NEW ISSUE | *Ratings: Moody's - Aaa*
Book-Entry-Only | *Standard & Poor's - AAA*
(See "Ratings" herein.)

In the opinion of McGuireWoods LLP, Richmond, Virginia, Bond Counsel, under existing law and subject to conditions described in the section herein "Tax Matters," interest on the Series 2008A Bonds (1) will not be included in gross income for federal income tax purposes, and (2) will not be a specific item of tax preference for purposes of the federal alternative minimum income tax imposed on 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 herein "Tax Matters." BOND COUNSEL IS NOT RENDERING ANY OPINION WITH RESPECT TO THE TREATMENT OF INTEREST ON THE TAXABLE SERIES 2008B BONDS FOR PURPOSES OF FEDERAL INCOME TAXATION AND SUCH INTEREST IS EXPECTED TO BE INCLUDED IN GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION. Interest on the Series 2008A and the Taxable Series 2008B Bonds will be exempt from income taxation by the Commonwealth of Virginia.

$63,000,000
City of Alexandria, Virginia
General Obligation Bonds
Consisting of

$58,000,000
City of Alexandria, Virginia
General Obligation Bonds (Tax-Exempt)
Series 2008A
and
$5,000,000
City of Alexandria, Virginia
General Obligation Bonds (Taxable)
Series 2008B

Dated: Date of Delivery | **Interest Payable: July 15 and January 15**
Due: July 15, as shown below | **First Interest Payment: January 15, 2009**

The General Obligation Bonds (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 "Description of the Bonds-Book-Entry-Only System"). The Bonds will bear interest from their dated date, payable semiannually on July 15 and January 15, commencing January 15, 2009.

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.

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, Ignacio B. Pessoa, 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 July 23, 2008.

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.

This Official Statement is dated July 9, 2008

MATURITY SCHEDULE

$58,000,000 General Obligation Bonds (Tax-Exempt) Series 2008A

(Base CUSIP Number 015302)

July 15	Principal Amount ($)	Interest Rate	Price or Yield	CUSIP Suffix	July 15	Principal Amount ($)	Interest Rate	Price or Yield	CUSIP Suffix
2009	900,000	3.375%	2.210%	ZZ8	2019	3,100,000	4.000%	3.850%*	B35
2010	1,900,000	3.375%	2.340%	A28	2020	3,100,000	4.250%	3.950%*	B43
2011	2,500,000	3.375%	2.700%	A36	2021	3,100,000	4.000%	4.070%	B50
2012	3,100,000	5.000%	2.910%	A44	2022	3,100,000	4.000%	4.130%	B68
2013	3,100,000	3.500%	3.050%	A51	2023	3,100,000	4.125%	4.190%	B76
2014	3,100,000	3.500%	3.180%	A69	2024	3,100,000	4.200%	4.250%	B84
2015	3,100,000	5.000%	3.310%	A77	2025	3,100,000	4.250%	4.300%	B92
2016	3,100,000	5.000%	3.420%	A85	2026	3,100,000	4.250%	4.350%	C26
2017	3,100,000	5.000%	3.520%	A93	2027	3,100,000	4.300%	4.400%	C34
2018	3,100,000	4.000%	3.660%	B27	2028	3,100,000	4.375%	4.450%	C42

* Priced to first optional redemption date.

$5,000,000 General Obligation Bonds (Taxable) Series 2008B

(Base CUSIP Number 015302)

July 15	Principal Amount ($)	Interest Rate	Price or Yield	CUSIP Suffix	July 15	Principal Amount ($)	Interest Rate	Price or Yield	CUSIP Suffix
2009	250,000	5.000%	3.250%	C59	2014	250,000	4.625%	4.500%	D25
2010	250,000	4.500%	3.450%	C67	2015	250,000	4.800%	4.650%	D33
2011	250,000	4.500%	3.820%	C75	2016	250,000	5.000%	4.920%	D41
2012	250,000	4.500%	4.050%	C83	2017	250,000	5.250%	5.150%	D58
2013	250,000	4.625%	4.250%	C91	2018	250,000	5.250%	100.000%	D66

$1,250,000 5.400% Term Bonds Due July 15, 2023, Priced at 100.000%, CUSIP Suffix D74.

$1,250,000 5.600% Term Bonds Due July 15, 2028, Priced at 100.000%, CUSIP Suffix D82.

CITY OF ALEXANDRIA, VIRGINIA

CITY COUNCIL
William D. Euille, Mayor
Redella S. Pepper, Vice Mayor
Ludwig P. Gaines
K. Rob Krupicka
Timothy B. Lovain
Paul C. Smedberg
Justin M. Wilson

CITY OFFICIALS
James K. Hartmann, City Manager
Mark Jinks, Deputy City Manager
Laura Triggs, Director of Finance
Bruce Johnson, Director, Office of Management and Budget
Ignacio B. Pessoa, City Attorney
William Symons, Acting 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 to (a) overallot 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 Underwriters may determine.

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OFFICIAL STATEMENT

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Consisting of

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General Obligation Bonds (Tax-Exempt)
Series 2008A
and
$5,000,000
City of Alexandria, Virginia
General Obligation Bonds (Taxable)
Series 2008B

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 $63,000,000 General Obligation Bonds, Series 2008 (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 across from Washington, D.C. 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 most recent 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," is carefully preserved by strict architectural and demolition standards.

THE BONDS

The Bonds consist of $63,000,000 General Obligation Bonds (the "Bonds"), consisting of the $58,000,000 General Obligation Bonds (Tax-Exempt) Series 2008A (the "Series 2008A Bonds") and the $5,000,000 General Obligation Bonds (Taxable) Series 2008B (the "Series 2008B Bonds"), dated the date of their delivery, with principal payments annually beginning July 15, 2009, through July 15, 2028. 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 July 15 and January 15 commencing January 15, 2009, 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 **"SECURITY FOR THE BONDS"** in Section Two for a more complete description of the pledge.

USE OF PROCEEDS

The proceeds of the Series 2008A Bonds will be used to finance all or a portion of the costs of certain capital improvement projects for the City. The proceeds of the Series 2008B Bonds are planned to be used to fund public housing within the City. Pending use, the proceeds of the Bonds will be invested in the Commonwealth of Virginia's State Non-Arbitrage Pool.

REDEMPTION

The Bonds maturing on or after July 15, 2019, are subject to optional redemption, in whole or in part, at the direction of the City on or after July 15, 2018. Refer to the subsection entitled "Optional Redemption of Bonds" in Section Two for a more detailed description of the optional redemption features of the Bonds.

The Series 2008B Bonds maturing on July 15, 2023, and July 15, 2028, are subject to mandatory sinking fund redemption as described in the subsection entitled "Mandatory Sinking Fund Redemption of Bonds" in Section Two.

DELIVERY

The Bonds are offered for delivery, when, as, and if issued by the City and received by 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, Ignacio B. Pessoa, 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 July 23, 2008.

RATINGS

The Bonds have been rated as shown on the inside 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 Credit Market

Services, a division of McGraw Hill, Inc., 55 Water Street, New York, New York 10041. A more complete description of the ratings is provided in Section Six.

OFFICIAL STATEMENT

The 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 all Nationally Recognized Municipal Securities Information Repositories (NRMSIR). Copies of the City's Comprehensive Annual Financial Report for the year ended June 30, 2007, are available upon request from the City.

ADDITIONAL INFORMATION

Any question concerning the content of this Official Statement should be directed to Laura B. Triggs, Director of Finance, Post Office Box 178, Alexandria, Virginia 22313 (703.838.4755), 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).

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SECTION TWO: THE BONDS

AUTHORIZATION AND PURPOSE OF THE BONDS

Issuance of the Bonds is authorized by ordinance and other procedures of the City Council adopted 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 issuance of the Bonds was approved by Ordinance No. 4541 adopted by the City Council on May 20, 2008 (the "Ordinance"). The proceeds of the Bonds will be used to fund all or a portion of the costs of certain capital improvements and affordable/workforce housing for the City and to pay issuance costs. The Bonds consist of two series: General Obligation Bonds (Tax-Exempt) Series 2008A in the amount of $58,000,000 and General Obligation Bonds (Taxable) Series 2008B in the amount of $5,000,000.

General Obligation Bonds (Tax-Exempt) Series 2008A

The proceeds of the General Obligation Bonds (Tax-Exempt) Series 2008A Bonds will be used to pay all or a portion of the costs of various public improvement projects for the City and to pay the costs of issuance of the Series 2008A Bonds. The Director of Finance is authorized and directed to determine the portion of the cost of each project to be financed with Bond proceeds, and has the authority to reallocate Bond proceeds among project categories. The following lists the authorized project categories and their currently estimated costs.

Project	Estimated Maximum Cost
Schools	$15,000,000
City Parks and Buildings	24,000,000
Traffic Improvements	3,000,000
Information Technology	1,000,000
Infrastructure	15,000,000
Affordable Housing	0
Total	$58,000,000

General Obligation Bonds (Taxable) Series 2008B

The proceeds of the General Obligation Bonds (Taxable) Series 2008B Bonds of $5,000,000 are planned to be used to make a loan for the retention of public housing in the City and to pay the cost of the issuance of the series 2008B Bonds. The proceeds will allow the City to finance a loan to the Alexandria Redevelopment and Housing Authority to be used in conjunction with Low Income Housing Tax Credits in order to provide replacement public housing.

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 January 15, 2009 and semi-annually thereafter on July 15 and January 15 of each year (an "Interest Payment Date"), and will mature on July 15, in the years and in the principal amounts set forth on the inside cover page hereof.

Optional Redemption of Bonds

The Bonds maturing on or before July 15, 2018, are not subject to redemption before maturity. 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, in 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.

Mandatory Sinking Fund Redemption of Bonds

The Series 2008B Bonds stated to mature on July 15, 2023, are subject to mandatory redemption, in part, on July 15 in the years set forth below at a redemption price equal to the principal amount of such Series 2008B Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption, in the following amounts:

Year	Amount
2019	$250,000
2020	250,000
2021	250,000
2022	250,000
2023*	250,000

The Series 2008B Bonds stated to mature on July 15, 2028, are subject to mandatory redemption, in part, on July 15 in the years set forth below at a Redemption Price equal to the principal amount of such Series 2008B Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption, in the following amounts:

Year	Amount
2024	$250,000
2025	250,000
2026	250,000
2027	250,000
2028*	250,000

Selection of Bonds to be Redeemed

If less than all of the Bonds are called for redemption, the Bonds shall be redeemed in such order as may be determined by the Director of Finance. If at any time less than all of the Bonds of any maturity are called for redemption, the particular Bonds of such maturity or portions thereof to be redeemed shall be selected by DTC or any successor securities depository, or if the book-entry-only system is discontinued 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, after 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.

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* Final maturity

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 record keeping with respect to beneficial ownership interests in the Bonds, payments of principal of and interest on the Bonds to DTC, its nominee, Direct Participants and Indirect Participants, as defined below, or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Bonds and other bond-related transactions by and between DTC, Direct Participants, 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 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 certificate will be issued for each maturity of the Bonds 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 securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating 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 and Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of its Direct Participants and by the New York Stock Exchange LLP, the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Direct and Indirect Participants are on file with the SEC. More information about DTC can we 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 Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are 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 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 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. 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, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar/Paying Agent and request that copies of the 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 Bonds of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds. 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 payments on the Bonds will be made to 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 Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the account of customers in bearer form or registered in “street name,” and will be the responsibility of such Direct and Indirect 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 of and interest to DTC is the responsibility of the City, disbursement of such payments to Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities 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 securities depository is not obtained, certificates for the Bonds are required to be prepared, executed 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 will 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 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 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 ordinance.

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 $80,133,281 for the primary government and $30,676,038 for the School Board from the Commonwealth during the fiscal year ended June 30, 2007.

Neither the Bonds nor the proceedings with respect thereto specifically provide any remedies to Bondholders if the City defaults in the payment of principal of or interest thereon, 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 "generally authorized to be a debtor under Chapter 9 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 approving opinion of McGuireWoods LLP, Richmond, Virginia, Bond Counsel, which will be furnished at the expense of the City upon delivery of the Bonds (the "Bond Opinion"). The Bond Opinion will be limited to matters relating to the authorization and validity of the Bonds and to the tax-exempt 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.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Bond Counsel, under existing law, interest on the Series 2008A Bonds, including accrued original issue discount ("OID"), (a) will not be included in gross income for federal income tax purposes, (b) will not be a special item of tax preference for purposes of the federal alternative minimum income tax imposed on individuals and corporations, and (c) will be exempt from income taxation by the Commonwealth of Virginia. It should be noted however, the interest on the Bonds will be taken into account in computing the alternative minimum income tax for certain corporations under section 56 of the Internal Revenue Code of 1986, as amended (the "Code"). No other opinion is expressed by Bond Counsel regarding the other federal tax consequences with respect to the Series 2008A Bonds.

BOND COUNSEL IS NOT RENDERING ANY OPINION WITH RESPECT TO THE TREATMENT OF INTEREST ON THE SERIES 2008B BONDS FOR PURPOSES FOR FEDERAL INCOME TAXATION AND SUCH INTEREST IS EXPECTED TO BE INCLUDED IN GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION.

Bond Counsel's opinion is given in reliance upon certifications by representatives of the City as to certain facts relevant to both the opinion and requirements of the Code. The City has covenanted to comply with the provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Series 2008A Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Series 2008A Bonds. Failure by the City to comply with such covenants could cause interest, including accrued OID, on the Series 2008A Bonds to become included in gross income for Federal income tax purposes retroactively to their date of issue.

Original Issue Discount

The "original issue discount" ("OID") with respect to the Series 2008A Bonds is any excess of the stated redemption price at maturity of any Series 2008A Bond over the initial offering price to the public at which price a substantial amount of the Series 2008A Bonds of the same maturity were sold ("Series 2008A OID Bonds"). The "public" does not include bondhouses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. OID with respect to any Series 2008A OID Bond represents interest that is excludable from gross income for purposes of federal and Virginia income taxation. However, the portion of any OID with respect to any Series 2008A OID Bond that is deemed to have accrued to the owner of such Series 2008A OID Bond in each year will be included in determining the corporate alternative minimum tax and the distribution requirements of certain investment companies and may result in some of the collateral federal income tax consequences mentioned below. Therefore, owners of Series 200A OID Bonds should be aware that the accrual of OID in each year may result in corporate alternative minimum tax liability, additional distribution requirements, or other collateral federal and Virginia income tax consequences although the owner may not have received cash in such year.

In the case of the initial owner of a Series 2008A OID Bond, the amount of the OID which is treated as having accrued with respect to such Series 2008A OID Bond is added to such 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 the disposition of Series 2008A OID Bonds which are attributable to accrued OID will be excluded from the gross income of the recipients for federal income tax purposes. The accrual of OID on Series 2008A OID Bonds and its effect on redemption, sale or other disposition of Series 2008A 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 herein.

Interest on the Series 2008A Bonds 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 a Series 2008A 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.

Prospective purchasers of Series 2008A 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 Series 2008A OID Bonds and with respect to state and local tax consequences of owning such Series 2008A OID Bonds.

Original Issue Premium

Any Bond, the initial offering price of which to the public at which a substantial amount of the Bonds of such maturity and such series were sold exceeds the principal amount payable on such Bonds at maturity or upon redemption are referred to as “OIP Bonds.” The “public” does not include bondhouses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. Such excess constitutes amortizable bond premium for federal income tax purposes.

For purposes of determining gain or loss for federal income tax purposes upon a disposition of an OIP Bond, the cost basis of such OIP Bond in the hands of its original owner will include the amount of amortizable bond premium. Such amortizable bond premium will be allocated over the term of the OIP Bond on the basis of the owner's yield to maturity in a manner that takes into account compounding on a semiannual or more frequent basis. The amount of amortizable bond premium allocable to any such semiannual compounding period will be applied against and reduce the owner's adjusted tax basis in such OIP Bond as of the close of such period. If an OIP Bond is sold or otherwise disposed of between semiannual compounding dates, the owner's basis is reduced by a portion of the amortizable bond premium allocable to the period in which such disposition occurs, determined by allocating such portion equally among each day in such period. The effect of any such reduction in the owner's tax basis is to increase the taxable gain (or reduce the taxable loss, as the case may be) that is realized by such owner for federal income tax purposes on a subsequent sale, redemption or payment at maturity of such OIP Bond.

Amortized bond premium is not deductible in determining taxable income. Owners of OIP Bonds are advised that they should consult their own advisors with respect to the other federal, state and local tax consequences of owning the OIP Bonds.

Possible Legislation, Regulatory or Enforcement Action

Legislation and regulations affecting tax-exempt obligations are continually being considered by the United States Congress, the U.S. Department of the Treasury (“Treasury”) and the Internal Revenue Service. In addition, the Internal Revenue Service has established an expanded audit and enforcement program for tax-exempt obligations. There can be no assurance that legislation enacted or proposed after the date of issue of the Series 2008A Bonds or an audit initiated or other enforcement or regulatory action taken by the Treasury or the Internal Revenue Service involving either the Series 2008A Bonds or other tax-exempt obligations will not have an adverse effect on the market price of the Series 2008A Bonds, on the tax-exempt status of the interest thereon or on the economic value of such tax-exempt status.

State Tax Treatment of Bonds

Bond Counsel's opinion also will state that, under current law, interest on the Series 2008A Bonds and Series 2008B Bonds is excludable from gross income for purposes of income taxation by the Commonwealth of Virginia.

Bond Counsel will express no opinion regarding (i) other Virginia tax consequences arising with respect to the Series 2008A Bonds or Series 2008B Bonds or (ii) any consequences arising with respect to the Series 2008A Bonds or Series 2008B Bonds under tax laws of any state or local jurisdiction other than Virginia. Prospective purchasers of the Series 2008A Bonds or Series 2008B Bonds should consult their own tax advisors regarding the tax consequences arising with respect to the Series 2008A Bonds or Series 2008B Bonds in a particular state or local jurisdiction other than Virginia.

Other Tax Matters

In addition to the matters addressed above, prospective purchasers of the Series 2008A Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers including without limitation, financial institutions, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Series 2008A Bonds should consult their tax advisors as to the applicability and impact of such consequences.

Prospective purchasers of the Series 2008A Bonds and Series 2008B Bonds should consult their own tax advisors as to the status of interest on the Series 2008A Bonds or Series 2008B Bonds, respectively, under the tax laws of any state 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 across from Washington, D.C. 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.

There are 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 703.838.4000. The City's website address is www.alexandriava.gov.

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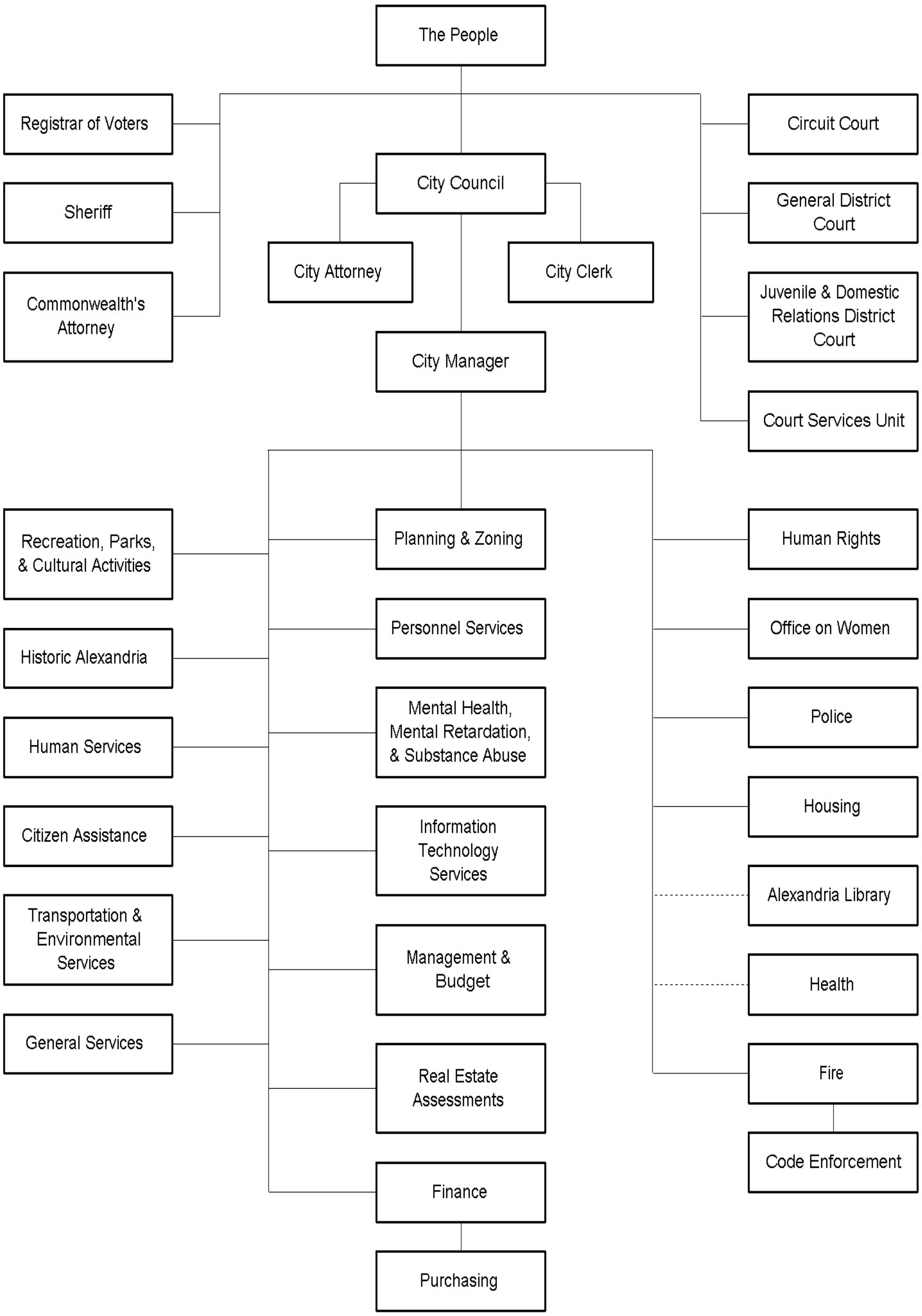
ALEXANDRIA CITY GOVERNMENT
ORGANIZATIONAL CHART



CERTAIN ELECTED OFFICIALS AND ADMINISTRATIVE/FINANCIAL STAFF MEMBERS

Elected Officials

Mayor William D. Euille was elected Mayor in 2003 and re-elected for a second term in May 2006. 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 served on the Governor's Council on Virginia's Future. He continues to work with the Alexandria Welfare Reform Committee (*Alexandria Works!*), the Call to Community initiative on racial and ethnic diversity and the Fair Share Task Force. He serves on the City Council's Human Services Committee, the Economic Opportunities Commission, and the Local Emergency Planning Committee. He also represents the City on the board of the Alexandria Economic Development Partnership Inc., City Council/School Board Sub-Committee, the City Manager's Quality of Life Committee, the Council of Governments' Board of Directors (Alternate) and Regional Transportation Planning Board (Alternate), Legislative Sub-Committee, Northern Virginia Transportation Commission (Chair)/Authority, Compensation Study Committee, Washington Metropolitan Transit Authority Board (Alternate), Woodrow Wilson Bridge Neighborhood Task Force, Youth Policy Commission, and the M. L. King Memorial Work Group. In the community, Mayor Euille has been active on the boards of the Eisenhower Partnership, Hopkins House Association, Alexandria Hospital Service Corporation, 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 Redella S. Pepper was first elected to the City Council in 1985 and was elected Vice Mayor in 2007. She also served as Vice Mayor from 1996 to 1997, and from 2003 to 2006. Pepper co-chairs the Beauregard Street Corridor Task Force and the Welfare Reform Committee (Alexandria Works!). She is active with the Commission on Aging, Commission on Information Technology, Facilities Naming Committee, and the Council of Governments ("COG") Air Quality Committee and Board of Directors. She was recently elected Corporate President of the COG. COG is a member of the Northern Virginia Regional Commission, where Pepper also chairs the Regional Resources Committee. Vice Mayor Pepper serves on the Boards of the YMCA, the T.C. Williams PTSA, the Alexandria Arts Forum, Bienvenidos, and the Retired Senior Volunteer Program. She is a former first vice president of the local NAACP and former board member of the City's Community Services Board. Other affiliations include the Urban League, the League of Women Voters, and the Sierra Club. 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 Grinnell College graduate. A resident of the City's west end, she and her husband, Dr. F.J. Pepper, have one son.

Councilman Ludwig P. Gaines was elected to the City Council in 2003. He was re-elected to a second term in May 2006. Prior to being elected, he was appointed to serve on the City's Planning Commission and the Alexandria Transit Board of Directors (DASH Bus). Councilman Gaines served on the Recreation Needs Assessment Task Force and is a former Landlord-Tenant Board Chair. In 2002, the Alexandria Circuit Court appointed him to serve as a jury commissioner. His commission and committee involvement include the Carr/Norfolk Southern Design Review Board, Alexandria Convention and Visitors Association, Community Policy and Management Team, Council of Governments' Regional Transportation Planning Board, Economic Opportunities Commission, Local Emergency Planning Commission, Northern Virginia Transportation Commission, and the M. L. King Memorial Work Group. Councilman Gaines was elected second vice chair of the Alexandria United Way, vice president of the local NAACP, and he is a member of the Chamber of Commerce's Education Partnership. Additional affiliations include the Board of Trustees of the INOVA Alexandria Hospital Foundation and board member of Friends of the Freedmen's Cemetery. He and his wife, Crystal, are Quaker Hill residents where he is a homeowners and community association board member. Councilman Gaines has taught part time in the Alexandria City Public Schools. After living in New York, he received his law degree at Howard University. His bachelor's degree in political science is from Hobart College. Councilman Gaines is a visiting teaching fellow for ethics and social justice at Hobart.

Councilman Rob Krupicka was elected to the City Council in May 2003. He was re-elected to a second term in May 2006. He is vice-president for corporate development for Revolution Health Group, LLC. After graduating from the University of Virginia with a degree in economics, he joined Signet Bank's Educational Funding Unit. Councilman Krupicka later became an AOL executive director of business affairs. He coordinated business relationships with Internet, media and financial services organizations. His community affiliations include board membership for the Alexandria Volunteer Bureau. Additional appointments on behalf of the City include the Alexandria Commission on Information Technology, Council of Governments' Human Services Policy Committee, Economic Development Partnership Inc., Economic Opportunities Commission, Local Emergency Planning Commission, Samuel Madden Work Group and the Youth Policy Commission. Councilman Krupicka is a former vice chairman of the Alexandria Community Services Board. A resident of the Del Ray community, Councilman Krupicka twice served as its citizens' association president. He and his wife, have two daughters.

Councilman Timothy B. Lovain was elected to his first term to the City Council in May 2006. Councilman Lovain is Vice President and General Counsel of Denny Miller Associates, a government relations consulting firm, where he has been employed for 22 years. Most of his work is on behalf of transportation clients, including the Washington State Department of Transportation, the Ports of Tacoma and Everett, WA, and two regional transit authorities in the Phoenix, AZ region -Valley Metro and Valley Metro Rail. Councilman Lovain has served as Legislative Director for Representative Helen Meyner (D-NJ), Legislative Assistant for Senator Slade Gorton (R-WA) and Legislative Director for New Directions, a citizens' lobby on global issues. He also served for three years as a Coast Guard officer. Councilman Lovain has served as Chair of Alexandria's Budget and Fiscal Affairs Advisory Committee, on which he served for seven years, Deputy Chair of the Alexandria United Way Campaign and a member of the Alexandria United Way Regional Council. In the community, he has served as a member of the Alexandria Volunteer Bureau Board of Directors, as Board President of Zero Population Growth USA and as a volunteer for many Alexandria non-profit organizations. Councilman Lovain earned a B.A. with honors in political science from the University of Chicago, a M.A. in politics from Princeton University, and a J.D. with honors from the University of Washington. He currently lives with his wife, Beth, and their three daughters, in the North Ridge neighborhood of Alexandria.

Councilman Paul C. Smedberg was first elected to the City Council in May 2003. He was re-elected to a second term in May 2006. He is a former board president of the Community Partners for Children. Councilman Smedberg serves on the Council of Governments' Public Safety Policy Committee, Economic Opportunities Commission, Northern Virginia Regional Commission, Pension Study Committee, Sister Cities Committee, and the Eisenhower Partnership. Councilman Smedberg has also been a commissioner for the Alexandria Economic Opportunity Commission, served on the Budget and Fiscal Affairs Advisory Committee, the Alexandria Commission on Aging, and he was a medical service volunteer at the Whitman-Walker Clinic for nine years. He is a former board member of the Northeast Citizens Association and former president of the Old Town Gateway Homeowners' Association. Councilman Smedberg is former director of governmental affairs at the National Health Council and former director of the American Parkinson Disease Association. He is director of public policy at the American Society of Nephrology. Councilman Smedberg has degrees in Economics and History from Allegheny College.

Councilman Justin M. Wilson was elected to City Council in a special election in July 2007. He is the past chair of the Alexandria Transit Company Board of Directors and served on the Budget & Fiscal Affairs Advisory Committee. Councilman Wilson is the treasurer and a member of the board of directors of Computer C.O.R.E., which provides computer training to low-income adults in Northern Virginia. He now serves on the Board of Directors of the Alexandria Economic Development Partnership and the Eisenhower Partnership. He is a member of the Youth Policy Commission, the Alexandria Library Board, and the Commission on Information Technology, of which he is a former Commissioner. Councilman Wilson represents Alexandria to the Human Services Policy Committee and the Ad Hoc Task Force on Regional Water Supply Issues, and is the alternate representative to the Transportation Planning Board for the Metropolitan Washington Council of Governments. Councilman Wilson holds a degree in Information Systems from Virginia Commonwealth University, and was a Fellow of the Sorensen Institute for Political Leadership at the University of Virginia. Employed by the National Railroad Passenger Corporation (Amtrak) as a Principal Systems Engineer, he lives in the Del Ray neighborhood of Alexandria with his wife, Alex, a life-long Alexandrian, and two children.

Appointed Officials

James K. Hartmann, City Manager, was appointed to his position in January 2005. Prior to his appointment, Mr. Hartmann was County Administrator for Spartanburg County, South Carolina, serving in this position from 1999 through 2004. From 1996 to 1999, Mr. Hartmann was County Administrator for Eagle County, Colorado, and from 1985 to 1996, he held various management positions in Orange County, Florida. Mr. Hartmann also serves as the President of the Alexandria Transit Company, which operates the City's DASH bus system, is a board member of Alexandria Economic Development Partnership, Inc., and is a member of the Homeland Security Subcommittee of the Washington Area Council of Government's Chief Administrative Officers Committee. Mr. Hartmann earned his Bachelor's degree and Masters in Public Administration from the University of Central Florida. Mr. Hartmann is an International City and County Management Association Certified Public Manager.

Mark B. Jinks, Deputy City Manager, has served with the City since March 1999. 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 Masters 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, on the Debt and Fiscal Policy Committee and Disclosure Subcommittee of the Government Finance Officers Association of the United States and Canada, on the Joint Development Committee of the Washington Metropolitan Area Transit Authority, as well as on a Client Advisory Board of Prudential Retirement.

Ignacio B. Pessoa was appointed to serve as the City Attorney effective July 1, 2000. He has served as the Assistant City Attorney since October 1986, and has been practicing law since 1982. Mr. Pessoa received his Bachelor's degree from Georgetown University, and his Juris Doctor degree from George Mason University. He is admitted to both the Virginia Bar and District of Columbia Bar.

Laura B. Triggs, CPA, currently serves as Director of Finance. She previously served as 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 know as the Financial Control Board). Before that, Mrs. Triggs worked for the U.S. Government Accountability Office and KPMG LLP, auditing financial, insurance, service, nonprofit, and government institutions. Ms. Triggs holds a Bachelor's degree in Accounting from Southwestern University.

Bruce E. Johnson was appointed to serve as the Director of the Office of Management and Budget in 2003. Prior to his appointment he was the Budget Director for the Administrative Office of the U.S. Courts. He also has served in the U.S. Office of Management and Budget, the U.S. General Accounting Office, the U.S. House of Representatives and the U.S. Bureau of the Census. He served seven years as an advisor to the City of Alexandria on its Budget and Fiscal Affairs Advisory Committee. He is an Association of Government Accountants Certified Government Financial Manager, a member of the American Association of Budget and Program Analysts, and a graduate and past President of the Federal Executive Institute Alumni Association. Mr. Johnson received his law degree from Duke University, his Masters in Public Policy from Duke University and his undergraduate degree from Harvard University.

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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.

Personnel Services

The Personnel Services 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 Personnel Services Department adheres to and promotes the City's Affirmative Action/Equal Opportunity policies.

Finance

The Finance Department collects and manages all City funds. It purchases materials and services for the City, collects revenues and taxes, issues business licenses, assesses personal property taxes, and provides assistance to citizens in filing State income tax returns. 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.

Management and Budget

The Office of Management and Budget (OMB) prepares the annual operating budget and multi-year 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 calculations, 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 2008, the Department assessed 44,511 parcels and processed 83 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.

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.

Fire Department

The Fire Department is responsible for fire and emergency medical services protection, and the prevention and suppression of fires. In addition, the Department's Code Enforcement Bureau 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. 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.

Transportation and Environmental Services

The Department of Transportation and Environmental Services is responsible for the engineering, design, construction, inspection, and maintenance of streets, bridges, City sewers, and traffic control mechanisms. In addition, the Department is responsible for 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. The Department is also 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.

Human Services

The Department of 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.

Mental Health, Mental Retardation and Substance Abuse

The Department of Mental Health, Mental Retardation and Substance Abuse 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 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 and the Office on Women

The Office of Human Rights and the Office on Women are responsible for receiving and investigating allegations of discrimination in the areas of employment, housing education, public accommodations, credit, health and social services; and providing emergency shelter and crisis intervention services to battered women and sexual assault victims.

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.

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 Risk Management, a division of the City Attorney's Office, 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.

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 (Burke, Duncan, Barrett) branch libraries. 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 600,000 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, 2006, and will run through June 30, 2009. 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 2008 Schools budget provides for the operation of thirteen elementary schools, two 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 2008 membership on September 30, 2007, of 10,557 represented an increase of 500 students, or five percent, from the membership of 10,057 on September 30, 2006. The typical Alexandria Public Schools teacher has a Master's Degree and 8.5 years of teaching experience.

PUBLIC SCHOOL FACILITIES
AS OF JUNE 2008

TYPE OF SCHOOL	NUMBER
High School (including STEP)	1
Ninth Grade Center	1
Middle Schools	2
Elementary Schools	13
TOTAL	17

DEMOGRAPHIC AND ECONOMIC FACTORS

Population Characteristics

After declining between 1970 and 1980, as was the case in many Northern Virginia jurisdictions, and growing only moderately during the 1980's, Alexandria's population grew by 15.4 percent during the 1990's to a record level of 129,130 residents in 2000 and to an estimated 141,080 in 2008. Due to a rise in rental apartment vacancies, Alexandria's population growth for 2007 was somewhat less than previously expected from the increase in housing stock. It is expected that the City's population will increase gradually to 142,365 by 2010 as housing that is currently under construction or planned is completed and occupied. The following table presents population figures for selected years through 2010.

POPULATION AND RATES OF CHANGE
ACTUAL AND PROJECTED

Year	Population	Percent Change
1950	61,787	87.3
1960	91,023	47.3
1970	110,938	21.9
1980	103,217	(7.0)
1990	111,183	7.7
2000	129,130	16.2
2005	138,215	7.0
2008	141,080	2.0
2010[1]	142,365	1.0

[1]Washington Metropolitan Council of Government Rounds 7.1 Forecast
2000 Census US Department of Commerce, Bureau of the Census
Alexandria Department of Planning and Zoning and the United States Bureau of Economic Analysis

During the 1990's, the City of Alexandria underwent significant changes. Alexandria's population increased by 16.2 percent and the number of housing units in the City increased substantially, 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 2000 Census showed a city whose population is growing not only in size, but also in terms of age, racial and ethnic diversity. While the City's median age grew slightly from 33.5 years to 34.4 years from 1990 to 2000, the population under the age of 18 grew 26 percent from 17,132 to 21,537, or about 17 percent of the City's population. This was the first Census in at least 40 years that showed an increase in children under the age of 18, although this cohort remains significantly smaller than in the surrounding suburban counties of Fairfax, Loudoun and Prince William. The under 18 population comprise 25 to 30 percent of the total population in those jurisdictions.

The slight increase in the median age to 34.4 years despite the increase in the number and percentage of children during the 1990's can be attributed to an even larger increase in the number and percentage of adults living in households without children. These adults represented cohorts between the ages of 34 and 65. This increase in adult households, many of them single-person households buying new townhouses or condominiums, offsets the increase in children to the degree that the City's average household size of 2.04 person per household did not change between 1990 and 2000.

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 percent of all City households in 2000. This figure was unchanged from the 1990 Census. While the percentage of households with members over the age of 65 decreased from 15.1 percent to 13.8 percent from 1990 to 2000, the number of elderly persons aged 85 and over increased. However, the over 85 age group represents only 1.3 percent of City's 2000 population.

Due to a combination of immigration, high birth rates and better enumeration, the number of persons in Alexandria identifying themselves as Hispanic increased by 75 percent during the 1990's, so that the Hispanic population now comprises 14.7 percent of the City's total population. During the 1990's the number of Black and African American persons in the City also increased from 18.8 percent of the population to 22.2 percent of the population. This increase can be partially attributed to the increase in immigration from Sub-Saharan African countries.

SELECTED POPULATION CHARACTERISTICS

Characteristics	Alexandria	Virginia	United States
Median Age 1990	33.5	32.6	32.9
2000	34.4	35.7	35.3
Percent School Age (5-17) 1990	9.8	24.3	18.2
2000	10.6	18.0	18.9
Percent of Persons 65 and Older 1990	10.3	10.7	12.6
2000	9.0	11.2	12.4
Number of Persons/Household 1990	2.04	2.61	2.63
2000	2.04	2.54	2.59
Percent of Persons 25 and Older with four or more years of college 1990	48.5	24.5	20.3
2000	54.3	29.5	24.4

Source: 1990 and 2000 US Census

Public School Characteristics

Summarized below are selected items of information concerning total annual school enrollments (actual and projected).

ALEXANDRIA CITY PUBLIC SCHOOL ENROLLMENTS
ACTUAL AND PROJECTED AND PERCENTAGE CHANGE
1999 THROUGH 2008

Fiscal Year	Total[1]	Percentage Change
1999	10,788	2.9
2000	11,245	4.2
2001	11,345	0.9
2002	11,274	-0.6
2003	10,979	-2.6
2004	11,104	1.1
2005	10,667	-3.9
2006	10,284	-3.6
2007	10,057	-2.2
2008	10,557	5.0

1 Enrollments on September 30.

Source: City of Alexandria Public School System

Employment

During the last decade, the City's economy continued to be one of the strongest in the nation, driven by steady growth in its service-oriented employment base and income base. Following national trends, the greatest employment growth over the last decade has been in the City's service sector.

EMPLOYMENT BY SECTOR AS A PERCENTAGE OF TOTAL

Alexandria Employment[1]	3rd Quarter 2006	3rd Quarter 2007
Construction	4.8	3.5
Manufacturing	1.4	1.5
Transportation, Communications and Utilities	2.1	2.1
Trade	10.1	10.3
Financial, Insurance and Real Estate	6.3	6.4
Services	52.6	53.5
Government		
Local	7.6	7.7
State	1.0	1.1
Federal	14.0	13.9
Agriculture	0.0	0.0
Total[2]	100.0	100.0

Source: Virginia Employment Commission
[1]Including the U.S. Patent and Trademark Office
[2]Total may differ due to rounding

PRINCIPAL PRIVATE EMPLOYERS
AS OF SEPTEMBER 2007

(With at least 500 employees)

Company	Nature Of Business	Approximate Number Of Employees	Percentage Of Total City Employment
INOVA Alexandria Hospital	Health Services	1,600	1.6
Institute for Defense Analyses	R&D/Consulting	1,200	1.2
Alion Science and Technology	Technology Services	741	0.7
Northern Virginia Community College	Education	680	0.7
Center for Naval Analysis	R&D/Consulting	630	0.6
Boat Owners Association of the U.S.	Association	500	0.5
Crs Facility Services	Janitorial Services	500	0.5
Hilton Hotels	Hospitality	500	0.5
Safeway Stores	Retail-Grocery	500	0.5

Source: Alexandria Economic Development Partnership, Inc.

UNEMPLOYMENT RATE
ANNUAL AVERAGE RATES

	2002	2003	2004	2005	2006	January 2007	January 2008
Alexandria	3.6%	3.2%	2.9%	2.8%	2.2%	2.2%	2.7%
Commonwealth of Virginia	4.2	4.1	3.7	3.5	3.0	3.2	3.8
United States	5.8	6.0	5.5	5.1	4.6	5.0	5.4

Income

Per capita income for Alexandria was $65,141 in 2006, which ranked 12th in the United States. 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
2002 TO 2006

	2002	2003	2004	2005	2006
Alexandria (VA)	$52,259	$53,711	$58,365	$61,147	$65,141
Arlington County (VA)	52,729	54,207	56,893	59,389	63,827
Fairfax County (VA)	52,406	53,981	57,169	60,289	64,698
Commonwealth of Virginia	33,014	33,976	35,698	37,503	39,540
Washington MSA	42,664	43,693	46,311	48,697	51,207
United States	30,795	31,466	33,090	34,471	36,714

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 between the City and local businesses 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 and the Alexandria Industrial Development Authority. In addition, the Partnership's president and CEO 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 high technology and related headquarters operations, communications and advertising, 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. In the last ten years, the City has added over 16,000 jobs.

NUMBER OF BUILDING PERMITS ISSUED AND VALUE

Fiscal Year	Residential	Commercial	Miscellaneous [1]	Total Building Permits	Total Value
1998	1,668	53	16,393	18,114	$269,411,000
1999	1,456	35	15,229	16,720	275,511,000
2000	1,386	40	18,309	19,735	278,043,000
2001	1,895	51	14,200	16,146	309,722,000
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

[1] The miscellaneous category includes alterations and repairs, electrical, plumbing, and mechanical permits, and other construction activity.

Source: City of Alexandria Code Enforcement Bureau

VALUE OF NEW CONSTRUCTION

Fiscal Year	Residential	Commercial	Miscellaneous[1]	Total Value
1998	$142,081,000	$62,707,000	$64,623,000	$269,411,000
1999	114,044,000	63,176,000	98,291,000	275,511,000
2000	98,634,000	114,599,000	64,810,000	278,043,000
2001	135,002,000	32,286,000	142,434,000	309,722,000
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

[1] The miscellaneous category includes alterations and repairs, electrical, plumbing, and mechanical permits, and other construction activity.

Source: City of Alexandria Code Enforcement Bureau

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 13, 1992, and includes the following land use goals and objectives:

<u>Goals</u>

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 which has historically characterized Alexandria.

5. To preserve and increase parkland (for both active and passive uses) and open space throughout the City.

<u>Objectives</u>

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.

Office Vacancy Rates

According to Grubb and Ellis of Metropolitan Washington, Alexandria's office vacancy rate was 5.2 percent in the 4th quarter of 2007. As shown in the table below, this is less than half the office vacancy rate in the Washington, D.C. Metro Area. The Alexandria market has weathered the changing economic climate extremely well due to a diverse employment base coupled with a highly educated workforce. Alexandria competes effectively in the regional marketplace due to its adjacency to Washington, D.C, as well as its lower tax burden for businesses.

Jurisdiction	**4th Quarter 2006**	**4th Quarter 2007**
Alexandria, VA	11.4%	5.2%
Northern Virginia	11.6%	12.3%
Washington D.C. Metro Area	10.5%	10.7%

Source: Grubb and Ellis of Metropolitan Washington

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, 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 over 4,200 hotel rooms operated in the City. It is estimated that the tourism industry generates over $20 million in City tax revenues annually.

Housing

As of January 2008, there were 72,537 total housing units (including rental apartments) located in the City of Alexandria. The average assessed value of a single-family home in 2008 was $656,984, a decrease of approximately 0.9 percent over the prior calendar year. The average assessed value of a residential condominium as January 1, 2008, was $326,026, a decrease of approximately 4.3 percent compared to the prior calendar year.

HOUSING UNITS BY TYPE OF STRUCTURE [1]

	2007	2008
Single Family:		
Detached	9,132	9,122
Semi-Detached	5,447	5,463
Rowhouse	6,319	6,342
Condo Townhouse	941	943
Multi-family:		
Condominium Units	17,077	18,229
Rental Apartments	32,189	32,438
Total:	71,105	72,537
Public Housing & Public Housing Replacement Units	1,150	1,150

[1] Includes vacant and occupied units

Source: Department of Real Estate Assessments

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, intra-jurisdictional travelers, as well as others who work or do business in the City.

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 along the City's eastern border. In FY 2008, a new Transportation Master Plan, a part of the City's Master Plan, was approved by City Council. This plan focuses primarily on mass transit initiatives as the primary strategy for the City to develop in an orderly manner and to address transportation congestion over the next 10-20 years.

Ronald Reagan Washington National Airport

Ronald Reagan Washington National Airport serves approximately 18.5 million passengers per year, and is located just outside the City on 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.

The Authority completed major renovations and expansions to Ronald Reagan Washington National Airport in 1997. Regan National has 7,900 parking spaces, a 500-space taxi holding area and 44-gate airline terminals with a direct Metrorail connection.

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 Metrorail 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.

Virginia Railway Express

The City is also served by Virginia Railway Express, 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.

Port Facilities

The port of Alexandria has two privately operated docks for ocean going freighters and two major public docks.

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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, 2008, the total assessed value of real property in the City was $35,554,958,000, which translated into a debt limit of $3,555,495,800. The City's net obligations subject to debt limitations as of April 30, 2008, totaled $272,990,000 and represented 7.7 percent of the allowed debt limit.

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 decade. The City has no plans to borrow for cash flow purposes in FY 2008 or FY 2009.

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 *	$272,990,000
Net Tax Supported Debt:	$272,990,000

* As of April 30, 2008

RATIO OF NET GENERAL DEBT[1] TO ASSESSED VALUE
AND NET DEBT PER CAPITA
LAST TEN FISCAL YEARS

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

[1]Net General Debt includes general obligations bonds and term notes.
[2]Includes real and personal property as adjusted for change to levy.
[3] Source: Alexandria Department of Planning and Zoning and the United States Bureau of Economic Analysis
[4]Personal income and per capita income represent data from the United States Bureau of Economic Analysis, as revised. The most recent year is estimated based on per capita trends.

Source: FY 2009 City of Alexandria Budget.

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR NET GENERAL DEBT[1]
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES

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

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

Source: FY 2009 City of Alexandria Budget.

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 2017 and beyond. 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
2008	5,928,123	1,163,792
2009	5,724,610	1,179,406
2010	5,016,832	1,234,358
2011	4,904,378	1,271,389
2012	2,887,151	1,309,531
2013-2017	13,457,517	7,161,050
2018-2022	82,128	--

COMMITMENTS AND CONTINGENCIES

Washington Metropolitan Area Transit Authority

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

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

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. It is likely that prior to the end of the first six-year period an updated Metro Matters agreement to provide additional funding beyond the first six years will be considered by WMATA and the participating jurisdictions. The Metro Matters inter-jurisdictional agreement was signed by the City of Alexandria on September 28, 2004. The participating jurisdictions' financial obligations, including the City, per the Metro Matters agreement, are subject to individual jurisdictional annual appropriation consideration.

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

Operating Subsidies - Bus and Rail Systems

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

City payments	$ 5,249,462
Revenue and credits available at WMATA	209,348
State Aid and State Motor Fuel Sales Tax revenues	13,176,590
TOTAL	**$18,634,400**

Expected obligations for fiscal year 2008 are $19.7 million of which $6.3 million was budgeted 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, 2007. However, NVTC has not paid any of the allocations for federal advances. In July of 1985, the Alexandria City Council authorized NVTC to pay $4.2 million to WMATA, including accrued interest, from state aid on deposit to the credit of the City. This was the total amount allocated to the City by WMATA for advances by the federal government, including accrued interest. The City has thus, with such authorization, satisfied all claims due WMATA for transit revenue bonds.

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 designations that may ultimately be incurred as a result of the suits and claims will not be material.

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, 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 2008 and for every year the facility has been open, the City and Arlington County exceeded the minimum annual tonnage requirement. If the City would be required to augment this requirement, the financial effect on the City would be immaterial.

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

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

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

Federal law changes in the Clean Air Act and subsequent regulations required the City and Arlington County to invest in a retrofit for new equipment at the Waste-To-Energy Facility. In July 1998, the Authorities advance refunded $55 million of the outstanding revenue bonds (Series 1998 A bonds) for the Facility to take advantage of lower interest rates. The Series 1998A bonds were fully repaid in FY2008. 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. Since Acceptance testing on each unit was completed in November 2000, the Operating Lease agreement between the Authorities and the Corporation took effect in January 2001. Since in essence the lease is a capital lease, the capital assets completed and covered by the lease and the promissory note are removed from the City records and are now considered a part of the plant. In FY 2007, they have been recorded in the same manner, as is the rest of the plant.

The Alexandria/Arlington Waste Disposal Trust Fund ("the Trust") is a private purpose trust fund of Arlington County, Virginia and, accordingly, the financial position and results of operations of the Trust are reflected in the comprehensive annual financial report of Arlington County, Virginia. The City of Alexandria, Virginia and Arlington County, Virginia each have a 50 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, 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 a portion of the annual property tax assessment by the City of Alexandria, interest on invested funds and a portion of special revenues generated on contract waste and was $0.6 million for FY 2007.

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

The Trust also has been used to subsidize the difference between the contractual tipping fee paid by haulers under special contracts and the standard tipping fee and to cover deficiencies arising in the "income-available-for-debt-service" calculations mandated by the Facility Agreement between the Corporation, the jurisdictions, and the Authorities. In June 2001, the City of Alexandria, with the concurrence of Arlington County, took responsibility for the investment of Trust fund monies.

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

Northern Virginia Transportation District Bonds

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

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 is prepared and updated annually.

The FY 2009-FY 2014 Approved Capital Improvement Program totals $456.1 million. Federal, State and other non-City sources fund $59.2 million of this total. In addition, over the next six years the City will have available $48.4 million previously funded from City sources and $44.0 million funded from prior state and federal appropriations. This brings the total CIP investment planned for the FY 2009 to FY 2014 time period to $548.4 million. The plan addresses two broad areas of expenditure. First is the protection of the City's investment in existing physical assets and includes the maintenance, upkeep and renovation of public buildings, streets, sewer lines, recreation facilities, historic sites, information technology and the infrastructure needed to sustain the City. The second is the planning and construction or purchase of major new facilities and systems.

The CIP also reflects phased funding for critical public works infrastructure needs and infrastructure upgrades that will help ensure compliance with increased environmental regulatory requirements and provides an increased capital investment in traffic and pedestrian safety, sewers, governmental facilities, mass transit and information technology investments. The CIP's identified funding sources over the six-year period include $53.1 million in City appropriations largely from General Fund transfers, $7.4 million from prior year General Fund surpluses, $45.9 million in state and federal funds, $14.1 million in bond interest earnings, $28.2 million in pay-as-you-go sewer fees and miscellaneous funding and $288.8 million in future general obligation bond issuance, and $18.6 million from other cash sources.

Last September, City Staff identified possible funding shortfalls in the planned FY 2009 and FY 2010 Capital Improvement Program (CIP) totaling about $85 million. The City has made major revisions to project schedules and cost estimates to reflect both operational realities and funding constraints. The City has also prioritized CIP projects and revised procedures for managing major capital projects to incorporate a phased review process that will more clearly identify potential costs and benefits and allow City staff to better control and manage these projects better over their lifetime. The City also looked again at debt capacity and plans for issuing new debt so that it might fairly allocate the long term benefits of many capital projects to future taxpayers. These efforts were partially offset by rising construction costs for items such as steel and cement. While these actions assisted in developing the CIP, identified project requests and needs for the FY 2009 to FY 2014 time period which remains not funded total some $57.5 million. The CIP focuses on repairing, refurbishing, renovating, rehabilitating, and reconstructing existing physical assets as necessary. The CIP reflects the continued dedication of 1% of real estate tax revenues for open space. It also focuses on projects that will save future operating costs, such as the new Police facility that will eliminate significant lease costs over future years and allow more efficient consolidated police operations.

SUMMARY OF CAPITAL IMPROVEMENT PROGRAM BY PROJECT GROUP

FY 2009 - FY 2014

By Funding Source				
	FY 2009 – FY 2014 Adopted CIP	Plus Prior Year Carry Forward	Plus Prior Year State, Federal, and Misc. Grant Carry Forward	Total FY 2009 – FY 2014 Capital Costs
Schools	$65,320,904	$210,965	$0	$ 65,531,869
Community Development	18,501,900	3,906,019	17,049,469	39,457,388
Recreation & Parks	57,932,867	11,032,866	0	68,965,753
Public Buildings	118,393,155	8,926,179	0	127,319,334
Public Transportation & Traffic Control	85,460,192	4,053,866	12,390,413	101,904,491
Street, Bridge, & Pedestrian Improvements	37,925,330	3,875,852	13,904,650	55,705,832
Sewers	44,033,344	12,331,690	617,670	56,982,704
Other Regional Contributions	3,706,281	0	0	3,706,281
Information Technology Plan	24,827,205	4,045,310	0	28,872,515
TOTAL	$456,101,177	$48,382,787	$43,962,202	$548,446,166

SUMMARY OF CAPITAL IMPROVEMENT PROGRAM BY PROJECT GROUP

FY 2009 - FY 2014

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	TOTAL
Schools	$19,879,886	$5,466,739	$3,085,859	$13,840,814	$14,924,771	8,122,835	65,320,904
Community Development	7,399,364	2,031,701	1,897,522	1,631,072	1,678,202	3,864,039	18,501,900
Recreation & Parks	5,129,719	11,274,567	6,383,349	5,504,190	14,694,624	14,676,419	57,932,868
Public Buildings	9,909,675	32,508,158	47,999,937	13,979,570	4,374,127	9,621,687	118,393,154
Public Transportation & Traffic Control	24,777,812	12,537,125	15,515,981	16,498,085	9,443,190	6,687,999	85,460,192
Street, Bridge, & Pedestrian Improvements	21,566,269	3,218,775	3,039,966	3,266,904	3,324,348	3,509,068	37,925,330
Sewers	5,831,650	5,800,037	9,620,776	5,833,380	10,930,012	6,017,489	44,033,344
Other Regional Contributions	630,868	625,734	620,638	613,578	605,632	609,831	3,706,281
Information Technology Plan	3,136,225	7,581,875	5,488,963	3,099,161	3,298,369	2,222,612	24,827,205
TOTAL	**$98,261,468**	**$81,044,711**	**$93,652,991**	**$64,266,754**	**$63,543,275**	**$55,331,979**	**$456,101,178**

SUMMARY OF CAPITAL IMPROVEMENT PROGRAM BY FUNDING SOURCE

FY 2009 - FY 2014

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	TOTAL
General Fund Planned Appropriations	$4,217,687	$6,554,545	$8,156,530	$9,353,815	11,561,739	13,277,191	53,121,507
General Fund Balance	7,350,000	0	0	0	0	0	7,350,000
General Obligation Bonds	47,081,311	57,385,516	72,947,014	42,001,732	39,637,320	29,740,714	288,793,607
Bond Interest Earnings	2,500,436	2,086,859	2,464,928	2,776,138	2,157,212	2,109,904	14,095,477
Sanitary Sewer Fees	4,631,000	4,594,354	4,683,082	4,733,633	4,785,567	4,802,734	28,230,370
Vehicle Registration Fees	700,000	700,000	700,000	700,000	700,000	700,000	4,200,000
Prior Year Unallocated Funds	1,074,500	0	0	0	0	0	1,074,500
State Revenue	19,892,650	3,685,000	3,685,000	3,685,000	3,685,000	3,685,000	38,317,650
Federal Revenue	7,591,700	0	0	0	0	0	7,591,700
Private Sector Revenue	1,207,125	5,795,000	795,000	795,000	795,000	795,000	10,182,125
Miscellaneous Special Revenues	2,015,060	243,437	221,437	221,437	221,437	221,437	3,144,245
TOTAL	$98,261,469	$81,044,711	$93,652,991	$64,266,755	$63,543,275	$55,331,980	$456,101,181

CAPITAL FINANCING AND DEBT MANAGEMENT

As part of its overall fiscal policies and practices, the City has capital financing and debt management policies related to debt ratios, debt issuance policies, fund balance, capital planning, equipment replacement funding, and risk management.

Debt Ratio Policies

City Council passed a set of debt-related financial policies in 1987. During FY 1998, the Budget and Fiscal Affairs Advisory Committee (BFAAC), a City Council appointed citizen committee, analyzed these debt-related financial policies, 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 in 1997. City Council amended the policies in 1999, to allow priority consideration for an increase in the designation of fund balance for capital project funding, and in 2008 to adjust upward the debt per capita as a percentage of per capita income ratio. These policies are as follows:

DEBT AS A PERCENTAGE OF FAIR MARKET REAL PROPERTY VALUE

June 30, 1986 (At Original Adoption Of Policies)	Target	Limit	June 30, 2007
1.9%	1.1%	1.6%	0.81%

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 30, 1986 (At Original Adoption Of Policies)	Target	Limit	June 30, 2007
	4.8%	3.2%	4.5%	2.9%
Debt per Capita	$1,075	($1,539 in 2007)	($2,221 in 2007)	$1,982

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, 2007
9.8%	8%	10%	4.5%

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, 2007
Unreserved	11.2%	N/A	10%	13.4%
Undesignated	5.5%	5.5%	4.0%	5.4%
Unrestricted Net Assets	N/A	5.5%	4.0%	19.0%

These ratios indicate the ability of the City to cope with unexpected financial problems or emergencies. The Unreserved General Fund Balance represents the funds legally available to the City. It is desirable that the City maintain an Unreserved General Fund Balance that is comparable to the ratio maintained by other double-triple A rated jurisdictions, but not to fall below the lower limit of 10 percent. The Undesignated General Fund Balance corresponds to the checkbook balance of the City. Both balances are important to consider. The unreserved balance includes designations that the City Council has made but presumably could change. Net assets correspond to stockholder's equity for publicly traded companies. The larger the Undesignated General Fund Balance or unrestricted net assets, 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 designation 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.

The City will annually prepare a six-year capital improvement program. 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 six-year 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 six-year scenarios of possible future revenues and expenditures that match the six-year 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 six-year 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.

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, 2007, the Equipment Replacement Reserve Fund, which derives its revenues from scheduled equipment rental charges to user departments, had a cash balance of $10.7 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 unreserved General Fund balance has been designated 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 30th consecutive year for fiscal year 2007. The City expects to receive the certificate for its Fiscal Year 2008 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, 2008, 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 statements 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 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.) 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 2007.

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 remaining Special Revenue Fund is used for health and welfare programs. The Special Revenue Fund also includes the Sanitary Sewer fund to fund sanitary sewer funds and be fully supported by fees. These projects, previously funded by bonds, are now intended to be self-supporting.

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 nonoperating revenues and expenses. In accordance with GASB Statement No. 20, the City has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board, in accounting for enterprise funds to the extent these standards do not conflict with or contradict guidance of the GASB. The City has two proprietary funds - the Internal Service Fund and the component unit Alexandria Transit Company. The Internal Service Fund accounts for the financing of goods or services provided by one department to other departments or agencies of the City on a cost reimbursement basis and is considered an enterprise fund. The City established the Equipment Replacement Reserve Account, the internal service fund, for the purpose of providing for the accumulation of funds to replace capital equipment items used in City operations. This internal service fund derives its funding from periodic equipment rental charges assessed to the user departments in the governmental funds. This funding is then used to replace capital equipment when the need arises. The internal service fund is included in governmental activities for government-wide reporting purposes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The excess revenues or expenses for the fund are allocated to the appropriate functional activity. The component unit Alexandria Transit Company is considered an enterprise fund and derives its funding from fare box fees and some support from the City.

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.

	2003	2004	2005	2006	2007
Revenues:					
General Property Taxes	$ 218,939,362	$ 243,524,779	$ 265,286,800	$ 290,055,692	$ 310,821,622
Other Local Taxes	88,119,848	93,960,955	101,468,560	109,495,556	110,979,367
Permits, Fees, and Licenses	2,902,316	3,246,124	4,439,701	5,372,138	5,944,363
Fines and Forfeitures	3,939,648	4,164,369	4,035,693	3,536,342	3,628,938
Use of Money and Property	5,246,678	4,048,134	5,790,327	8,190,426	9,712,862
Charges for Services	9,178,249	9,587,175	10,352,947	10,837,058	10,286,955
Intergovernmental Revenues	46,755,221	49,460,664	47,054,318	50,232,988	53,608,403
Miscellaneous	581,673	348,868	521,372	842,030	590,351
Total Revenues:	$ 375,662,995	$ 408,341,063	$ 438,949,718	$ 478,562,230	$ 505,572,861
Other Financing Sources:					
Operating Transfers In	$ 893,601	$ - -	$ -	$ -	$ 1,063,895
Refunding Bonds	-	- -	32,465,000	-	22,815,000
Premium	-	- -	1,222,931	-	1,448,072
Total Other Financing Sources	$ 893,601	$ - -	$ 33,687,931	$ -	$ 25,326,967
Total Revenues and Other Financing Sources	$ 376,556,596	$ 408,341,063	$ 472,637,649	$ 478,562,230	$ 530,899,828
Expenditures:					
Current:					
General Government	$ 31,518,048	$ 35,692,807	$ 37,233,747	$ 39,252,972	$ 44,983,189
Judicial Administration	11,517,348	12,350,329	130,060,768	13,904,977	16,024,123
Public Safety	82,436,138	86,328,771	90,347,799	97,853,993	105,381,228
Public Works	27,674,382	29,362,442	29,920,883	30,378,866	33,072,866
Health and Welfare	15,888,964	16,415,944	18,164,634	19,350,745	20,889,031
Culture and Recreation	17,073,254	18,005,521	19,507,018	21,260,550	22,855,258
Community Development	7,022,600	7,321,949	8,538,375	8,758,008	9,219,603
Education.	13,246	13,058	13,299	12,990	12,548
Transit	3,628,477	3,890,922	4,761,857	6,110,373	6,755,289
Debt Service:					
Principal Retired	10,427,596	10,895,998	13,220,854	16,461,681	17,729,329
Interest and Fiscal Charges	7,173,024	7,909,095	9,583,716	10,502,282	13,307,530
Total Expenditures	$ 214,373,077	$ 228,186,814	$ 244,352,950	$ 263,847,437	$ 290,229,994
Other Financing Uses:					
Payment to Refunded Bonds Escrow Agent	$ -	$ -	$ 33,385,875	$ -	$ 24,104,018
Operating Transfers Out	47,047,187	43,745,927	53,883,761	58,296,860	47,816,337
Transfers Out - Component Units	125,304,498	131,873,629	141,825,586	151,533,567	164,032,522
Total Other Financing Uses	$ 172,351,685	$ 175,619,556	229,095,222	209,830,42	235,952,877
Total Expenditures and Other Financing Uses	$ 386,724,762	$ 403,806,370	$ 473,448,172	$ 473,677,864	$ 526,182,871
Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses	$ (10,168,166)	$ 4,534,693	$ (810,523)	$ 4,884,366	$ 4,716,957
Fund Balances at Beginning of Year	68,228,659	58,117,728	62,796,610	62,275,183	67,378,045
Increase/(Decrease) in Reserve For Inventory	57,235	144,189	289,096	218,496	158,726
FUND BALANCES AT END OF YEAR	**$ 58,117,728**	**$ 62,796,610**	**$ 62,275,183**	**$ 67,378,045**	**$ 72,253,728**

Summaries for fiscal years 2003 to 2007 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 2003 TO 2007

		2003		2004		2005		2006		2007
Reserved for:										
Inventory of Supplies	$	1,537,404	$	1,681,593	$	1,970,689	$	2,189,185	$	2,347,911
Encumbrances		2,386,468		1,525,942		2,087,658		1,845,820		2,345,051
Total Reserved	$	$3,923,872	$	$3,207,535	$	4,058,347	$	4,035,005	$	4,692,962
Unreserved										
Designated For:										
Subsequent Year's Budget	$	6,000,000	$	4,334,000	$	4,330,000	$	3,354,819	$	1,999,550
Next Subsequent Year's Budget		1,758,449		4,330,000		3,800,000		3,300,000		4,000,000
Subsequent Years' Capital Expenditures		4,200,000		7,536,116		4,732,890		7,353,288		3,643,211
Next Subsequent Years' Capital Expenditures		--		258,000		--		--		7,350,000
Self-Insurance		5,000,000		5,000,000		5,000,000		5,000,000		5,000,000
Retiree Health and Life (OPEB)		--		--		--		8,700,000		10,700,000
Open Space Fund		953,000		--		--		275,703		--
Compensated Absences And Others		7,208,635		7,208,635		7,208,635		--		--
Affordable Housing		--		751,000		--		275,703		--
Affordable Housing (AHOP) Grants		--		--		--		300,000		--
Federal/State Grant Reductions Set-aside		--		--		--		1,000,000		--
Monroe Avenue Pedestrian Bridge Design Funds		--		--		--		300,000		--
General Schedule Employee Compensation		--		--		--		4,000,000		--
Recycling		564,323		--		--		--		--
Efficiency Savings		--		72,489		52,592		--		--
Federal Budget Reductions		--		--		143,000		--		--
Medical Service for Jail Inmates		--		--		250,000		--		--
Public Safety Employee Compensation		--		--		3,000,000		--		--
King Street Garden		--		--		--		--		25,000
National Harbor		--		--		--		--		700,000
Fuel Costs		--		--		1,027,000		--		500,000
Social Services Contingency		--		--		--		--		530,000
Projects Under Discussion		--		--		--		--		3,368,000
On-going Projects		1,184,951		1,922,038		2,824,000		2,649,421		2,345,870
Undesignated		27,324,498		28,176,797		25,848,719		26,834,106		27,399,135
Total Unreserved	$	$54,193,856	$	$59,589,075	$	58,216,836	$	63,343,040	$	67,560,766
Total General Fund	$	$58,117,728	$	$62,796,610	$	62,275,183	$	67,378,045	$	72,253,728
General Fund Balance as a percent of General Fund Expenditures and Other Financing Uses		15.1%		15.6%		13.2%		14.2%		13.8%

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 Manager. The City Manager's Proposed Budget for the following year is presented to the City Council in March 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 six-year Capital Improvement Program is also prepared each year, and 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.

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 on the evening of Budget adoption, which is generally 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 2008 OPERATING BUDGET

City Council adopted the FY 2008 Operating Budget on May 7, 2007. The City's FY 2008 General Fund Budget of $519.5 million represented an increase of 4.4 percent, compared to the amended FY 2007 Budget. The General Fund Budget for FY 2008 (July 1, 2007, to June 30, 2008) is financed principally by tax revenues. For Tax Year 2007, which coincides with calendar year 2007, the real property tax rate increased by $0.015 to $0.83 per $100 of assessed value. The 2007 tax bill on the average single-family residential property decreased 1.1 percent from 2006 or approximately $47. The FY 2008 Budget included $160.2 million for the Alexandria City Public Schools representing a 6.9 percent increase over the FY 2007 Budget in the City appropriation to the Schools.

FY 2009 OPERATING BUDGET

The City Manager presented the Proposed FY 2009 Operating Budget on February 12, 2008 and the City Council adopted it on May 5, 2008. The City's FY 2009 Adopted General Fund Budget of $542.0 million represents an increase of 4.3 percent, compared to the revised FY 2008 Budget. The Proposed General Fund Budget for FY 2009 (July 1, 2008, to June 30, 2009) is financed principally by tax revenues. For tax year 2008, which coincides with calendar year 2008, the real property tax rate is $0.845 per $100 of assessed value, an increase of $0.015 over the previous rate. At the adopted rate of $0.845 per $100 of assessed value, the 2008 tax bill on the average single-family residential property would decrease by 0.2 percent or approximately $7. The City Restaurant Meal Tax was increased from 3% to 4%, and the City's Transient Lodging Tax was increased from 5.5% plus $1 per room night to 6.5% plus $1 per room night. The FY 2009 Budget includes $168.0 million for the Alexandria City Public Schools representing a 4.8 percent increase over the FY 2008 Budget in the City appropriation to the Schools.

REVENUES

The following table shows the City's principal tax revenues by source for each of the last six fiscal years. Growth in total tax revenues has averaged 7.9 percent over the last five fiscal years even though the real estate tax rate has dropped 20 percent during that same time period.

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
2002	164,959,409	38,331,453	20,316,345	22,233,330	13,769,258	17,761,931	11,733,745	289,105,471
2003	186,431,815	30,745,962	21,216,124	23,679,889	14,033,722	17,793,919	13,157,779	307,059,210
2004	210,922,789	30,944,059	22,541,886	25,601,366	15,375,426	18,570,290	13,529,913	337,485,729
2005	232,528,457	31,243,560	23,812,277	27,098,032	16,781,830	18,520,667	16,770,537	366,755,360
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

[1]Other 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 pay 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 will no longer be reimbursed for 70 percent of the personal property taxes on qualifying vehicles. Rather, the Commonwealth will reimburse the City a fixed dollar amount ($23.6 million for FY 2007) instead of the reimbursement schedule. In FY 2007, 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 2000 to 2007 and personal property tax collection rate for calendar years 2001 to 2007. The real property tax rate increased to $0.83 per $100 in calendar year 2007. The City's personal property tax rate remained at $4.75 per $100 of value for FY 2008, and the reimbursement rate remained at 69 percent.

REAL ESTATE TAX LEVIES AND COLLECTIONS
(Amounts in thousands)

		Collected within the Fiscal Year of the Levy			Total Collections To Date	
Calendar Year Ended December 31	Taxes Levied for Calendar Year*	Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2000	147,059	144,741	98.42	2,298	147,039	99.99
2001	159,190	156,748	98.47	2,424	159,172	99.99
2002	174,831	172,296	98.55	2,506	174,802	99.98
2003	199,805	196,181	98.19	3,590	199,771	99.98
2004	225,160	223,047	99.06	2,063	225,110	99.98
2005	250,530	247,166	98.66	3,232	250,398	99.95
2006	267,982	264,951	98.87	1,930	266,881	99.59
2007	282,996	279,948	98.92	--	279,948	98.92

* Levy adjusted for changes since original levy

PERSONAL PROPERTY TAX LEVIES AND COLLECTIONS
(Amounts in thousands)

	Taxes Levied for the Calendar Year		Collected within the Fiscal Year of the Levy			Total Collections to date	
Calendar Year Ended December 31,	Total	Commonwealth Reimbursement	Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2001	56,957	20,842	48,136	84.51	11,176	59,312	104.13
2002	58,478	21,122	49,216	84.16	3,880	53,096	90.80
2003	60,472	22,915	50,576	83.64	3,709	54,285	89.77
2004	56,059	21,936	48,535	86.58	3,806	52,341	93.37
2005	58,942	22,558	50,422	85.55	4,497	54,919	93.17
2006	62,213	24,193	55,284	88.86	2,191	57,475	92.38
2007	61,974	23,849	55,247	89.15	--	55,247	89.15

The City of Alexandria aggressively levies a personal property tax even where 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. If an individual registered his or her automobile last year and fails to register this year, he or she is billed based on last year's registration. 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. In most cases, these personal property tax bills are ultimately reduced or relieved due to, for example, individuals moving out of the City. 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 April 30, 2008. These liens represent a small portion of the over $288.3 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 APRIL 30, 2008

Calendar Year Tax Due	Delinquent Real Estate Taxes
2000	$ 19,902
2001	8,565
2002	17,097
2003	23,489
2004	45,007
2005	106,256
2006	461,705
2007	1,748,502

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 9.23 percent of the $35,554,958,198 of real property assessed as of January 1, 2008.

PRINCIPAL TAXPAYERS
PRIVATE PROPERTY
JANUARY 1, 2008

	Owner's Name	Property	2008 Assessed Value (In millions)	Percentage of Total Assessed Valuation
1.	LCOR Alexandria, L.L.C.	Office Buildings	$1,290.0	3.63%
2.	AIMCO Foxchase L.P.	Foxchase Apartments	313.2	0.88
3.	Washington Real Estate Investment Trust	Portfolio	258.8	0.73
4.	Hoffman Buildings L.P./L.L.P.	Hoffman Office Buildings	247.9	0.70
5.	Lafayette Buildings L.L.C.	Mark Center Office Buildings	231.2	0.65
6.	Southern Towers L.L.C.	Southern Towers Apartments	228.4	0.64
7.	Canal Center L.P.	Canal Center	193.3	0.54
8.	T C Duke Street L.L.C.	Office Buildings	184.5	0.52
9.	Tishman Speyer Archstone Smith Newport Village I & II	Newport Village Apartments	167.8	0.47
10.	Alexandria Apartments L.L.C	Alexandria Apartments	166.2	0.47
		Total Value of Property owned by the Ten Largest Private Property Owners	**$3,281.3**	**9.23%**

PUBLIC SERVICE COMPANIES
JANUARY 1, 2007

	Owner's Name	2007 Assessed Value (In millions)	Percentage Of Total Assessed Valuation*
1.	Mirant Potomac River LLC	$266.3	0.79%
2.	Virginia Electric Power Company	152.4	0.44
3.	Verizon Virginia, Inc.	95.8	0.29
4.	Covanta Alexandria, Arlington Inc.	93.3	0.26
5.	Norfolk Southern Railway Company	67.7	0.19
6.	Richmond, Fredericksburg & Potomac Railway	65.5	0.18
7.	Virginia American Water Company	43.9	0.12
8.	Potomac Electric Power Company	35.0	0.11
9.	Washington Gas Light	32.1	0.10
10.	Comcast Phone of Northern Virginia, Inc.	8.1	0.03
	Total Value of Property Owned by the Ten Largest Utility Property Taxpayers	**$860.1**	**2.51%**

* Percentage of Total Assessed Valuation is based on a total assessed value in 2007 of $34,243,031,000

Source: City Department of Finance

The following table sets forth the assessed value of all taxable property in the City from calendar (tax) year 1997 to the present. Tax-exempt properties owned by the federal government, the Commonwealth, local government, churches and schools, totaling $4.9 billion for calendar year 2008, are not included in the table.

HISTORICAL ASSESSED VALUATION AND PROPERTY TAX RATES

	REAL PROPERTY ($000)				PERSONAL PROPERTY ($000)				
Calendar Year	Residential	Commercial	Total	Tax Rate Per $100	Motor Vehicle and Tangibles Assessment	Tax Rate Per $100	Machine and Tools Assessment	Tax Rate Per $100	Total Assessment
1997	5,742,376	5,428,427	11,170,803	1.070	1,197,485	4.75	9,270	4.50	1,206,755
1998	5,882,796	5,722,494	11,605,290	1.070	1,203,370	4.75	9,681	4.50	1,213,051
1999	6,169,055	6,018,465	12,187,520	1.110	1,251,250	4.75	10,259	4.50	1,261,509
2000	6,716,942	6,578,366	13,295,308	1.110	1,359,340	4.75	13,281	4.50	1,372,621
2001	7,573,897	7,058,452	14,632,349	1.110	1,386,141	4.75	187,217	4.50	1,573,358
2002	8,889,290	7,243,699	16,132,989	1.080	1,409,955	4.75	16,351	4.50	1,426,306
2003	11,191,850	8,034,076	19,225,926	1.035	1,459,886	4.75	20,369	4.50	1,480,255
2004	13,245,349	9,335,046	22,580,395	0.995	1,391,110	4.75	17,985	4.50	1,409,095
2005	16,272,324	11,687,327	27,359,651	0.915	1,455,520	4.75	15,009	4.50	1,470,529
2006	20,331,756	12,574,964	32,906,720	0.815	1,395,888	4.75	14,905	4.50	1,424,758
2007	20,205,364	14,037,667	34,243,031	0.830	1,399,713	4.75	11,886	4.50	1,410,753
2008	20,005,149	15,549,810	35,554,959	N/A	N/A	N/A	N/A	N/A	N/A

Note: Property is assessed each year as of January 1. Property is assessed at actual value; therefore, assessed values are equal to actual values. Tax rates are assessed per $100 of assessed value. The City is autonomous from any city, town or other political subdivision of the Commonwealth of Virginia, and there are no overlapping taxing powers with other political subdivisions.

Local Sales Tax

The City 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 $25.4 million or 6.0 percent of all tax revenues for the fiscal year ended June 30, 2007. The table below shows revenue from the local sales tax for the past five years.

LOCAL SALES TAX REVENUES

Fiscal Year	Revenues	Percent Change
2003	21,216,124	4.43
2004	22,541,886	6.25
2005	23,812,277	5.64
2006	25,264,689	6.10
2007	25,440,638	0.70

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 percent 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 the payment of the license tax make application for the license to the City and, in cases where the tax is based on gross receipts, the applicant must furnish the City a sworn statement of the amount of gross receipts from the previous year. In the fiscal year ended June 30, 2007, business license taxes represented 7.3 percent of all tax revenues.

BUSINESS LICENSE TAX REVENUES

Fiscal Year	Revenues	Percent Change
2002	22,233,330	7.08
2003	23,679,889	6.50
2004	25,601,366	8.11
2005	27,098,032	5.85
2006	28,381,583	4.74
2007	30,947,412	9.04

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, 2007, utility taxes represented 3.3 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 decline in this tax category in FY 2007, when compared to FY 2006, is offset by the new Communications Tax revenues.

UTILITY TAX REVENUES

Fiscal Year	Revenues	Percent Change
2003	17,793,919	0.18
2004	18,570,290	4.36
2005	18,520,667	(0.27)
2006	17,587,865	(5.04)
2007	13,836,170	(21.33)

Source: City Department of Finance

Communications Tax

Virginia HB568 replaced many of the telephone and cable television taxes previously collected by the City 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. Based on information provided to Virginia about Alexandria's collection of existing taxes in FY 2006 of $11,682,596 which equated to 2.6 percent of taxes collected statewide, the City will receive approximately 2.6 percent of the State's total Communications Sales and Use tax revenues. This means that as total communications taxes rise statewide, the City will receive 2.6 percent of these new tax revenues. In FY 2007, the City received $5,318,253 from the Communications Sales and Use Tax for the six months that this new tax was in effect.

Transient Lodging Tax

The transient lodging tax is levied at a rate of 5.5 percent of the amount charged for hotel and motel rooms, plus $1.00 per room per night. For the fiscal year ended June 30, 2007, transient lodging taxes represented 1.8 percent of all tax revenues.

TRANSIENT LODGING TAX REVENUES

Fiscal Year	Revenues	Percent Change
2003	5,241,018	0.66
2004	6,323,906	20.66
2005	7,183,067	13.59
2006	7,811,884	8.75
2007	7,415,060	(5.08)

Source: City Department of Finance

Restaurant Meal Tax

A three percent restaurant meal tax is levied on all food and drink (including alcoholic beverages) sold in the City. For the fiscal year ended June 30, 2007, restaurant meal taxes represented 2.5 percent of total tax revenues.

RESTAURANT MEALS TAX REVENUES

Fiscal Year	Revenues	Percent Change
2003	8,792,704	2.68
2004	9,051,520	2.94
2005	9,598,763	6.05
2006	10,094,267	5.16
2007	10,657,839	5.58

Source: City Department of Finance

Other Taxes

Revenues received from other local taxes include a 70-cent per pack cigarette tax, a recordation tax, a bank franchise tax, a motor vehicle license tax, telecommunication tax, admissions tax, a cable TV franchise license tax and penalty and interest on property taxes. For the fiscal year ended June 30, 2007, other local taxes represented 5.8 percent of total tax revenues. The previously levied cell phone tax and a portion of the telecommunication tax became part of the communications sales and use tax effective January 1, 2007.

OTHER LOCAL TAX REVENUES

Fiscal Year	Revenues	Percent Change
2003	13,157,779	12.1
2004	13,529,913	2.8
2005	16,770,537	24.0
2006	22,077,840	31.6
2007	24,539,175	11.1

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. 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 bases for federal prisoners maintained in the City jail. The reimbursement for the year ended June 30, 2007, was $5.7 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.

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 28.4 percent of total disbursements from the General Fund in the fiscal year ended June 30, 2007, and 84 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 12 percent of total General Fund disbursements in the fiscal year ended June 30, 2007.

Establishment of 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-sufficiency 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 new 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. For FY 2009, the Sanitary Sewer Special Revenue Fund revenues are anticipated to be $5.9 million in sewer line maintenance fees and $1.5 million in connection fees. Budgeted expenditures include $1.7 million for operation and maintenance expenditures, $1.3 million for debt service and $4.6 million for capital projects. The operations of the Sanitary Sewer Special Revenue Fund are not associated with the operations of the Alexandria Sanitation Authority, which is a separate 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)

The City provides certain eligible retirees with a post employment health care subsidy to supplement increasing health care costs. Retirees receive a subsidy of up to $260 per month for a total annual contribution on a “pay-as-you-go” basis of $2.0 million. The City did not increase the rate for FY 2009. The City pays the cost of basic life insurance coverage (two times final salary) for retirees and permits retirees to purchase supplemental life insurance up to an additional two times their final salary. That coverage amount is reduced after age 65 as a retiree ages.

In preparation for the implementation of Governmental Accounting Standard Board Statement No 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45), the City had actuaries prepare an updated preliminary estimation of post retirement medical and life insurance cost as of July 1, 2007. That evaluation estimated the Unfunded Actuarial Accrued Liability to be $89 million and the Annual Required Contribution to be $12.3 million. This information was based on a 30-year amortization of the unfunded actuarial liability and a 6.0 percent discount rate assumption. The City plans to place funds in a separate investment trust fund.

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 2009, the Schools plan to provide a subsidy of $265 per month at a total cost on a “pay-as-you-go” basis of $1.1 million. A preliminary evaluation of their plan as of June 30, 2006, estimated that with a separate trust fund the Unfunded Actuarial Accrued Liability to be $39.0 million and the Annual Required Contribution to be $4.9 million, and if a separate trust fund is not used the Unfunded Actuarial Accrued Liability to be $66.0 million and the Annual Required Contribution to be $4.9 million. The Schools currently plan to create a trust fund for Other Post Employment Benefits.

In recognition that GASB 45 reported unfunded liabilities should be addressed, the City Council, as part of its FY 2008 budget deliberations, designated $10.7 million of the City’s General Fund balance for “Post Retirement Employees Benefits.” For FY 2009, the City will increase contributions by $1.4 million in new funds. The schools plan on increasing their annual contributions by $0.8 million in new funds. The City Council and the schools plan to increase annual contributions to fund Post Retirement Employees Benefits towards the actuarially recommended Annual Required Contribution (ARC) amount.

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, 2007, the City’s total compensated absences liability, including Schools, was $25.3 million.

Expenses associated with unemployment compensation and workers’ compensation are funded annually. Expenses in fiscal year 2007 were $0.1 million for unemployment compensation and $2.4 million for workers’ compensation. The long-term workers’ compensation liability as of June 30, 2007, was estimated at $7.0 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

	2002	2003	2004	2005	2006	2007
General Government	300	303	305	317	300	300
Judicial Administration	118	119	117	120	121	120
Public Safety	887	900	910	926	929	933
Public Works	224	227	229	231	232	225
Library	52	52	54	55	55	55
Health and Welfare	492	497	511	519	509	514
Culture and Recreation	145	145	150	153	154	157
Community Development	66	67	57	57	57	55
Education	2,098	2,079	2,082	2,120	2,125	1,910
TOTAL	**4,382**	**4,389**	**4,415**	**4,470**	**4,482**	**4,269**

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, 2007. 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 web site at http://www.alexandriava.gov.

Sections of the Comprehensive Annual Financial Report of the City of Alexandria for the fiscal year ended June 30, 2007, 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 six-year 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 City's web site at http://www.alexandriava.gov through the Office of Management and Budget home page.

SECTION SIX: MISCELLANEOUS

RATINGS

Moody's Investors Service, Inc. ("Moody's") has assigned a rating of "Aaa" and Standard & Poor's Credit Market Services ("S&P") has assigned a rating of "AAA" to the Series 2008A Bonds and Series 2008B 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, 2007, 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 July 9, 2008, the Series 2008A Bonds were awarded to Robert W. Baird & Co. Incorporated (the "2008A Underwriters") and the Series 2008B Bonds were awarded to Stifel, Nicolaus & Company, Incorporated (the "2008B Underwriters" and together with the 2008A Underwriters, the "Underwriters"). The 2008A Underwriters and the 2008B Underwriters have supplied the information as to the interest rates and offering prices or yields of the Series 2008A Bonds and Series 2008B Bonds, as appropriate, 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 2008A Underwriters have informed the City that it anticipates total underwriting compensation of $228,400 for the Series 2008A Bonds and 2008B Underwriters have informed the City that it anticipates total underwriting compensation of $43,022 for the Series 2008B Bonds. The Underwriters 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 the successful bidder a certificate dated the date of delivery of the Bonds, signed by the appropriate City officials and stating that (a) no litigation is then pending or, to their knowledge, threatened against the City to restrain or enjoin the issuance or delivery of the Bonds or the levy or collection of taxes to pay principal or interest thereon 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 sections entitled "Book-Entry-Only System" and "Litigation" 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 bidder concurrently with the delivery of the Bonds a certificate dated the date of delivery of the Bonds, stating that the statements in the section 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/* James K. Hartmann
City Manager

APPENDIX A

BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION FOR FISCAL YEAR ENDED JUNE 30, 2007

INDEPENDENT AUDITORS' REPORT

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

Independent Auditors' Report

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2007, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, the budgetary comparison schedules, and the schedules of funding progress and employer contributions on pages 21 through 32, 98 through 100, and 101 through 102, respectively, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

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

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

KPMG LLP

November 19, 2007

MANAGEMENT’S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS FOR FY 2007

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

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

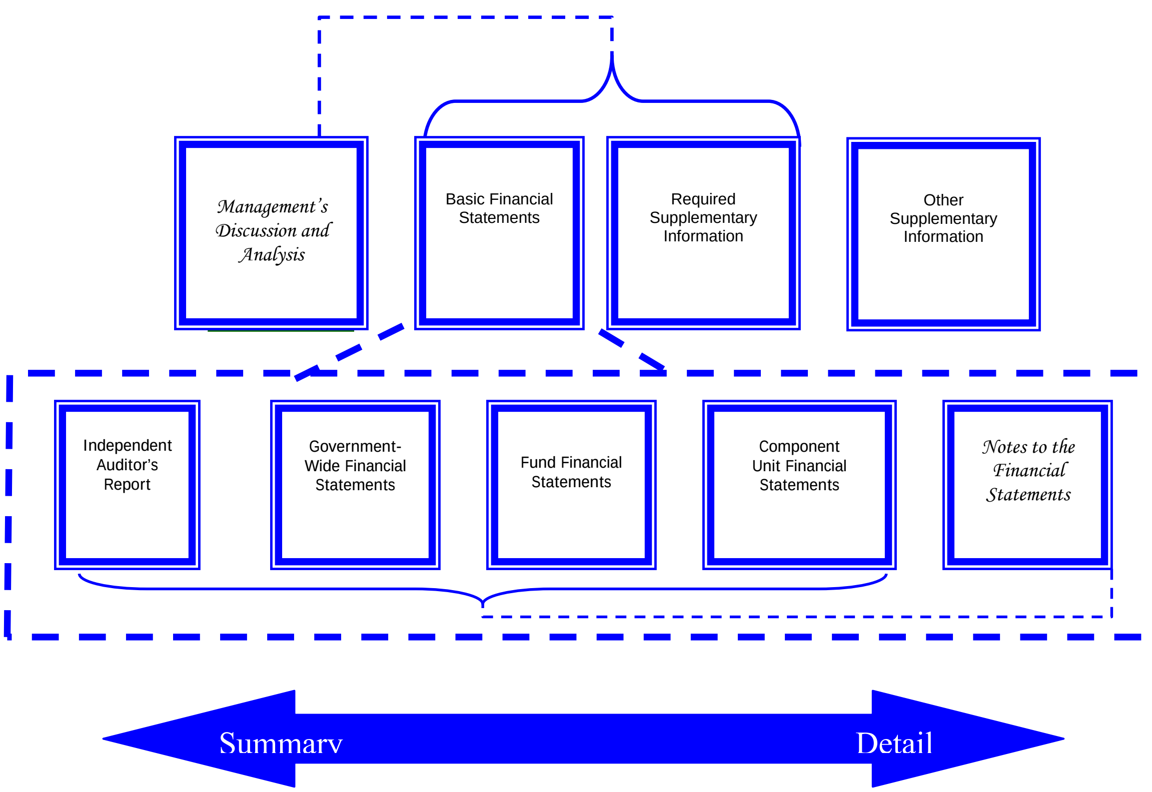
The City's total net assets, excluding component units, on the government-wide basis, totaled $360.6 million at June 30, 2007. Of this amount, $87.9 million is unrestricted (Exhibit I).

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

USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

Components of the Financial Section



GOVERNMENT-WIDE STATEMENTS

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

The City has three kinds of funds:

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

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

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Statement of Net Assets:

The following table presents the condensed Statement of Net Assets:

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

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

Amounts may not add due to rounding

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

Statement of Activities

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

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

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

Amounts may not add due to rounding

REVENUES

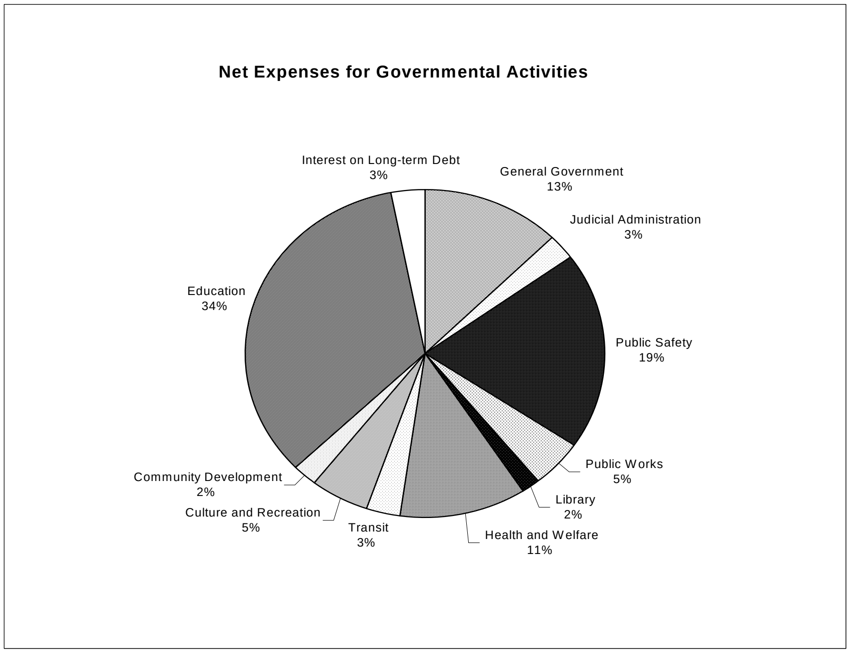
For the fiscal year ended June 30, 2007 revenues from governmental activities totaled $591 million. Real estate tax revenues, the City's largest revenue source, reflecting the recognition of the taxes associated with the last half of calendar year 2006 and the first half of calendar year 2007 real property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

In addition:

- The increase in Charges for services is attributable to budgeted increases in sewer and developer fees, and

- The increase in capital grants and contributions reflects the receipt of federal funds for the Woodrow Wilson bridge

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



EXPENSES

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

- City's supplemental pension plan,

- Building a new high school to replace the existing T.C. Williams High School building, and

- Open space acquisition and affordable/workforce housing.

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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

- The General Fund contributed $12.9 million to pay-as-you-go financing of capital projects.

- The City contributed $150 million to the schools for operations.

- The City spent over $94 million in the Capital Projects Fund primarily to fund a new high school.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Table 3
General Fund Budget
(in millions)

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

Amounts may not add due to rounding

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

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

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

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

- To reappropriate monies ($2.6 million) to pay for projects budgeted for FY 2006 but not completed before the end of the fiscal year.

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

CAPITAL ASSETS

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

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

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

Amounts may not add due to rounding

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

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

LONG-TERM DEBT

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

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

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

ECONOMIC FACTORS

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

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

OTHER INFORMATION

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

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

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC
FINANCIAL STATEMENTS

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

Exhibit I

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

See Accompanying Notes to Financial Statements

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

Exhibit II

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
					Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Total	Component Units
Primary Government:							
Governmental Activities:							
General Government	$ 63,615,719	$ 6,260,097	$ 1,136,244	$ -	$ (56,219,378)	$ (56,219,378)	$ -
Judicial Administration	17,664,564	2,003,438	4,060,225	-	(11,600,901)	(11,600,901)	-
Public Safety	112,254,136	11,492,388	14,238,607	-	(86,523,141)	(86,523,141)	-
Public Works	44,314,613	16,132,953	5,200,264	1,624,002	(21,357,394)	(21,357,394)	-
Library	6,821,877	-	-	-	(6,821,877)	(6,821,877)	-
Health and Welfare	89,445,018	6,393,968	31,903,729	-	(51,147,321)	(51,147,321)	-
Transit	14,092,313	-	-	-	(14,092,313)	(14,092,313)	-
Culture and Recreation	26,932,106	2,429,182	298,539		(24,204,385)	(24,204,385)	-
Community Development	34,985,982	4,864,225	4,203,388	16,619,218	(9,299,151)	(9,299,151)	-
Education	153,715,707	-	-	-	(153,715,707)	(153,715,707)	-
Interest on Long-term Debt	13,445,407	-	-	-	(13,445,407)	(13,445,407)	-
Total Primary Government	$ 577,287,442	$ 49,576,251	$ 61,040,996	$ 18,243,220	$ (448,426,975)	$ (448,426,975)	$ -
Component Units:							
Library	$ 7,414,806	$ 203,458	$ 229,858	$ -	$ -	$ -	$ (6,981,490)
Transit	11,212,588	2,755,622	83,978	-	-	-	(8,372,988)
School Board	199,631,185	2,244,171	41,749,361	-	-	-	(155,637,653)
Total Component Units	$ 218,258,579	$ 5,203,251	$ 42,063,197	$ -	$ -	$ -	$ (170,992,131)

	Governmental Activities	Total	Component Units
General Revenues:			
Taxes:			
General Property Taxes:			
Real Estate	$ 275,446,314	$ 275,446,314	$ -
Personal Property	35,295,175	35,295,175	-
Other	110,979,367	110,979,367	-
Payment from City of Alexandria	-	-	166,115,776
Grants and Contributions Not Restricted to Specific Programs	32,371,136	32,371,136	-
Interest and Investment Earnings	6,923,097	6,923,097	291,755
Miscellaneous	590,351	590,351	760,434
Total General Revenues	$ 461,605,440	$ 461,605,440	$ 167,167,965
Change in Net Assets	$ 13,178,465	$ 13,178,465	$ (3,824,166)
Net Assets at Beginning of Year	347,421,386	347,421,386	35,669,008
Net Assets at End of Year	$ 360,599,851	$ 360,599,851	$ 31,844,842

See Accompanying Notes to Financial Statements

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

Exhibit III

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

Adjustments for the Statement of Net Assets:

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

See Accompanying Notes to Financial Statements

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

Exhibit IV

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

Adjustments for the Statement of Activities:

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

See Accompanying Notes to Financial Statements

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

Exhibit V

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

See Accompanying Notes to Financial Statements

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

Exhibit VI

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

See Accompanying Notes to Financial Statements

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

Exhibit VII

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

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

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

See Accompanying Notes to Financial Statements

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

Exhibit VIII

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

See Accompanying Notes to Financial Statements

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

Exhibit IX

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

See Accompanying Notes to Financial Statements

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

Exhibit X

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

See Accompanying Notes to Financial Statements

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

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

See Accompanying Notes to Financial Statements

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 139,000 and a land area of 15.75 square miles, Alexandria is the 7th largest city in the Commonwealth of Virginia and one of the most densely populated cities in the Commonwealth.

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

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

A. Financial Reporting Entity

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

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

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

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

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

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 $150 million for operations and $0.8 million for capital equipment in FY 2007.

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

City of Alexandria Library System

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Alexandria Transit Company

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

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

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

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

Excluded from Reporting Entity:

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

B. Government-wide and Fund Financial Statements

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

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

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

1. Governmental Funds

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

a. General Fund

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

b. Special Revenue Fund

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

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Capital Projects Fund

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

2. Proprietary Funds

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

3. Fiduciary Funds

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

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

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

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

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

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

D. Budgets and Budgetary Accounting

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

Encumbrances

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

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

E. Equity in Pooled Cash and Investments

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

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

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

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

F. Allowance for Uncollectible Accounts

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

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

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

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory of Supplies and Prepaid and Other Assets

Primary Government

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

Component Units

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

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

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

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

H. Capital Assets

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

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

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

I. Compensated Absences

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

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

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

J. Use of Estimates

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

K. Fund Balance

Reservations of Fund Balance

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

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

NOTE 2. LEGAL COMPLIANCE – BUDGETS

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

NOTE 3. DEPOSITS AND INVESTMENTS

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

**Exhibit XII
(Continued)**

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

A. Deposits

Primary Government

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

Component Units

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

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

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

B. **Investments**

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

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

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

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

Exhibit XII (Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

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

Primary Government

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

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

Component Unit
School Board

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

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

Other Component Units

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

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

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

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

NOTE 4. RECEIVABLES

Receivables at June 30, 2007 consist of the following:

Primary Government

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

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

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

**Exhibit XII
(Continued)**

NOTE 4. RECEIVABLES (Continued)

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

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

Component Units

Receivables at June 30, 2007 consist of following:

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

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

All deferred revenue in the component units is unearned.

A. Property Taxes

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

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

Exhibit XII
(Continued)

NOTE 4. RECEIVABLES (Continued)

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

B. Notes Receivable

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

Governmental Activities

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

**Exhibit XII
(Continued)**

NOTE 5. CAPITAL ASSETS

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

Governmental Activities

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

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

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

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

Exhibit XII
(Continued)

Note 5. CAPITAL ASSETS (Continued)

Depreciation was charged to governmental functions as follows:

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

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

Primary Government

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

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

Exhibit XII
(Continued)

Note 5. CAPITAL ASSETS (Continued)

Component Unit - School Board

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

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

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

All depreciation was charged to education.

Exhibit XII
(Continued)

Note 5. CAPITAL ASSETS (Continued)

Component Unit – Alexandria Transit Company

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

All depreciation was charged to transit.

Primary Government

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

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

Component Units

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

Exhibit XII
(Continued)

NOTE 6. RISK MANAGEMENT

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

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

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

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

* Bond provided by the Commonwealth of Virginia

Self-Insurance

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

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

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

NOTE 6. RISK MANAGEMENT (Continued)

Insurance Designation

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

Risk Pools

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

Component Units

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

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

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

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

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

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

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

Exhibit XII
(Continued)

NOTE 6. RISK MANAGEMENT (Continued)

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

NOTE 7. OPERATING LEASES

Rental Costs

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

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

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

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

Rental Revenues

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

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

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

Exhibit XII (Continued)

NOTE 8. COMMITMENTS AND CONTINGENCIES (continued)

A. Washington Metropolitan Area Transit Authority

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

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

1. Capital contributions - Bus and Rail Replacement

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

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

2. Operating subsidies - Bus and Rail Systems

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

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

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

3. WMATA Transit Revenue Bonds

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

Exhibit XII
(Continued)

NOTE 8. COMMITMENTS AND CONTINGENCIES (continued)

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

B. Litigation

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

C. Waste-To-Energy Facility

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

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

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

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

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

NOTE 8. COMMITMENTS AND CONTINGENCIES (continued)

million in new retrofit revenue bonds (Series 1998 B bonds) to cover the cost of new pollution abatement equipment at the Facility required by federal law. The proceeds of the Series 1998 B bonds were lent to Authorities to construct the equipment.

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

Since Acceptance testing on each unit was completed in November 2000, the Operating Lease agreement between the Authorities and the Corporation took effect in January 2001. Since in essence the lease is a capital lease, the capital assets completed and covered by the lease and the promissory note are removed from the City records and are now considered a part of the plant. In FY 2007 they have been recorded in the same manner, as is the rest of the plant.

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

The Trust Fund derives its revenue from the following sources: a portion of the annual property tax assessment by the City of Alexandria, interest on invested funds and a portion of special revenues generated on contract waste and was $0.6 million for FY 2007.

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

The Trust also has been used to subsidize the difference between the contractual tipping fee paid by haulers under special contracts and the standard tipping fee and to cover deficiencies arising in the "income-available-for-debt-service" calculations mandated by the Facility Agreement between the Corporation, the jurisdictions, and the Authorities. In June 2001, the City of Alexandria, with the concurrence of Arlington County, took responsibility for the investment of Trust fund monies.

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

D. Northern Virginia Transportation District Bonds

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

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT

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

Exhibit XII (Continued)

NOTE 9. LONG-TERM DEBT (continued)

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

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (continued)

The outstanding bonds have been issued as follows:

Refunding Bonds of 2007

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

Public Improvement Bonds of 2006 (Tax-exempt)

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

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (continued)

Public Improvement Bonds of 2006 (Taxable)

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

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (continued)

Public Improvement Bonds of 2004

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

Refunding Bonds of 2004

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

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (continued)

Public Improvement Bonds of 2004

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

Public Improvement Bonds of 2001

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

Exhibit XII (Continued)

NOTE 9. LONG-TERM DEBT (continued)

Public Improvement Bonds of 2000

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

Public Improvement and Refunding Bonds of 1994

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

Public Improvement Bonds of 1999

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

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (continued)

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

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

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

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

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

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

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

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

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

**Exhibit XII
(Continued)**

NOTE 9. LONG-TERM DEBT (continued)

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

Primary Government – Governmental Activities

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

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

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

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

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

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

Exhibit XII (Continued)

NOTE 9. LONG-TERM DEBT (continued)

Component Unit – School Board

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

NOTE 10. INTERFUND BALANCES AND COMPONENT UNIT TRANSACTIONS

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

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

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

Primary government transfer activities include:

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

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

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

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

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

Exhibit XII
(Continued)

NOTE 11. GRANTS

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

NOTE 12. INTERGOVERNMENTAL REVENUES

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

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

**Exhibit XII
(Continued)**

NOTE 13. DUE FROM OTHER GOVERNMENTS

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

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

NOTE 14. JOINT VENTURES

A. Northern Virginia Criminal Justice Academy

The City participates in a joint venture with the Counties of Arlington and Loudoun and the Cities of Fairfax, Falls Church, Manassas, and Manassas Park to provide training for sworn law enforcement and correctional officers to satisfy requirements mandated by the Commonwealth of Virginia. The Industrial Development Authority of Loudoun County, Virginia issued $6,585,000 Northern Virginia Criminal Justice Academy Lease Revenue Bonds, Series 1993, to finance the acquisition, renovation, and equipment of the Academy Training Center. The City and the Counties of Arlington and Loudoun have entered into a capital lease with the Industrial Development Authority of Loudoun County. The City maintains an equity interest only in the land and building of the Academy, which is reflected in the City's Statement of Net Assets. The City does not maintain an equity interest in the Academy's operations. This lease was paid in full in FY 2007. New Debt of $18,650,000 was issued in FY 2007. The City does not have an equity interest associated with this debt. The City pays the Northern Virginia Criminal Justice Academy for operating costs based on the pro-rata share of officers trained. In FY 2007, the City paid $0.5 million for operating costs.

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

Exhibit XII
(Continued)

NOTE 14. JOINT VENTURES (Continued)

B. Northern Virginia Juvenile Detention Home

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

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

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

C. Peumansend Creek Regional Jail Authority

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

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

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

Exhibit XII
(Continued)

NOTE 14. JOINT VENTURES (Continued)

D. Washington Metropolitan Area Transit Authority

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

NOTE 15. RELATED PARTY TRANSACTIONS

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

Exhibit XII
(Continued)

NOTE 16. POST EMPLOYMENT BENEFITS

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

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS

Primary Government

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

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Combining Schedule of Ficuciary Net Assets

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

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Combining Schedule of Changes in Fiduciary Net Assets

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

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

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

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

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

Exhibit XII (Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

PLAN DESCRIPTION

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

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

MEMBERSHIP AND PLAN PROVISIONS

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

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

FUNDING POLICY AND ANNUAL PENSION COST

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

* The City assumed the responsibility of payment of employees' share of contributions. Some of the administrative costs of all the pension plans are financed through investment earnings except Firefighters and Police Officers Pension Plan (Defined Benefit Component) and Sheriff /ERT plans, where the City assumes the cost.
The Contribution requirements for all pension plans (except VRS) are established and may be amended by City Ordinance. VRS requirements are established and may be amended by State statutes.

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

ɵ Investment information not available on an individual jurisdiction basis.

Exhibit XII (Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Calculation of Net Pension Obligation (Asset)

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

THREE-YEAR TREND INFORMATION

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

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

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

DESCRIPTION OF BENEFITS:

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

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

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

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

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

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

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

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

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

Exhibit XII (Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

NOTE 18. ACCOUNTING CHANGES

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

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

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

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

EXHIBIT XIII

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

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

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

EXHIBIT XIV

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

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

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 17, 2006, the City Council approved the original adopted budget and on June 16, 2007 approved the revised budget reflected in the required supplementary information.

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

General Fund

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

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

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

Exhibit XVI

SCHEDULE OF FUNDING PROGRESS

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

* Estimated

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

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

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

Six-year historical information of the City's defined benefit pension plans is presented to help users assess each plan's funding status on a going concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employee retirement systems.

Analysis of dollar amounts of plan net assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing plan net assets as a percentage of the actuarial accrued liability provides one indication of each plan's funding status on a going concern basis. Analysis of this percentage over time indicates whether the plan is financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller the percentage, the stronger the plan.

See Accompanying Independent Auditors' Report

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

Exhibit XVI
(Continued)

SCHEDULES OF EMPLOYER CONTRIBUTIONS

For Defined Benefit Pension Plans

Actuarial Date	Annual Required Contribution	Percentage Contributed	Actuarial Date	Annual Required Contribution	Percentage Contributed
City Supplemental			**Pension Plan for Police and Fire**		
06/30/2002	$ 2,579,707	33.2%	06/30/2002	$ 1,088,844	64.3%
06/30/2003	3,229,768	28.9%	06/30/2003	1,033,916	87.2%
06/30/2004	3,229,768	44.8%	06/30/2004	1,125,912	80.1%
06/30/2005	3,172,787	82.7%	06/30/2005	1,547,955	58.3%
06/30/2006	4,271,649	100.9%	06/30/2006	932,554	113.5%
06/30/2007	4,811,560	98.6%	06/30/2007	1,187,836	126.3%
Firefighters and Police Defined Benefit Component [a]			**Virginia Retirement System**		
06/30/2004	$ 2,633,733	60.7%	06/30/2002	765,204	100.0%
06/30/2005	4,890,046	108.3%	06/30/2003	626,701	100.0%
06/30/2006	5,938,572	97.9%	06/30/2004	667,108	100.0%
06/30/2007	6,985,282	91.3%	06/30/2005	1,386,592	100.0%
			06/30/2006	1,470,239	100.0%
Firefighters and Police Disability Component [a]			06/30/2007	7,077,570	100.0%
06/30/2004	$ 443,122	140.1%			
06/30/2005	347,672	180.9%			
06/30/2006	414,340	165.8%			
06/30/2007	1,455,223	57.7%			

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

See Accompanying Independent Auditors' Report

OTHER SUPPLEMENTARY INFORMATION

Agency Funds

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

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

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

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

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

Schedule 1

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

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

Schedule 2

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

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

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

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

Schedule 3

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

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

Schedule 4

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

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 $63,000,000 original aggregate principal amount of its General Obligation Bonds, Series 2008 (the "Bonds"), pursuant to an ordinance adopted by the City Council on May 20, 2008 (the "Ordinance"). Pursuant to the Ordinance, the City Manager approved the sale of $58,000,000 General Obligation Bonds (Tax-Exempt) Series 2008A (the "Series 2008A Bonds") to Robert W. Baird & Co. Incorporated, on behalf of itself and as representative of the underwriters of the Series 2008A Bonds (collectively, the "Series 2008A Underwriters") and the offering and sale of the Series 2008A Bonds to the public pursuant to an Official Statement relating to the Bonds, dated July 9, 2008 (the "Final Official Statement"). Pursuant to the Ordinance, the City Manager also approved the sale of $5,000,000 General Obligation Bonds (Taxable) Series 2008B (the "Series 2008B Bonds") to Stifel, Nicolaus & Company, Incorporated, on behalf of itself and as representative of the underwriters of the Series 2008B Bonds (collectively, the Series 2008B Underwriters," and together with the Series 2008A Underwriters, the "Underwriters") and the offering and sale of the Bonds by the Series 2008B Underwriters to the public pursuant to the Final Official Statement. The City hereby represents, covenants and agrees as follows:

Section 1. **<u>Purpose of the Disclosure Agreement</u>.** 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. **<u>Definitions</u>.** 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.

"NRMSIR" has the meaning set forth in Section 4.

"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.

"SID" means any state-based information depository existing from time to time in the Commonwealth of Virginia for the purpose of receiving information concerning municipal securities.

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, 2008. 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, notice of any of the following events that may from time to time occur with respect to the Bonds, but with respect to the items in (i) through (xi), only if material:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults;

(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 or events affecting the tax-exempt status of the Bonds;

(vii) modifications to rights of Holders;

(viii) bond calls;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds;

(xi) rating changes; and

(xii) the failure of the City on or before the date required by this Disclosure Agreement 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 NRMSIRs and the SID, if any, of any change in its Fiscal Year not later than the date on which it first provides any information to the NRMSIRs and the SID, if any, 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 previously provided to each NRMSIR and to any appropriate SID, or filed with the SEC; provided, however, that any final official statement incorporated by reference must be available from the Municipal Securities Rulemaking Board (the "MSRB").

Section 4. Information Made Public. Information shall be deemed to have been "Made Public" for purposes of this Disclosure Agreement if transmitted to the following as herein required:

(i) each nationally recognized municipal securities information repository ("NRMSIR") approved as such by the SEC from time to time, at its then current address, including the following NRMSIRs existing as of the date hereof:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
http://www.bloomberg.com/markets/rates/municontacts.html
Email: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
http://www.dpcdata.com
Email: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 William Street
New York, New York 10038
Phone: (212) 771-6999
Fax: (212) 771-7390 (Secondary Market Information)
(212) 771-7391 (Primary Market Information)
http://www.interactivedata.com
Email: NRMSIR@FTID.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street
45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
www.jjkenny.com/jjkenny/pser_descrip_data_rep.html
Email: nrmsir_repository@sandp.com

(ii) at its then current address, the SID, if any; provided that in the case of any information Made Public under Section 3(b), such information may be provided to the MSRB at the following address (or such other address as may at the time be in effect), in lieu of providing it to the NRMSIRs as described in clause (i) above:

Municipal Securities Rulemaking Board
1900 Duke Street
Suite 600
Alexandria, Virginia 22314
Phone: (703) 797-6600
Fax: (703) 797-6700

Section 5. <u>CUSIP Numbers</u>. 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 NRMSIRs, the MSRB and/or the SID pursuant to Sections 3 and 4.

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

Section 7. <u>Dissemination Agent</u>. 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 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. <u>Amendment</u>. 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. <u>Additional Information</u>. 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 additional 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 information or include it in any future Annual Financial Information or notice Made Public hereunder.

Section 10. <u>Default</u>. 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. <u>Beneficiaries</u>. 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: July 23, 2008

CITY OF ALEXANDRIA, VIRGINIA

By: ________________________
City Manager

APPENDIX C

FORM OF BOND COUNSEL OPINION

July 23, 2008

City Council
City of Alexandria, Virginia
301 King Street
Alexandria, Virginia 22314

$63,000,000
City of Alexandria, Virginia
General Obligation Bonds
Consisting of

$58,000,000
City of Alexandria, Virginia
General Obligation Bonds (Tax-Exempt)
Series 2008A
and
$5,000,000
City of Alexandria
General Obligation Bonds (Taxable)
Series 2008B

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 $63,000,000 General Obligations Bonds consisting of (a) $58,000,000 General Obligation Bonds (Tax-Exempt) Series 2008A (the "Series 2008A Bonds") and (b) $5,000,000 General Obligation Bonds (Taxable) Series 2008B (the "Series 2008B Bonds," and together with the Series 2008A Bonds, the "Bonds"), dated the date of their delivery.

We have examined the Constitutions and the laws of both the United States of America 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.

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. Interest on the Series 2008A Bonds, including any accrued "original issue discount" properly allocable to owners of the Series 2008A Bonds, is excludable from gross income for purposes of federal income taxation and 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 Internal Revenue Code of 1986, as amended (the "Code"), interest on the Series 2008A Bonds must be included in computing adjusted current earnings. The "original issue discount" on any Series 2008A Bond is the excess, if any, of its stated redemption price at maturity over the initial offering price to the public at which price a substantial amount of Series 2008A Bonds of the same maturity was sold. The "public" does not include bondhouses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers.

The opinions set forth in this paragraph are subject to the City's compliance with all of the requirements of the Code that must be satisfied after the issuance of the Series 2008A Bonds so that the interest on them is, or continues to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each of these requirements. Failure to comply with certain of these requirements may cause the inclusion of interest on the Series 2008A Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series 2008A Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Series 2008A Bonds.

4. Interest on the Bonds is exempt from income taxation by the Commonwealth of Virginia and any of its political subdivisions.

The Series 2008B Bonds are not being issued as tax-exempt obligations for federal income tax purposes and therefore, we express no opinion relative to any federal tax consequences of the ownership of or receipt or accrual of interest on the Series 2008B Bonds.

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 make the statements contained herein and to approve the validity of the Bonds and render the tax opinion above. 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.

Very truly yours,