) accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities.

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 and is not considered an enterprise fund. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The excess revenues or expenses for the fund are allocated to the appropriate functional activity. The component unit, Alexandria Transit Company, is considered an enterprise fund and derives its funding from fare box fees and some support from the City.

3. Fiduciary Funds

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governments. The Fiduciary Funds of the City are the John D. Collins Private Purpose Trust Fund, Employee Retirement Funds, the Human Services Special Welfare Account, the Human Services Dedicated Account, the Industrial Development Authority Agency Funds, the Potomac Yard Affordable Housing, and the Potomac Yard Open Space Agency Funds. For accounting measurement purposes, the Private Purpose Trust Fund, the Employee Retirement Funds, and other post employment benefits 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 and the OPEB fund. 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, 2011

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The agency funds held by the City as of end of FY 2011 comprise the following:

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.

Potomac Yard Affordable Housing – This fund accounts for affordable housing donations received from Potomac Yard Development LLC for the purpose of constructing affordable housing.

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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets and Budgetary Accounting

The City Council annually adopts budgets for the General Fund and Special Revenue Fund of the primary government. All appropriations are legally controlled at the departmental level for the General Fund and Special Revenue Fund. The School Board appropriation is determined by the City Council and controlled in total by the primary government. On June 12, 2010, the City Council formally approved the original adopted budget (which had been initially approved on May 3, 2010) and on June 25, 2011 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, Special Revenue, and Capital Projects Funds. Encumbrances outstanding at year-end are classified as committed or assigned in the General Fund, or as restricted fund balance in the non-General Funds. 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 \$37,865 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 the State Treasurer's Local Government Investment Pool (LGIP) 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2011, is comprised of the following:

GENERAL FUND:	
Taxes Receivable:	
Real Property	\$ 676,289
Personal	14,314,979
Penalties and Interest	<u>1,656,471</u>
Total taxes	\$ 16,647,739
Accounts Receivable	10,186
Notes Receivable	<u>9,000</u>
	<u>\$ 16,666,925</u>
SPECIAL REVENUE FUND:	
Housing Fund Notes Receivable	<u>\$ 35,163,186</u>
CAPITAL PROJECTS FUND:	
Capital Projects Fund Notes Receivable	<u>\$ 1,475,000</u>

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

G. Inventory of Supplies and Prepaid and Other Assets

Primary Government

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

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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Taxes receivable	\$ 1,555,669
Deferred interest	<u>2,420,428</u>
Total adjustment	<u>\$ 3,976,097</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 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City considers restricted fund balance to be spent when an expenditure is incurred for purposes for which restricted and unrestricted fund balances are available unless prohibited by legal constraints or contracts. When an expenditure is incurred for purposes for which committed, assigned or unassigned amounts are available; the City considers committed fund balance to be spent first, then assigned fund balance, and lastly unassigned fund balance.

Fund Balances are reported according to the following categories.

Non-spendable Fund Balance - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to remain intact. E.g. Notes Receivable, Inventory of Supplies, Prepaid Amounts, and Assets held for Sale.

Restricted Fund Balance - amounts constrained by external parties, constitutional provision, or enabling legislation. Effectively, restrictions may only be changed or lifted with the consent of the resource provider.

Committed fund balance - amounts formally constrained by a government using its highest level of decision-making authority (i.e. City Council). The commitment of these funds can only be changed by the government taking the same formal action that imposed the constraint originally.

Assigned fund balance - amounts that are constrained by the City's expressed intent to use resources for specific purposes but do not meet the criteria to be classified as assigned or committed. Intent can be expressed by the governing body or by an official or body to which the governing body has delegated the authority (i.e. City Manager). With the exception of the General Fund, this is the residual fund balance of the classification of all governmental funds with positive balances.

Unassigned fund balance - residual amounts that are otherwise not constrained at all will be reported in the general fund. These are technically available for any purpose. Only the General Fund can report a positive "unassigned fund balance".

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Detail
General Fund

Nonspendable		
	Inventories	\$ 1,909,288
	Prepays	3,200,000
	Long Term Notes	400,000
	Total	<u>\$ 5,509,288</u>
Committed		
	FY 2012 Operating Budgets	\$ 3,625,000
	Transportation Improvements	3,636,139
	Retiree OPEB	2,100,000
	Revenue Shortfall	4,000,000
	BRAC Contingency Funds	1,000,000
	Encumbrances	1,788,689
	Total	<u>\$ 16,149,828</u>
Assigned		
	Subsequent Capital Program	\$ 19,109,737
	Self-Insurance	5,000,000
	Incomplete Projects	2,300,000
	Emergency Response	1,600,000
	Natural Disaster/Emergencies	2,000,000
	Total	<u>\$ 30,009,737</u>
Unassigned		
	Total	<u>\$ 29,191,314</u>
Total Fund Balance		<u>\$ 80,860,167</u>

Subsequent Fiscal Year's Operating Budget - On June 25, 2011, City Council approved the FY 2012 Appropriations Ordinance, which appropriated \$3.6 million of General Fund Balance to meet anticipated expenditures.

Transportation Improvements - With the adoption of the CY 2011 tax rate, reserving 2.2 cents for transportation improvements, a portion of revenue collected in FY 2011 from real estate revenues has been committed for transportation improvements.

Retiree Health and Life (OPEB) - These monies (\$2.1 million) have been committed as part of the City's efforts to fund a health and life insurance benefit trust.

Revenue Shortfall - In recognition of the uncertainty surrounding the region with regard to the federal budget and the general condition of the global economic climate, \$4.0 million has been committed to provide resources in the event of revenue shortfalls stemming from these uncertain conditions.

BRAC Contingency Funds - The new planned location for the Washington Headquarters Service and several other Department of Defense agencies is in the City's West End. The arrival of approximately 6,400 new jobs to Alexandria will impact transportation in the City. Funds have been committed to address issues as they occur.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Fiscal Years' Capital Program - These monies (\$19.1 million) have been assigned in the Approved FY 2012 – 2021 Capital Improvement Program Funding Plans to fund a portion of the capital improvement program in FY 2012 and beyond.

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

Incomplete Projects - These monies (\$2.3 million) have been assigned for projects for which funding was available in the FY 2011 budget, but not completed as of the end of the fiscal year.

Emergency Response - These funds have been assigned for improved emergency response capabilities.

Natural Disaster/Emergency - The funds have been assigned to cover damages and operational costs associated with responding to extraordinary emergencies.

Special Revenue

Nonspendable		
	Long Term Notes	\$ 2,625,521
	Total	\$ 2,625,521
Restricted		
	Grants	\$ 3,469,436
	Donations	2,919,845
	Housing Programs	3,331,106
	Total	\$ 9,720,387
Committed		
	Other Programs	\$ 239,158
	Sanitary Sewer	7,398,185
	Stormwater	147,487
	Potomac Yard	777,504
	Total	\$ 8,562,334
Assigned		
	Other Programs	\$ 4,961,270
	Total	\$ 4,961,270
Total Fund Balance		\$ 25,869,512

Significant encumbrances in excess of \$1.0 million as of June 30 were:

<u>Fund</u>	<u>Vendor</u>	<u>Amount</u>
Capital Projects	Avon Corporation	\$ 4,953,871
Capital Projects	The Whiting-Turner Contracting	\$ 4,173,275
Special Revenue	Gillig LLC	\$ 3,263,775
Capital Projects	Motorola Solutions Inc	\$ 1,993,008
Capital Projects	Verizon Select Services Inc	\$ 1,675,115
Capital Projects	CH2M Hill, Inc	\$ 1,119,576

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Short Term Liabilities

Short Term Liabilities include unclaimed funds. The City did not have any short term debt during FY 2011.

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 2011, 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 2011, a number of intradepartmental transfers were made.

NOTE 3. DEPOSITS AND INVESTMENTS

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

A. Deposits

Primary Government

At June 30, 2011, the carrying value of the City's deposits was negative \$5,466,708 and the bank balance was \$1,664,987. 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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

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, 2011, the carrying value of deposits for the School Board was negative \$2,191,707 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, 2011, the carrying value of deposits and bank balance for the Library was \$305,233. Of this amount, \$305,233 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.

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 (LGIP). The City's current investment policy limits investments to obligations of the United States and agencies thereof, commercial paper, LGIP and repurchase agreements fully collateralized in obligations of the United States and agencies thereof, CDARS and NOW accounts.

During fiscal year 2011 most of the City investments were placed in the State Treasurer's Local Government Investment Pool (LGIP). The LGIP is under the supervision of the Virginia Treasury Board and audited by the Auditor of Public Accounts. However, some investments were made in CDARS and NOW accounts where deposits are eligible for FDIC insurance.

The City and its discretely presented component units maintain nine pension plans. The plan provisions allow the assets of the pension plans to be invested by the pension carriers in accordance with provisions of the Code of the Commonwealth of Virginia. The Plans' investments are exposed to various risks such as interest rate, market and credit risks. Such risks, and the resulting investment security values, may be influenced by changes in economic conditions and market perceptions and expectations. Accordingly, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

The City 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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

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 and the State Treasurer's Local Government Investment Pool (LGIP), CDARS (the Certificate of Deposit Account Registry Service, is a service that allows FDIC insured institutions to provide their customers with access to full FDIC insurance on CD investments up to \$50 million) and NOW accounts (Negotiable Order of Withdrawal, an interest bearing bank account with which the customer is permitted to write drafts against money held on deposit). During the fiscal year, the City held its investments in (LGIP), CDARS and NOW accounts. The investments for six 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 four defined benefit pension plans in guaranteed investment accounts, mutual funds and stocks. The Commonwealth of Virginia manages the investments of the Virginia Retirement System (VRS). Prudential also handles investments for OPEB trust fund for the City.

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. Currently all City investments are held in LGIP, CDARS and NOW accounts. In the event the City has to invest in a local bank, the City requires a designated portfolio manager and 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.

As of June 30, 2011, the City had the following cash, investments and maturities:

Primary Government

	Fair Value	Investment Maturities (in years)		
		Less than 1 year	1-5 years	Long term
State Treasurer's Local Government Investment Pool (LGIP)	\$ 76,091,779	\$ 76,091,779	\$ ---	\$ ---
CDARS	56,756,115	56,756,115	---	---
NOW Accounts	357,199	357,199	---	---
Total Investments Controlled by City	\$ 133,205,093	\$ 133,205,093	\$ ---	\$ ---
OPEB Trust Investments	15,811,717	---	---	15,811,717
Pension Plan Investments (Exhibit VIII)	\$ 343,075,675	\$ ---	\$ ---	\$ 343,075,675
Total	<u>\$ 492,092,485</u>	<u>\$ 133,205,093</u>	<u>\$ ---</u>	<u>\$ 358,887,392</u>

Reconciliation to Total Cash and Investments:

Add:

Cash on Hand and in Banks	(5,466,708)
Cash With Fiscal Agent	<u>67,258,099</u>
Total Deposits and Investments	<u>\$ 553,883,876</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Component Unit
School Board

	Investment Maturities (in years)		
	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1-5 years</u>
State Treasurer's Local Government Investment Pool (LGIP)	\$ 26,197,926	\$ 26,197,926	\$ ---
CDARS	19,540,777	19,540,777	---
NOW Accounts	123,025	123,025	---
Total Investments Controlled by City	<u>\$ 45,861,728</u>	<u>\$ 45,861,728</u>	<u>\$ ---</u>

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

Other Component Units

	Investment Maturities (in years)		
	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1-5 years</u>
State Treasurer's Local Government Investment Pool (LGIP)	\$ 272,302	\$ 272,302	\$ ---
CDARS	203,108	203,108	---
NOW Accounts	1,295	1,295	---
Total Investments Controlled by City	<u>\$ 476,705</u>	<u>\$ 476,705</u>	<u>\$ ---</u>

Reconciliation of total deposits and investments to the government-wide financial statements at June 30, 2011:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Fiduciary Activities</u>	<u>Total</u>
Primary Government				
Cash on Hand and In Banks	\$ (5,466,708)	\$ ---	\$ ---	\$ (5,466,708)
Cash and Investments	133,181,122	---	23,971	133,205,093
Cash and Investments with Fiscal Agents	67,210,915	---	358,934,576	426,145,491
Total	<u>\$ 194,925,329</u>	<u>\$ ---</u>	<u>\$ 358,958,547</u>	<u>\$ 553,883,876</u>
Component Unit School Board				
Cash on Hand and In Banks	\$ (2,191,707)	\$ ---	\$ ---	\$ (2,191,707)
Cash and Investments Controlled by City	45,861,728	---	---	45,861,728
Total	<u>\$ 43,670,021</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 43,670,021</u>
Other Component Units				
Cash and Investments Controlled by City	\$ 165,507	\$ 311,198	\$ ---	\$ 476,705
Cash and Investments with Fiscal Agents	2,797,414	---	---	2,797,414
Total	<u>\$ 2,962,921</u>	<u>\$ 311,198</u>	<u>\$ ---</u>	<u>\$ 3,274,119</u>
Grand Total				<u>\$ 600,828,016</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 4. RECEIVABLES

Receivables at June 30, 2011 consist of the following:

Primary Government				
	General	Special Revenue	Capital Project	Total
Taxes				
Real Property	\$ 164,652,769	\$ ---	\$ ---	\$ 164,652,769
Personal Property	43,531,911	---	---	43,531,911
Penalties and Interest	3,255,908	---	---	3,255,908
Other	2,953,806	---	---	2,953,806
Total Taxes	\$ 214,394,394	\$ ---	\$ ---	\$ 214,394,394
Accounts	\$ 6,875,120	\$ 1,157,844	\$ ---	\$ 8,032,964
Interest	181,676	---	---	181,676
Intergovernmental	31,821,457	8,986,447	---	40,807,904
Notes	409,000	37,788,707	1,475,000	39,672,707
Gross Receivables	\$ 253,681,647	\$ 47,932,998	\$ 1,475,000	\$ 303,089,645
Less: Allowance for Uncollectibles	16,666,924	35,163,186	1,475,000	53,305,110
Net Receivables	\$ 237,014,723	\$ 12,769,812	\$ ---	\$ 249,784,535

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 7.87 percent of the total taxes receivable at June 30, 2011 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, 2011 represent the second-half payment due for real estate taxes on November 15, 2011.

Receivables on a government-wide basis include taxes receivable of \$1.5 million that are not available to pay for current period expenditures and, therefore, are offset by the unearned revenue for the governmental funds. Tax revenues and the corresponding unearned revenue reported on a government-wide basis do not include approximately \$0.9 million of taxes that are considered current financial resources, and therefore, are reported in the governmental funds. This comprises:

Real Estate tax receivables	\$ (52,407)
Personal Property tax receivables	<u>988,462</u>
Total	<u>\$ 936,055</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

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 2011 unearned revenue in the governmental funds consisted of the following:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes, net of related allowances	\$ 219,253,563	\$ 4,380,588	\$ 223,634,151
Grant proceeds received prior to completion of eligibility requirements	---	6,766,095	6,766,095
Total unearned revenue for governmental funds	<u>\$ 219,253,563</u>	<u>\$ 11,146,683</u>	<u>\$ 230,400,246</u>

Component Units

Receivables at June 30, 2011 consist of following:

	<u>School Board</u>	<u>Transit</u>	<u>Total</u>
Accounts	\$ 576,829	\$ 2,991	\$ 579,820
Intergovernmental	9,991,876	3,280	9,995,156
Total Receivables	<u>\$ 10,568,705</u>	<u>\$ 6,271</u>	<u>\$ 10,574,976</u>

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, 2011 includes amounts not yet received from the January 1, 2011 levy (due June 15 and November 15, 2011), less an allowance for uncollectibles. The installment due on November 15, 2011 is included as unavailable revenue since these taxes are restricted for use until FY 2012. 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 99.8¢ and 97.8¢ per \$100 of assessed value during calendar years 2011 and 2010, respectively.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

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, 2011 includes amounts not yet billed or received from the January 1, 2011 levy (due October 5, 2011). These taxes are included as unearned revenue since these taxes are restricted for use until FY 2012. The tax rates during calendar years 2011 and 2010 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 69 percent of most taxpayers' payments in FY 2011 for the January 1, 2010 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, 2011 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, 2011:

Governmental Activities

General Fund	\$ 409,000
Special Revenue Fund	37,788,707
Capital Projects Fund	1,475,000
Less Allowance for Uncollectible Accounts	<u>(36,647,186)</u>
Net	<u>\$ 3,025,521</u>
Amounts due within one year	<u>\$ 97,981</u>
Amounts due in more than one year	<u>\$ 2,927,540</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

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, 2011:

Governmental Activities

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 92,019,388	\$ 6,648,015	\$ ---	\$ 98,667,403
Construction in Progress	90,237,123	71,941,402	43,935,717	118,242,808
Total Capital Assets Not Being Depreciated	<u>\$ 182,256,511</u>	<u>\$ 78,589,417</u>	<u>\$ 43,935,717</u>	<u>\$ 216,910,211</u>
Depreciable Capital Assets:				
Buildings	\$ 431,313,275	\$ 10,263,486	\$ 1,271,663	\$ 440,305,098
Infrastructure	186,435,818	20,178,060	---	206,613,878
Intangible Assets	11,218,896	89,324	---	11,308,220
Furniture and Other Equipment	57,038,151	13,785,921	2,192,256	68,631,816
Total Depreciable Capital Assets	<u>\$ 686,006,140</u>	<u>\$ 44,316,791</u>	<u>\$ 3,463,919</u>	<u>\$ 726,859,012</u>
Less Accumulated Depreciation for:				
Buildings	\$ 99,132,330	\$ 10,666,926	\$ 36,169	\$ 109,763,087
Infrastructure	79,726,842	7,229,778	---	86,956,620
Intangible Assets	10,541,805	332,344	---	10,874,149
Furniture and Other Equipment	39,520,871	4,665,535	2,079,142	42,107,264
Total Accumulated Depreciation	<u>\$ 228,921,848</u>	<u>\$ 22,894,583</u>	<u>\$ 2,115,311</u>	<u>\$ 249,701,120</u>
Depreciable Capital Assets, Net	<u>\$ 457,084,292</u>	<u>\$ 21,422,208</u>	<u>\$ 1,348,608</u>	<u>\$ 477,157,892</u>
TOTALS	<u><u>\$ 639,340,803</u></u>	<u><u>\$ 100,011,625</u></u>	<u><u>\$ 45,284,325</u></u>	<u><u>\$ 694,068,103</u></u>

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 5. CAPITAL ASSETS (Continued)

Governmental activities capital assets, net of accumulated depreciation at June 30, 2011, are comprised of the following:

General Capital Assets, Net	\$ 684,985,471
Internal Service Fund Capital Assets, Net	<u>9,082,632</u>
TOTAL	<u>\$ 694,068,103</u>

Depreciation was charged to governmental functions as follows:

General Government	\$ 1,138,481
Judicial Administration	783,498
Public Safety	2,955,087
Public Works	10,712,772
Health and Welfare	599,924
Culture and Recreation	2,306,259
Education	4,192,164
Community Development	<u>206,398</u>
Total	<u>\$ 22,894,583</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	\$ 91,546,712
Donated Assets	2,952,829
Depreciation Expense	(22,894,583)
Capital Outlay not Capitalized	<u>(19,262,108)</u>
Total Adjustment	<u>\$ 52,342,850</u>

Donated assets are comprised of infrastructure donated by developers.

Net assets invested in capital assets, net of related debt is computed as follows:

Capital Assets (net)		\$ 694,068,103
Outstanding bonds (including premium)	\$ (425,910,998)	
Unspent bond proceeds at SNAP	<u>67,210,915</u>	
		<u>(358,700,083)</u>
Invested in Capital Assets Net of Debt		<u>\$ 335,368,020</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

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, 2011:

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 999,381	\$ ---	\$ ---	\$ 999,381
Total Capital Assets Not Being Depreciated	\$ 999,381	\$ ---	\$ ---	\$ 999,381
Depreciable Capital Assets:				
Buildings	\$ 36,855,522	\$ 1,682,617	\$ ---	\$ 38,538,139
Furniture and Other Equipment	11,612,372	807,192	352,918	12,066,646
Total Depreciable Capital Assets	\$ 48,467,894	\$ 2,489,809	\$ 352,918	\$ 50,604,785
Less Accumulated Depreciation	42,382,121	1,390,309	352,918	43,419,512
Depreciable Capital Assets, Net	\$ 6,085,773	\$ 1,099,500	\$ ---	\$ 7,185,273
TOTALS	\$ 7,085,154	\$ 1,099,500	\$ ---	\$ 8,184,654

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, 2011

Exhibit XII
(Continued)

NOTE 5. CAPITAL ASSETS (Continued)

Component Unit – Alexandria Transit Company

	<u>Balance</u> <u>June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2011</u>
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 6,504,807	\$ ---	\$ 6,504,807	\$ ---
Depreciable Capital Assets:				
Equipment	\$ 20,673,128	\$ 430,904	\$ 122,208	\$ 20,981,823
Less Accumulated Depreciation	<u>13,549,986</u>	<u>1,444,654</u>	<u>352,372</u>	<u>14,642,267</u>
Total Depreciable Capital Assets, Net	\$ 7,123,142	\$(1,013,750)	\$ (230,164)	\$ 6,339,556
TOTALS	<u>\$ 13,627,949</u>	<u>\$(1,013,750)</u>	<u>\$ 6,274,643</u>	<u>\$ 6,339,556</u>

All depreciation was charged to transit.

Primary Government

Construction in progress is composed of the following at June 30, 2011:

	<u>Project</u> <u>Authorization</u>	<u>Expended</u> <u>Through</u> <u>June 30, 2011</u>	<u>Committed</u>
School Capital Projects	\$ 25,422,486	\$ 22,363,100	\$ ---
Infrastructure	6,713,164	1,045,452	317,957
Public Safety Buildings	112,784,591	91,265,102	13,340,047
Information Technology	3,484,327	3,244,086	1,991
Information Technology Hardware	<u>531,157</u>	<u>325,068</u>	<u>8,678</u>
TOTALS	<u>\$ 148,935,725</u>	<u>\$ 118,242,808</u>	<u>\$ 13,668,673</u>

Component Units

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

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, 2011: public entity and public officials excess liability, medical malpractice liability, voting booths, special events, vacant buildings, volunteer liability, and commercial crime. In addition, the City maintains excess workers' compensation insurance. The City maintains a blanket surety bond on all City workers who handle funds and excess amounts on key officials. There were no material reductions in insurance coverage from coverage in the prior fiscal year, nor did settlements exceed coverage for any of the past three fiscal years.

The City is self insured for workers' compensation claims up to \$1 million 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, 2011:

Director of Finance	\$ 1,000,000
Treasury Director	\$ 500,000
Revenue Director	\$ 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 \$13.5 million as of June 30, 2011 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. In FY 2009 the City became self-insured for one of the two health insurance plans offered to employees. At June 30, 2011 the current portion of employees' health insurance was \$1.1 million which represents an estimate of health insurance claims that have been incurred but not reported and are reported in accrued liabilities. The amount of expenditures did not exceed funds that are available to pay the claims. Therefore a long-term liability has not been recorded as of June 30, 2011. 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 6. RISK MANAGEMENT (Continued)

Changes in the estimated claims payable for workers' compensation and health insurance during the fiscal years ended June 30, 2011 and 2010 were as follows:

	Worker's Compensation	Health Insurance
July 1, 2009 Liability Balances	\$ 9,104,829	\$ 1,188,887
Claims and changes in estimates	2,947,465	13,327,587
Claim Payments	(1,779,843)	(13,633,541)
June 30, 2010 Liability Balances	\$ 10,272,451	\$ 882,933
Claims and changes in estimates	6,058,371	15,101,359
Claim Payments	(2,802,940)	(14,914,192)
June 30, 2011 Liability Balances	<u>\$ 13,527,882</u>	<u>\$ 1,070,100</u>

Insurance Designation

In addition, the City has established a General Fund fund balance self-insurance designation of \$5 million as of June 30, 2011.

Risk Pools

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

Component Units

The School Board carries insurance for all risks of loss, including property insurance, theft, auto liability, physical damage, and general liability insurance through the Virginia Municipal League. The School Board is self-insured for workers compensation. School management has estimated their workers compensation liability to be \$0.7 million as of June 30, 2010. 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 6. RISK MANAGEMENT (Continued)

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)

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 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 2011, the Alexandria Transit Company paid an annual premium of \$0.39 million for participation in this pool.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

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 2026. 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>
2012	\$ 5,323,508	\$ 1,065,854
2013	4,842,093	1,071,305
2014	4,823,508	852,123
2015	3,988,817	873,426
2016	2,476,797	---
2017-2021	4,042,151	---
2022-2026	5,338,675	---

Total rental costs during FY 2011 for operating leases were \$6.7 million for the Primary Government and \$3.0 million for the School Board.

Rental Revenues

The City also leases various City-owned properties and buildings under non-cancellable long-term lease agreements through FY 2021. The net book value of leased assets of \$3.8 million (cost of \$5.7 million less accumulated depreciation of \$1.9 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>
2012	\$ 571,503
2013	220,192
2014	203,452
2015	203,452
2016	203,452
2017-2021	1,017,260

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 8. 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 rail bus and paratransit 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, Metrobus and Metro Access transit systems. 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. The Metro Matters inter-jurisdictional agreement was signed by the City of Alexandria on September 28, 2004. The City opted out of the new 2009 series bond issue by prefunding its share. In June, 2010, a new funding agreement was signed by all members of the WMATA Compact. It sets forth a commitment of one year's funding with five planning years. The new funding agreement assumes an increase of \$150 million per year of new federal funds, matched by the Commonwealth of Virginia, the State of Maryland, and the District of Columbia. The new agreement, totals to \$5.0 billion, of which \$2.5 billion will be funded by the federal government. 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, 2011, the total City obligation was \$7.0 million \$6.2 million of which was funded from the City's capital project fund with the remaining \$0.8 million being funded from the City's capital credits with WMATA.

2. Operating subsidies - Bus and Rail Systems

During the fiscal year ended June 30, 2011, obligations for bus and rail subsidies amounted to \$20.3 million. The City paid this obligation from the following sources:

City payments	\$ 6,070,331
State Aid and State Motor Fuel Sales Tax revenues	<u>14,253,652</u>
TOTAL	<u>\$ 20,323,983</u>

Expected obligations for FY 2012 are \$22.7 million of which \$5.7 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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 8. COMMITMENTS AND CONTINGENCIES (Continued)

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, 2010. 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.

4. City's long term development initiative for a new Metro station

At the current time, as a major long-term economic development initiative, the City on June 12, 2010 approved a major rezoning of 69 acres of prime real estate into a high density mixed-use development of over 7.5 million square feet. An integral part of this proposal, which will add approximately 10 percent to the City's tax base and generate over \$1 billion in new tax revenue over a 30 year period, would entail the construction of a new Metrorail station on the existing heavy rail Metrorail line that runs to the east of this 69 acres. The cost of this Metrorail station is estimated (in 2015 dollars) at between \$190 million and \$270 million, depending on the location of the station and other cost variables. The City is currently considering issuing general obligation bonds to finance this Metrorail station construction project and plans to repay these bonds with new tax revenues, two special tax districts, and developer contributions. Other bond financing mechanisms are also being studied. Planning, further studies, station design and refinement of costs are scheduled to occur between 2010 and 2013. A final decision by City Council to proceed with the Metrorail station financing will be made in 2013 at the earliest.

If the City does decide to proceed with the financing of the Metrorail station, it will require a material upward revision to its current debt policy guideline targets and limits, in that the amount of debt that may be issued would exceed the City's current debt targets and ceilings.

B. Litigation

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

C. Waste-To-Energy Facility

The City has guaranteed annual tonnage of acceptable waste commitment to the Waste-to-Energy Facility, which is owned and operated by a private corporation. The commitment, which is joint with Arlington County, is based on a percent of solid waste the City and Arlington County expects to collect together. The facility charges fees on each ton based on defined costs, as well as has two multi-year contracts for large haulers where a fee discount applies. It is expected that the City and Arlington County will be able to continue to meet their minimum requirement for annual tonnage of 225,000 tons per year. For FY 2011 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, then 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 8. COMMITMENTS AND CONTINGENCIES (Continued)

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. The Series A bonds were fully repaid in FY 2008. 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 2008 they were recorded in the same manner, as is the rest of the plant.

The Alexandria/Arlington Waste Disposal Trust Fund ("the Trust") is a private purpose trust fund of Arlington County, Virginia and, accordingly, the financial position and results of operations of the Trust are reflected in the comprehensive annual financial report of Arlington County, Virginia. The City of Alexandria, Virginia and Arlington County, Virginia each have a 50% ownership interest in the Trust; however, because Arlington County performs the administrative functions for the Trust, it is reflected in the Arlington County reporting entity. As part of the Conditional Sale and Security Agreement, the Corporation made a payment of \$1 million to the Trust, which was to be used as a reserve for future expenditures.

The Trust Fund derives its revenue from the following sources: a portion of the annual property tax assessment by the City of Alexandria, interest on invested funds and a portion of special revenues generated on contract waste and was \$0.6 million for FY 2011.

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 2011 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 8. COMMITMENTS AND CONTINGENCIES (Continued)

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 2011. 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 2011 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT

General Obligation Bonds - The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are subject to the provisions of the Internal Revenue Code of 1986 related to arbitrage and interest income tax regulations under those provisions. The City currently has no outstanding arbitrage obligation. General obligation bonds outstanding as of June 30, 2011 are composed of the following individual issues:

\$17.0 million Public Improvement (tax-exempt) Bonds of 2010, installments ranging from \$1.0 million to \$3.7 million through 2016, bearing interest at rates ranging from 4.0 percent to 5.0 percent. The bonds are not subject to redemption prior to maturity	\$	17,000,000
\$55.3 million Public Improvement (taxable Build America) Bonds of 2010, installments ranging from \$3.7 million to \$4.4 million through 2030, bearing interest at rates ranging from 3.6 percent to 5.0 percent for which the federal government provides a 35 percent interest rate subsidy. The Bonds maturing on or after July 1, 2021 are subject to optional redemption, in whole or part, at the direction of the City. The bonds are subject to redemption prior to July 2020, at the option of the City, upon the occurrence of an Extraordinary Event.		55,300,000
\$35.2 million Public Improvement (tax-exempt) Bonds of 2009 installments ranging from \$1.1 million to \$4.1 million through 2019, bearing interest at rates ranging from 1.75 percent to 4.0 percent. The Bonds are not subject to redemption prior to maturity		34,100,000
\$44.5 million Public Improvement (taxable-Build America) Bonds of 2009 installments ranging from \$4.1 million to \$4.8 million through 2029, bearing interest at rates ranging from 4.85 percent to 5.7 percent for which the Federal government provides a 35 percent interest rate subsidy. The Bonds maturing on or after July 1, 2019, are subject to optional redemption before maturity on or after July 1, 2019, 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		44,500,000
\$58.0 million Public Improvement (tax-exempt) Bonds of 2008 installments ranging from \$0.9 million to \$3.1 million through 2028, bearing interest at rates ranging from 3.375 percent to 5.0 percent. The Bonds maturing on or after July 15, 2019, are subject to optional redemption before maturity on or after July 15, 2018, 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		55,200,000
\$5.0 million Public Improvement (taxable) Bonds of 2008 installments ranging from \$0.25 million to \$1.25 million through 2028, bearing interest at rates ranging from 4.5 percent to 5.6 percent. The Bonds maturing on or after July 15, 2019, are subject to optional redemption before maturity on or after July 15, 2018, 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		4,500,000
\$22.8 million Public Improvement (tax-exempt) Refunding Bonds of 2007 installments ranging from \$2.8 million to \$2.9 million through 2021, bearing interest at rates ranging from 4.0 percent to 5.0 percent. The bonds are not subject to redemption prior to their maturity		22,815,000

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

\$56 million Public Improvement (tax-exempt) Bonds of 2006 installments of \$2.9 million through 2026, bearing interest at rates ranging from 4.00 percent to 5.0 percent. The bonds maturing on or after June 15, 2017, are subject to optional redemption before maturity on or after June 15, 2016, at the direction of the City, in whole or in part installments of \$5,000 at any time or from time to time at par plus the interest accrued on the principal amount to be redeemed to the date fixed for redemption	\$	43,740,000
\$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.....		11,250,000
\$54.8 million Public Improvement Bonds of 2004 installments of \$2.74 million through 2024, bearing interest at rates ranging from 3.0 percent to 5.0 percent. The bonds maturing before December 15, 2015 are not subject to redemption before maturity. Beginning December 15, 2014, bonds maturing on or after June 15, 2015 are subject to redemption at the direction of the City, in whole or in part in installments of \$5,000, at certain redemption prices that include a redemption premium plus accrued interest		38,360,000
\$32.5 million Refunding Bonds of 2004 installments ranging from \$0.2 million to \$3.205 million through 2020, bearing interest at rates ranging from 3.5 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		27,565,000
\$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		39,600,000
\$54.5 million Public Improvement Bonds of 2001 due in installments of \$2.9 million through 2013, bearing interest at rates ranging from 4.25 percent to 4.5 percent. The bonds are not subject to redemption prior to maturity. (\$23.2 million refunded in May 2007).		5,790,000
\$40 million Public Improvement Bonds of 1999 due in annual installments of \$2 million through 2019, bearing interest at rates ranging from 4.25 percent to 5.0 percent. The bonds are not subject to redemption prior to maturity		16,000,000
Total	\$	415,720,000

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

Public Improvement Bonds of 2010 (Tax-Exempt)

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>July 1,</u>
015302G55	\$ 1,000,000	5.00%	2011
015302G63	2,000,000	5.00%	2012
015302G71	2,900,000	4.00%	2013
015302G89	3,700,000	4.00%	2014
015302G97	3,700,000	5.00%	2015
015302H21	3,700,000	4.00%	2016
Total	<u>\$ 17,000,000</u>		

Public Improvement Bonds of 2010 (Taxable)

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>July 1,</u>
015302H39	\$ 3,700,000	3.60%	2017
015302H47	3,700,000	3.95%	2018
015302H54	3,700,000	4.15%	2019
015302H62	3,700,000	4.05%	2020
015302H70	3,700,000	4.40%	2021
015302H88	3,700,000	4.40%	2022
015302H96	3,700,000	4.50%	2023
015302J29	3,700,000	4.60%	2024
015302J37	3,700,000	4.80%	2025
015302J45	4,400,000	4.95%	2026
015302J52	4,400,000	5.00%	2027
015302J60	4,400,000	5.00%	2028
015302J60	4,400,000	5.00%	2029
015302J60	4,400,000	5.00%	2030
Total	<u>\$ 55,300,000</u>		

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

Public Improvement Bonds of 2009 (Tax-Exempt)			
<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>July 1,</u>
015302E24	\$ 2,200,000	3.00%	2011
015302E32	3,200,000	4.00%	2012
015302E40	4,100,000	1.75%	2013
015302E57	4,100,000	2.13%	2014
015302E65	4,100,000	3.00%	2015
015302E73	4,100,000	3.00%	2016
015302E81	4,100,000	4.00%	2017
015302E99	4,100,000	4.00%	2018
015302F23	4,100,000	4.00%	2019
Total	<u>\$ 34,100,000</u>		

Public Improvement Bonds of 2009 (Taxable-Build America Bonds)			
<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>July 1,</u>
015302F31	\$ 4,100,000	4.85%	2020
015302F49	4,100,000	5.00%	2021
015302F56	4,100,000	5.10%	2022
015302F64	4,100,000	5.20%	2023
015302F72	4,100,000	5.30%	2024
015302F80	4,800,000	5.40%	2025
015302F98	4,800,000	5.50%	2026
015302G22	4,800,000	5.60%	2027
015302G30	4,800,000	5.65%	2028
015302G48	4,800,000	5.70%	2029
Total	<u>\$ 44,500,000</u>		

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

Public Improvement Bonds of 2008 (Tax-exempt)			
<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>July 15,</u>
015302A36	\$ 2,500,000	3.38%	2011
015302A44	3,100,000	5.00%	2012
015302A51	3,100,000	3.50%	2013
015302A69	3,100,000	3.50%	2014
015302A77	3,100,000	5.00%	2015
015302A85	3,100,000	5.00%	2016
015302A93	3,100,000	5.00%	2017
015302B27	3,100,000	4.00%	2018
015302B35	3,100,000	4.00%	2019
015302B43	3,100,000	4.25%	2020
015302B50	3,100,000	4.00%	2021
015302B68	3,100,000	4.00%	2022
015302B76	3,100,000	4.13%	2023
015302B84	3,100,000	4.20%	2024
015302B92	3,100,000	4.25%	2025
015302C26	3,100,000	4.25%	2026
015302C34	3,100,000	4.30%	2027
015302C42	3,100,000	4.38%	2028
Total	<u>\$55,200,000</u>		

Public Improvement Bonds of 2008 (Taxable)			
<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>July 15,</u>
015302C75	\$ 250,000	4.50%	2011
015302C83	250,000	4.50%	2012
015302C91	250,000	4.63%	2013
015302D25	250,000	4.63%	2014
015302D33	250,000	4.80%	2015
015302D41	250,000	5.00%	2016
015302D58	250,000	5.25%	2017
015302D66	250,000	5.25%	2018
015302D74	1,250,000	5.40%	2023
015302D82	1,250,000	5.60%	2028
Total	<u>\$ 4,500,000</u>		

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

The outstanding bonds have been issued as follows:

Refunding Bonds of 2007			
<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>June 15,</u>
015302ZY1	\$ 2,905,000	4.00%	2014
015302ZR6	2,890,000	4.00%	2015
015302ZS4	2,870,000	4.00%	2016
015302ZT2	2,845,000	4.00%	2017
015302ZU9	2,825,000	5.00%	2018
015302ZV7	2,825,000	5.00%	2019
015302ZW5	2,825,000	5.00%	2020
015302ZX3	2,830,000	5.00%	2021
Total	<u>\$22,815,000</u>		

Public Improvement Bonds of 2006 (Tax-exempt)			
<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>June 15,</u>
015302YE6	\$ 2,920,000	5.00%	2012
015302YF3	2,920,000	5.00%	2013
015302YG1	2,920,000	4.00%	2014
015302YH9	2,915,000	4.00%	2015
015302YJ5	2,915,000	5.00%	2016
015302YK2	2,915,000	5.00%	2017
015302YL0	2,915,000	4.25%	2018
015302YM8	2,915,000	4.38%	2019
015302YN6	2,915,000	4.38%	2020
015302Y91	2,915,000	4.50%	2021
015302YQ9	2,915,000	5.00%	2022
015302YR7	2,915,000	5.00%	2023
015302YS5	2,915,000	4.25%	2024
015302Y73	2,915,000	4.25%	2025
015302YU0	2,915,000	4.38%	2026
Total	<u>\$43,740,000</u>		

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

Public Improvement Bonds of 2006 (Taxable)

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>June 15,</u>
015302ZA3	\$ 750,000	5.50%	2012
015302ZB1	750,000	5.50%	2013
015302ZC9	750,000	5.50%	2014
015302ZD7	750,000	5.55%	2015
015302ZE5	750,000	5.55%	2016
015302ZF2	750,000	5.65%	2017
015302ZG0	750,000	5.70%	2018
015302ZH8	750,000	5.75%	2019
015302ZJ4	750,000	5.80%	2020
015302ZK1	750,000	5.85%	2021
015302ZL9	750,000	5.90%	2022
015302ZM7	750,000	5.95%	2023
015302ZN5	750,000	5.95%	2024
015302ZP0	750,000	5.95%	2025
015302ZQ8	750,000	5.95%	2026
Total	<u>\$11,250,000</u>		

Public Improvement Bonds of 2004 (Tax-Exempt)

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>December 15,</u>
015302XK3	\$ 2,740,000	5.00	2011
015302XL1	2,740,000	3.00	2012
015302XM9	2,740,000	3.50	2013
015302XN7	2,740,000	5.00	2014
015302XP2	2,740,000	4.50	2015
015302XQ0	2,740,000	4.50	2016
015302XR8	2,740,000	4.00	2017
015302XS6	2,740,000	4.00	2018
015302XT4	2,740,000	4.00	2019
015302XU1	2,740,000	4.00	2020
015302XV9	2,740,000	4.00	2021
015302XW7	2,740,000	4.00	2022
015302XX5	2,740,000	4.25	2023
015302XY3	2,740,000	4.50	2024
Total	<u>\$38,360,000</u>		

Refunding Bonds of 2004 (Tax-Exempt)

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>June 15,</u>
015302WU2	\$ 3,170,000	3.500	2012
015302WV0	3,130,000	5.000	2013
015302WW8	3,130,000	4.000	2014
015302WX6	3,085,000	4.250	2015
015302WY4	3,060,000	5.000	2016
015302WZ1	3,050,000	4.250	2017
015302XA5	3,015,000	4.250	2018
015302XB3	2,980,000	4.250	2019
015302XC1	2,945,000	4.375	2020
Total	<u>\$27,565,000</u>		

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

Public Improvement Bonds of 2004 (Tax-Exempt)				Public Improvement Bonds of 2001 (Tax-Exempt)			
CUSIP	Issue	Rate	<u>Maturity Date</u> June 15,	CUSIP	<u>2000 Issue</u>	Rate	<u>Maturity Date</u> June 15,
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	Total	<u>\$ 5,790,000</u>		
015302WC2	3,300,000	4.00	2015				
015302WD0	3,300,000	4.00	2016				
015302WE8	3,300,000	4.00	2017				
015302WF5	3,300,000	4.00	2018				
015302WG3	3,300,000	4.00	2019				
015302WH1	3,300,000	4.13	2020				
015302WJ7	3,300,000	4.25	2021				
015302WK4	3,300,000	4.25	2022				
015302WL2	3,300,000	4.25	2023				
Total	<u>\$ 39,600,000</u>						

Public Improvement Bonds of 1999 (Tax-Exempt)			
CUSIP	Issue	Rate	<u>Maturity Date</u> January 15,
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>\$ 16,000,000</u>		

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

The requirements to pay all long-term bonds as of June 30, 2011, including interest payments of \$159.9 million, are summarized as follows:

Fiscal Year	Serial Bonds	
	<u>Principal</u>	<u>Interest</u>
2012.....	\$ 23,725,000	\$ 18,261,668
2013.....	26,285,000	17,173,550
2014.....	28,095,000	16,027,444
2015.....	28,830,000	14,948,043
2016.....	28,785,000	13,775,863
2017-2021	136,415,000	50,289,777
2022-2026	92,335,000	23,863,206
2027-2031	<u>51,250,000</u>	<u>5,587,588</u>
	<u>\$ 415,720,000</u>	<u>\$ 159,927,139</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. The City will receive \$11.4 million in Build America Bonds interest subsidy payments through 2030.

Legal Debt Margin - The City has no overlapping debt with other jurisdictions. As of June 30, 2011, the City had a legal debt limit of \$3.3 billion and a debt margin of \$2.8 billion:

Assessed Value of Real Property, January 1, 2011	<u>\$32,631,952,000</u>
Debt Limit: 10 Percent of Assessed Value	\$ 3,263,195,200
Amount of Debt Applicable to Debt Limit:	
General Obligation Bonds.....	<u>\$415,720,000</u>
Less Total General Obligation Debt.....	<u>(415,720,000)</u>
LEGAL DEBT MARGIN REMAINING.....	<u>\$ 2,847,475,200</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, 2011, are summarized below:

	Authorized and Unissued <u>July 1, 2010</u>	<u>Authorized</u>	<u>Issued</u>	<u>Expired</u>	Authorized and Unissued <u>June 30, 2011</u>
General Obligation Bonds	<u>\$ 106,300,000</u>	<u>\$ 69,950,000</u>	<u>\$ 72,300,000</u>	<u>\$ 7,000,000</u>	<u>\$ 96,950,000</u>

On July 14, 2011 the City Council issued \$69.95 million in General Obligation bonds. The bonds were issued with an original issue premium of \$4.5 million and a true interest cost of 3.18 percent. The \$69.95 million in bonds will be used to finance certain capital improvement projects including transportation improvements, sanitary sewers, public school facilities and other infrastructure costs.

The City did not issue any short-term debt or have any short-term debt outstanding during FY 2011. Other short-term liabilities represent unclaimed money and deposits.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities - Changes in the total long-term liabilities during the fiscal year ended June 30, 2011 are summarized below. The Net Pension Obligation results from contributions to the City Supplemental Retirement Plan, the Pension for Fire and Police Plan, and the Firefighters' and Police Pension Plan that were less than the required amount. In general the City uses the General Fund to liquidate long-term liabilities.

Primary Government – Governmental Activities

	Balance			Balance	Amounts Due
	July 1, 2010	Additions	Reductions	June 30, 2011	Within One
					Year
General Obligation Bonds	\$ 364,485,000	\$ 72,300,000	\$21,065,000	\$ 415,720,000	\$ 23,725,000
Bond Premium	8,873,623	1,877,864	560,489	10,190,998	654,382
Workers' Compensation Claims	10,272,451	6,058,371	2,802,940	13,527,882	3,350,227
Accrued Compensated Absences	20,935,381	13,220,919	12,840,310	21,315,990	1,676,353
Net Pension Obligation	14,982,209	2,116,342	305,625	16,792,926	---
Net OPEB Obligation	6,842,615	---	792,333	6,050,282	---
Total	<u>\$ 426,391,279</u>	<u>\$ 95,573,496</u>	<u>\$38,366,697</u>	<u>\$ 483,598,078</u>	<u>\$ 29,405,962</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, 2011:	
Long-term liabilities (detail above)	\$ 483,598,078
Accrued interest payable	<u>3,714,793</u>
Adjustment	<u>\$ 487,312,871</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	\$ 380,609
Workers compensation	3,255,431
Change in net pension obligation and net OPEB obligation	1,018,384
Amortization of bond premium,	
Discount and interest	936,151
Accrued interest on bonds	<u>137,005</u>
Adjustment	<u>\$ 5,727,580</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

Component Unit – School Board

	Balance			Balance	Amounts Due
	July 1, 2010	Additions	Reductions	June 30, 2011	Within One
					Year
Accrued Compensated Absences	\$ 7,382,979	\$ 7,431,920	\$ 7,465,384	7,349,515	\$ 741,101
Capital Leases	1,132,990	---	1,132,990	---	---
Workers' Compensation Claims	358,986	688,230	311,762	735,454	514,818
Net OPEB Obligation	4,296,791	1,369,662	3,106,804	2,559,649	---
Total	\$ 13,171,746	\$ 9,489,812	\$12,016,940	10,644,618	\$ 1,255,919

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 10. INTERFUND BALANCES AND COMPONENT UNIT TRANSACTIONS

Primary Government

Interfund receivable/payable consisted of the following at June 20, 2011:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government – General Fund	Primary Government – Capital Projects	\$500,000

These balances represent timing difference related to routine advances from the City for bond reimbursable capital transactions.

There were no interfund receivables/payables at June 30, 2011. Interfund transfers and transactions for the year ended June 30, 2011 consisted of the following:

Transfer In/Out:	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Primary Government Transactions				
General Fund	\$ ---	\$ 1,446,713	\$ ---	\$ 1,446,713
Special Revenue	35,076,320	16,481	---	35,092,801
Capital Projects	5,545,000	5,832,140	---	11,377,140
Internal Service	---	155,897	---	155,897
Total	<u>\$ 40,621,320</u>	<u>\$ 7,451,231</u>	<u>\$ ---</u>	<u>\$ 48,072,551</u>
Component Unit Transactions				
School Board	\$ 167,886,567	\$ ---	\$ 2,248,196	\$ 170,134,763
Library	5,879,455	---	---	5,879,455
Alexandria Transit	8,178,196	---	---	8,178,196
Total	<u>\$ 181,944,218</u>	<u>\$ ---</u>	<u>\$ 2,248,196</u>	<u>\$ 184,192,414</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 project

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, there were no capital assets transferred to Alexandria Transit.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 11. GRANTS

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

NOTE 12. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues for the City and its component units totaled \$150.3 million in FY 2011. Sources of these revenues were as follows:

GOVERNMENTAL FUNDS	
Federal Government	\$ 35,227,326
Commonwealth of Virginia	<u>66,673,359</u>
Total Primary Government	<u>\$ 101,900,685</u>
 COMPONENT UNITS	
Federal Government:	
School Board	\$ 19,732,840
Alexandria Transit Company	<u>3,588</u>
Total Component Units Federal Government	<u>\$ 19,736,428</u>
 Commonwealth of Virginia:	
School Board	\$ 28,473,281
Library	188,491
Alexandria Transit Company	<u>3,846</u>
Total Component Units Commonwealth of Virginia	<u>\$ 28,665,618</u>
 Total Component Units	 <u>\$ 48,402,046</u>
 TOTAL CITY AND COMPONENT UNITS	
Total Federal Government	\$ 54,963,754
Total Commonwealth of Virginia	<u>95,338,977</u>
Total Intergovernmental Revenue	<u>\$ 150,302,731</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 13. DUE FROM OTHER GOVERNMENTS

Due from other governments represents accrued revenue at June 30, 2011, consisting of the following:

Primary Government

State	
General Fund	\$ 30,673,793
Special Revenue Fund	<u>3,323,106</u>
Total State	<u>\$ 33,996,899</u>
Federal	
General Fund	\$ 1,147,664
Special Revenue Fund	<u>5,663,341</u>
Total Federal	<u>\$ 6,811,005</u>
Total Primary Government	<u>\$ 40,807,904</u>

Component Units

State	
School Board	\$ 631,766
Total State	<u>\$ 631,766</u>
Federal	
School Board	\$ 9,360,110
Alexandria Transit Company	<u>3,280</u>
Total Federal	<u>\$ 9,363,390</u>
Total	<u>\$ 50,803,060</u>

NOTE 14. JOINT VENTURES

A. Northern Virginia Criminal Justice Academy

The City participates in a joint venture with the Counties of Arlington and Loudoun and the Cities of Fairfax, Falls Church, Manassas, and Manassas Park to provide training for sworn law enforcement and correctional officers to satisfy requirements mandated by the Commonwealth of Virginia. The Industrial Development Authority of Loudoun County, Virginia issued \$6,585,000 Northern Virginia Criminal Justice Academy Lease Revenue Bonds, Series 1993, to finance the acquisition, renovation, and equipment of the Academy Training Center. The City and the Counties of Arlington and Loudoun have entered into a capital lease with the Industrial Development Authority of Loudoun County. The City maintains an equity interest only in the land and building of the Academy, which is reflected in the City's Statement of Net Assets. The City does not maintain an equity interest in the Academy's operations. This lease was paid in full in FY 2007. New debt of \$18.7 was issued in FY 2007. The City does not have an equity interest associated with this debt. 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 2011, the City paid \$0.6 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, 2011

Exhibit XII
(Continued)

NOTE 14. JOINT VENTURES (Continued)

B. Northern Virginia Juvenile Detention Home

The City participates in a joint venture with Arlington County and the City of Falls Church to operate a regional juvenile detention home. In July 1993, the City agreed to fund 55.3 percent of the construction costs of a new facility. The final construction payments were made in FY 1995. In addition, the City pays part of the Northern Virginia Juvenile Detention Home's operating costs based on the number of beds utilized by Alexandria residents. These payments totaled \$1.6 million in FY 2011.

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 2011, the City paid \$0.5 million for operating costs and \$0.1 million for debt service payments. The City does not maintain an equity interest in the jail and is not responsible for repayment of the debt.

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

D. Washington Metropolitan Area Transit Authority

As discussed in Note 8, the City participates in a joint venture with other local jurisdictions to share in the cost of a regional transportation system. The City does not maintain an equity interest in WMATA. Complete financial statements of WMATA may be obtained from WMATA, 600 5th Street, N.W., Washington, DC 20001.

NOTE 15. RELATED PARTY TRANSACTIONS

Sheltered Homes of Alexandria is a not-for-profit corporation formed to obtain and maintain group homes for mentally and physically disabled or impaired adults. The corporation's trustees also serve on the Alexandria Community Services Board, whose board members are appointed by the City and whose financial activities are therefore included as part of the primary government. During FY 2011, the City made rental payments to Sheltered Homes of Alexandria totaling \$24,000.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB)

In 1989 City Council voted to establish three classes of post employment health care benefits to supplement the increasing health care costs for City retirees. The three classes are as follows: (a) Full Time City employees who are eligible to retire under the Virginia Retirement System and City Supplemental Pension plan; (b) Fire and police employees who are eligible to retire under the current defined benefit pension plan; and (c) Fire and police employees who retired and were eligible for normal retirement with 20 years of service under the old defined contribution retirement income plan and the retirees under the old defined benefit pension. In addition, spouses of deceased retirees are also eligible to receive benefits under this provision.

This plan is a reimbursement program that is based on the actual cost of the retiree's monthly premium up to a maximum amount determined by the City Council. Effective July 1, 2005, the maximum monthly amount an eligible retiree or a surviving spouse may receive is \$260. The City Council has authority to establish or amend the provisions. As of June 30, 2011, 895 retirees were both eligible and received benefits from all three classes of this plan. Eligibility is contingent upon 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 per month for each retiree, for a total annual contribution of \$2.2 million for FY 2011. Employees hired after September 30, 2007 will have their retirees health benefits prorated based on the length of service.

In addition to the healthcare benefits, the City pays for basic life insurance two times the amount of salary at the time of retirement to regular full time employees with applicable reductions if over 65 at no cost to the employees. On January 1, following the 65th birthday the basic life insurance amount is reduced by 25% and then by 10% each year till the 70th birthday. The ultimate insurance amount is 25% of the salary. This benefit is only available to those hired prior to July 1, 2008.

The City implemented Statement No. 45 of the Governmental Accounting Standards Boards (GASB), (Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions) for the year ended June 30, 2008. The City established a Single Employer OPEB Trust and plans to fund on a phased in basis the obligation through this trust. There are no legal or contractual requirements for contributing to the OPEB Trust Fund. The City does not issue a stand alone financial report for OPEB trust fund. The financial statements and required supplementary information are included in City's Comprehensive Annual Financial Report.

MEMBERSHIP

At January 1, 2011, membership consisted of:
Retirees and Beneficiaries Currently Receiving

Benefits	774
Terminated Employees Entitled to Benefits	
But not yet receiving them	---
Active Employees	<u>2,225</u>
TOTAL	<u>2,999</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB)

ANNUAL OPEB COSTS AND NET OPEB OBLIGATIONS

The annual required contribution (ARC) decreased from \$10,306,577 for fiscal year 2010 to \$7,415,385 for the current fiscal year. As a percentage of payroll, the ARC decreased from 7.01% to 5.04% this fiscal year. As of June 30, 2011, the Net OPEB Obligation (NOO) decreased to \$6,050,282 compared to \$6,842,615 for fiscal year 2010. As of December 31, 2010 the unfunded Actuarial Accrued Liability (UAAL) decreased by \$13,578,741 to \$68,900,563. This decrease was due to certain valuation assumption changes; a decrease in per person cost trends: Pre-Medicare graded down from 12.00% to 5.10% and Medicare-Eligibility graded down from 8.00% to 5.10% over 15 years. The savings from plan changes to prorate the health subsidy payments for retirees hired after September 30, 2007 based on years of service and to eliminate life insurance for those hired after July 1, 2008 will be recognized over time. The net OPEB Obligation as of June 30, 2011 is as follows:

Annual Required Contribution	\$	7,415,385
Interest on Net OPEB Obligation		513,196
Adjustment to Annual Required Contribution		(556,333)
Annual OPEB Cost	\$	<u>7,372,248</u>
Contributions Made		<u>(8,164,581)</u>
Increase (Decrease) in Net OPEB Obligation	\$	(792,333)
Net OPEB Obligation, Beginning of Year		6,842,615
Net OPEB Obligation, End Of Year	\$	<u><u>6,050,282</u></u>

FUNDED STATUS AND FUNDING PROGRESS

The funded status of the plan as of December 31, 2010 was as follows:

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2)-(1)	(4) Funded Ratio (1/2)	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll ((2-1)/5)
12/31/2010	\$ 11,668,519	\$ 80,569,082	\$68,900,563	14.48%	\$146,101,440	47.16%

The Statement of Net Assets for the City's OPEB plan is included in footnote 17.

Actuarial valuations of the plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about the future employment, mortality and the healthcare cost trend.

The actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following notes to the financial statements, presents results as of December 31, 2010. The schedule will eventually provide multi-year trend information about whether the actuarial values of plan net assets are increasing or decreasing over time relative to actuarial accrued liabilities for benefits.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB)

ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

In the December 31, 2010 actuarial valuation, the entry-age actuarial cost method was used. The actuarial assumptions included 7.50% investment rate and an initial annual medical cost trend rate of 12.00% graded down to 5.10% over 15 years and salary scale ranging from 3.75% to 7.50% for Fire and Police and 3.75% to 5.60% for City employees depending on service with 3.75% attributable to inflation. The plan's unfunded actuarial accrued liability is being amortized as a level dollar of projected payroll on a closed basis. Asset valuation method used was market value and the remaining amortization period as of December 31, 2010 was 27 years.

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contributions	Employer Contributions	Percentage Contributed
06/30/2008	\$ 10,900,053	\$ 3,922,024	36.0 %
06/30/2009	10,800,769	10,222,864	94.6%
06/30/2010	10,306,577	10,947,807	106.2%
06/30/2011	7,415,385	8,164,581	110.1%

Only four years' information was available. This will be expanded when information becomes available.

Three Year Trend Information

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
06/30/2009	\$ 10,769,137	94.9%	\$ 7,524,302
06/30/2010	10,266,120	106.6%	6,842,615
06/30/2011	7,372,248	110.1%	6,050,282

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS

Primary Government

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Combining Schedule of Fiduciary Net Assets

	Employee Retirement Plans						Post Retirement Benefit Trust	
	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	Other Post Employment Benefits	Total
ASSETS								
Investments, at Fair Value								
Mutual Funds	\$ 25,561,266	\$ -	\$ 10,431,183	\$ 33,632,155	\$ 2,212,696	\$ 8,034,040	\$ 3,462,980	\$ 83,334,320
Stocks	68,231,752	-	-	115,163,908	9,921,536	-	11,696,900	205,014,096
Guaranteed Investment Accounts	-	25,873,205	7,614,812	-	-	8,034,042	-	41,522,059
Real Estate	5,376,637	-	-	8,046,611	699,705	-	-	14,122,953
Timber/Private Equity	3,686,544	-	-	7,654,812	660,904	-	461,190	12,463,450
Other Investments	790,479	-	-	1,346,898	102,490	-	190,647	2,430,514
Total Investments	<u>\$ 103,646,678</u>	<u>\$ 25,873,205</u>	<u>\$ 18,045,995</u>	<u>\$ 165,844,384</u>	<u>\$ 13,597,331</u>	<u>\$ 16,068,082</u>	<u>\$ 15,811,717</u>	<u>\$ 358,887,392</u>
Total Assets	<u>\$ 103,646,678</u>	<u>\$ 25,873,205</u>	<u>\$ 18,045,995</u>	<u>\$ 165,844,384</u>	<u>\$ 13,597,331</u>	<u>\$ 16,068,082</u>	<u>\$ 15,811,717</u>	<u>\$ 358,887,392</u>
NET ASSETS								
Held in Trust for Pension Benefits	\$ 103,646,678	\$ 25,873,205	\$ 18,045,995	\$ 165,844,384	\$ 13,597,331	\$ 16,068,082	\$ 15,811,717	\$ 358,887,392

CITY OF ALEXANDRIA, VIRGINIA

Notes to Financial Statements

June 30, 2011

**Exhibit XII
(Continued)**

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Combining Schedule of Changes in Fiduciary Net Assets

	Employee Retirement Plans					Post Retirement Benefit Trust		
	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	Other Post Employment Benefits	Total
ADDITIONS								
Contributions:								
Employer	\$ 8,544,859	\$ 1,700,000	\$ -	\$ 7,651,601	\$ 1,210,062	\$ 9,925	\$ 3,397,049	\$ 22,513,496
Plan Members	205,858	-	-	2,280,664	253,279	-	-	2,739,801
Total Contributions	<u>\$ 8,750,717</u>	<u>\$ 1,700,000</u>	<u>\$ -</u>	<u>\$ 9,932,265</u>	<u>\$ 1,463,341</u>	<u>\$ 9,925</u>	<u>\$ 3,397,049</u>	<u>\$ 25,253,297</u>
Investment Income:								
Net Appreciation (Depreciation)								
in Fair Value of Investments	\$ 17,635,428	\$ -	\$ 2,509,765	\$ 29,674,662	\$ 2,539,691	\$ 1,490,714	\$ 2,017,818	\$ 55,868,078
Interest	1,492,054	1,518,191	219,356	2,227,550	149,696	267,750	377,983	6,252,580
Net Investment Income	<u>\$ 19,127,482</u>	<u>\$ 1,518,191</u>	<u>\$ 2,729,121</u>	<u>\$ 31,902,212</u>	<u>\$ 2,689,387</u>	<u>\$ 1,758,464</u>	<u>\$ 2,395,801</u>	<u>\$ 62,120,658</u>
Total Additions	<u>\$ 27,878,199</u>	<u>\$ 3,218,191</u>	<u>\$ 2,729,121</u>	<u>\$ 41,834,477</u>	<u>\$ 4,152,728</u>	<u>\$ 1,768,389</u>	<u>\$ 5,792,850</u>	<u>\$ 87,373,955</u>
DEDUCTIONS								
Benefits	\$ 5,384,052	\$ 4,208,688	\$ -	\$ 5,211,692	\$ 2,139,570	\$ -	\$ -	\$ 16,944,002
Refunds of Contributions	-	-	1,711,120	-	-	813,367	-	2,524,487
Administrative Expenses	199,356	23,154	-	236,774	140,756	-	26,065	626,105
Total Deductions	<u>\$ 5,583,408</u>	<u>\$ 4,231,842</u>	<u>\$ 1,711,120</u>	<u>\$ 5,448,466</u>	<u>\$ 2,280,326</u>	<u>\$ 813,367</u>	<u>\$ 26,065</u>	<u>\$ 20,094,594</u>
Net Increase (Decrease)	<u>\$ 22,294,791</u>	<u>\$ (1,013,651)</u>	<u>\$ 1,018,001</u>	<u>\$ 36,386,011</u>	<u>\$ 1,872,402</u>	<u>\$ 955,022</u>	<u>\$ 5,766,785</u>	<u>\$ 67,279,361</u>
Net Assets at Beginning of Year	81,351,887	26,886,856	17,027,994	129,458,373	11,724,929	15,113,060	10,044,932	291,608,031
Net Assets at End of Year	<u>\$103,646,678</u>	<u>\$25,873,205</u>	<u>\$ 18,045,995</u>	<u>\$ 165,844,384</u>	<u>\$13,597,331</u>	<u>\$ 16,068,082</u>	<u>\$ 15,811,717</u>	<u>\$ 358,887,392</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

The actuarial valuations for all the defined benefit pension plans are performed annually with the exception of VRS, which is performed biennially; however, an actuarial update is performed in the interim year. In the fiscal year 2009 valuation report, VRS changed the asset valuation method. The method used for prior valuation was a five year smoothed market value of assets but not less than 80% or more than 120% of the market value. VRS elected to suspend this corridor for the current valuation. The elimination of this corridor reduced the employer contribution rate from 9.82% to 7.78% with approximately \$2.5 million in savings for fiscal years 2011 and 2012. The City experienced an increase in the contribution rate in the June 30, 2010 valuation report from the rate calculated in June 30, 2009 actuarial valuation. This increase is generally due to the reduction in the annual interest rate to 7.0% and a rate of return on the actuarial value of assets below the expected return of 7.50% for the year ending June 30, 2010. The current valuation also reflects increased rates of withdrawals for general employees, changed rates of service retirement and decreased rates of disability retirement for general employees. 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 the VRS comprehensive annual financial report, which can be obtained by writing to the Virginia Retirement System, Post Office Box 2500, Richmond, Virginia 23218.

The City had assumed the responsibility of paying 2% of the employee share of contributions for City Supplemental pension plan. The employees commencing their participation in this plan after July 1, 2009, will make two percent of the employee contributions. The City will continue to make the two percent contribution for employees who were participants prior to July 1, 2009. However, these contributions will be characterized as employer contributions.

The recommended contribution rate increased from 23.80% as of July 1, 2009 to 25.06% as of July 1, 2010 for the Firefighters and Police defined benefit pension plan (Basic plan) and from 4.42% as of July 1, 2009 to 4.92% as of July 1, 2010 for the Disability plan. During the year ending June 30, 2010, the basic plan's assets returned 12.65% and the Disability plan's assets returned 11.35% on a market value basis. However, due to plans' asset smoothing method which recognizes only a portion of the gains and losses, the returns on the actuarial assets values were 0.89% and 2.34% respectively. These returns were below the assumed rate of return of 7.50% and resulted in an actuarial loss of investments of \$9.3 million for the basic plan and \$0.7 million for the Disability plan. As of July 1, 2010 actuarial valuation, the basic plan's unfunded actuarial liability was \$64.2 million which is an increase from last year's \$56.2 million and the Disability plan's unfunded actuarial liability was \$4.9 million which is a decrease from last year's \$5.6 million. The assumed rate of salary increase between the date of disability and normal retirement age was changed from 2.7% for current actives and 7.5% for current disabled to 3% for all members. The rate of payroll increase used in the amortization of the unfunded actuarial liability for determining the GASB Annual Required Contribution was changed from 4.0% to 3.75%. All other aspects of the asset valuation method remained same.

There were no changes in actuarial assumptions, benefit provisions, or funding method for the pension plan for Police and Fire. 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, 2011

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

PLAN DESCRIPTION

	(1) VRS	(2)	(3)	(4)	(5)	(6)	(7)
	City	City Supplemental Retirement	Pension for Fire and Police	Retirement Income for Fire and Police	Firefighters and Police Pension	Fire and Police Disability	Retirement Income for Sheriff and ERT
Administrator	State of Virginia	Prudential	Prudential	Prudential	Prudential	Prudential	Prudential
Employees Covered	General body	General body Sheriff/ERT	Public Safety	Public Safety	Public Safety	Public Safety	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	6/30/2010	7/1/2010	7/1/2010	6/30/2011	7/1/2010	7/1/2010	6/30/2011
MEMBERSHIP AND PLAN PROVISIONS							
Active Participants	1966	2033	0	102	462	462	230
Retirees & Beneficiaries	792	297	142	0	158	59	0
Terminated Vested & Non-vested	510	748	0	34	20	N/A	22
Normal Retirement Benefits:							
Age	65 50 (30Yrs)	65 50 (30Yrs)/ 50(25 Yrs)	60 50 (20Yrs)	60	55 Any Age (25Yrs)	55	60
Benefits Vested	5	5	10	5	5	5	5
Disability & Death Benefits	Disability Death	Disability Death	Disability Death	N/A Death	Disability Death	Disability N/A	N/A Death

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

MEMBERSHIP AND PLAN PROVISIONS

As of:	6/30/10	7/01/10	7/01/10	6/30/11	7/01/10	7/01/10	6/30/11
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<u>VRS</u>						
	<u>City</u>	<u>City Supplemental Retirement</u>	<u>Pension For Fire and Police</u>	<u>Retirement Income for Fire and Police</u>	<u>Firefighters and Police Pension</u>	<u>Fire and Police Disability</u>	<u>Retirement Income for Sheriff and ERT</u>

SIGNIFICANT ACTUARIAL ASSUMPTIONS

Investment Earnings	7.0%	7.5%	5.5%	N/A	7.5%	7.5%	N/A
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Projected Salary Increases

Attributable to:

Inflation	2.5%	3.0%	N/A	N/A	3.0%	3.0%	N/A
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Seniority/Merit	1.25% - 3.10%	Up to 4%	N/A	N/A	Up to 4.5%	Up to 4.5%	N/A
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Projected Postretirement Increases	2.5%	None	3.0%	N/A	2.7%	2.7%	N/A
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Actuarial Cost Method	Entry Age Normal Cost	Entry Age Normal Cost	Projected Unit Credit With Zero Normal Cost	N/A	Entry Age Normal Cost	Entry Age Normal Cost	N/A
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Amortization Method Open/Closed	Level Percentage Open	Level dollar N/A	Level dollar Closed	N/A	Level Percentage Closed	Level Percentage Closed	N/A
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Remaining Amortization Period	20	20	15	N/A	19	19	N/A
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Asset Valuation Method	5-year Smoothed Market Value	Market Value	Book Value	N/A	4-year Smoothed Market	4-year Smoothed Market	N/A
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Funded Status

Actuarial Value of assets	343,465,187	81,356,870	26,886,856	N/A	144,096,425	13,534,949	N/A
Actuarial Accrued Liability	440,562,710	132,010,864	41,265,691	N/A	208,265,626	18,477,276	N/A
Unfunded Actuarial Accrued Liability (UAAL)	97,097,523	50,653,994	14,378,835	N/A	64,169,201	4,942,327	N/A
Funded Ratio	78.0%	61.6%	65.16%	N/A	69.2%	73.3%	N/A
Annual Covered Payroll	112,083,557	124,936,457	N/A	N/A	32,638,214	32,638,214	N/A
UAAL as Percentage of Covered Payroll	86.6%	40.5%	N/A	N/A	196.6%	15.1%	N/A

The multi-year funding progress is presented in RSI.

The Pension Plan for Fire and Police is a closed plan with no active participant.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

FUNDING POLICY AND ANNUAL PENSION COST

As of:	6/11	6/11	6/11	6/11	6/11	6/11	6/11
	VRS						
	City	City Supplemental Retirement	Pension for Fire and Police	Retirement Income for Fire and Police	Firefighters and Police Pension	Fire and Police Disability	Retirement Income for Sheriff and ERT
PERCENTAGE OF COVERED PAYROLL CONTRIBUTED							
Employee %	5.0%	2.0%	N/A	N/A	7.2%	0.8%	N/A
Employer %	7.78%	4.39% 6.39% 9.74%	\$ 1.7 mil/Yr.	N/A	21.65%	3.52%	N/A
AMOUNT CONTRIBUTED							
Employee	\$ 5,709,505 *	\$ 205,858 *	\$ -	\$ -	\$ 2,280,664	\$ 253,279	\$ -
Employer	<u>8,772,167</u>	<u>8,544,859</u>	<u>1,700,000</u>	<u>-</u>	<u>7,651,601</u>	<u>1,210,062</u>	<u>9,925</u>
Total Amount Contributed	<u>\$ 14,481,672</u>	<u>\$ 8,750,717</u>	<u>\$ 1,700,000</u>	<u>\$ -</u>	<u>\$ 9,932,265</u>	<u>\$ 1,463,341</u>	<u>\$ 9,925</u>

* The City assumed the responsibility of payment of employees' share of contributions. Starting in July 2010, under VRS Plan 1 (the employees hired prior to July 1, 2010) City pays 5% of the employees share while under VRS Plan 2 (employees hired after July 1, 2010) the employees are required to pay 4% and City only pays 1% of the employees share. As of July 1, 2009 the City's payment on behalf of the employees for City Supplemental pension plan is characterized as employer's share. The new hires are required to pay their share of contributions. Administrative costs of all the pension plans are financed through investment earnings except Public Safety and Sheriff's retirement income plans, where the cost is assumed by the City. The Contribution requirements for all pension plans (except VRS) are established and may be amended by City Ordinance. VRS requirements are established and may be amended by State Statutes.

COVERED PAYROLL

Dollar Amount	\$ 112.8 mil	\$ 124.9 mil	\$ N/A	\$ N/A	\$ 32.6 mil	\$ 32.6 mil	\$ N/A
Legally Required Reserves	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Long Term Contribution Contracts	N/A	N/A	N/A	N/A	N/A	N/A	N/A

INVESTMENT CONCENTRATIONS

Investments (other than those issued or guaranteed by the U.S. government) in any one organization that represent 5 percent or more of plan assets.

Prudential General Account (Long Term)	*	-	100%	42%	-	-	50%
Prudential and Comerica Mutual Funds	*	25%	-	58%	20%	16%	50%
Stocks	*	66%	-	-	70%	73%	-
Real Estate	*	5%	-	-	-	-	-
Timber/Private Equity	*	-	-	-	-	5%	-
Others	*	-	-	-	-	-	-

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Calculation of Net Pension Obligation (Asset)

	City Supplemental Retirement	Pension for Fire and Police	Firefighters and Police Pension	Fire and Police Disability
ARC	\$ 9,882,928	\$ 1,443,056	\$ 8,268,658	\$ 1,611,887
Interest on NPO	829,743	59,997	171,789	40,320
ARC Adjustment	(1,085,216)	(108,678)	(159,750)	(37,495)
Annual Pension Cost	\$ 9,627,455	\$ 1,394,375	\$ 8,280,697	\$ 1,614,712
Actual Deposit	(8,544,859)	(1,700,000)	(7,651,601)	(1,210,062)
Change in NPO	\$ 1,082,596	\$ (305,625)	\$ 629,096	\$ 404,650
NPO Beginning of year	11,063,239	1,090,851	2,290,518	537,601
NPO End of Year (6/30/11)	\$ 12,145,835	\$ 785,226	\$ 2,919,614	\$ 942,251

THREE-YEAR TREND INFORMATION

	Actuarial Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
City Supplemental Retirement	06/30/2009	\$ 6,213,350	82.24%	\$ 8,388,874
	06/30/2010	10,090,940	73.50%	11,063,239
	06/30/2011	9,627,455	88.76%	12,145,835
Pension for Fire and Police	06/30/2009	\$ 1,632,059	104.64%	1,194,986
	06/30/2010	1,574,996	106.61%	1,090,851
	06/30/2011	1,394,375	121.90%	785,226
Firefighter and Police Pension	* 06/30/2009	\$ 7,197,471	98.47%	\$ 1,424,984
	06/30/2010	7,927,652	89.08%	2,290,518
	06/30/2011	8,280,697	92.40%	2,919,614
Fire and Police Disability	* 06/30/2009	\$ 1,253,251	115.30%	\$ 647,213
	06/30/2010	1,474,702	107.43%	537,601
	06/30/2011	1,614,712	74.94%	942,251
Virginia Retirement System	06/30/2009	\$ 8,149,979	100.00%	\$ -
	06/30/2010	7,977,375	100.00%	-
	06/30/2011	8,772,167	100.00%	-

Firefighters and Police Pension plan commenced on January 1, 2004 and Fire and Police Disability plan converted from defined contribution to defined benefit pension plan on the same date.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

DESCRIPTION OF BENEFITS:

VRS – City - Employees with credit for services rendered prior to July 1, 2010 are covered under plan 1, while members hired or rehired on or after July 1, 2010 are covered under plan 2. Employees are eligible for an unreduced retirement at age 65 with 5 years of service and at age 50 with 30 years of service under plan 1, and at normal Social Security retirement age with at least five years of service or when age and service are equal to 90 under plan 2. An optional reduced retirement benefit is available as early as age 55 with five years of service or age 50 with 10 years of service under plan 1 and age 60 with at least five years of service under plan 2. The retirees 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. AFS under plan 1 is 36 highest consecutive months while it is 60 highest consecutive months under plan 2. 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2011

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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.

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

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

NOTE 18. TERMINATION BENEFITS

The City provided termination benefits to one employee in fiscal year 2011. The benefits consisted of three to six weeks of pay based on completed years of service. The total cost to the City was \$17,759. There were no other benefits provided.

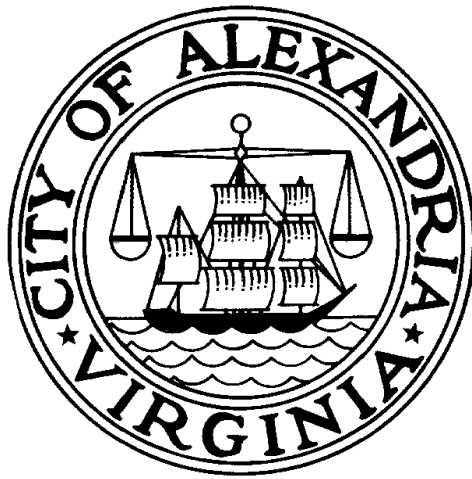
NOTE 19. ACCOUNTING CHANGES AND RESTATEMENTS

During the fiscal year ended June 30, 2011, the City adopted:

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

NOTE 20. SUBSEQUENT EVENTS

On July 15, 2011 the City Council issued \$69.95 million in General Obligation bonds. The bonds were issued with an original issue premium of \$4.46 million and a true interest cost of 3.18 percent. The \$69.95 million bonds will be used to finance certain capital improvement projects including transportation improvements, sanitary sewers, public school facilities and other infrastructure costs.



REQUIRED
SUPPLEMENTARY
INFORMATION
(Unaudited)

In accordance with the Governmental Accounting Standards Board Statements No. 25, No. 27, No. 34, No. 43 and No.45 the following information is a required part of the basic financial statements.

CITY OF ALEXANDRIA, VIRGINIA
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2011

EXHIBIT XIII

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget - Positive (Negative)
Revenues:				
General Property Taxes.....	\$ 330,407,904	\$ 330,407,904	\$ 349,779,825	\$ 19,371,921
Other Local Taxes.....	116,430,000	116,430,000	118,259,357	1,829,357
Permits, Fees, and Licenses.....	1,802,010	1,802,010	2,543,789	741,779
Fines and Forfeitures.....	4,646,020	4,646,020	4,472,520	(173,500)
Use of Money and Property.....	4,010,000	4,010,000	3,591,323	(418,677)
Charges for Services.....	14,902,302	14,902,302	14,939,668	37,366
Intergovernmental Revenues.....	51,683,599	52,174,300	53,728,609	1,554,309
Miscellaneous.....	783,700	783,700	987,727	204,027
Total Revenues	\$ 524,665,535	\$ 525,156,236	\$ 548,302,818	\$ 23,146,582
Expenditures:				
City Council.....	\$ 528,151	\$ 528,151	\$ 499,346	\$ 28,805
City Manager.....	1,703,268	1,573,634	1,555,714	17,920
Office on Women.....	1,404,218	1,423,330	1,403,706	19,624
Citizens Assistance.....	553,778	554,576	521,970	32,606
Office of Management and Budget.....	1,185,929	1,185,929	1,063,491	122,438
18th Circuit Court.....	1,387,077	1,393,846	1,391,612	2,234
18th General District Court.....	59,585	59,585	52,880	6,705
Juvenile And Domestic Relations Court.....	34,512	35,313	18,814	16,499
Commonwealth's Attorney.....	2,619,874	2,624,292	2,405,039	219,253
Sheriff.....	26,710,533	26,700,793	26,679,514	21,279
Clerk of Courts.....	1,518,691	1,523,126	1,490,067	33,059
Other Correctional Activities.....	5,098,020	5,100,520	5,070,105	30,415
Court Services.....	1,295,283	1,285,283	1,285,154	129
Human Rights.....	610,858	614,633	590,629	24,004
Internal Audit.....	228,920	242,319	235,591	6,728
Information Technology Services.....	6,945,173	7,260,881	7,181,221	79,660
Office of Communications.....	1,232,320	1,307,584	1,261,245	46,339
City Clerk and Clerk of Council.....	411,365	414,852	411,837	3,015
Finance.....	9,528,280	10,026,111	9,010,871	1,015,240
Real Estate Assessments.....	1,665,223	1,690,229	1,470,112	220,117
Human Resources.....	2,660,065	2,867,881	2,820,166	47,715
Planning and Zoning.....	8,923,755	9,387,948	9,054,788	333,160
City Attorney.....	2,998,772	2,803,772	2,325,670	478,102
Registrar of Voters.....	1,128,653	1,131,051	1,007,110	123,941
General Services.....	11,734,468	11,773,511	11,681,427	92,084
Procurement.....	946,306	946,306	861,763	84,543
Transportation and Environmental Services.....	27,516,768	28,207,149	27,532,364	674,785
Transit Subsidies.....	8,231,633	8,245,933	8,094,839	151,094
Fire.....	35,858,311	36,761,397	36,736,241	25,156
Police.....	52,259,991	51,502,018	51,013,585	488,433
Emergency Communication.....	192,273	1,844,592	1,842,911	1,681
Mental Health/Mental Retardation and Substance Abuse.....	509,972	686,662	683,995	2,667
Health.....	8,080,471	8,102,191	7,854,474	247,717
Human Services.....	10,501,742	10,917,504	9,820,623	1,096,881
Human Services Contributions.....	2,033,259	2,033,259	2,012,623	20,636
Office of Historic Alexandria.....	2,501,575	2,578,806	2,560,919	17,887
Recreation and Cultural Activities.....	19,010,498	19,152,089	19,025,423	126,666
Other Educational Activities.....	12,229	12,229	12,229	-
Non Departmental (including debt service).....	49,692,906	51,183,008	50,906,958	276,050
Total Expenditures	\$ 309,514,705	\$ 315,682,293	\$ 309,447,026	\$ 6,235,267
Other Financing Sources (Uses):				
Operating Transfers In.....	\$ 1,446,713	\$ 1,446,713	\$ 1,446,713	\$ -
Operating Transfers Out.....	(40,154,129)	(41,727,864)	(40,621,320)	1,106,544
Transfers Out - Component Units.....	(181,942,705)	(181,965,115)	(181,944,218)	20,897
Total Other Financing Sources (Uses)	\$ (220,650,121)	\$ (222,246,266)	\$ (221,118,825)	\$ 1,127,441
Net Change in Fund Balance.....	\$ (5,499,291)	\$ (12,772,323)	\$ 17,736,967	\$ 30,509,290
Fund Balances at Beginning of Year.....	63,041,371	63,041,371	63,041,371	-
Increase/(Decrease) in Reserve for Inventory	-	-	81,829	81,829
FUND BALANCES AT END OF YEAR	\$ 57,542,080	\$ 50,269,048	\$ 80,860,167	\$ 30,591,119

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

CITY OF ALEXANDRIA, VIRGINIA
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2011

Exhibit XIV

**Variance From
Amended Budget
Positive
(Negative)**

	Original Budget	Budget as Amended	Actual	
Revenues:				
General Property Taxes.....	\$ 2,315,715	\$ 2,315,715	\$ 1,864,831	\$ (450,884)
Permits, Fees and Licenses.....	4,316,872	4,316,872	4,527,999	211,127
Fines and Forfeitures.....	-	-	5,000	5,000
Use of Money and Property.....	6,000	468,569	279,845	(188,724)
Charges for Services.....	15,089,325	15,366,891	14,899,345	(467,546)
Intergovernmental Revenues.....	41,550,296	50,176,816	43,657,415	(6,519,401)
Miscellaneous.....	840,325	10,791,209	5,258,069	(5,533,140)
Total Revenues.....	\$ 64,118,533	\$ 83,436,072	\$ 70,492,504	\$ (12,943,568)
Other Financing Sources:				
Operating Transfers In.....	\$ 35,859,129	\$ 41,376,217	\$ 35,092,801	\$ (6,283,416)
Total Other Financing Sources.....	\$ 35,859,129	\$ 41,376,217	\$ 35,092,801	\$ (6,283,416)
Total Revenues and Other Financing Sources.....	\$ 99,977,662	\$ 124,812,289	\$ 105,585,305	\$ (19,226,984)
Expenditures:				
Office of Women.....	\$ 490,848	\$ 514,031	\$ 471,641	\$ 42,390
Citizens Assistance.....	5,498	12,048	10,540	1,508
Commonwealth's Attorney.....	219,867	263,020	252,438	10,582
Sheriff.....	1,014,943	1,038,629	995,807	42,822
Clerk of Courts.....	-	121,474	54,949	66,525
Law Library.....	166,582	167,582	167,538	44
Other Correctional and Judicial Activities.....	184,177	214,177	212,296	1,881
Court Services.....	250,076	587,070	585,680	1,390
Human Rights.....	35,108	55,108	51,218	3,890
Personnel.....	6,000	106,000	96,392	9,608
Finance.....	239,519	262,476	233,299	29,177
Planning.....	-	200,000	170,196	29,804
General Services.....	164,846	302,769	298,783	3,986
Transportation and Environmental Services.....	2,918,203	4,514,890	3,975,801	539,089
Fire.....	5,067,887	6,162,711	4,801,985	1,360,726
Police.....	30,000	879,191	870,661	8,530
Office of Housing.....	3,660,306	17,002,288	7,292,294	9,709,994
Mental Health/Mental Retardation and Substance Abuse.....	31,745,367	31,973,092	30,836,950	1,136,142
Health.....	-	11,726	9,605	2,121
Human Services.....	43,974,302	44,627,014	41,228,632	3,398,382
Office of Historic Alexandria.....	509,013	574,709	443,050	131,659
Recreation and Cultural Activities.....	720,166	847,330	751,929	95,401
Non Departmental.....	1,000,000	1,800,000	947,227	852,773
Total Expenditures.....	\$ 92,402,708	\$ 112,237,335	\$ 94,758,911	\$ 17,478,424
Other Financing Uses:				
Operating Transfers Out.....	\$ 7,574,954	\$ 12,574,954	\$ 7,451,231	\$ 5,123,723
Total Other Financing Uses.....	\$ 7,574,954	\$ 12,574,954	\$ 7,451,231	\$ 5,123,723
Total Expenditures and Other Financing Uses.....	\$ 99,977,662	\$ 124,812,289	\$ 102,210,142	\$ 22,602,147
Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses.....	\$ -	\$ -	\$ 3,375,163	\$ 3,375,163
Fund Balances at Beginning of Year.....	\$ -	\$ -	\$ 22,494,349	\$ 22,494,349
FUND BALANCES AT END OF YEAR.....	\$ -	\$ -	\$ 25,869,512	\$ 25,869,512

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Budgetary Comparison Schedules
June 30, 2011

Exhibit XV

(1) SUMMARY OF SIGNIFICANT BUDGET POLICIES

The City Council annually adopts budgets for the General Fund and Special Revenue Fund of the primary government. All appropriations are legally controlled at the departmental level for the General Fund and Special Revenue Fund. On June 12, 2010, the City Council approved the original adopted budget and on June 25, 2011 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 10)	Exhibit IV	Exhibit IV Title
Other Educational Activities	\$ 12,229	\$ 167,886,567	\$ 167,898,796	Education
Transit Subsidies	8,094,839	8,178,196	16,273,035	Transit
Library Transfer	-	5,879,455	5,879,455	Library
Other Expenditures (not listed separately)	301,339,958	-	301,339,958	Other Expenditures (not listed separately)
Total Expenditures	\$ 309,447,026	\$ 181,944,218	\$ 491,391,244	Total Expenditures
<hr/>				
Transfers Out – Component Units	\$ 181,944,218	\$ (181,944,218)	\$ -	None
Operating Transfers Out	40,621,320	-	40,621,320	Operating Transfers Out
Other Financing	(1,446,713)	-	(1,446,713)	Other Expenditures (not listed separately)
Total Financing (Sources) Uses	\$ 221,118,825	\$ (181,944,218)	\$ 39,174,607	Total Financing Uses

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

CITY OF ALEXANDRIA, VIRGINIA
Public Employee Retirement Systems - Primary Government
Required Supplementary Information
June 30, 2011

Exhibit XVI

SCHEDULE OF FUNDING PROGRESS

		(1)	(2)	(3)	(4)	(5)	(6)
	Actuarial	Actuarial	Actuarial	Unfunded	Funded	Annual	UAAL as a
	Valuation	Value of	Accrued	AAL	Ratio	Covered	Percentage of
	Date	Assets	Liability	(UAAL)	(1/2)	Payroll	Covered Payroll
			(AAL)	(2)-(1)			((2-1)/5)
City Supplemental Pension (a)	06/30/2006	\$ 65,143,405	\$ 96,974,375	\$ 31,830,970	67.18%	\$ 116,853,571	27.24%
	06/30/2007	77,046,696	107,983,990	30,937,294	71.35%	123,522,516	25.05%
	06/30/2008	76,275,945	117,964,452	41,688,507	64.66%	126,492,987	32.96%
	06/30/2009	69,806,595	123,842,600	54,036,005	56.37%	125,803,615	42.95%
	07/01/2010	81,356,870	132,010,864	50,653,994	61.63%	124,936,457	40.54%
Pension for Fire and Police**	06/30/2005	\$ 33,410,759	\$ 43,482,216	\$ 10,071,457	76.84%	\$ 63,012	15983.40%
	06/30/2006	30,940,298	43,895,855	12,955,557	70.49%	71,935	18010.09%
	06/30/2007	30,875,740	42,511,290	11,635,550	72.63%	72,987	15941.95%
	06/30/2008	29,043,189	47,171,730	18,128,541	61.57%	N/A	N/A
	06/30/2009	27,946,279	44,821,166	16,874,887	62.35%	N/A	N/A
	07/01/2010	26,886,856	41,265,691	14,378,835	65.16%	N/A	N/A
Firefighters and Police Pension	07/01/2005	\$ 88,534,386	\$ 135,445,004	\$ 46,910,618	65.37%	\$ 29,132,558	161.02%
	07/01/2006	100,513,967	152,624,962	52,110,995	65.86%	31,961,191	163.04%
	07/01/2007	115,782,806	167,092,854	51,310,048	69.29%	32,564,077	157.57%
	07/01/2008	133,567,658	181,469,715	47,902,057	73.60%	33,485,674	143.05%
	07/01/2009	138,100,526	194,321,125	56,220,599	71.07%	33,261,971	169.02%
	07/01/2010	144,096,425	208,265,626	64,169,201	69.19%	32,638,214	196.61%
Fire and Police Disability	07/01/2005	\$ 13,337,719	\$ 8,947,524	\$ (4,390,195)	149.07%	\$ 29,132,558	-15.07%
	07/01/2006	13,830,273	12,568,299	(1,261,974)	110.04%	31,961,191	-3.95%
	07/01/2007	14,398,259	15,638,422	1,240,163	92.07%	32,564,077	3.81%
	07/01/2008	14,305,285	16,804,777	2,499,492	85.13%	33,485,674	7.46%
	07/01/2009	13,542,378	19,153,249	5,610,871	70.71%	33,261,971	16.87%
	07/01/2010	13,534,949	18,477,276	4,942,327	73.25%	32,638,214	15.14%
Virginia Retirement System	06/30/2005	\$ 250,705,689	\$ 286,667,574	\$ 35,961,885	87.46%	\$ 93,142,752	38.61%
	06/30/2006	265,845,121	312,274,142	46,429,021	85.13%	100,219,243	46.33%
	06/30/2007	302,085,645	344,775,571	42,689,926	87.62%	108,719,495	39.27%
	06/30/2008	334,817,687	378,308,775	43,491,088	88.50%	114,427,304	38.01%
	06/30/2009	341,519,985	401,354,110	59,834,125	85.09%	115,516,783	51.80%
	06/30/2010	343,465,187	440,562,710	97,097,523	77.96%	112,083,557	86.63%

** The Pension Plan for Fire and Police is a closed plan with no active participant.

(a) The aggregate actuarial cost method was changed to entry age cost method for City Supplemental pension plan during fiscal year 2007. Only five years of information was available. This will be expanded when information becomes available.

Six-year historical information of 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.

CITY OF ALEXANDRIA, VIRGINIA
Public Employee Retirement Systems - Primary Government
Required Supplementary Information
June 30, 2011

Exhibit XVI
(Continued)

SCHEDULES OF EMPLOYER CONTRIBUTIONS

For Defined Benefit Pension Plans

City Supplemental Retirement		
Actuarial	Annual	Percentage
Date	Required	Contributed
	Contribution	
06/30/2006	\$ 4,271,649	100.90%
06/30/2007	4,811,560	98.61%
06/30/2008	5,419,262	99.81%
06/30/2009	6,381,581	80.07%
06/30/2010	10,284,656	72.11%
06/30/2011	9,882,928	86.46%

Pension Plan for Fire and Police		
Actuarial	Annual	Percentage
Date	Required	Contributed
	Contribution	
06/30/2006	\$ 932,554	113.50%
06/30/2007	1,187,836	126.30%
06/30/2008	1,209,549	70.27%
06/30/2009	1,679,131	101.71%
06/30/2010	1,623,492	103.40%
06/30/2011	1,443,056	117.81%

Firefighters and Police Pension

06/30/2006	\$ 5,938,572	97.90%
06/30/2007	6,985,282	91.25%
06/30/2008	7,116,057	101.49%
06/30/2009	7,184,309	98.65%
06/30/2010	7,916,599	89.20%
06/30/2011	8,268,658	92.54%

Virginia Retirement System

06/30/2006	\$ 1,470,239	100.00%
06/30/2007	7,077,570	100.00%
06/30/2008	7,490,208	100.00%
06/30/2009	8,149,979	100.00%
06/30/2010	7,977,375	100.00%
06/30/2011	8,772,167	100.00%

Fire and Police Disability

06/30/2006	\$ 414,340	165.80%
06/30/2007	1,455,223	51.71%
06/30/2008	1,610,278	47.88%
06/30/2009	1,244,853	116.07%
06/30/2010	1,469,682	107.80%
06/30/2011	1,611,887	75.07%

See Accompanying Independent Auditors' Report

CITY OF ALEXANDRIA, VIRGINIA
Other Post Employment Benefits (OPEB)
Required Supplementary Information
June 30, 2011

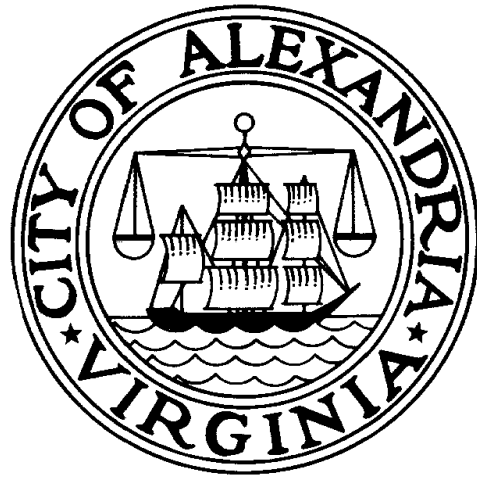
Exhibit XVI
(Continued)

SCHEDULE OF FUNDING PROCESS

	(1)	(2)	(3)	(4)	(5)	(6)
		Actuarial	Unfunded			UAAL as a
Actuarial	Actuarial	Accrued	AAL	Funded	Annual	Percentage of
Valuation	Value of	Liability	(UAAL)	Ratio	Covered	Covered Payroll
Date	Assets	(AAL)	(2)-(1)	(1/2)	Payroll	((2-1)/5)
12/31/2007	\$ -	\$ 84,545,602	\$ 84,545,602	0.00%	\$ 142,475,212	59.34%
12/31/2008	4,316,727	89,900,789	85,584,062	4.80%	146,884,002	58.27%
12/31/2009	8,201,742	90,681,046	82,479,304	9.04%	147,006,590	56.11%
12/31/2010	11,668,519	80,569,082	68,900,563	14.48%	146,101,440	47.16%

Only four years' information was available. This will be expanded when information becomes available.

See Accompanying Independent Auditors' Report



OTHER SUPPLEMENTARY INFORMATION

Agency Funds

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

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

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

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

Potomac Yard Affordable Housing – This fund accounts for affordable housing donations received from Potomac Yard Development LLC for the purpose of constructing affordable housing.

CITY OF ALEXANDRIA, VIRGINIA
Combining Statement of Changes in Assets and Liabilities – Agency Funds
For the Fiscal Year Ended June 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
HUMAN SERVICES SPECIAL WELFARE ACCOUNT				
Assets				
Cash and Investments with Fiscal Agent.....	\$ 23,851	\$ 22,928	\$ 41,330	\$ 5,449
Liabilities:				
Other Liabilities.....	\$ 23,851	\$ 22,928	\$ 41,330	\$ 5,449
Total Liabilities.....	\$ 23,851	\$ 22,928	\$ 41,330	\$ 5,449
HUMAN SERVICES DEDICATED ACCOUNT				
Assets				
Cash and Investments with Fiscal Agent.....	\$ 36,227	\$ 10,469	\$ 4,961	\$ 41,735
Liabilities:				
Other Liabilities.....	\$ 36,227	\$ 10,469	\$ 4,961	\$ 41,735
Total Liabilities.....	\$ 36,227	\$ 10,469	\$ 4,961	\$ 41,735
INDUSTRIAL DEVELOPMENT AUTHORITY				
Assets				
Equity in Pooled Cash and Investments.....	\$ 513,826	\$ 60,427	\$ 556,826	\$ 17,427
Liabilities:				
Other Liabilities.....	\$ 513,826	\$ 60,427	\$ 556,826	\$ 17,427
Total Liabilities.....	\$ 513,826	\$ 60,427	\$ 556,826	\$ 17,427
POTOMAC YARD AFFORDABLE HOUSING -ASLLC				
Assets				
Equity in Pooled Cash and Investments.....	\$ 17,179	\$ 11,076	\$ 27,427	\$ 828
Liabilities:				
Other Liabilities.....	\$ 17,179	\$ 11,076	\$ 27,427	\$ 828
Total Liabilities.....	\$ 17,179	\$ 11,076	\$ 27,427	\$ 828
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and Investments with Fiscal Agent.....	\$ 60,078	\$ 33,397	\$ 46,291	\$ 47,184
Equity in Pooled Cash and Investments.....	531,005	71,503	584,253	18,255
Total Assets.....	\$ 591,083	\$ 104,900	\$ 630,544	\$ 65,439
Liabilities:				
Other Liabilities.....	\$ 591,083	\$ 104,900	\$ 630,544	\$ 65,439
Total Liabilities.....	\$ 591,083	\$ 104,900	\$ 630,544	\$ 65,439

CITY OF ALEXANDRIA, VIRGINIA

Statement of Cash Flows

Component Unit

Alexandria Transit Company

As of June 30, 2011

Cash Flows from Operating Activities:

Cash Received From Customers.....	\$	4,156,781
Cash Payments to Suppliers for Goods and Services.....		(3,829,297)
Cash Payments to Employees for Services.....		(8,526,579)
Net Cash Used for Operating Activities.....	\$	(8,199,095)

Cash Flows from Noncapital Financing Activities:

Payment from Primary Government.....	\$	8,178,196
Cash Received from Nonoperating Grant.....		3,440
Cash Received from Other Nonoperating Revenue.....		7,433
Net Cash Provided by Noncapital and Related Financing Activities..	\$	8,189,069

Cash Flows from Capital and Related Financing Activities:

Acquisition of Capital Assets.....	\$	(281,500)
Net Cash Used for Capital and Related Financing Activities.....	\$	(281,500)

Net Increase in Cash and Cash Equivalents..... \$ (291,526)

Cash and Cash Equivalents at Beginning of Year..... 602,724

Cash and Cash Equivalents at End of Year..... \$ 311,198

Reconciliation of Operating Loss to Cash Used for

Operating Activities:

Operating Loss..... \$ (9,573,723)

Adjustments to Reconcile Operating Loss to Net Cash

Used for Operating Activities:

Depreciation Expense..... \$ 1,444,655

Changes in Assets and Liabilities:

Decrease in Accounts Receivable.....	102,224
Increase in Inventory of Supplies.....	(103,937)
Decrease in Prepaid Expenses.....	
(Decrease) in Accounts Payable.....	(119,891)
Increase in Accrued Liabilities.....	116,505
Increase in Other Liabilities.....	(64,928)

Total Adjustments..... \$ 1,374,628

Net Cash Used for Operating Activities..... \$ (8,199,095)

Noncash Capital and Related Financing Activities:

In Fiscal Year 2011 Net Capital Assets with net book value of \$6,274,644 were transferred to the City

Special Revenue Funds

Housing – This fund accounts for the City’s housing programs.

Sanitary Sewer – This fund accounts for the funding of sanitary sewer maintenance and construction.

Stormwater Management Fund – This fund was established in FY 2011. It is funded by a dedicated real estate property tax rate of 0.5 cents per \$100 of assessed value.

Potomac Yard Special Tax District – This fund accounts for funding for improvements in Potomac Yards, including the development of a metro rail station.

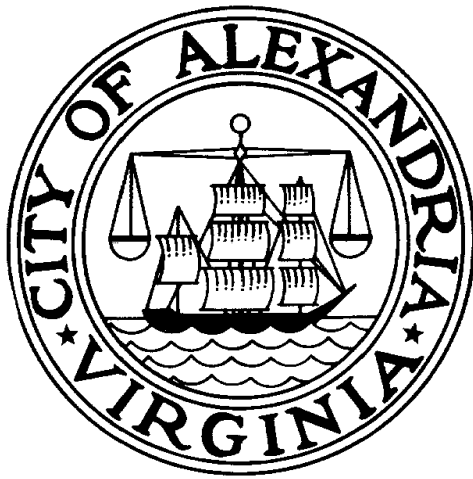
Other Special Revenue – This fund accounts for grants and donations.

CITY OF ALEXANDRIA, VIRGINIA
Combining Balance Sheet
Special Revenue Funds
As of June 30, 2011

	Housing	Sanitary Sewer	Stormwater	Potomac Yard	Other Special Revenue	Total Combined Special Revenue
ASSETS						
Cash and Cash Equivalents	\$ 6,043,685	\$ 6,371,868	\$ 164,796	\$ 777,504	\$ 11,097,867	\$ 24,455,720
Cash and Investments with Fiscal Agents	-	-	-	-	-	-
Receivables, Net	2,625,521	1,127,285	-	-	30,559	3,783,365
Due From Other Governments	853,351	-	-	-	8,133,096	8,986,447
Prepaid and Other Assets	-	-	-	-	45,837	45,837
Total Assets	<u>\$ 9,522,557</u>	<u>\$ 7,499,153</u>	<u>\$ 164,796</u>	<u>\$ 777,504</u>	<u>\$ 19,307,359</u>	<u>\$ 37,271,369</u>
LIABILITIES						
Accounts Payable	\$ 30,389	\$ 14,591	\$ 17,309	\$ -	\$ 2,475,793	\$ 2,538,082
Accrued Wages	82,212	86,377	-	-	2,785,742	2,954,331
Unearned Revenue	148,578	-	-	-	5,760,866	5,909,444
Total Liabilities	<u>\$ 261,179</u>	<u>\$ 100,968</u>	<u>\$ 17,309</u>	<u>\$ -</u>	<u>\$ 11,022,401</u>	<u>\$ 11,401,857</u>
FUND BALANCES						
Non-Spendable	\$ 1,125,521	\$ -	\$ -	\$ -	\$ 1,500,000	\$ 2,625,521
Restricted	8,135,857	-	-	-	1,584,530	9,720,387
Committed	-	7,398,185	147,487	777,504	239,158	8,562,334
Assigned	-	-	-	-	4,961,270	4,961,270
Total Fund Balances	<u>\$ 9,261,378</u>	<u>\$ 7,398,185</u>	<u>\$ 147,487</u>	<u>\$ 777,504</u>	<u>\$ 8,284,958</u>	<u>\$ 25,869,512</u>
Total Liabilities and Fund Balances	<u><u>\$ 9,522,557</u></u>	<u><u>\$ 7,499,153</u></u>	<u><u>\$ 164,796</u></u>	<u><u>\$ 777,504</u></u>	<u><u>\$ 19,307,359</u></u>	<u><u>\$ 37,271,369</u></u>

CITY OF ALEXANDRIA, VIRGINIA
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Special Revenue Funds
As of June 30, 2011

	Housing	Sewer	Stormwater	Potomac Yard	Other Special Revenue	Total Combined Special Revenue
REVENUES						
General Property Taxes	\$ -	\$ -	\$ 1,587,327	\$ 277,504	\$ -	\$ 1,864,831
Permits, Fees, and Licenses	-	-	-	-	4,527,999	4,527,999
Fines and Forfeitures	-	-	-	-	5,000	5,000
Use of Money and Property	24,979	-	-	-	254,866	279,845
Charges for Services	-	7,320,304	-	-	7,579,041	14,899,345
Intergovernmental Revenue	2,588,672	-	-	-	41,068,743	43,657,415
Miscellaneous	3,417,006	-	-	500,000	1,341,063	5,258,069
Total Revenues	<u>\$ 6,030,657</u>	<u>\$ 7,320,304</u>	<u>\$ 1,587,327</u>	<u>\$ 777,504</u>	<u>\$ 54,776,712</u>	<u>\$ 70,492,504</u>
EXPENDITURES						
Current Operating:						
General Government	\$ -	\$ -	\$ -	\$ -	\$ 815,687	\$ 815,687
Judicial Administration	-	-	-	-	1,433,753	1,433,753
Public Safety	-	-	-	-	6,571,060	6,571,060
Public Works	-	1,863,074	173,500	-	1,459,053	3,495,627
Health and Welfare	-	-	-	-	71,997,918	71,997,918
Culture and Recreation	-	-	-	-	1,204,085	1,204,085
Community Development	7,292,294	-	-	-	1,948,487	9,240,781
Total Expenditures	<u>\$ 7,292,294</u>	<u>\$ 1,863,074</u>	<u>\$ 173,500</u>	<u>\$ -</u>	<u>\$ 85,430,043</u>	<u>\$ 94,758,911</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (1,261,637)</u>	<u>\$ 5,457,230</u>	<u>\$ 1,413,827</u>	<u>\$ 777,504</u>	<u>\$ (30,653,331)</u>	<u>\$ (24,266,407)</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	\$ 2,051,917	\$ -	\$ 783,660	\$ -	\$ 32,257,224	\$ 35,092,801
Transfers Out	-	(4,371,713)	(2,050,000)	-	(1,029,518)	(7,451,231)
Total Other Financing Sources and Uses	<u>\$ 2,051,917</u>	<u>\$ (4,371,713)</u>	<u>\$ (1,266,340)</u>	<u>\$ -</u>	<u>\$ 31,227,706</u>	<u>\$ 27,641,570</u>
Total other financing sources (uses)	2,051,917	(4,371,713)	(1,266,340)	-	31,227,706	27,641,570
Net Change in Fund Balance	<u>\$ 790,280</u>	<u>\$ 1,085,517</u>	<u>\$ 147,487</u>	<u>\$ 777,504</u>	<u>\$ 574,375</u>	<u>\$ 3,375,163</u>
Fund Balance at Beginning of Year	8,471,098	6,312,668	-	-	7,710,583	22,494,349
Fund Balance at End of Year	<u><u>\$ 9,261,378</u></u>	<u><u>\$ 7,398,185</u></u>	<u><u>\$ 147,487</u></u>	<u><u>\$ 777,504</u></u>	<u><u>\$ 8,284,958</u></u>	<u><u>\$ 25,869,512</u></u>



APPENDIX B

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered by the City of Alexandria, Virginia (the “City”), in connection with the issuance by the City of \$63,625,000 original aggregate principal amount of its General Obligation Capital Improvement Bonds Series 2012A (the “Bonds”), pursuant to a resolution adopted by the City Council on January 24, 2012 (the “Resolution”). Pursuant to the Resolution, the City Manager approved the offering and sale of the Bonds to J. P. Morgan Securities LLC, on behalf of itself and as representative of the underwriters of the Bonds (collectively, the “Underwriters”) and the offering and sale of the Bonds by the Underwriters to the public pursuant to an Official Statement relating to the Bonds, dated March 27, 2012 (the “Final Official Statement”). The City hereby represents, covenants and agrees as follows:

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

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

“Annual Financial Information” with respect to any Fiscal Year of the City means the following:

- (i) the annual financial statements of the City, which (A) are prepared annually in accordance with generally accepted accounting principles in effect from time to time consistently applied (provided that nothing in this clause (A) will prohibit the City after the date of the Final Official Statement from changing such principles so as to comply with generally accepted accounting principles as then in effect or to comply with a change in applicable Virginia law); and (B) are audited by an independent certified public accountant or firm of such accountants; and
- (ii) financial information and operating data with respect to the City of the type and scope that updates the information and data contained in the Final Official Statement under the captions “Debt Statement,” “Five-Year Summary of General Fund Revenues and Expenditures” and “Principal Tax Revenues by Source;” provided that the City is required only to provide such financial information with respect to the immediately preceding Fiscal Year and shall not be required to restate or revise previously furnished information.

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

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

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

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

“MSRB” means the Municipal Securities Rulemaking Board.

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

“SEC” means the U.S. Securities and Exchange Commission.

Section 3. Obligations of the City. (a) As long as the Bonds are outstanding, the City shall, in accordance with the Rule, Make Public or cause to be Made Public by the Dissemination Agent (if different from the City), the Annual Financial Information not later than 270 days after the end of each Fiscal Year beginning with the Fiscal Year ending June 30, 2012. If audited financial statements are not available as of the date by which the Annual Financial Information is to be Made Public, the City will Make Public such financial statements as may be required by the Rule and will Make Public the audited financial statements when they become available.

(b) The City shall Make Public or cause to be Made Public by the Dissemination Agent (if different from the City), in a timely manner not in excess of ten (10) days following the occurrence of the event, notice of any of the following events that may from time to time occur with respect to the Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of Holders, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the City (for the purposes of the event identified in this Section (3)(b)(xii), the event is considered to occur when any of the following occur; the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City);
- (xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake

such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material; and
- (xv) the failure of the City on or before the date required by Section 3(a) and Section 3(c) to provide Annual Financial Information to the persons and in the manner required by this Disclosure Agreement;

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

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

(d) Any information required to be included in the Annual Financial Information may be included by specific reference to other documents available to the public on the MSRB's internet web site or filed with the SEC; provided, however, that any final official statement incorporated by reference must be available to the public on the MSRB's internet web site. The City shall identify clearly each other document so included by specific reference.

Section 4. Information Made Public. Information shall be deemed to have been "Made Public" for purposes of this Disclosure Agreement if transmitted to the MSRB in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB. Should the SEC approve any additional or subsequent filing system for satisfying the continuing disclosure filing requirements of the Rule, any filings required under this Disclosure Agreement may be made by transmitting such filing to such system, as described in the applicable SEC regulation or release approving such filing system..

Section 5. Identifying Information: CUSIP Numbers. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB. The City shall reference, or cause the Dissemination Agent (if different from the City) to reference, the CUSIP prefix number for the Bonds in any notice provided to the MSRB pursuant to Sections 3 and 4.

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

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

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

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

Section 10. Default. Any Holder, whether acting jointly or severally, may take such action as may be permitted by law, including seeking mandamus or specific performance by court order, to secure compliance with the obligations of the City under this Disclosure Agreement. In addition, any Holder, whether acting jointly or severally, may take such action as may be permitted by law to challenge the adequacy of any information provided pursuant to this Disclosure Agreement, or to enforce any other obligation of the City hereunder. A default under this Disclosure Agreement shall not be deemed an event of default under the Resolution or the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the City to comply herewith shall be an action to compel performance. Nothing in this provision shall be deemed to restrict the rights or remedies of any Holder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

Section 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Underwriters, and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: April __, 2012

CITY OF ALEXANDRIA, VIRGINIA

By: _____

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

Set forth below is the proposed form of the opinion of McGuireWoods LLP, Bond Counsel, regarding the bonds. It is preliminary and subject to change prior to delivery of the Bonds.

April __, 2012

City of Alexandria
Alexandria, Virginia 22314

\$63,625,000
City of Alexandria, Virginia
General Obligation Refunding Bonds
Series 2012A

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the City of Alexandria, Virginia (the "City") of its \$63,625,000 General Obligation Capital Improvement Bonds, Series 2012A (the "Bonds"), dated the date of their delivery.

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

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

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

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

3. Under current law, (i) interest on the Bonds (including any accrued "original issue discount" properly allocable to the owners of Bonds) is excludable from gross income for purposes of federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), (ii) interest on the Bonds is not a specific item of tax preference for purposes of the federal alternative minimum income tax imposed on individuals and corporations. It should be noted, however, that for purposes of the alternative minimum tax imposed on corporations (as defined for federal income tax purposes) under Section 56 of the Code, interest on the Bonds must be included in computing adjusted current earnings. The "original issue discount" on any of the Bonds is the excess of its stated redemption price at maturity over the initial offering price to the public at which price a substantial amount of the Bonds of the same series and maturity was sold. The "public" does not include bond houses, brokers,

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

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

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

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

4. Interest on the Bonds is excludable from gross income for purposes of income taxation by the Commonwealth of Virginia. We express no opinion regarding (i) other Virginia tax consequences arising with respect to the Bonds or (ii) any consequences arising with respect to the Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth of Virginia.

The rights of the owners of the Bonds and the enforceability of those rights are subject to bankruptcy, insolvency, reorganization, moratorium and similar laws now or hereafter in effect affecting creditors' rights. The enforceability of those rights is also subject to the exercise of judicial discretion in accordance with general principles of equity.

Our services as Bond Counsel have been limited to rendering the foregoing opinion based on our review of such legal proceedings as we deem necessary to approve the validity of the Bonds and the tax-exempt status of the interest on them. We have not been engaged and have not undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and, therefore, we express no opinion as to the accuracy or completeness of any information that may have been relied upon by any owner of the Bonds in making a decision to purchase the Bonds.

This opinion is rendered as of its date, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

