

CITY OF ALEXANDRIA, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2017



**CITY OF ALEXANDRIA, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR
JULY 1, 2016 TO JUNE 30, 2017**



Alexandria City Council
Allison Silberberg, *Mayor*
Justin Wilson, *Vice-Mayor*
Willie F. Bailey Sr.
John T. Chapman
Timothy B. Lovain
Redella S. Pepper
Paul C. Smedberg

City Manager..... Mark B. Jinks
Director of Finance..... Kendel Taylor
Deputy Director of Finance.....Michael Stewart
Real Estate Assessor.....William B. Page
City Attorney.....James L. Banks
City Clerk and Clerk of Council..... Gloria Sitton
Independent Auditors.....CliftonLarsonAllen, LLP

Prepared by the Department of Finance
Ian Greaves, Ph.D., Comptroller

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CITY OF ALEXANDRIA, VIRGINIA
Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2017

The CAFR Project Team extends its gratitude all personnel throughout the City who contributed to the success of the FY2017 external financial audits and the preparation of the FY2017 CAFR.

Special thanks to the Accounting division's support personnel, other Finance divisions, and the mailroom staff.

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CITY OF ALEXANDRIA, VIRGINIA
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017

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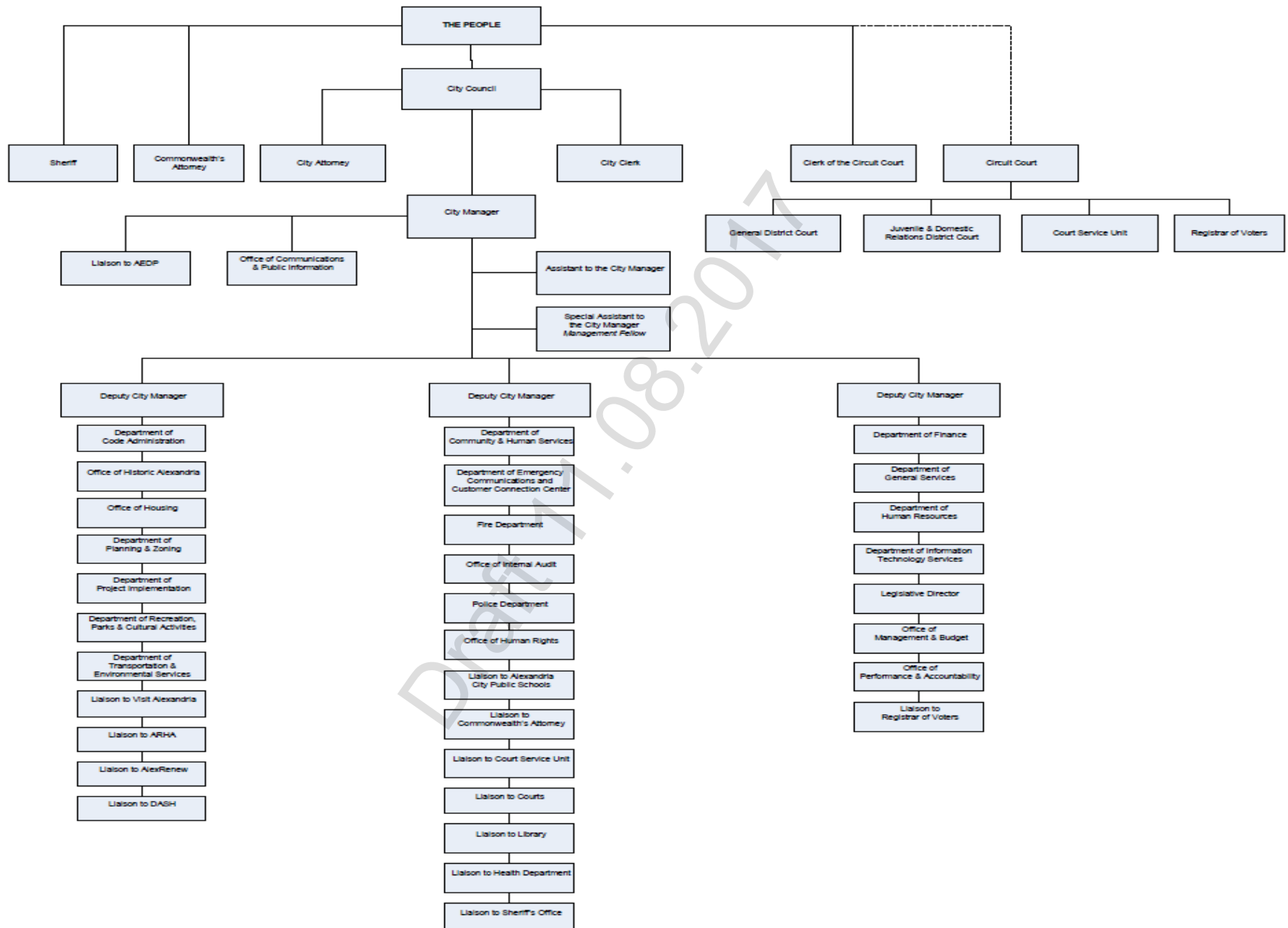
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INTRODUCTORY SECTION

Draft 11.08.2017

ALEXANDRIA CITY GOVERNMENT ORGANIZATIONAL CHART





November 8, 2017

To the Honorable Mayor and Members of City Council,
the Residents and Businesses of the City of Alexandria:

We are pleased to present the City of Alexandria's (the City) **Comprehensive Annual Financial Report** (the CAFR) for the fiscal year ended June 30, 2017. This report is designed to present fairly the financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City in all material respects and to demonstrate compliance with applicable finance-related legal and contractual provisions. The report adheres to the principle of full disclosure so that the reader may gain the maximum understanding of the City's financial affairs.

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

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

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

THE CITY

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

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

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

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

FINANCIAL REPORTING ENTITY

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

LOCAL ECONOMY

During the last decade, the City's economy remained healthy with job and income growth and low unemployment. As of fourth quarter 2016, midway through Fiscal Year 2017, the City's average at-place employment totaled 95,193. While Alexandria's economy was somewhat stable, the City did feel the impact of major changes in federal government spending. In part this is due to Alexandria's geographical location as an inner suburb to Washington, DC. It is also due to a mix of higher paying jobs in Alexandria. City employment has declined by approximately 5.2 percent over the past decade, while average annual pay has increased by 11.7 percent (inflation-adjusted). The greatest employment growth has been in the public administration sector, which has grown by 105.2 percent. The greatest growth in average annual pay per job has come from the financial activities and information sectors, which have experienced inflation-adjusted wage growth of 10.2 percent and 18.25 percent over the past decade, respectively. The largest sectors by total wages are also professional scientific and technical services and public administration, which represented a combined 55.6 percent of all wages earned in the City. Because the City's federal employment is not as dependent appropriations, the number of employees in public administration remained stable as the U.S. Patent and Trademark Office (PTO), continues to need employees to assess and review increasingly complex patent applications. The National Science Foundation has recently completed its relocation to Alexandria, adding approximately 3,100 high level jobs to the City, and is expected to attract over 45,000 visitors annually to the foundation over the next several years.

One measure of the local economy is how economically sensitive City revenues fared. During FY 2017, the City showed improvement in some of these taxes. Overall, FY 2017 collections from the transient lodging tax compared to FY 2016 showed modest growth of 5.1 percent. The meals tax increased by 1.2 percent compared to the prior fiscal year. Revenues from sales tax were up 3.4 percent when measured against FY 2016 and personal property tax revenues on vehicles and business equipment showed a 4.7 percent increase over FY 2016.

The real estate tax base, which generates over half of the City's General Fund revenues continues to show steady but moderate growth. Total locally assessed real property increased in value by 2.07 percent compared to 2016. Residential real property increased by 1.75 percent while locally assessed commercial assessments increased by 2.5 percent. However, the office vacancy rate of 15.3 percent in the second quarter of 2017 is nearly one percent higher than one year earlier, but approximately two and a half percent lower than the office vacancy rate in neighboring Arlington County. The City's unemployment rate of 2.9 percent in June 2017 is just slightly higher than a year earlier, and still well below the national unemployment rate of 4.5 percent and the average for Virginia of 3.7 percent.

MAJOR INITIATIVES

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

FINANCIAL CONDITION

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

The relatively slow recovery from the national economic recession continued to exert pressure on maintaining services at existing levels. Keeping existing programs funded and salaries of public employees competitive, and addressing the expanding program needs of the community have required careful budgeting. The City Council has adopted a Strategic Plan to ensure that City resources remain focused on City priorities. The seven goals of the Strategic Plan are:

1. Alexandria has quality development and redevelopment support for local businesses and a strong, diverse and growing local economy.
2. Alexandria respects, protects and enhances the health of its citizens and the quality of its natural environment.
3. A multimodal transportation network that supports sustainable land use and provides internal mobility and regional connectivity for Alexandrians.
4. Alexandria is a community that supports and enhances the well-being, success and achievement of children, youth and families.
5. Alexandria is financially sustainable, efficient; community oriented and values its employees.
6. The City protects the safety and security of its residents, businesses, employees and visitors.
7. Alexandria is a caring and inclusive community that values its rich diversity, history and culture.

The City Council's approved FY 2018 – 2027 Capital Improvement Program (CIP) totals \$2.1 billion, which is a \$443.0 million increase over last year's approved CIP, or 24.1 percent over last year's ten-year plan. Non-City funds including federal and state funds and private capital contributions contribute \$423.5 million of this total for FY 2018 – FY 2027. The City portion for the same time period is \$1.691 billion. A majority of this increase (\$367.7 million) is attributable to an increase in the investment in the City's sanitary sewer system in order to address combined sewer outfall issues. The City Council's Approved FY 2018 – 2027 CIP is a balanced 10-year plan in that all projects have identified funding sources.

Over the last five years, the City has maintained its fiscal strength as the result of the City Council's adoption of, and subsequent adherence to, the series of financial policies listed on pages 9 and 10. These policies are aimed at (1) limiting debt and annual debt service requirements and (2) maintaining an appropriate General Fund balance to retain the City's AAA/Aaa bond ratings and to keep the City on firm financial footing. When City Council initially adopted the financial policies in 1987, the City's general obligation debt as a percentage of the real estate tax base was 1.4 percent. Because of the City's use of "pay-as-you-go" financing for many capital projects, the City has maintained superior debt ratios since their implementation in 1987. At the end of FY 2017, the City's debt to tax base ratio was just 1.38 percent (excluding self-supported sewer project related debt). The City's financial policies encourage the use of surplus General Fund revenues and resources derived from spending less than the full budget to fund capital projects.

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

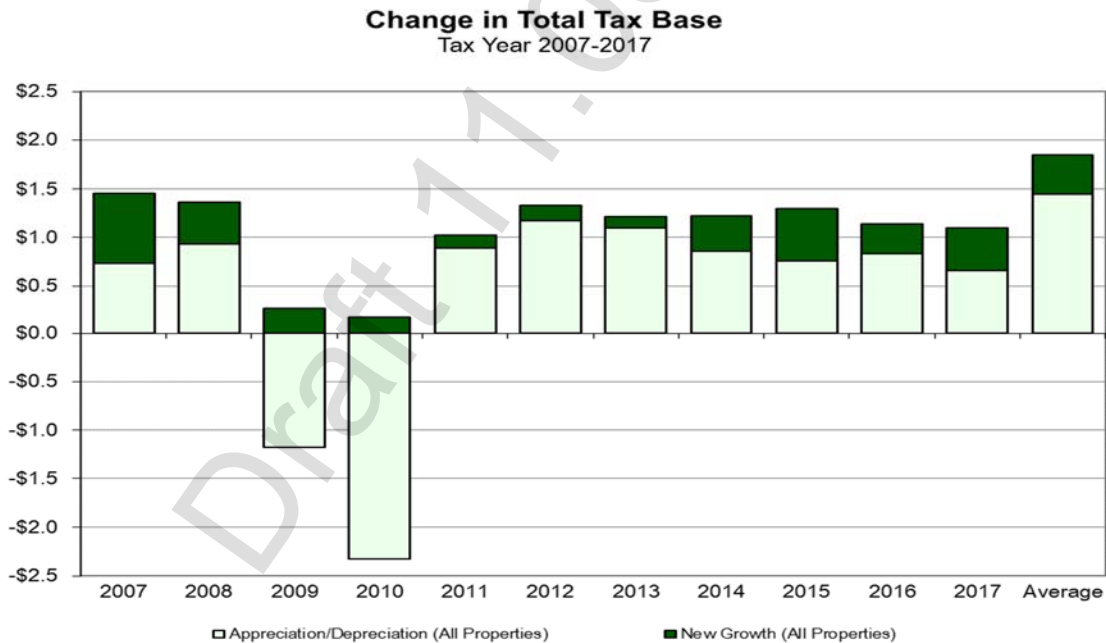
GENERAL GOVERNMENT FUNCTIONS

The following table shows that the overall real property assessed value for locally assessed property has increased by over \$3.2 billion since 2008. This includes a 2.0 percent increase from calendar year 2016 to 2017. Real property taxes, which are based on assessments as of January 1 of each year, are due in two payments. The first half of the real estate tax is due on June 15 and the second half of the tax is due on November 15.

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

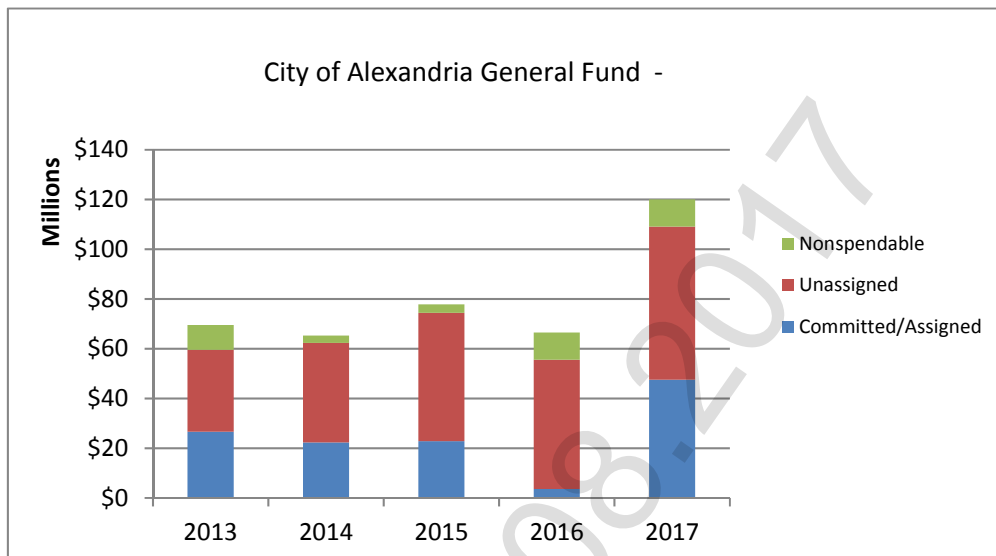
<u>Year</u>	<u>Residential</u> <u>Assessed</u> <u>Value</u>	<u>Residential</u> <u>% Increase</u> <u>(Decrease)</u>	<u>Commercial¹</u> <u>Assessed</u> <u>Value</u>	<u>Commercial</u> <u>% Increase</u> <u>(Decrease)</u>	<u>Total</u> <u>Assessed</u> <u>Value</u>	<u>Total %</u> <u>Increase</u> <u>(Decrease)</u>
2008	20,139,614	(0.3)	14,963,203	6.6	35,102,817	2.5
2009	19,152,518	(4.9)	14,811,680	(1.0)	33,964,198	(3.2)
2010	18,203,922	(5.0)	13,615,344	(8.1)	31,819,266	(6.3)
2011	18,430,732	1.2	14,201,220	4.3	32,631,952	2.6
2012	18,715,708	1.5	15,066,990	6.1	33,782,698	3.5
2013	19,384,653	3.6	14,706,140	(3.3)	34,090,793	2.8
2014	20,314,910	4.8	15,020,272	2.1	35,335,182	3.7
2015	21,195,556	4.3	15,376,112	2.4	36,571,668	3.5
2016	21,713,190	2.4	15,886,156	3.3	37,599,346	2.8
2017	22,092,997	1.8	16,284,957	2.5	38,377,954	2.0

1. Includes apartment buildings.
2. Total assessed value includes only locally assessed property.



The chart in the previous page displays the increases and decreases in assessed values for the last 10 years as appreciation and depreciation of existing properties and new properties. (Each of the bars in the chart is comprised of single year snapshot and is not cumulative.)

The fund balance financial policies for the General Fund are one component of the City's overall financial strength and stability. At the end of FY 2017, the City's General Fund balance was \$120.0 million and included a non-spendable fund balance of \$10.9 million, several commitments and assignments totaling \$47.5 million, including \$18.3 million assigned for future capital funding, leaving a remaining unassigned fund balance of \$61.6 million. At the end of FY 2017 the City's ending General Fund balance condition was consistent with the City's established financial policies.



CAPITAL FINANCING AND DEBT MANAGEMENT

In conjunction with the annual operating budget preparation, the City Manager annually prepares a ten-year Capital Improvement Plan to provide for the financing of improvements to the City's public facilities. The first year of the program constitutes the capital budget for the current fiscal year; the remaining nine years serve as a planning guide. The City accounts for capital improvement expenditures in the Capital Projects Fund and finances the projects from the General Fund (including appropriations of Committed Fund Balance), general obligation debt, the sale of surplus property, and intergovernmental grant revenues. The City's Capital Improvement Plan for FY 2018 through FY 2027 represents \$1.7 billion of City-funded public improvements to the City's schools, public buildings, parks, and transportation systems. In addition, state and federal grants and other non-City sources will provide \$423.5 million in additional planned capital funding for the FY 2018—FY 2027 time-frame.

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

	Ceiling	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Target
Debt as a Percentage of												
Fair Market Value	2.50%	0.73%	1.12%	1.15%	1.27%	1.36%	1.46%	1.50%	1.46%	1.39%	1.43%	N/A
Debt Per Capita as a												
Percentage of Per Capita												
Income ¹	4.50%	2.60%	3.70%	3.40%	3.80%	4.00%	4.30%	4.50%	4.40%	4.43%	4.39%	3.20%
Debt Service as a Percentage												
of General Governmental												
Expenditures ²	12.00%	4.40%	4.40%	4.90%	5.30%	5.90%	6.50%	7.00%	7.50%	7.83%	7.53%	N/A
10-Year Debt Payout Ratio ³	50% (floor)	-	-	-	-	-	-	-	-	-	70.27%	65.00%
General Fund Balance as a												
Percentage of General												
Fund Revenue:												
Unreserved	10%	12.00%	9.30%	11.10%	-	-	-	-	-	-	-	N/A
Spendable	(floor)				13.70%	13.20%	10.10%	10.20%	11.70%	12.88%	15.96%	
Undesignated	4% (floor)	5.20%	4.70%	5.30%	-	-	-	-				5.50%
Unassigned					5.30%	5.30%	5.60%	6.50%	8.00%	8.00%	9.00%	
Net Position as a Percentage of												
General Revenue	4% (floor)	19.00%	9.40%	11.80%	11.70%	14.20%	17.90%	20.20%	(5.97%)	(2.68%)	4.78%	5.50%

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

² Data includes School Board and Library component units.

³ The establishment of a 10-Year Debt Payout Ratio target of 50% formalizes the City's current practice of structuring debt with level principal payments. This is a new debt ratio that was adopted by City Council on May 4, 2017.

The adopted financial policies include the following:

- The City will increase its reliance on current revenue to finance its capital improvements.
- The City will consider a designation for 'pay-as-you-go' capital a priority when additional General Fund resources become available at the end of a fiscal year.
- The City will not use General Fund equity to finance current operations for periods of longer than two years.
- The City will annually prepare a 10-year Capital Improvement Plan.
- The City will not issue tax or revenue anticipation notes to fund governmental operations.
- The City will not issue bond anticipation notes for a term of longer than two years.

The City's General Obligation Bonds have the top available ratings which were reaffirmed in July 2017 as follows:

Moody's Investors Service
Aaa

Standard & Poor's
AAA

BUDGETARY ACCOUNTING AND INTERNAL CONTROLS

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

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

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

REPORT FORMAT

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

INDEPENDENT AUDIT

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

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

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the City of Alexandria a Certificate of Achievement for Excellence in Financial Reporting for the City's Comprehensive Annual Financial Report (CAFR) for the thirty-ninth consecutive year in 2016. The GFOA awards a Certificate to governmental units that exemplify excellence in financial reporting and conform to stringent reporting requirements promulgated by that Association and various authoritative bodies.

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

A Certificate is valid for a period of one year only. The City believes our current report continues to conform to the Certificate of Achievement Program requirements and standards. We are submitting it to GFOA to determine its eligibility for another certificate for FY 2017.

REPORTING REQUIREMENTS

As required by the U.S. Securities and Exchange Commission Rule 15c2-12, the City has agreed for the benefit of the owners of City general obligation bonds and joint enterprise waste-to-energy-revenue bonds, to provide each nationally recognized municipal securities information repository and to any appropriate state information depository, if any is hereafter created, certain financial information not later than 270 days after the end of each of its fiscal years, commencing with the fiscal year ended June 30, 1996. The City is currently in compliance with the new arrangement to file this information through the Electronic Municipal Market Access (EMMA) website which is the comprehensive source for official statements, continuing disclosure documents, advance refunding documents and real time trade price information on all municipal securities. This CAFR provides the 15c2-12 general bond obligation bond information, which includes the "Debt Statement" found in Note 9 of Notes to the Financial Statements, a "Five Year Summary of General Fund Revenues and Expenditures" found in Table XXII, a summary of debt found in Table XXIII (Summary of Total General Obligation Bonds Debt Service), and "Tax Revenues by Source" found in Table III.

ACKNOWLEDGMENTS

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

Respectfully submitted,



Kendel Taylor, MPA

Director of Finance



Ian Greaves, Ph.D.

Comptroller

Draft 11.08.2017



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Alexandria
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

A handwritten signature in black ink, reading "Jeffrey R. Enos". The signature is written in a cursive style.

Executive Director/CEO

FINANCIAL SECTION

Draft 11.08.2017



INDEPENDENT AUDITORS' REPORT

Draft 11.08.2017



Draft 11.08.2017

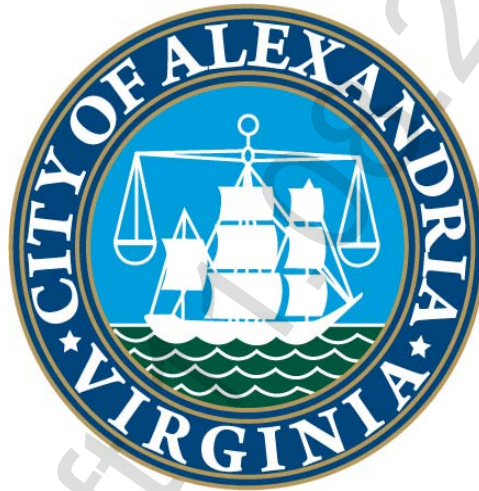
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MANAGEMENT'S DISCUSSION AND ANALYSIS

Draft 11.08.2017



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, 2017. 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 2017

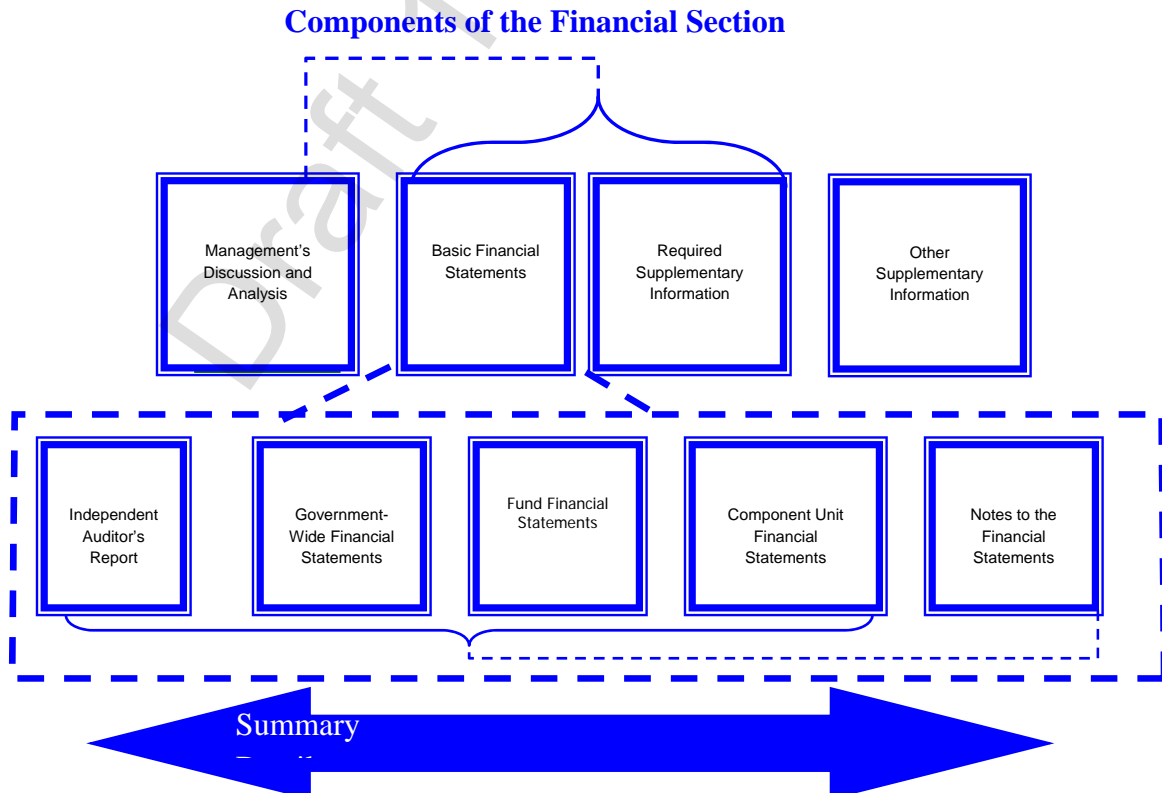
The City's total Net Position, excluding component units, on the governmental-wide basis, increased approximately \$47.9 million from \$396.0 million, as restated, to \$443.9 million at June 30, 2017. The amount of the restatement was \$23.2 million for Governmental Activities and (\$23.2) million for Component Units. This is the result of implementing GASB Statement No. 80, Blending Requirements for Certain Component Units-an Amendment of GASB Statement No. 14. The Alexandria Transit Company (ATC) is a not-for profit corporation in which the City of Alexandria's primary government is the sole corporate member. ATC was previously reported as a component unit, but as of fiscal year 2017, it is reported as part of the primary government.

The government-wide activities had an unrestricted net position of \$32.5 million (Exhibit I) at June 30, 2017, an increase of \$49.6 million from FY 2016. On a government-wide basis for governmental activities, the City's general revenues of \$671.9 million were \$47.9 million more than the \$623.9 million of expenses, net of program revenue (Exhibit II).

The General Fund, on a current financial resource basis, reported revenues, and other financing sources in excess of expenditures and other financing uses by \$25.3 million (Exhibit IV) after making a budgeted \$28.2 million transfer to the capital projects fund and a \$50.1 million transfer to the special revenue fund.

USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

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



GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial 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 position. The Statement of Net Position 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 illustrates this information. These statements include all assets and liabilities using the accrual basis of accounting. All 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 position and changes in those assets. The City's net position is the difference between (1) assets and deferred outflows of resources, and (2) liabilities and deferred inflows of resources. Net position should be displayed in three components: Net investment in capital assets, Restricted, and Unrestricted. Over time, increases or decreases in the City's net position are indicators of whether its financial health is improving or deteriorating. Other nonfinancial factors need to be considered, 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 Position and the Statement of Activities include the following:

Governmental activities—Most of the City's basic services are reported here: General government, judicial administration, public safety, public works, library services, health and welfare, transit, culture and recreation, community development, and education.

Component units—The City included two separate legal entities in its report - The City of Alexandria School Board and the Alexandria Library. Although legally separate, these component units are included because the City is financially accountable for them, and provides operating and capital funding to them.

FUND FINANCIAL STATEMENTS

The fund financial statements provide additional information about the City's most significant funds, not the City as a whole. The fund financial statements focus on the individual parts of the City's 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 greater 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. Alexandria Transit Company is considered an enterprise fund since fees are charged to fund the operations.

Fiduciary funds—The City is the trustee or fiduciary for its employees' pension plans and employee benefit trusts. It is also responsible for other assets (known as agency funds) that, because of a trust arrangement, can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. 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 Position

The following table presents the condensed Statement of Net Position:

Table 1
Summary of Net Position
As of June 30, 2017 and 2016
(in millions)

	Primary Government Governmental Activities		Component Units	
	2017	2016	2017	2016
ASSETS:				
Current and other assets	\$ 772	\$ 681	\$ 93	\$ 99
Capital assets	829	800	12	31
Total Assets	<u>1,601</u>	<u>1,481</u>	<u>105</u>	<u>130</u>
Deferred Outflows	<u>43</u>	<u>64</u>	<u>60</u>	<u>34</u>
LIABILITIES:				
Other Liabilities	57	59	36	38
Long-term liabilities	665	626	13	11
Net Pension Liability	188	203	260	227
Total Liabilities	<u>910</u>	<u>888</u>	<u>309</u>	<u>276</u>
Deferred Inflows	<u>290</u>	<u>284</u>	<u>16</u>	<u>29</u>
NET POSITION:				
Net Investment in Capital Assets	389	373	10	31
Restricted	22	17	6	12
Unrestricted	33	(17)	(176)	(185)
Total Net Position	<u>\$ 444</u>	<u>\$ 373</u>	<u>\$ (160)</u>	<u>\$ (142)</u>

Amounts may not add due to rounding

The City implemented GASB Statement No. 80 effective July 1, 2016. The 2016 amounts presented have not been restated to reflect the implementation of GASB No. 80.

The City's Net Position, (which is the City's bottom line) increased eleven percent, or \$48.0 million from its restated Net Position of \$396.0 million to \$444.0 million. The increase is primarily attributable to a decrease in net deferred outflows of resources related to pensions and an increase in long-term liabilities due to bonds.

Statement of Activities

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

Table 2
Summary of Changes in Net Position
For the Fiscal Years Ended June 30, 2017 and 2016
(in millions)
Total

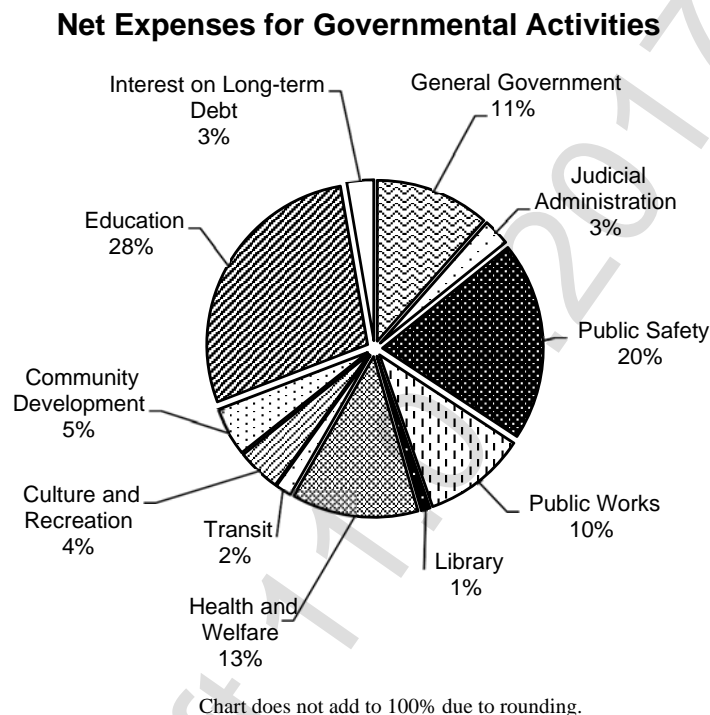
	Primary Government Governmental Activities		Component Units	
	2017	2016	2017	2016
REVENUES				
Program revenues:				
Charges for services	\$ 51	\$ 62	\$ 3	\$ 7
Operating grants and contributions	66	47	21	19
Capital grant/contributions	19	7	-	-
General revenues:				
Property taxes	474	438	-	-
Other taxes	138	136	-	-
Other	43	67	41	39
Payment to/from City	17		232	222
Total Revenues	<u>808</u>	<u>757</u>	<u>297</u>	<u>287</u>
EXPENSES				
General Government	88	66	-	-
Judicial Administration	20	20	-	-
Public Safety	152	149	-	-
Public Works	79	71	-	-
Library	7	7	7	7
Health and Welfare	97	95	-	-
Transit	12	22	-	19
Culture and Recreation	33	33	-	-
Community Development	37	33	-	-
Education	214	211	285	252
Interest on Long-term Debt	21	21	-	-
Total Expenses	<u>760</u>	<u>728</u>	<u>292</u>	<u>278</u>
Change in Net Position	<u>48</u>	<u>28</u>	<u>4</u>	<u>9</u>
Net Position beginning of Year, restated	<u>396</u>	<u>345</u>	<u>(165)</u>	<u>(151)</u>
Net Position end of Year	<u>\$ 444</u>	<u>\$ 373</u>	<u>\$ (161)</u>	<u>\$ (142)</u>

Amounts may not add due to rounding

The City implemented GASB Statement No. 80 effective July 1, 2016. The 2016 amounts presented have not been restated to reflect the implementation of GASB No. 80

REVENUES

For the fiscal year ended June 30, 2017, revenues from governmental activities totaled \$808.0 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 2016 and the first half of calendar year 2017 real property tax billings, were \$424.5 million. The increase in tax revenues is primarily attributable to an increase in the City's assessed real property tax base and an increase in tax rate from \$1.073 to \$1.13 per \$100 of assessed value in calendar year 2017. The component units' Net Position was restated to \$4.3 due to the implementation of GASB 80 as of July 1, 2016.



EXPENSES

For the fiscal year ended June 30, 2017, expenses for governmental activities totaled \$760.0 million reflecting an increase of \$32.0 million is primarily due to an increase in new transit initiatives.

Education continues to be one of the City's highest priorities. Capital funding included \$21.2 million in addition to the City's operating subsidy to the Schools of \$204.0 million.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

For the fiscal year ended June 30, 2017, the governmental funds reflect a combined fund balance of \$410.2 million (Exhibit III). The Governmental fund balance increase of \$77.1 million is primarily due to the issuance of General Obligation Bonds.

- The General Fund contributed \$28.2 million to pay-as-you-go financing of capital projects.
- The City contributed \$204.0 million to the schools for operations.
- The City spent \$81.3 million in the Capital Projects Fund primarily to fund school projects and the new Transit initiatives.

- The Northern Virginia Transportation fund received \$6.9 million in taxes for transportation.
- The Potomac Yard fund received \$10.1 million in real estate taxes to be used to build a Metrorail station.
- NVTa and Potomac Yard are special revenue funds.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Table 3

General Fund Budget (in millions)			
	FY 2017		
	Original Budget	Amended Budget	Actual
Revenues, Transfers, and Other Financial Sources			
Taxes	\$ 451	\$ 451	\$ 461
Other Local Taxes	131	131	132
Transfers and Other	97	97	101
Total	679	679	694
Expenditures, Transfers, and Other Financial Uses			
Expenditures	389	397	379
Transfers and Other	290	290	290
Total	679	687	669
Change in Fund Balance	\$ -	\$ (8)	\$ 25

Amounts may not add due to rounding

Revenues and other financing sources exceeded expenditures and other financing uses by \$25.0 million in the General Fund for FY 2017.

Actual General Fund revenues and other financial sources exceeded the original budget by \$15.0 million and exceeded the amended budget by \$15.0 million during FY 2017. Including supplemental appropriations, actual General Fund expenditures were below the original budget by \$10.0 million, while General Fund expenditures were less than the amended budget by \$18.0 million. The increase in revenue is primarily due to an increase in the tax rate, which resulted in an increase in committed funds.

During FY 2017, 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, 2016, but not paid by that date.
- To reappropriate monies to pay for projects budgeted for FY 2016 but not completed before the end of the fiscal year.
- To reappropriate grant, donation and other revenues authorized in FY 2016 or earlier, but not expended or encumbered as of June 30, 2016.
- To appropriate grants, donations, and other revenues accepted or adjusted in FY 2017.

CAPITAL ASSETS

At the end of FY 2017, the City's governmental activities had invested cumulatively \$829.3 million (see Note 5) in a variety of capital assets and infrastructure, as reflected in the following schedule, which represents a net increase of \$6.5 million.

Table 4
Governmental Activities
Capital Assets
(in millions)

	Balance 30-Jun-16	Net Additions/ (Deletions)	Balance 30-Jun-17
Non-Depreciable Assets			
Land and Land Improvements	\$113.1	\$0.1	\$113.2
Construction in Progress	20.2	15.4	35.6
Other Capital Assets			
Intangible Assets	25.7	-	25.7
Buildings	665.1	5.6	670.7
Infrastructure	263.6	12.8	276.4
Furniture and Other Equipment	142.0	13.0	155.0
Accumulated Depreciation on Other Capital Assets	(406.9)	(40.4)	(447.3)
Total Capital Assets, As Restated	\$822.8	\$6.5	\$829.3

Amounts may not add due to rounding

The City implemented GASB Statement No. 80 effective July 1, 2016.

The FY 2018—FY 2027 Approved Capital Improvement Program (CIP), which was approved by City Council on May 4, 2017, sets forth a 10-year program with \$1.7 billion in new City funding and \$423.5 million in other non-City sources for public improvements for the City and the Alexandria City Public Schools.

This represents (in City funding) an increase of approximately \$443.0 million above the FY 2017—FY 2026 CIP. For purpose of comparison the Approved FY 2017—FY 2026 CIP totaled \$1.2 billion in total funding, of which \$428.3 million was from non-City sources.

LONG-TERM DEBT

At the end of FY 2017, the City had \$557.2 million in outstanding general obligation bonds, an increase of \$34.5 million over last year's debt of \$522.7 million, due to the issuance of new Bonds. More detailed information about the City's long-term liabilities is presented in Note 9 to the financial statements.

During 2017, Moody's Investors Services, Inc. and Standard & Poor's (S&P) credit rating agencies reaffirmed the City's triple-A bond ratings. The City received its first triple-A rating from Moody's in 1986 and from S&P in 1992. Standard and Poor's Financial Management Assessment concluded that the City's financial practices were "strong."

The Commonwealth of Virginia limits the amount of general obligation debt the City can issue to 10 percent of the assessed value of real property within the City. The City's outstanding debt is significantly below, or less than one-tenth of this state law limit—which would equate to \$3.3 billion for the City.

During Fiscal year 2017 the City Council issued \$73.7 million in General Obligation Bonds with a premium of \$10.5 million and a true interest cost of 2.1 percent. The \$73.7 million General Obligation bonds will be used to finance certain capital improvement projects including the continuing commitment in public school facilities. See details in footnotes 5 and 9 of this document for additional information.

The City did not issue any short-term debt or have any short-term debt outstanding during FY 2017. Other short-term liabilities represent unclaimed money and deposits.

ECONOMIC FACTORS

The number of jobs in the city decreased slightly in FY 2017. As of March 2017, the number of Alexandria jobs totaled 95,581 (the latest data available from the Virginia Employment Commission). Tourism improved slightly, with lodging tax showing an increase of 4.8 percent in FY 2017 from all sources.

As of 2015 (the latest data available from the U.S. Bureau of Economic Analysis), the city per capita personal income of \$82,683 remains one of the highest in the United States, and is the second highest of any major jurisdiction in Virginia. The city office vacancy rate stood at 15.3 percent by the end of FY 2017.

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 Kendel Taylor, Director of Finance, City Hall, P.O. Box 178, Alexandria, VA 22313, kendel.taylor@alexandriava.gov, telephone (703) 746-3900, or visit the City's web site at alexandriava.gov.

BASIC FINANCIAL STATEMENTS

Draft 11.08.2017



CITY OF ALEXANDRIA, VIRGINIA
Statement of Net Position
June 30, 2017

Exhibit I

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and Cash Equivalents	\$ 269,733,097	\$ 49,533	\$ 269,782,630	\$ 74,766,307
Cash and Investments with Fiscal Agents	163,939,499	-	163,939,499	3,281,663
Receivables, Net	286,153,476	961,700	287,115,176	525,658
Long-term Portion of Notes Receivable	-	-	-	-
Accrued Interest	65,659	-	65,659	-
Due From Component Units	300,000	-	300,000	-
Due From Other Governments	39,312,695	16,814	39,329,509	6,298,594
Inventory of Supplies	2,669,726	694,519	3,364,245	488,811
Prepaid and Other Assets	8,352,122	42,508	8,394,630	1,671,870
Net OPEB Asset	-	-	-	1,787,961
Net Pension Asset	-	-	-	4,430,531
Capital Assets:				
Land and Construction in Progress	148,833,309	-	148,833,309	1,044,772
Other Capital Assets, Net	656,306,651	24,122,123	680,428,774	10,953,785
Capital Assets, Net	805,139,960	24,122,123	829,262,083	11,998,557
Total Assets	1,575,666,234	25,887,197	1,601,553,431	105,249,952
DEFERRED OUTFLOWS				
Deferred Pension Outflows	36,194,517	-	36,194,517	59,979,004
Deferred Gain on Refunding Bonds	6,479,722	-	6,479,722	-
Total Deferred Outflows of Resources	42,674,239	-	42,674,239	59,979,004
LIABILITIES				
Accounts Payable	16,013,155	112,078	16,125,233	5,164,845
Accrued Wages	9,469,802	225,976	9,695,778	27,791,617
Accrued Liabilities	4,115,388	-	4,115,388	-
Unearned Revenue	4,801,105	-	4,801,105	3,670,771
Other Short-term Liabilities	17,791,260	637,743	18,429,003	-
Due To Other Funds	-	300,000	300,000	-
Deposits	3,992,381	-	3,992,381	-
Long-term Liabilities Due Within One Year	56,844,964	-	56,844,964	2,445,484
Long-term Liabilities Due in More Than One Year	607,540,109	-	607,540,109	10,762,956
Net Pension Liability	188,496,040	-	188,496,040	259,630,000
Total Liabilities	909,064,203	1,275,797	910,340,000	309,465,673
DEFERRED INFLOWS				
Deferred Tax Revenues	278,023,411	-	278,023,411	-
Deferred Pension Inflows	12,078,424	-	12,078,424	16,187,255
Total Deferred Inflows of Resources	290,101,835	-	290,101,835	16,187,255
NET POSITION				
Net Investment in Capital Assets	364,950,932	24,122,123	389,073,055	9,511,917
Restricted for:				
Affordable Housing	1,990,659	-	1,990,659	-
Special Projects	20,406,115	-	20,406,115	-
Educational Projects	-	-	-	5,699,396
Unrestricted	31,826,729	489,277	32,316,006	(175,635,285)
Total Net Postion	\$ 419,174,435	\$ 24,611,400	\$ 443,785,835	\$ (160,423,972)

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Activities
For the Fiscal Year Ended June 30, 2017

Exhibit II

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government Governmental Activities	Business-Type Activities	Component Units
Primary Government:							
Governmental Activities:							
General Government	\$ 91,644,156	\$ 3,634,940	\$ 702,151	\$ 5,272,264	\$ (82,034,800)	\$ -	\$ -
Judicial Administration	20,555,815	1,333,339	525,842	-	(18,696,634)	-	-
Public Safety	152,204,265	10,504,183	9,643,347	-	(132,056,735)	-	-
Public Works	78,933,277	31,997,119	887,661	13,254,334	(32,794,163)	-	-
Library	6,863,312	-	-	-	(6,863,312)	-	-
Health and Welfare	96,916,231	5,495,647	33,469,673	-	(57,950,911)	-	-
Transit	12,846,070	-	-	-	(12,846,070)	-	-
Culture and Recreation	33,383,469	4,967,877	1,809,819	568,997	(26,036,776)	-	-
Community Development	37,054,150	767,811	18,786,587	-	(17,499,752)	-	-
Education	210,743,389	-	-	-	(210,743,389)	-	-
Interest on Long-term Debt	20,724,997	-	-	-	(20,724,997)	-	-
Total Governmental Activities	761,869,131	58,700,916	65,825,080	19,095,595	(618,247,539)	-	-
Business-Type Activities:							
Alexandria Transit Company	19,999,383	4,322,507	519,495	-	-	(15,157,381)	-
Total Business-Type Activities	19,999,383	4,322,507	519,495	-	-	(15,157,381)	-
Total Primary Government	781,868,514	63,023,423	66,344,575	19,095,595	(618,247,539)	(15,157,381)	-
Component Units:							
Library	7,625,413	450,314	169,476	-	-	-	(7,005,623)
School Board	285,026,709	2,296,088	20,667,915	-	-	-	(262,062,706)
Total Component Units	292,652,122	2,746,402	20,837,391	-	-	-	(269,068,329)
General Revenues							
Property Taxes:							
Real Estate					424,452,784	-	-
Personal Property					49,693,564	-	-
Other Local Taxes:							
Business License					33,751,755	-	-
Local Sales					32,360,983	-	-
Meals					18,878,758	-	-
Transient Lodging					13,542,901	-	-
Utility					12,286,675	-	-
Communications Sales					10,972,817	-	-
Motor Vehicle License, Recordation, and other local					17,017,952	-	-
Revenue from Primary Government:							
Payment from City of Alexandria (operating)					-	12,086,552	210,883,809
Payment from City of Alexandria (capital)					-	4,395,833	21,298,309
Grants & Contributions Not Restricted to Specific Programs					34,766,829	-	40,375,579
					5,515,144	-	241,036
Miscellaneous					11,418,495	60,834	628,595
Total General Revenues					664,658,657	16,543,219	273,427,328
Change in Net Position					46,411,118	1,385,838	4,358,999
Net Position at Beginning of Year, as restated					372,763,317	23,225,562	(164,782,971)
Net Position at End of Year					\$ 419,174,435	\$ 24,611,400	\$ (160,423,972)

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Balance Sheet
Governmental Fund
As of June 30, 2017

Exhibit III

	General	Special Revenue	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 124,769,109	\$ 77,120,598	\$ 54,862,322	\$ 256,752,029
Cash and Investments with Fiscal Agents	-	-	163,939,499	163,939,499
Receivables, Net	281,992,311	4,161,165	-	286,153,476
Accrued Interest	65,659	-	-	65,659
Due From Other Funds	300,000	-	-	300,000
Due From Other Governments	32,109,098	7,203,597	-	39,312,695
Inventory of Supplies	2,669,726	-	-	2,669,726
Prepaid and Other Assets	8,305,222	1,500	45,400	8,352,122
Total Assets	450,211,125	88,486,860	218,847,221	757,545,206
LIABILITIES				
Accounts Payable	5,366,613	3,406,397	6,526,988	15,299,998
Due to Other Governments	202,620	-	-	202,620
Accrued Wages	7,292,088	2,146,818	30,896	9,469,802
Other Liabilities	17,786,840	-	4,420	17,791,260
Deposits	3,992,381	-	-	3,992,381
Unearned Revenue	4,801,105	-	-	4,801,105
Total Liabilities	39,441,647	5,553,215	6,562,304	51,557,166
DEFERRED INFLOWS				
Deferred Inflows	290,763,195	5,029,312	-	295,792,507
FUND BALANCES				
Non-Spendable	10,917,115	-	-	10,917,115
Restricted	-	22,396,773	-	22,396,773
Committed	11,737,149	55,507,560	212,284,917	279,529,626
Assigned	35,789,849	-	-	35,789,849
Unassigned	61,562,170	-	-	61,562,170
Total Fund Balances	120,006,283	77,904,333	212,284,917	410,195,533
Total Liabilities and Fund Balances	\$ 450,211,125	\$ 88,486,860	\$ 218,847,221	

Adjustments for the Statement of Net Position:

- | | |
|---|---------------|
| (1) Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds. (Note 5) | 789,722,467 |
| (2) Other long-term assets are not available to pay for current revenue in the governmental funds. (Note 1) | 24,248,818 |
| (3) Deferred inflows of resources related to Pensions (Note 17) | (12,078,424) |
| (4) Deferred outflows of resources related to Pensions (Note 17) | 36,194,517 |
| (5) Internal service funds are used by management to charge the costs of equipment replacement to City Departments; and, therefore, the assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position. (Exhibit V) | 27,888,024 |
| (6) Long-term liabilities, including bonds payable, are not reported as liabilities in the governmental funds. (Note 9) | (856,996,500) |

Net Position of Governmental Activities	\$ 419,174,435
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See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

Exhibit IV

	General	Special Revenue	Capital Projects	Total Governmental Funds
REVENUES				
General Property Taxes	\$ 460,874,188	\$ 12,048,486	\$ -	\$ 472,922,674
Other Local Taxes	131,900,663	6,911,178	-	138,811,841
Permits, Fees, and Licenses	2,713,962	6,830,019	-	9,543,981
Fines and Forfeitures	4,907,527	-	-	4,907,527
Use of Money and Property	5,515,144	728,034	1,486,306	7,729,484
Charges for Services	19,419,892	19,900,505	41,259	39,361,656
Intergovernmental Revenue	56,444,434	47,934,221	12,149,257	116,527,912
Miscellaneous	1,874,317	10,139,046	4,448,674	16,462,037
Total Revenues	683,650,127	104,491,489	18,125,496	806,267,112
EXPENDITURES				
Current Operating:				
General Government	49,333,658	1,495,346	-	50,829,004
Judicial Administration	19,228,767	840,143	-	20,068,910
Public Safety	138,831,088	7,847,606	-	146,678,694
Public Works	34,554,827	8,814,142	-	43,368,969
Library	6,863,312	-	-	6,863,312
Health and Welfare	20,444,776	76,015,511	-	96,460,287
Transit	8,450,237	-	-	8,450,237
Culture and Recreation	24,326,744	2,003,969	-	26,330,713
Community Development	18,891,892	15,952,297	-	34,844,189
Education	204,032,628	-	21,298,309	225,330,937
Debt Service:				
Principal	43,300,000	-	-	43,300,000
Interest and Other Charges	21,490,252	-	-	21,490,252
Capital Outlay	-	-	81,389,902	81,389,902
Total Expenditures	589,748,181	112,969,014	102,688,211	805,405,406
Excess (Deficiency) of Revenues Over (Under) Expenditures	93,901,946	(8,477,525)	(84,562,715)	861,706
OTHER FINANCING SOURCES (USES)				
Issuance of Debt	-	-	73,735,000	73,735,000
Sale of land	-	-	4,401,600	4,401,600
Issuance of Refunding Bonds	34,168,000	-	-	34,168,000
Bond Premium (Discount)	-	-	10,469,488	10,469,488
Payment to Refunded Bonds Escrow Agent	(34,017,394)	-	-	(34,017,394)
Transfers In	10,414,477	50,122,791	36,151,545	96,688,813
Transfers Out	(79,136,615)	(30,220,223)	(34,585)	(109,391,423)
Total Other Financing Sources and Uses	(68,571,532)	19,902,568	124,723,048	76,054,084
Net Change in Fund Balance	25,330,414	11,425,043	40,160,333	76,915,790
Fund Balance at Beginning of Year	94,525,932	66,479,290	172,124,584	
Increase/(Decrease) in Reserve for Inventory	149,937	-	-	149,937
Fund Balance at End of Year	\$ 120,006,283	\$ 77,904,333	\$ 212,284,917	
Adjustments for the Statement of Activities:				
(1) Repayment of bond principal and payment to bond escrow agent are reported as an expenditure and other financing uses in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.				77,317,394
(2) 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)				5,214,068
(3) Governmental funds report pension contributions as expenditures, however in the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense.				3,102,255
(4) Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. (Note 4)				1,223,674
(5) Issuance of debt, refunding bonds and premium provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the Statement of Net Position. (Note 9)				(118,372,488)
(6) Some expenses reported in the Statement of Activities do not require the use of current resources and therefore are not reported as expenditures in governmental funds. (Note 9)				(4,413,693)
(7) The net revenue of the internal service fund (except depreciation which is reported in capital outlays above) is reported with governmental activities. (Exhibit VI)				5,274,181
Change in Net Position of Governmental Activities				\$ 46,411,118

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Net Position
Proprietary Funds
June 30, 2017

Exhibit V

	Business-Type Activities	Governmental Activities
	Enterprise Funds	Internal Service Funds
	<u>Alexandria Transit Company</u>	
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 49,533	\$ 12,981,068
Receivables	961,700	-
Due from Other Governments	16,814	-
Inventory of Supplies	694,519	-
Prepaid and Other Assets	42,508	-
Total Current Assets	<u>1,765,074</u>	<u>12,981,068</u>
Capital Assets:		
Land		
Buildings and Equipment	43,615,614	49,578,851
Less Accumulated Depreciation	<u>(19,493,491)</u>	<u>(34,161,358)</u>
Capital Assets, Net	<u>24,122,123</u>	<u>15,417,493</u>
Total Assets	<u>25,887,197</u>	<u>28,398,561</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	112,078	510,537
Accrued Wages	225,976	-
Other Short Term Liabilities	637,743	-
Due to Other Funds	<u>300,000</u>	<u>-</u>
Total Liabilities	<u>1,275,797</u>	<u>510,537</u>
NET POSITION		
Net Investment in Capital Assets	24,122,123	15,417,493
Unrestricted Net Position	<u>489,277</u>	<u>12,470,531</u>
Total Net Position	<u>24,611,400</u>	<u>27,888,024</u>
Total Liabilities and Net Position	<u>\$ 25,887,197</u>	<u>\$ 28,398,561</u>

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Revenue, Expenses, and Change in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

Exhibit VI

	Business-Type Activities Enterprise Funds <u>Alexandria Transit Company</u>	Governmental Activities Internal Service Funds
OPERATING REVENUES		
Charges for Services	\$ 4,322,507	\$ 4,832,523
Miscellaneous	60,834	-
Total Operating Revenues	<u>4,383,341</u>	<u>4,832,523</u>
OPERATING EXPENSES		
Personnel Services	13,120,182	-
Contractual Services	1,216,567	-
Materials and Supplies	1,604,028	174,400
Other Charges	964,369	-
Depreciation	3,094,237	5,839,760
Total Operating Expenses	<u>19,999,383</u>	<u>6,014,160</u>
Operating Income (Loss)	<u>(15,616,042)</u>	<u>(1,181,637)</u>
NON-OPERATING REVENUES (EXPENSES)		
State Grants	519,495	-
Total Non-Operating Expenses	<u>519,495</u>	<u>-</u>
Net Profit (Loss) Before Transfers and Contributions	<u>(15,096,547)</u>	<u>(1,181,637)</u>
Capital Contribution	4,395,833	-
Transfers In	12,086,552	1,123,558
Transfers Out	-	(507,500)
Total Net Transfers	<u>16,482,385</u>	<u>616,058</u>
Change in Net Position	<u>1,385,838</u>	<u>(565,579)</u>
Net Position at Beginning of Year	23,225,562	28,453,603
Net Position at End of Year	<u>\$ 24,611,400</u>	<u>\$ 27,888,024</u>

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

Exhibit VII

	Business-Type Activities Enterprise Funds Alexandria Transit Company	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts From Customers	\$ 3,749,006	\$ 4,832,523
Payment to Suppliers	(4,187,760)	185,029
Payment to Employees	(12,978,595)	-
Net Cash Provided by Operating Activities	(13,417,349)	5,017,552
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to Other Funds	-	1,123,558
Transfers from Other Funds	12,086,552	(507,500)
Receipts from Other Nonoperating Revenue	819,495	-
Net Transfers	12,906,047	616,058
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	(658,792)	(6,442,040)
	(658,792)	(6,442,040)
Net Cash Used By Capital and Related Financing Activities	12,247,255	(5,825,982)
Net Increase (Decrease) in Cash and Cash Equivalent	(1,170,094)	(808,430)
Cash and Cash Equivalents at Beginning of Year	1,219,626	13,789,498
Cash and Cash Equivalents at End of Year	49,532	12,981,068
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	(15,616,042)	(1,181,637)
Adjustments:		
(1) Cash flows reported in other categories:		
Depreciation Expense	3,094,237	5,839,760
(2) Effect of changes in Operating Assets and Liabilities:		
Accounts Payable	(895,544)	359,429
Net Cash Provided by Operating Activities	\$ (13,417,349)	\$ 5,017,552

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Fiduciary Net Position
June 30, 2017

Exhibit VIII

	Employee Benefit Trust Funds	Other Post Employment Benefits	Private- Purpose Trusts	Agency Funds
ASSETS				
Cash and Short-term Investments	\$ -	\$ -	\$ -	\$ 29,874
Investments, at Fair Value:				
LGIP/CDARS/ICS/NOW	-	-	6,896	461,416
Mutual Funds	220,418,794	21,349,335	-	-
Stocks	60,671,003	7,093,808	-	-
Guaranteed Investment Accounts	34,904,761	2,483,156	-	-
Real Estate	42,384,422	1,146,279	-	-
Timber/Private Equity	39,149,695	1,664,706	-	-
Other Investments	130,028,483	1,090,892	-	-
Total Investments	527,557,158	34,828,176	6,896	461,416
Receivables	1,098,533	-	-	-
Total Assets	528,655,691	34,828,176	6,896	491,290
LIABILITIES				
Refunds Payable and Other	-	-	-	491,290
Total Liabilities	-	-	-	491,290
NET POSITION				
Held in Trust for:				
Pension Benefits	471,647,874	-	-	
Other Post Employment Benefits	57,007,817	34,828,176	-	
Other Purposes	-	-	6,896	
Total Net Position	\$ 528,655,691	\$ 34,828,176	\$ 6,896	

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Change in Fiduciary Net Position
June 30, 2017

Exhibit IX

	Employee Benefit Trust Funds	Private- Purpose Trusts
ADDITIONS		
Contributions:		
Employer	\$ 36,720,761	\$ -
Plan Members	4,232,950	-
Total Contributions	<u>40,953,711</u>	<u>-</u>
Investment Earnings:		
Net Appreciation (Depreciation)		
in Fair Value of Investments	36,190,034	-
Interest	27,811,424	7
Investment Expense	<u>(1,990,956)</u>	<u>-</u>
Net Investment Income	<u>62,010,502</u>	<u>7</u>
Total Additions	102,964,213	7
DEDUCTIONS		
Benefits	38,073,237	-
Refunds of Contributions	419,186	-
Administrative Expenses	<u>907,541</u>	<u>-</u>
Total Deductions	<u>39,399,964</u>	<u>-</u>
Change in Net Position	63,564,249	7
 Net Position at Beginning of Year	 <u>465,091,442</u>	 <u>6,889</u>
Net Position at End of Year	<u>\$ 528,655,691</u>	<u>\$ 6,896</u>

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Combining Statement of Net Position
Component Units
As of June 30, 2017

Exhibit X

	<u>School Board</u>	<u>Library</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 74,585,483	\$ 180,824	\$ 74,766,307
Cash and Investments with Fiscal Agents	-	3,281,663	3,281,663
Receivables	525,658	-	525,658
Due from Other Governments	6,277,151	21,443	6,298,594
Inventory of Supplies	488,811	-	488,811
Net OPEB Asset	1,787,961	-	1,787,961
Net Pension Asset	4,430,531	-	4,430,531
Prepaid and Other Assets	1,508,225	163,645	1,671,870
Capital assets			
Land and Construction in Progress	1,044,772	-	1,044,772
Other Capital Assets, Net	10,953,785	-	10,953,785
Capital Assets, Net	11,998,557	-	11,998,557
Total Assets	<u>101,602,377</u>	<u>3,647,575</u>	<u>105,249,952</u>
DEFERRED OUTFLOWS OF RESOURCES			
Difference between expected/ actual investment earnings	22,960,956	-	22,960,956
Difference between employer contributions and proportionate share	8,352,000	-	8,352,000
Difference between expected and actual experience	1,009,021	-	1,009,021
Employer Retirement Contributions	27,657,027	-	27,657,027
Total Deferred Outflows of Resources	<u>59,979,004</u>	<u>-</u>	<u>59,979,004</u>
Total Assets and Deferred Outflows of Resources	<u>161,581,381</u>	<u>3,647,575</u>	<u>165,228,956</u>
LIABILITIES			
Accounts Payable	4,944,196	220,649	5,164,845
Accrued Wages	27,513,719	277,898	27,791,617
Unearned Revenue	3,670,771	-	3,670,771
Other Short-term Liabilities	-	-	-
Long-term Liabilities Due Within One Year	2,445,484	-	2,445,484
Long-term Liabilities Due in More Than One Year	10,762,956	-	10,762,956
Net Pension Liabilities	259,630,000	-	259,630,000
Total Liabilities	<u>308,967,126</u>	<u>498,547</u>	<u>309,465,673</u>
DEFERRED INFLOWS OF RESOURCES			
Difference between expected and actual experience	502,661	-	502,661
Difference between projected and actual proportionate share of Contributions	3,244,000	-	3,244,000
Difference between projected and actual investment earnings	12,440,594	-	12,440,594
Total Deferred Inflow of Resources	<u>16,187,255</u>	<u>-</u>	<u>16,187,255</u>
NET POSITION			
Net Investment in Capital Assets	9,511,917	-	9,511,917
Restricted for grant programs	301,570	-	301,570
Restricted for health benefits	5,397,826	-	5,397,826
Unrestricted	(178,784,313)	3,149,028	(175,635,285)
Total Net Position	<u>(163,573,000)</u>	<u>3,149,028</u>	<u>(160,423,972)</u>
Total deferred inflows of resources, liabilities and net position	<u>\$ 161,581,381</u>	<u>\$ 3,647,575</u>	<u>\$ 165,228,956</u>

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Combining Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2017

Exhibit XI

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	School Board	Library	Totals
School Board	\$ 285,026,709	\$ 2,296,088	\$ 20,667,915	\$ (262,062,706)	\$ -	\$ (262,062,706)
Library	7,625,413	450,314	169,476	-	(7,005,623)	(7,005,623)
Total Component Units	<u>292,652,122</u>	<u>2,746,402</u>	<u>20,837,391</u>	<u>(262,062,706)</u>	<u>(7,005,623)</u>	<u>(269,068,329)</u>
General Revenues:						
						-
Payment From City				204,020,497	6,863,312	210,883,809
Capital Payment From City ***				21,298,309	-	21,298,309
Grants Not Restricted To Specific Programs				40,375,579	-	40,375,579
Interest and Investment Earnings				-	241,036	241,036
Miscellaneous				472,474	156,121	628,595
Total General Revenues				<u>266,166,859</u>	<u>7,260,469</u>	<u>273,427,328</u>
Change in Net Position				4,104,153	254,846	4,358,999
Net Position Beginning of Year, as restated				(167,677,153)	2,894,182	(164,782,971)
Net Position End of Year				<u>\$ (163,573,000)</u>	<u>\$ 3,149,028</u>	<u>\$ (160,423,972)</u>

***City expenditure on schools joint tenancy project

See Accompanying Notes to Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Narrative Profile

The City of Alexandria, located in northern Virginia and bordered by the District of Columbia (Potomac River) and Arlington and Fairfax Counties, was founded in 1749 and incorporated in 1779. With a population of 156,100 and a land area of 15.75 square miles, Alexandria is the seventh 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 (Public Works), 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*, as amended. 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 position and the Statement of Activities.

Statement of Net Position – The Statement of Net Position 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 Position and report depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. Net Position represents the difference between assets, liabilities, and deferred inflow (outflow) of Resources. The Net Position of a government is broken down into three categories – 1) net investment in capital assets; 2) restricted; and 3) unrestricted. Net invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets.

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

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 statements, 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 an elected body. 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 \$204.0 million for operations and \$21.3 million for capital equipment in FY 2017.

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

The Alexandria Library (the Library) is a discretely presented component unit of the City of Alexandria. The Library's financial statements are available for public viewing at the Library's Administration office at the Beatley Library, 5005 Duke St., Alexandria, VA 22304. City Council approves the Library budget and appoints three citizens and a member of the Alexandria City Council to the Library Board (Library). The seven-member Library Board also includes three members of the Alexandria Library Company. The City is responsible for issuing debt, and acquiring and maintaining all capital items on behalf of the Library. The City only maintains the assets based on agreements reached with the Library Board. The legal liability for the general obligation debt issued on behalf of the Library remains with the City, but is based on needs requested by the Library Board. The City's primary transaction with the Library is the City's annual operating support, which was \$6.9 million for FY 2017. The Library provides a variety of services to the community that is supplemented with funding by endowments and is not completely government services. The City budget provides most of the funding for all services and programs; many of the endowments supplement the materials budget, and nothing more. The City has no say in the selection of books and materials the Library carries, or the day to day management of the operations of the library buildings or staffing.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Renew Enterprises (formerly the Alexandria Sanitation Authority), Visit Alexandria, 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 position, the governmental activities column (a) is presented on a combined basis, and (b) is reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Both government-wide and fund financial statements presentations provide information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the financial information. The City generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.). Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. The City does not allocate indirect expenses. The operating grants and contributions column includes operating-specific and discretionary (either operating or capital) grants, while the capital grants and contributions column reflects capital-specific grants.

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 position, 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, 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 fund 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 2017.

1. Governmental Funds

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

a. General Fund

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

b. Special Revenue Fund

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

The Special Revenue Fund of the City as of the end of FY 2017 is comprised of the following sub funds:

Housing – This sub fund accounts for the City's housing programs. The sources of funding are bond proceeds and the payment of note receivables.

Sanitary Sewer – This sub fund accounts for the funding of sanitary sewer maintenance and construction. The fund is funded by sewer connection fees and sewer charges.

Stormwater Management – This sub fund is funded by a dedicated real estate property tax rate of 0.5 cents per \$100 of assessed value to fund stormwater capital projects.

Potomac Yard Special Tax District – This sub fund is funded by certain real estate taxes for specific improvements in Potomac Yards, including the development of a metro rail station.

Northern Virginia Transportation Authority (NVTA) – This sub fund was established in FY 2014. It is funded by various state and local other taxes.

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

c. Capital Projects Fund

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Position, revenues, expenses, and payments relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Operating revenues include charges for services. Operating expenses include costs of services as well as, materials, contracts, personnel, and depreciation. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

The City has two proprietary funds, the Internal Service Fund and The Alexandria Transit Company (ATC). 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 a proprietary 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 Alexandria Transit Company (ATC) was previously disclosed as a component unit of the City of Alexandria prior to Fiscal Year 2017, but it is now disclosed as a business-type activity. ATC provides bus service within the City of Alexandria and connects with Metrobus, Metrorail, Virginia Railway Express, and all local bus systems. ATC is organized as a not-for-profit corporation in which the City of Alexandria's primary government is the sole corporate member as identified in ATC's articles of incorporation. Due to the implementation of GASB No. 80 effective July 1, 2017, the Alexandria Transit Company has been blended with the City of Alexandria primary government. Alexandria Transit Company, is considered an enterprise fund. ATC derives its funding from fare box fees and some support from the City. The Internal Service Fund and ATC are included in governmental activities for government-wide reporting purposes. As a 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.

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, the Employee Retirement Funds, and other post-employment benefits are accounted for in essentially the same manner as proprietary funds. Private Purpose Trust Funds account for assets of which the principal may not be spent. The Employee Retirement Funds account for the assets of the City's pension plans and the OPEB fund. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds are not included in the government-wide financial statements because the resources cannot be used for operations of the government.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of the Pension Plans

and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The agency funds held by the City as of the end of FY 2017 comprise the following:

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 Position 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 Position or on the Statement of Fiduciary Net position. These operating statements present increases (e.g., revenues or additions) and decreases (e.g., expenses or deductions) in total Net position.

The Government-wide Statement of Net Position and Statement of Activities as well as 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 45 days after 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 May 5, 2016, the City Council formally approved the original adopted budget and on June 24, 2017, 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

Encumbrance accounting, the recording of purchase orders, contracts, and other monetary commitments to reserve an applicable portion of an appropriation, is used as an extension of formal budgetary control in the General, Special Revenue, and Capital Projects Funds. Encumbrances outstanding at year-end are classified as committed or assigned in the General Fund, or as restricted fund balance in the non-General Funds. These encumbrances are subject to reappropriation by Council ordinance in the succeeding fiscal year.

E. Equity in Pooled Cash and Investments

Cash resources of the individual funds, including imprest cash of \$20,610 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 and Library), are combined to form a pool of cash and investments to maximize interest earnings. Investments in the pool consist of the State Treasurer's Local Government Investment Pool (LGIP) and are recorded at fair value. Income from pooled investments is allocated only when contractually or legally required. All investment earnings not legally or contractually required to be credited to individual accounts or funds are credited to the General Fund.

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

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

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

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, 2017, is comprised of the following:

GENERAL FUND:

Taxes Receivable:	
Real Property	\$ 792,371
Personal	13,882,100
Penalties and Interest	<u>461,415</u>
Total Taxes	15,135,886
Accounts Receivable	7,755
Notes Receivable	<u>309,000</u>
	<u>\$ 15,452,641</u>

SPECIAL REVENUE FUND:

Housing Fund Notes Receivable	<u>\$ 39,873,750</u>
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CAPITAL PROJECTS FUND:

Capital Projects Fund Notes Receivable	<u>\$ 1,475,000</u>
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CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

G. Inventory of Supplies and Prepaid and Other Assets

Primary Government

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

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.

Other assets in the government-wide statements also include taxes receivable discussed in Note 4 and deferred interest, which represents the excess of the reacquisition price over the net carrying amount of the refunded bonds discussed in Note 9. The total adjustment to these assets was comprised of the following:

Taxes receivable	\$ 17,769,096
Deferred interest	<u>6,479,722</u>
Total Adjustment	<u>\$ 24,248,818</u>

H. Capital Assets

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold of \$5,000 are 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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

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 received in a concession arrangement are valued at their acquisition value. 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.

Alexandria Transit Company accrues annual and sick leave benefits in the period in which they are earned.

J. Use of Estimates

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

K. Fund Balance

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances are reported according to the following categories:

Non-spendable Fund Balance—amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to remain intact. For example, notes receivable, inventory of supplies, prepaid amounts, and assets-held-for-sale.

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

Committed Fund Balance—The City's highest level of decision-making authority is the City Council. The formal action required to establish, modify, or rescind a fund balance commitment is an ordinance of the City Council.

Assigned Fund Balance—amounts in the Assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by City Council's delegation of this authority to the City Manager or his designee in the annual operating budget ordinance. Amendments must follow guidance described in Note 1D.

Unassigned Fund Balance—is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. The Unassigned fund balance can only be appropriated by a resolution of the City Council.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Detail

General Fund

Nonspendable

Inventories	\$ 2,669,726
Prepays	7,847,389
Long Term Notes	400,000
Total	<u>10,917,115</u>

Committed

Encumbrances	6,737,149
Self-Insurance	5,000,000
Total	<u>11,737,149</u>

Assigned

Subsequent Capital Program	18,330,800
Natural Disaster/Emergencies	2,900,000
Economic Contingence	4,600,000
Accrued Leave Payout	1,000,000
Economic Development Incentives	600,000
Transportation Improvement	708,540
FY 2018 Operating Bdget - Affordable Housing	3,605,400
Affordable Housing Programs - NSF	500,000
Voting Machines	594,192
City Projects/Initiatives	2,950,917
Total	<u>35,789,849</u>

Unassigned

Total Fund Balance	<u><u>\$ 120,006,283</u></u>
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Self-Insurance—These monies (\$5.0 million) have been committed for reserves for the City's self-insurance program.

Subsequent Fiscal Years' Capital Program—These monies (\$18.3 million) have been assigned to fund a portion of the capital improvement program, including \$3.4 million for projects that were approved in the FY 2017 to FY 2026 CIP, as well as \$14.9 for CIP projects in FY 2019 and beyond.

Natural Disaster/Emergencies/ Emergency Response—These funds (\$2.9 million) have been assigned to cover damages and operational costs associated with responding to extraordinary emergencies.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Economic Contingency/FY 2019 – These funds (\$4.6 million) have been assigned to mitigate the effects of economic uncertainty facing the City in FY 2019 and beyond.

City Projects/Initiatives – These funds (\$3.0 million) are assigned to support projects and initiatives that are approved but not yet under contract, such as City Council contingent reserve initiatives.

Voting Machines – To mitigate the potential for voter fraud, \$0.6 million has been assigned to replace voting machines in advance of the November 2017 election.

Affordable Housing Programs (FY 2018 Operating Budget) – Funds were included in the FY 2018 Approved Operating Budget (\$3.6 million) to increase the available resources for affordable housing initiatives.

Affordable Housing Programs (National Science Foundation FY 2017 Real Estate Tax Revenue) - These funds (\$0.5 million) are assigned to increase available resources for affordable housing initiatives.

Transportation Improvement - These funds (\$0.7 million) are residual balance of Transportation Improvement funds that are collected through a reservation of Real Estate Taxes.

Accrued Leave Payout - These funds (\$1.0 million) are assigned to address leave payouts that are required for employees that are separated from the city either voluntarily or involuntarily.

Economic Development Incentives— These funds (\$0.6 million) are assigned to provide funds to incentivize business to locate or expand in the City.

FUND BALANCE DETAIL

Special Revenue

Restricted	
Grants	\$ 15,105,544
Donations	5,300,571
Housing Programs	1,990,659
Total	<u>22,396,774</u>
Committed	
Sanitary Sewer	19,927,657
Stormwater	1,522,786
Other Programs	11,333,347
Potomac Yard	17,036,910
NVTA	5,686,859
Total	<u>55,507,559</u>
Total Fund Balance	<u><u>\$ 77,904,333</u></u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

<u>Fund</u>	<u>Vendor</u>	<u>Amount</u>
Capital Projects	Environmental Quality Resources LLC	\$ 5.1 million
Capital Projects	Kimley-Horn and Associates Inc.	\$ 2.9 million
Capital Projects	Sevenson Environmental Services Inc.	\$ 2.8 million
Capital Projects	Avon Corporation	\$ 2.7 million
Capital Projects	The Lane Construction Corporation	\$ 2.5 million
Capital Projects	Williams Emergency Vehicle Services	\$ 2.0 million
Capital Projects	Keller Brothers Inc.	\$ 1.5 million
Capital Projects	N to N Fiber Inc.	\$ 1.2 million
Capital Projects	Grunley Construction Co Inc.	\$ 1.2 million
Capital Projects	Sagres Construction Corporation	\$ 1.0 million
Capital Projects	Webb Construction Company Inc.	\$ 1.0 million

L. Short Term Liabilities

Short Term Liabilities include unclaimed funds. The City did not have any short term debt during FY 2017.

M. Deferred Outflows

A deferred outflow of resources represents a consumption of net assets by the government that is applicable to a future period and so will not be recognized as an outflow of resources until the future period. The City recognizes deferred outflows for contributions made subsequent to the measurement date related to pensions, difference between expected and actual experience, changes in assumptions, and net difference between projects and actual earnings on pension plans investments. At June 30, 2017, the City had deferred outflows of resources related to pensions of \$36.2 million.

N. Deferred Inflows

A deferred inflow of resources represents an acquisition of net assets by the government that is applicable to a future period and will not be recognized as an inflow of resources (revenue) until that time. For government-mandated and voluntary non-exchange transactions, a deferred inflow is reported when resources are received before time requirements are met. At June 30, 2017, the City had deferred inflows of resources of \$290.1 million.

The City recognizes deferred inflows for the difference between the projected and actual investment earnings and expected and actual experience related to pensions. At June 30, 2017, the City had deferred inflows of resources related to pensions of \$12.1 million.

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 2017, 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 2017, a number of intradepartmental transfers were made.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS

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

A. Deposits

Primary Government

At June 30, 2017, the carrying value of the City's deposits was \$3,380,271 and the bank balance was \$6,120,061. The difference between the carrying value of the City's deposits and the bank balance are the 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. The City maintains cash and temporary investments for all funds and component units in a single pooled account, except for certain cash and investments required to be maintained with fiscal agents or in separate pools or accounts in order to comply with the provisions of bond indentures. The City has invested bond proceeds subject to rebate of arbitrage earnings in the Virginia State Non-Arbitrage Program ("SNAP"). SNAP is designed to assist local governments in complying with the arbitrage rebate requirements of the Tax Reform Act of 1986. These programs provide comprehensive investment management, accounting and arbitrage rebate calculation services for proceeds of general obligation and revenue tax-exempt financing of Virginia counties, cities, and towns. As of June 30, 2017, the City had \$163,939,499 in the SNAP short term investment.

Component Units

At June 30, 2017, the carrying value of deposits for the School Board was negative \$1,506,270 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, 2017, the carrying value of deposits and bank balance for the Library was \$458,268. The entire balance is covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act as defined above.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

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, the State Treasurer's Local Government Investment Pool (LGIP), Virginia Investment Pool (VIP). The City's current investment policy limits investments to obligations of the United States and agencies thereof, commercial paper, LGIP and repurchase agreements fully collateralized in obligations of the United States and agencies thereof, CDARS (the Certificate of Deposit Account Registry Service, a service that allows FDIC insured institutions to provide their customers with access to full FDIC insurance on CD investments up to \$50 million), ICS (Insured Cash Sweeps), and NOW (Negotiable Order of Withdrawal, an interest bearing bank account with which the customer is permitted to write drafts against money held on deposit) accounts.

During fiscal year 2017 most of the City investments were placed in the State Treasurer's Local Government Investment Pool (LGIP). The LGIP is under the supervision of the Virginia Treasury Board and audited by the Auditor of Public Accounts. However, some investments were made in CDARS, ICS, and NOW accounts where deposits are eligible for FDIC insurance.

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

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

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

Credit Risk – State Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivision thereof, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements, and Virginia Local Government Investment Pool. The City's current investment policy 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, the State Treasurer's LGIP, VIP, CDARS, ICS and NOW accounts. During the fiscal year, the City held its investments in LGIP, CDARS, ICS and NOW, commercial paper, investments of US agencies and VA municipalities. The investments for five of the City's six 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 investment for the defined contribution plan is directed by employees, and is invested in mutual funds and guaranteed investment accounts. The City has directed Prudential to invest funds for the other four defined benefit pension plans in guaranteed investment accounts, mutual funds and stocks. The Commonwealth of Virginia manages the investments of the Virginia Retirement System (VRS). Prudential also handles investments for OPEB (Other Post-Employment Benefits) trust fund for the City.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Custodial Risk – Custodial risk is the risk that in the event of the failure of the counter-party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Currently all City investments are held in LGIP, VIP, CDARS, ICS, and NOW accounts. If the City has to invest in a local bank, the City will require a designated portfolio manager. At the time funds are invested, collateral for repurchase agreements will 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 will be held by the Federal Reserve in a custodial account.

As of June 30, 2017, the City had the following cash, investments and maturities:

Primary Government

INVESTMENT TYPE	Investment Maturities			
	Fair Value	1-12 Months	13-24 Months	25-60 Months
Fixed Agency Securities	\$ 18,900,573	\$ 10,379,551	\$ 8,521,022	\$ -
Fixed Certificate of Deposit	35,557,482	21,099,137	11,352,611	3,105,734
Overnight Funds Securities	206,802,153	206,802,153	-	-
Taxable Muni (Non-Callable) Securities	194,785	194,785	-	-
Treasury Securities	5,415,679	2,325,806.00	3,089,873	-
Total Investments Controlled by City	266,870,672	240,801,432	22,963,506	3,105,734
OPEB Trust Investments *	57,007,817	-	-	57,007,817
Pension Plan Investments (Exhibit VIII) *	470,549,341	-	-	470,549,341
Total	\$ 794,427,830	\$ 240,801,432	\$ 22,963,506	\$ 530,662,892

*Details of investment types for OPEB and Pensions are listed in Note 17, Exhibit XII

Reconciliation to Total Cash and Investments:

Add:

Cash on Hand and in Banks	\$ 3,380,271
Cash with Fiscal Agents	163,969,373
Total Deposits and Investments	\$ 961,777,474

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Component Unit

School Board

	Investment Maturities			
	Fair Value	1-12 Months	13-24 Months	25-60 Months
Fixed Agency Securities	\$ 5,389,043	\$ 2,959,479	\$ 2,429,564	\$ -
Fixed Certificate of Deposit	10,138,361	6,015,912	3,236,924	885,525
Overnight Funds Securities	58,964,660	58,964,660	-	-
Taxable Muni (Non-Callable) Securities	55,538	55,538	-	-
Treasury Securities	1,544,151	663,148	881,003	-
Total Investments Controlled by City	<u>\$ 76,091,753</u>	<u>\$ 68,658,737</u>	<u>\$ 6,547,491</u>	<u>\$ 885,525</u>

Component Unit

Library

	Investment Maturities			
	Fair Value	1-12 Months	13-24 Months	25-60 Months
Fixed Agency Securities	\$ 12,807	\$ 7,033	\$ 5,774	\$ -
Fixed Certificate of Deposit	24,092	14,296	7,692	2,104
Overnight Funds Securities	140,123	140,123	-	-
Taxable Muni (Non-Callable) Securities	132	132	-	-
Treasury Securities	3,670	1,576	2,094	-
Total Investments Controlled by City	<u>\$ 180,824</u>	<u>\$ 163,160</u>	<u>\$ 15,560</u>	<u>\$ 2,104</u>
Total Investments Controlled by City				
Primary Government and Component Units:	<u>\$ 343,143,249</u>			

As of June 30, 2017, the City had investments in the following issuers with credit quality ratings as shown below:

	Fair Value	AAA	S&P		Overnight Cash Equivalents	Certificate of Deposit
			AA	AA		
Fixed Agency Securities **	\$ 24,302,422	\$ -	\$ 24,302,422	\$ -	\$ -	\$ -
Fixed Certificate of Deposit	45,719,936	-	-	-	-	45,719,936
Overnight Funds Securities	265,906,936	230,194,611	35,712,325	-	-	-
Taxable Muni (Non-Callable) Securities\	250,455	-	250,455	-	-	-
Treasury Securities **	6,963,500	-	6,963,500	-	-	-
Total Investments Controlled by City & Components	<u>\$ 343,143,249</u>	<u>\$ 230,194,611</u>	<u>\$ 67,228,702</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,719,936</u>

** Rated by Moody as AAA

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments in any one issuer that represents five percent or more of the total of City of Alexandria's investments are as follows:

Issuer	Investment Type	Fair Value	% of Portfolio
	Virginia Dept of Treasury	\$ 210,066,443	61.22%
LGIP	Overnight Funds Securities	20,128,168	5.87%
VIP Overnights	Overnight Funds Securities	35,712,325	10.41%

Reconciliation of total deposits and investments to the government-wide financial statements as of June 30, 2017:

	Governmental Activities	Activities	Activities	Total
Primary Government including DASH				
Cash on Hand and In Banks	\$ 3,380,271	\$ -	\$ -	\$ 3,380,271
Cash and Investments	266,402,360	-	468,312	266,870,672
Cash and Investments with Fiscal Agents	163,939,499	-	527,587,032	691,526,531
Total	433,722,130	-	528,055,344	961,777,474
Component Unit School Board				
Cash on Hand and In Banks	(1,506,270)	-	-	(1,506,270)
Cash and Investments Controlled by City	76,091,753	-	-	76,091,753
Total	74,585,483	-	-	74,585,483
Component Unit Library				
Cash and Investments Controlled by City	180,824	-	-	180,824
Cash and Investments with Fiscal Agents	3,281,663	-	-	3,281,663
Total	3,462,487	-	-	3,462,487
Grand Total	\$ 511,770,100	\$ -	\$ 528,055,344	\$ 1,039,825,444

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

The list below summarizes investments managed by the City of Alexandria in accordance with the fair value hierarchy established by the generally accepted accounting principles. Fair value is a sale price agreed to by a willing buyer and seller, assuming both parties enter the transaction freely. The hierarchy is based on the valuation inputs used to measure the fair value of assets. The inputs are categorized at three levels based on the degree of certainty around the asset's underlying value.

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborate by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

During fiscal year 2017, investments worth \$6.9 million were classified in Level 1 of the fair value hierarchy. Additionally, investments worth \$106.0 million were classified in Level 2. Fixed government securities worth \$24.3 million, taxable municipal securities worth \$250,455, fixed certificates of deposit worth \$45.7 million, and Virginia Investment Pool 1-3 Year worth \$35.7 million were classified in Level 2.

Investments by fair value level	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt Securities				
US Treasury Securities	\$ 6,963,500	\$ 6,963,500	\$ -	\$ -
Fixed Government Securities	24,302,422	-	24,302,422	-
Taxable Municipal Securities	250,455	-	250,455	-
Fixed Certificates of Deposit	45,719,936	-	45,719,936	-
Virginia Investment Pool 1-3 Year	35,712,325	-	35,712,325	-
Total investments by fair value level	<u>\$ 112,948,638</u>	<u>\$ 6,963,500</u>	<u>\$ 105,985,138</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
Virginia Local Govt. Investment Pool	\$ 210,066,443			
Virginia Investment Pool - Liquidity	20,128,168			
	<u>230,194,611</u>			
Total Investments	<u><u>\$ 343,143,249</u></u>			

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 4. RECEIVABLES

Receivables at June 30, 2017, consist of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Alexandria Transit Company</u>	<u>Total</u>
Taxes					
Real Property	\$ 222,949,436	\$ -	\$ -	\$ -	\$ 222,949,436
Personal Property	56,199,979	-	-	-	56,199,979
Penalties and Interest	2,749,604	-	-	-	2,749,604
Others	3,354,774	-	-	-	3,354,774
Total Taxes	<u>285,253,794</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>285,253,794</u>
Account	11,482,158	1,662,844	-	961,700	14,106,702
Interest	65,659	-	-	-	65,659
Intergovernmental	32,109,098	7,203,597	-	16,814	39,329,509
Due from other funds	300,000	-	-	-	300,000
Notes	709,000	42,372,071	1,475,000	-	44,556,071
Gross Receivable	<u>329,919,708</u>	<u>51,238,512</u>	<u>1,475,000</u>	<u>978,514</u>	<u>383,611,734</u>
Less: Allowance for Uncollectables	15,452,641	39,873,750	1,475,000	-	56,801,391
Net Receivables	<u>\$ 314,467,068</u>	<u>\$ 11,364,762</u>	<u>\$ -</u>	<u>\$ 978,514</u>	<u>\$ 326,810,344</u>

Taxes receivable represents the current and past four years of uncollected tax levies for personal property taxes, and the current and past 19 years for uncollected tax levies on real property. The allowance for estimated uncollectible taxes receivable is 5.8 percent of the total taxes receivable at June 30, 2017 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, 2017, represent the second-half payment due for real estate taxes on November 15, 2017.

Receivables on a government-wide basis include taxes receivable of \$17.7 million that are not available to pay for current period expenditures and, therefore, are offset by the deferred inflows in the governmental funds. Tax revenues and the corresponding unearned revenue reported on a government-wide basis, do not include approximately \$1.2 million of taxes that are considered current financial resources and, therefore, are reported in the governmental funds. This comprises:

Real Estate Tax Receivables	\$ (879,514)
Personal Property Tax Receivables	(344,160)
Total	<u>\$ (1,223,674)</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 4. RECEIVABLES (Continued)

Governmental funds report deferred inflows 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 2017 unearned revenue in the governmental funds consisted of the following:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes, net of related allowances	\$ 289,965,653	\$ 4,801,105	\$ 294,766,758
Grant proceeds received prior to completion of eligibility requirements	-	5,826,854	5,826,854
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 289,965,653</u>	<u>\$ 10,627,959</u>	<u>\$ 300,593,612</u>

Deferred Outflows/Inflows

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Comment</u>
Total Deferred Taxes	\$ 289,965,653	\$ -	
Grants Received Prior to Eligibility	797,542	-	Build America Bond refund in General Fund
Grants Received Prior to Eligibility	-	5,029,312	Eligible grants with timing differences
Total Deferred Outflows, Receivables	<u>\$ 290,763,195</u>	<u>\$ 5,029,312</u>	

Component Units

Receivables at June 30, 2017, consist of following:

	<u>School Board</u>	<u>Library</u>	<u>Total</u>
Accounts	\$ 525,658	\$ -	\$ 525,658
Intergovernmental	6,277,151	21,443	6,298,594
	<u> </u>	<u> </u>	<u> </u>
Total Receivables	<u>\$ 6,802,809</u>	<u>\$ 21,443</u>	<u>\$ 6,824,252</u>

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

All deferred revenue in the component units is unearned.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 4. RECEIVABLES (Continued)

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 Real Estate Assessor, 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, 2017, includes amounts not yet received from the January 1, 2017 levy (due June 15 and November 15, 2017), less an allowance for uncollectible amounts. The installment due on November 15, 2017 is included as unavailable revenue since these taxes are restricted for use until FY 2017. 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 \$1.13 per \$100 of assessed value during calendar year 2017 and \$1.073 in 2016.

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 status 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, 2017, includes amounts not yet billed or received from the January 1, 2017 levy (due October 5, 2017). These taxes are included as unearned revenue since these taxes are restricted for use until FY 2018. The tax rate for motor vehicles was \$5.00 per \$100 of assessed value during calendar years 2017 and 2016. The tax rates during calendar years 2017 and 2016 were \$4.75 for tangible personal 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, 61 percent of most taxpayers' payments in FY 2017 for the January 1, 2017 levy. This represented 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's share of the January 1, 2017 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, 2017:

Governmental Activities

General Fund	\$ 709,000
Special Revenue Fund	42,372,071
Capital Projects Fund	1,475,000
Less Allowance for Uncollectible Accounts	<u>(41,657,750)</u>
Net	<u>2,898,321</u>
Amounts due within one year	<u>132,000</u>
Amounts due in more than one year	<u>\$ 2,766,321</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

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, 2017:

Governmental Activities

Primary Government

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 113,091,619	\$ 125,244	\$ -	\$ 113,216,863
Construction in Progress	20,198,875	32,416,288	16,998,717	35,616,446
Total Capital Assets Not Being Depreciated	<u>133,290,494</u>	<u>32,541,532</u>	<u>16,998,717</u>	<u>148,833,309</u>
Depreciable Capital Assets:				
Buildings	665,116,404	5,603,223	-	670,719,627
Infrastructure	263,601,203	12,825,265	-	276,426,468
Intangible Assets	25,704,583	1	-	25,704,584
Furniture and Other Equipment	103,342,751	11,323,546	3,434,182	111,232,115
Total Depreciable Capital Assets	<u>1,057,764,941</u>	<u>29,752,035</u>	<u>3,434,182</u>	<u>1,084,082,794</u>
Less Accumulated Depreciation for:				
Buildings	187,678,767	15,542,251	-	203,221,018
Infrastructure	125,467,059	12,382,836	-	137,849,895
Intangible Assets	16,739,032	2,822,412	-	19,561,444
Furniture and Other Equipment	60,521,617	6,622,169	-	67,143,786
Total Accumulated Depreciation	<u>390,406,475</u>	<u>37,369,668</u>	<u>-</u>	<u>427,776,143</u>
Depreciable Capital Assets, Net	<u>667,358,466</u>	<u>(7,617,633)</u>	<u>3,434,182</u>	<u>656,306,651</u>
Business Type Activity				
Depreciable Capital Assets:				
Equipment	38,621,889	5,054,625	60,900	43,615,614
Less: Accumulated Depreciation	16,460,154	3,094,237	60,900	19,493,491
Total Depreciable Capital Assets, Net	<u>22,161,735</u>	<u>1,960,388</u>	<u>-</u>	<u>24,122,123</u>
TOTALS	<u>\$ 822,810,695</u>	<u>\$ 26,884,287</u>	<u>\$ 20,432,899</u>	<u>\$ 829,262,083</u>

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 5. CAPITAL ASSETS (Continued)

Governmental activities capital assets, net of accumulated depreciation at June 30, 2017, are comprised of the following:

General Capital Assets, Net	\$ 789,722,467
Internal Service Fund Capital Assets, Net	15,417,493
Alexandria Transit Company Capital Assets, Net	<u>24,122,123</u>
Total	<u>\$ 829,262,083</u>

Depreciation was charged to governmental functions as follows:

General Government	\$ 4,885,214
Judicial Administration	486,905
Public Safety	4,903,758
Public Works	8,237,061
Depreciation of Infrastructure Assets	8,950,042
Health and Welfare	455,944
Transit	3,094,237
Culture and Recreation	2,270,221
Education	6,930,993
Community Development	<u>249,530</u>
Total	<u>\$ 40,463,905</u>

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

Primary Government

City Capital Outlay	\$ 81,389,902
Donated Assets	3,159,592
Depreciation Expense	(40,463,905)
Capital Outlay not capitalized	<u>(38,871,521)</u>
Total Adjustment	<u>\$ 5,214,068</u>

Donated assets are comprised of infrastructure donated by developers.

Net position Investment in capital assets is computed as follows:

Capital Assets, Net	\$ 829,262,083
Outstanding bonds (including premium)	(\$604,128,527)
Unspent bond proceeds at SNAP	<u>163,939,499</u>
	<u>(440,189,028)</u>
Investment in Capital Assets Net of Debt	<u>\$ 389,073,055</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

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, 2017:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 999,381	\$	\$ -	\$ 999,381
Construction-in progress		45,391		45,391
Total Capital Assets Not Being Depreciated	999,381	45,391	-	1,044,772
Depreciable Capital Assets:				
Buildings	38,894,920	151,068	-	39,045,988
Furniture and Other Equipment	16,333,374	5,232,353	225,174	21,790,901
Total Depreciable Capital Assets	55,228,294	5,383,421	225,174	60,836,889
Less Accumulated Depreciation For:				
Buildings and building improvements	36,741,443	406,707	-	37,148,150
Furniture and Other Equipment	10,672,152	1,837,629	225,174	12,734,955
Depreciable Capital Assets, Net	47,413,595	2,244,336	225,174	49,432,757
Total Other Capital Assets, Net	7,814,699	3,139,085	-	10,953,784
TOTALS	\$ 8,814,080	\$ 3,184,476	\$ -	\$ 11,998,556

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 school assets and related debt liabilities together. As a result, certain assets purchased with the City's general obligation bonds are now recorded as part of the primary government. According to the law, the tenancy in common ends when the associated obligation is repaid; therefore, the assets will revert to the Alexandria School Board when the bonds are repaid. Nothing in the law alters the authority or responsibility of the local school board or control of the assets. All depreciation was charged to education.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 5. CAPITAL ASSETS (Continued)

Primary Government

Construction-in-progress is composed of the following at June 30, 2017:

	<u>Project Authorization</u>	<u>Expended Through June 30, 2017</u>	<u>Committed</u>
School Capital Projects	\$ 87,677,912	\$ 18,481,291	\$ -
Infrastructure	14,273,763	976,242	3,574,543
Parks and Recreation	11,503,666	1,538,556	3,180,205
Public Buildings	16,387,141	5,674,398	3,006,399
Public Safety	14,488,305	4,939,035	926,350
Information Technology Hardware	<u>6,676,529</u>	<u>4,006,924</u>	<u>1,442,879</u>
TOTALS	<u>\$ 151,007,316</u>	<u>\$ 35,616,446</u>	<u>\$ 12,130,376</u>

Component Units

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

CITY OF ALEXANDRIA, VIRGINIA

Notes to Financial Statements

June 30, 2017

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 and the following liability insurance policies as of June 30, 2017: 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 \$1.0 million, and for public officers, public entity, physical damage to vehicles, and vehicle general liability under \$2.0 million and over \$10.0 million. The following Constitutional Officers and City employees are covered by surety bonds issued by Aetna Casualty and Surety in the amounts shown below as of June 30, 2017:

Director of Finance.....	\$ 1,000,000
Deputy Director of Finance.....	\$ 1,000,000
Treasurer	\$ 1,000,000
Comptroller	\$ 1,000,000
Revenue Director	\$ 1,000,000
Retirement Administrator.....	\$ 1,000,000
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 \$21.0 million as of June 30, 2017, and is reflected in the government-wide statements. The current portion is recorded as an accrued liability in the General Fund and the government-wide financial statements. In FY 2009, the City became self-insured for one of the two health insurance plans offered to employees. At June 30, 2017 the current portion of employees' health insurance was \$1.0 million which represents an estimate of health insurance claims that have been incurred but not reported and are reported in accrued liabilities. The amount of expenditures did not exceed funds that are available to pay the claims covering a period of four years. Therefore, a long-term liability has not been recorded as of June 30, 2017. Liabilities are reported when it is probable that losses have occurred and the amounts of the losses can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported to date. Liabilities are determined using a combination of actual claims experience and actuarially determined amounts and include incremental claim adjustment expenses and estimated recoveries. An independent contractor processes claims and the City records a provision and liability in the government-wide statements and General Fund (current portion only) for an estimate of incurred but not reported claims.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 6. RISK MANAGEMENT (Continued)

Changes in the estimated claims payable for workers' compensation and health insurance during the fiscal years ended June 30, 2017 and 2016 were as follows:

	Workers' Compensation	Health Insurance
July 1, 2015 Liability Balances	\$ 19,167,112	\$ 1,226,711
Claims and changes in estimates	7,052,176	18,896,206
Claim Payments	(5,731,464)	(18,342,051)
June 30, 2016 Liability Balances	20,487,824	1,780,866
Claims and changes in estimates	5,854,711	19,655,247
Claim Payments	(5,356,351)	(20,422,967)
June 30, 2017 Liability Balances	\$ 20,986,184	\$ 1,013,146

The Health Insurance liability is included in the accrued liability

Insurance Commitment

In addition, the City has established a General Fund self-insurance commitment of \$5.0 million as of June 30, 2017.

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. The division 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 the investigation and settlement of any claims or suit as deemed expedient. The limits of VA Risk coverage are \$1.0 million per claim. The City retains the risk for all claims in excess of \$1.0 million. Claims have not exceeded coverage in the last three 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	\$20 million
Automobile Liability	\$20 million
Uninsured Motorist.....	\$50,000
Automobile Physical Damage	(Actual Cash Value)

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 6. RISK MANAGEMENT (Continued)

administration. The Alexandria Transit Company pays an annual premium to VMGSIA for workers' compensation coverage. VMGSIA is self-sustaining through member premiums and will reinsure for claims in excess of \$5.0 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 2017, the Alexandria Transit Company paid an annual premium of \$0.2 million for participation in this pool.

Line of Duty Death and Disability Benefits

The City provides death and health benefits to the beneficiaries of certain law enforcement and rescue personnel disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by Title 9.1 Chapter 4 of the Code of Virginia.

Effective July 1, 2012 the City opted out of the Virginia Plan. The City now self-funds and self-administers its Line of Duty Benefits. Effective July 1, 2017, LOD retirees must elect a plan administered through the Virginia Department of Human Resources (DHRM). The City will pay DHRM the premiums for covered retirees, spouses, and widows. In FY 2017, the City contributed to the OPEB trust fund for line of duty benefits. In fiscal year 2017, an actuarial valuation was issued for Line of Duty benefits. According to the December 31, 2016 actuarial valuation, 753 active employees were eligible for Line of Duty benefits. As of June, 2017, 74 beneficiaries were receiving Line of Duty payments. During FY 2017, Line of Duty payments for the recipients amounted to \$1.1 million.

Component Units

The School Board carries commercial insurance for all risks of loss including property, theft, auto liability, physical damage, and general liability insurance through the Virginia Municipal League. Settled claims resulting from these risks have not exceeded commercial reinsurance coverage for the past three years. 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 School Board also carries catastrophic medical insurance for Virginia High School League Student participants.

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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 7. OPERATING LEASES

Rental Costs

The City and the School Board lease office space and equipment under various long-term operating lease agreements expiring at various dates through FY 2032. 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:

Primary Fiscal Year	Government	School Board Component Unit
2018	\$4,830,429	\$2,899,964
2019	5,042,914	2,972,151
2020	5,262,017	2,944,354
2021	5,558,562	2,974,678
2022	5,722,693	3,056,481
2023-2027	30,265,981	10,919,218
2028-2032	28,627,843	10,919,218

Total rental costs during FY 2017 for operating leases were \$5.1 million for the Primary Government and \$3.5 million for the School Board.

Rental Revenues

The City also leases various City-owned properties and buildings under non-cancellable long-term lease agreements through FY 2032. The net book value of leased assets of \$5.6 million (cost of \$21.8 million less accumulated depreciation of \$16.2 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
2018	\$739,770
2019	560,728
2020	541,136
2021	479,859
2022	426,901
2023-2027	1,660,558
2028-2032	1,103,131

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XV
(Continued)

NOTE 8. COMMITMENTS AND CONTINGENCIES

A. Washington Metropolitan Area Transit Authority

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

Due to the State requirement to reflect all State aid to all jurisdictions in their accounting statements according to Generally Accepted Accounting Principles, all State funding for WMATA received and administered by Northern Virginia Transportation Commission (NVTC) are now reflected in the accounting statements in addition to these footnotes. Total Department of Rail and Public Transportation (DRPT) funding for WMATA administered by NVTC on behalf of the City of Alexandria for FY 2017 amounted to \$6.9 million.

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

1. Capital contributions - Bus and Rail Replacement

During FY 2004 the WMATA Board, the City, and other participating jurisdictions in the Washington, D.C. area discussed and negotiated a multi-year capital funding agreement known as "Metro Matters". This agreement reflects some \$3.2 billion in Metrorail and Metrobus infrastructure capital improvements, as well as the expansion of Metro transit services through the acquisition of new railcars and buses. The participating jurisdictions' share is planned at \$1.9 billion over a 20-year period with \$0.9 billion planned during the first six years. The City's share is \$82.5 million over the 20-year period with \$40.7 million planned during the first six years. The Metro Matters inter-jurisdictional agreement was signed by the City of Alexandria on September 28, 2004. The City opted out of the new 2009 series bond issue by prefunding its share. In June 2010, a new funding agreement was signed by all members of the WMATA Compact. It sets forth a commitment of one year's funding with five planning years. The new funding agreement assumes an increase of \$150 million per year of new federal funds, matched by the Commonwealth of Virginia, the State of Maryland, and the District of Columbia. The new agreement totals to \$5.0 billion, of which \$2.5 billion will be funded by the federal government. Per the Metro Matters agreement, the participating jurisdictions' financial obligations, including the City, are subject to individual jurisdictional annual appropriation consideration.

For the fiscal year ended June 30, 2017, the total City obligation was \$9.0 million, which includes payments to WMATA as well as debt service for the 2009 series of bonds used to prefund the City share. The debt service is also included in Exhibit IV in the total reported debt service. The state Aid and NVTC funding used for a portion of the payments to WMATA is included in the reported Special Revenue Fund activities for FY 2017. The City paid this obligation from the following sources:

City payments	\$ 3,500,000
State Aid and NVTC reimbursable	4,391,880
City Debt Service for 2009 bonds	<u>1,125,400</u>
TOTAL	<u>\$ 9,017,280</u>

2. Operating subsidies - Bus and Rail Systems

During the fiscal year ended June 30, 2017, obligations for bus and rail subsidies amounted to \$33.5 million. The City paid this obligation from the following sources:

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XV
(Continued)

NOTE 8. COMMITMENTS AND CONTINGENCIES (Continued)

City payments	\$ 6,821,452
State Aid and State Motor Fuel Sales Tax rev	24,068,872
NVTA 30%	<u>2,573,000</u>
TOTAL	<u>\$33,463,324</u>

Expected obligations for FY 2018 are \$40.3 million of which \$13.6 million is expected to be paid from the City's General Fund. They City will also use \$24.3 million from NVTC funding and \$2.4 million from NVTA 30% funding to cover the rest of the obligations.

3. WMATA Transit Revenue Bonds

WMATA issued approximately \$1 billion of federally guaranteed transit revenue bonds to fund part of the construction of the rail transit system. Operating revenues have been insufficient to retire this debt. The federal government and WMATA entered into an agreement whereby the federal government agreed to pay two-thirds of the debt service costs for these bonds and to advance part of the remaining one-third during the first three years of the agreement. The agreement requires that WMATA repay the federal advances with interest and one-third of the debt service on the bonds. WMATA allocated the cost of the advances and the one-third of the debt service costs among the participating jurisdictions. The City has not agreed to any payments for the one-third allocation of debt service, but the Northern Virginia Transportation Commission (NVTC) has paid, from state aid, all such costs allocated to Northern Virginia jurisdictions, of which \$1,161,890 was the City's allocation during the fiscal year ended June 30, 2017. 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 to WMATA for transit revenue bonds.

4. Potomac Yard Metrorail station

As a major long-term economic development initiative, on June 12, 2010, the City approved the North Potomac Yard Small Area Plan, a major rezoning of 69 acres of prime real estate located in the Potomac Yard area of the City into a high density mixed-use development of over 7.5 million square feet. An integral part of this plan, which is expected to add approximately 10 percent to the City's tax base and generate over \$1 billion in new tax revenue over a 30-year period, entails the construction of a new Metrorail station on the existing heavy rail Metrorail line.

Potomac Yard is located in the northeast area of the City immediately south of downtown Washington, D.C. and Ronald Reagan Washington National Airport. Potomac Yard consists of two parcels, North Potomac Yard and South Potomac Yard, which are divided into smaller geographic units or "landbays" for zoning and development purposes. Two special tax districts have been established to generate revenue for construction of the new Metrorail station. In December 2010, City Council approved the Tier I Special Services Tax District for Landbays F, G, and H and the multi-family portion of Landbay I. Tier I tax collections began in 2011 at the rate of 20 cents per \$100 of valuation. In 2011, City Council approved a Tier II Tax District (Landbays I and J) with a 10-cent per \$100 of valuation levy to be initiated in the calendar year after the new Metrorail station opens (now estimated to open in 2021). Whether that Tier II levy will be approved by City Council is planned to be determined in 2018.

The City of Alexandria was the project sponsor of the Environmental Impact Statement (EIS) managed by WMATA. WMATA's process includes technical and environmental analyses as well as public involvement. Project development is subject to the requirements of the National Environmental Policy Act (NEPA) and Section 4(f) of the Department of Transportation Act. City Council chose Alternative B as the Locally Preferred Alternative on May 20, 2015.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XV
(Continued)

NOTE 8. COMMITMENTS AND CONTINGENCIES (Continued)

On June 16, 2016, City Council unanimously approved the Master Plan Amendment, Map Amendment (rezoning), and Development Special Use Permit (DSUP) with site plan and associated Special Use Permits to construct a Metrorail station and associated facilities in Potomac Yard. The Federal Transit Administration and the National Park Service issued their Records of Decision for the Potomac Yard Metrorail Station in the fall 2016. This marked the last step in the review process under the National Environmental Policy Act. Following the FTA and NPS Records of Decision, WMATA issued its Request for Proposal (RFP) for the design-build contract on November 28, 2016, and the project is currently in the WMATA procurement phase.

The City prepared an updated financial feasibility analysis in spring 2015 that reconfirmed the City's ability to finance the station. The sources included net new tax revenues from Potomac Yard, two Special Services Tax Districts, developer contributions, \$69.5 million from the Northern Virginia Transportation Authority (\$3.5 million of which has been secured), and a \$50 million Virginia Transportation Infrastructure Bank (VTIB) loan that was awarded to the City by the Commonwealth Transportation Board in January 2015. Up to one-third of the project costs are being sought through federal TIFIA (Build America Bureau) financing, and if successful will replace a portion of the planned City General Obligation bond issuance. The analysis showed that Alternative B is financially feasible.

The financial risk to the City associated with the Metrorail station project will be carefully structured and managed. The projected "gap" between the anticipated tax revenues from the special tax district, per square foot developer contributions, plus additional incremental net new revenues generated by the project, will need to be "bridged" in the early years of any City bond and VTIB State loan financing by capitalizing interest during construction. Due to upfront developer guarantees, current projections estimate no negative cash flow impact on the City's General Fund in any given year. The actual decision on whether and when to authorize the issuance of City bonds for the station's construction will be made based on factors such as the to-be-determined station cost, outside funding sources and prevailing interest rates, as well as development progress in Potomac Yard, which needs to generate substantial new tax revenues to cover debt service.

Debt service payments would be funded through developer contributions, net new tax revenues generated in Potomac Yard, and Potomac Yard Special Services Tax District levies. There is planned to be no negative impact to the City's General Fund.

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 a waste disposal commitment to the Waste-to-Energy Facility (the "Facility"), which is owned and operated by a private corporation (the "Corporation"). The commitment, which is joint with Arlington County, Virginia (the "County"), is based on a combined volume of solid waste the City and the County expect to collect together. The Facility charges the City and the County fees on each ton based on a waste disposal agreement and contracts separately with private haulers for additional waste. It is expected that the City and the County will be able to continue to meet their minimum requirement for annual tonnage of 46,000 to 66,000 tons per year. The City and the County have the ability to adjust the tonnage thresholds annually if it appears the annual tonnage is approaching a minimum or maximum threshold.

The construction of the waste-to-energy facility was originally financed with revenue bonds issued by the Alexandria Industrial Development Authority in 1984. The Arlington Solid Waste Authority, together with the Alexandria Sanitation Authority (the "Authorities") and the private company, refinanced these bonds in July 1998 to achieve debt service savings. Upon the maturity of the bond in January 2008, the ownership of the plant passed to

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XV
(Continued)

NOTE 8. COMMITMENTS AND CONTINGENCIES (Continued)

the private company. The Authorities issued new bonds in November 1998 to finance the retrofit of the facility to meet Clear Air Act requirements. This retrofit was completed by November 9, 2000 in advance of the EPA deadline of December 19, 2000. The retrofit assets continue to be owned by the Authorities.

Acceptance testing on each unit was completed in November 2000, and 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.

By December 2012 all of the revenue bonds debt service had been paid in full. A new Facilities Monitoring Group ("FMG") was established and a new trust fund was set up to fund FMG'S activities. It is funded entirely by contributions from Arlington County (60%) and the City (40%). The FMG budget for FY 2017 was \$118,000 and according to the interjurisdictional agreement the City's contribution was \$47,200. Operating costs of the Facility are paid for primarily through tipping fees. The City paid \$0.9 million in tipping fees in FY 2017.

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 2017 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.

E. Combined Sanitary Sewer/Stormwater Sewer System

Because of state and federal regulations mandating the improvement of water quality for the Chesapeake Bay in the six states and the District of Columbia that comprise the Bay's watershed, many cities and counties in this large multi-state geographic area have been and/or will be required to make significant capital investments in stormwater treatment systems over the coming decades. For Alexandria, this means more than \$400 million in investments to its combined sanitary-stormwater sewer system over the next 10 years, as well as investing between \$100 million to \$150 million to upgrade stormwater infrastructure over the next two to three decades.

In the case of the state stormwater management mandates, all Virginia municipalities in the Chesapeake Bay watershed regulated by a municipal separate storm sewer system ("MS4") stormwater permit will need to make 5.0 percent of the necessary stormwater-related pollution reductions in the 2013-2018 time period, another 35 percent in the 2018-2023 time period, and the final 60 percent in the 2023-2028 time period to meet 100 percent of the target reductions. The City's stormwater discharge MS4 permit was recently renewed in 2013. The estimated cost of these improvements over this 15-year time period is between \$65 million and \$100 million.

The City's combined sanitary and stormwater sewer system in the Old Town area currently comprises approximately 540 acres of the approximate 10,000 acres of land in the City. The system has been operating under a series of five-year permits from the Virginia Department of Environmental Quality ("DEQ"). The FY 2018 Sanitary Sewer Ten-Year Plan includes an additional \$370.2 million to comply with legislation passed by the 2017 Virginia General Assembly, which requires the City to accelerate its efforts to address combined sewer discharges from all four outfalls. The bill mandates construction for each outfall be complete no later than July 1, 2025. The City is working with deliberate speed to complete each of these outfall construction projects by the legislatively set deadline.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XV
(Continued)

NOTE 8. COMMITMENTS AND CONTINGENCIES (Continued)

Prior to this recent development, the City had submitted a Long Term Control Plan Update (“LTCPU”) for its combined sewer system to the DEQ, which had required an update due to new regulatory requirements related to the Hunting Creek Bacteria Total Maximum Daily Load, which requires significant reductions in combined sewer discharges from three of the City’s four outfalls (CSO-002/003-004), to be implemented no later than 2035. The LTCPU also provided planning measures to address the fourth remaining outfall (CSO-001). The mandates passed by the General Assembly supersede the LTCPU submitted by the City.

The current ten-year CIP includes \$523.5 million for sanitary sewer and stormwater capital projects. The City’s future funding strategy involves increasing the sanitary sewer maintenance fee over the next several fiscal years to provide additional resources for separation of the City’s combined sanitary-stormwater system. The sanitary sewer line maintenance charge increased from \$1.40 to \$1.82 per 1,000 gallons of water in 2018. The sanitary sewer fee is estimate to increase to more than \$8.00 per 1,000 gallons of water in the next ten years. In addition to increasing the sanitary sewer fees, in May 2017 City Council approved a new Stormwater Utility Fee. Collection of this fee will begin in Calendar Year 2018, and the typical single family home will be charged approximately \$140 per year.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

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, 2017, are comprised of the following individual issues:

1.	\$34.2 million General Obligation Refunding Bond of 2016 (tax exempt), installments ranging from \$0.4 to \$4.1 through 2031, bearing interest rate 1.9 percent payable semiannually on January 15 and July 15, and maturing on July 15, 2031. The City irrevocably exercises its option to redeem all the refunded bonds on the redemption date.	\$	34,168,000
2.	\$73.7 million General Obligation Capital Improvement Bonds of 2016 (tax exempt), installments ranging from \$1.4 to \$4.0 through 2036, bearing interest rates ranging from 2.0 percent to 5.0 percent payable semiannually on January 15 and July 15, and maturing on July 15, 2036. The Bonds will be subject to optional redemption in whole or in part at the direction of the City on or after July, 2026.		73,735,000
3.	\$10.6 million General Obligation Refunding Bonds (taxable) of 2015, installments ranging from \$1 to \$1.1 million through 2028, bearing interest rates ranging from 0.9 to 3.5 percent payable semiannually on January 15 and July 15 and maturing on July 15, 2028. The Bonds will not be subject to optional redemption prior to maturity.		9,610,000
4.	\$23.2 million General Obligation Capital Improvement (tax-exempt) Bonds of 2015, installments ranging from \$1.1 to \$1.2 million through 2035, bearing interest rates ranging from 3.0 to 5.0 percent payable semiannually on January 15 and July 15. The Bonds are subject to optional redemption in whole or in part at the direction of the City on or after July 15, 2025.		22,050,000
5.	\$34.0 million General Obligation (tax-exempt) Refunding Bonds of 2015, installments ranging from \$0.4 to \$6.2 million through 2028, bearing interest at 1.9 percent. The Bonds are subject to optional redemption in whole or in part, at any time, by the City, upon thirty days prior written notice, at a redemption price equal to 100% of the outstanding principal amount of the Bond redeemed plus accrued interest to the redemption date, plus the Fixed Rate Prepayment Charge. This is a direct bank loan		33,050,000
6.	\$36.0 million General Obligation Improvement (tax-exempt) Bonds of 2014 installments averaging \$1.8 million through 2035, bearing interest rates ranging from 2.0 percent to 5.0 percent. The Bonds maturing on or before January 15, 2025 are not subject to redemption prior to maturity. The Bonds maturing on or after January 15, 2026, may be redeemed before their maturities on or after January 15, 2025, at the option of the City, in whole or in part, in installments of \$5,000 at any time or from time to time at par plus the interest accrued and unpaid on the principal amount to be redeemed to the date fixed for redemption		32,395,000
7.	\$18.6 million General Obligation (tax-exempt) Refunding Bonds of 2014, installments ranging from \$2.8 to \$3.4 million through 2020, bearing interest at 1.0 percent. The Bonds maturing on or before June 15, 2020 are not subject to redemption prior to maturity. This is a direct bank loan. The debt is being held as an investment with no intention of sale or distribution.		8,750,000
8.	\$63.8 million General Obligation Capital Improvement (tax-exempt) Bonds of 2013, installments averaging \$3.3 million through 2033, bearing interest at rates ranging from 4.0 percent to 5.0 percent. The Bonds maturing on or before June 15, 2023, are not subject to redemption prior to their maturity. The bonds maturing on or after June 15, 2024, are subject to optional redemption before maturity on or after June 15, 2023, at the option of the city in whole or in part, in installments of \$5,000 at any time or from time to time at par plus the interest accrued and on the principal amount to be redeemed to the date fixed for redemption.		52,885,000
9.	\$76.8 million General Obligation Capital Improvement (tax-exempt) Bonds of 2012, installments ranging from \$200,000 to \$4.0 million through 2033, bearing interest rates ranging from 2.0 percent to 5.0 percent. The Bonds maturing on or before June 15, 2022 are not subject to redemption prior to maturity. The Bonds maturing on or after June 15, 2023, may be redeemed before their maturities on or after June 15, 2022 at the option of the City, in whole or in part, in installments of \$5,000 at any time or from time to time at par plus the interest accrued and unpaid on the principal amount to be redeemed to the date fixed for redemption.	\$	63,800,000

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

NOTE 9. LONG-TERM DEBT (Continued)

10.	\$17.3 million General Obligation (tax-exempt) Refunding Bonds of 2012, installments ranging from \$70,000 to \$5.6 million through 2025, bearing interest at rates ranging from 2.0 percent to 4.0 percent. The Bonds maturing on or after June 15, 2022, are not subject to redemption before maturity. The bonds at the time outstanding that are stated to mature on or after June 15, 2023, may be redeemed before their maturities on or after June 15, 2022, at the option of the city in whole or in part, in installments of \$5,000 at any time or from time to time at par plus the interest accrued and unpaid on the principal amount to be redeemed to the date fixed for redemption	\$	14,000,000
11.	\$63.6 million General Obligation (tax-exempt) Refunding Bonds of 2012, installments ranging from \$2.9 million to \$8.6 million through 2023, bearing interest rates ranging from 2.0 percent to 4.5 percent. The Bonds maturing on or before June 15, 2022, are not subject to optional redemption. The Bonds maturing on June 15, 2023, are subject to optional redemption before maturity on or after June 15, 2022, at the direction of the City in whole or in part in installments of \$5,000 at par plus interest accrued and unpaid on the principal amount to be redeemed to the date fixed for redemption.		46,145,000
12.	\$70.0 million General Obligation Capital Improvement (tax-exempt) Bonds of 2011, installments ranging from \$1.0 million to \$3.8 million through 2031, bearing interest rates ranging from 2.0 percent to 5.0 percent. The Bonds maturing on or before July 15, 2021, are not subject to redemption prior to maturity. The Bonds maturing on or after July 15, 2022, are subject to optional redemption before maturity on or after July 15, 2021, at the direction of the City, in whole or in part, in installments of \$5,000 at any time or from time to time at par plus the interest accrued and unpaid on the principal amount to be redeemed to the date fixed for redemption.		26,340,000
13.	\$55.3 million General Obligation Capital Improvement (taxable Build America) Bonds of 2010, installments ranging from \$3.7 million to \$4.4 million through 2030, bearing interest at rates ranging from 3.6 percent to 5.0 percent for which the federal government provides a 35 percent interest rate subsidy. The Bonds maturing on or after July 1, 2021, are subject to optional redemption, in whole or part, at the direction of the City. The bonds are subject to redemption prior to July 2020, at the option of the City, upon the occurrence of an Extraordinary Event.		55,300,000
14.	\$35.2 million General Obligation Capital Improvement (tax-exempt) Bonds of 2009 installments ranging from \$1.1 million to \$4.1 million through 2019, bearing interest at rates ranging from 1.8 percent to 4.0 percent. The Bonds are not subject to redemption prior to maturity		12,300,000
15.	\$44.5 million General Obligation Improvement (taxable-Build America) Bonds of 2009 installments ranging from \$4.1 million to \$4.8 million through 2029, bearing interest at rates ranging from 4.9 percent to 5.7 percent for which the Federal government provides a 35 percent interest rate subsidy. The Bonds maturing on or after July 1, 2019, are subject to optional redemption before maturity on or after July 1, 2019, at the direction of the City, in whole or in part installments of \$5,000 at any time or from time to time at par plus the interest accrued on the principal amount to be redeemed to the date fixed for redemption		44,500,000
16.	\$58.0 million General Obligation (tax-exempt) Bonds of 2008, installments ranging from \$0.9 million to \$3.1 million through 2028, bearing interest at rates ranging from 3.4 percent to 5.0 percent. The Bonds maturing on or after July 15, 2019, are subject to optional redemption before maturity on or after July 15, 2018, at the direction of the City, in whole or in part installments of \$5,000 at any time or from time to time at par plus the interest accrued on the principal amount to be redeemed to the date fixed for redemption		12,400,000
17.	\$5.0 million General Obligation (taxable) Bonds of 2008, installments averaging from \$0.3 million through 2018, bearing interest at rates ranging from 5.0 percent to 5.25 percent. The Bonds maturing on or after July 15, 2019, are subject to optional redemption before maturity on or after July 15, 2018, at the direction of the City, in whole or in part installments of \$5,000 at any time or from time to time at par plus the interest accrued on the principal amount to be redeemed to the date fixed for redemption.		500,000
18.	\$22.8 million General Obligation (tax-exempt) Refunding Bonds of 2007, installments ranging from \$2.8 million to \$2.9 million through 2021, bearing interest at rates ranging from 4.5 percent to 4.9 percent. The bonds are not subject to redemption prior to their maturity		11,305,000
19.	\$40 million Public Improvement Bonds of 1999 due in annual installments of \$2 million through 2019, bearing interest at rates ranging from 4.3 percent to 5.0 percent. The bonds are not subject to redemption prior to maturity		4,000,000
	Total	\$	557,233,000

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June 30, 2017

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

The outstanding bonds have been issued as follows:

1. General Obligation Refunding Bond of 2016B

		<u>Rate</u>	<u>Maturity Date</u>
<u>Issue</u>			<u>July 15,</u>
\$ 367,000		1.91%	2017
374,000		1.91%	2018
381,000		1.91%	2019
389,000		1.91%	2020
396,000		1.91%	2021
404,000		1.91%	2022
412,000		1.91%	2023
4,154,000		1.91%	2024
4,111,000		1.91%	2025
4,052,000		1.91%	2026
3,979,000		1.91%	2027
3,904,000		1.91%	2028
3,827,000		1.91%	2029
3,749,000		1.91%	2030
3,669,000		1.91%	2031
<u>\$ 34,168,000</u>			

2. General Obligation Bonds of 2016A

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u>
			<u>July 15,</u>
0153022M3	\$ 1,400,000	5.00%	2017
0153022N1	2,100,000	5.00%	2018
0153022P6	2,800,000	5.00%	2019
0153022Q4	3,515,000	4.00%	2020
0153022R2	3,995,000	5.00%	2021
0153022S0	3,995,000	5.00%	2022
0153022T8	3,995,000	5.00%	2023
0153022U5	3,995,000	5.00%	2024
0153022V3	3,995,000	5.00%	2025
0153022W1	3,995,000	5.00%	2026
0153022X9	3,995,000	5.00%	2027
0153022Y7	3,995,000	5.00%	2028
0153022Z4	3,995,000	2.00%	2029
0153023A8	3,995,000	2.13%	2030
0153023B6	3,995,000	2.63%	2031
0153023C4	3,995,000	2.75%	2032
0153023D2	3,995,000	2.88%	2033
0153023EO	3,995,000	3.00%	2034
0153023F7	3,995,000	3.00%	2035
0153023G5	3,995,000	3.00%	2036
	<u>\$ 73,735,000</u>		

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

3. General Obligation Bonds (taxable) of 2015C

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>July 15,</u>
015302Z96	\$ 960,000	0.85%	2017
0153022A9	925,000	1.20%	2018
0153022B7	1,140,000	1.55%	2019
0153022C5	1,100,000	1.90%	2020
0153022D3	1,065,000	2.30%	2021
0153022E1	1,040,000	2.45%	2022
0153022F8	1,010,000	2.75%	2023
0153022G6	980,000	2.85%	2024
0153022H4	950,000	3.00%	2025
0153022J0	155,000	3.15%	2026
0153022K7	145,000	3.35%	2027
0153022L5	140,000	3.50%	2028
	<u>\$ 9,610,000</u>		

4. General Obligation Capital Improvement Bonds of 2015B

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>July 15,</u>
015302X56	\$ 1,165,000	5.00%	2017
015302X64	1,165,000	5.00%	2018
015302X72	1,165,000	5.00%	2019
015302X80	1,165,000	5.00%	2020
015302X98	1,165,000	5.00%	2021
015302Y22	1,165,000	5.00%	2022
015302Y30	1,165,000	5.00%	2023
015302Y48	1,165,000	5.00%	2024
015302Y55	1,165,000	5.00%	2025
015302Y63	1,165,000	5.00%	2026
015302Y71	1,165,000	5.00%	2027
015302Y89	1,165,000	3.00%	2028
015302Y97	1,165,000	3.00%	2029
015302Z21	1,165,000	3.00%	2030
015302Z39	1,165,000	3.00%	2031
015302Z47	1,165,000	3.13%	2032
015302Z54	1,165,000	3.13%	2033
015302Z62	1,165,000	3.25%	2034
015302Z70	1,080,000	3.25%	2035
	<u>\$ 22,050,000</u>		

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

5. General Obligation Refunding Bond of 2015A Direct Bank Loan

	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>July 15,</u>
\$	395,000	1.86%	2017
	400,000	1.86%	2018
	410,000	1.86%	2019
	415,000	1.86%	2020
	3,490,000	1.86%	2021
	3,430,000	1.86%	2022
	3,365,000	1.86%	2023
	6,240,000	1.86%	2024
	6,100,000	1.86%	2025
	3,015,000	1.86%	2026
	2,935,000	1.86%	2027
	2,855,000	1.86%	2028
\$	<u>33,050,000</u>		

6. General Obligation Capital Improvement Bonds of 2014B

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>January 15,</u>
015302V25	\$ 1,800,000	2.00%	2018
015302V33	1,800,000	2.00%	2019
015302V41	1,800,000	3.00%	2020
015302V58	1,800,000	3.00%	2021
015302V66	1,800,000	5.00%	2022
015302V74	1,800,000	5.00%	2023
015302V82	1,800,000	5.00%	2024
015302V90	1,800,000	5.00%	2025
015302W24	1,800,000	3.00%	2026
015302W32	1,800,000	4.00%	2027
015302W40	1,800,000	4.00%	2028
015302W57	1,800,000	4.00%	2029
015302X31	1,800,000	4.00%	2030
015302W65	1,800,000	3.00%	2031
015302W73	1,800,000	3.00%	2032
015302W81	1,800,000	3.00%	2033
015302W99	1,800,000	3.13%	2034
015302X23	1,795,000	3.20%	2035
	<u>\$ 32,395,000</u>		

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

7. General Obligation Refunding Bonds of 2014A Direct Bank Loan

<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>June 15,</u>
\$ 3,050,000	1.00%	2018
2,915,000	1.00%	2019
2,785,000	1.00%	2020
<u>\$ 8,750,000</u>		

8. General Obligation Capital Improvement Bonds of 2013

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>June 15,</u>
015302S86	\$ 3,305,000	5.00%	2018
015302S94	3,305,000	5.00%	2019
015302T28	3,305,000	5.00%	2020
015302T36	3,305,000	5.00%	2021
015302T44	3,305,000	5.00%	2022
015302T51	3,305,000	5.00%	2023
015302T69	3,305,000	4.00%	2024
015302T77	3,305,000	4.00%	2025
015302T85	3,305,000	4.00%	2026
015302T93	3,305,000	4.00%	2027
015302U26	3,305,000	4.00%	2028
015302U34	3,305,000	4.50%	2029
015302U42	3,305,000	4.50%	2030
015302U59	3,305,000	4.50%	2031
015302U67	3,305,000	4.50%	2032
015302U75	3,310,000	4.50%	2033
	<u>\$ 52,885,000</u>		

9. Public Improvement Bonds of 2012 B

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>June 15,</u>
015302P30	\$ 4,000,000	5.00%	2018
015302P48	4,000,000	5.00%	2019
015302P55	4,000,000	5.00%	2020
015302P63	4,000,000	5.00%	2021
015302P71	4,000,000	5.00%	2022
015302P89	4,000,000	5.00%	2023
015302P97	3,980,000	5.00%	2024
015302Q21	3,980,000	4.00%	2025
015302Q39	3,980,000	4.00%	2026
015302Q47	3,980,000	4.00%	2027
015302Q54	3,980,000	4.00%	2028
015302Q62	3,980,000	3.00%	2029
015302Q70	3,980,000	3.00%	2030
015302Q88	3,980,000	3.00%	2031
015302Q96	3,980,000	3.13%	2032
015302R20	3,980,000	3.25%	2033
	<u>\$ 63,800,000</u>		

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

10. Refunding Bonds of 2012 C

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>June 15,</u>
015302R87	\$ 2,980,000	4.00%	2018
015302R95	2,750,000	3.00%	2023
015302S29	5,630,000	3.00%	2024
015302S37	2,640,000	3.00%	2025
	<u>\$ 14,000,000</u>		

11. Refunding Bonds of 2012

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>June 15,</u>
015302M82	\$ 5,690,000	4.25%	2018
015302M90	8,595,000	4.50%	2019
015302N24	8,615,000	4.50%	2020
015302N32	8,625,000	4.50%	2021
015302N40	8,635,000	4.00%	2022
015302N57	5,985,000	4.00%	2023
	<u>\$ 46,145,000</u>		

12. Public Improvement Bonds of 2011

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>July 15,</u>
015302K43	\$ 3,765,000	5.00%	2017
015302K50	3,765,000	5.00%	2018
015302K68	3,765,000	2.13%	2019
015302K76	3,765,000	2.25%	2020
015302K84	3,760,000	4.00%	2021
015302K92	3,760,000	5.00%	2022
015302L26	3,760,000	3.00%	2023
	<u>\$ 26,340,000</u>		

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

13. Public Improvement Bonds of 2010 (Taxable)

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>July 1,</u>
015302H39	\$ 3,700,000	3.60%	2017
015302H47	3,700,000	3.95%	2018
015302H54	3,700,000	4.15%	2019
015302H62	3,700,000	4.05%	2020
015302H70	3,700,000	4.25%	2021
015302H88	3,700,000	4.40%	2022
015302H96	3,700,000	4.50%	2023
015302J29	3,700,000	4.60%	2024
015302J37	3,700,000	4.80%	2025
015302J45	4,400,000	4.95%	2026
015302J52	4,400,000	5.00%	2027
015302J60	4,400,000	5.00%	2028
015302J60	4,400,000	5.00%	2029
015302J60	4,400,000	5.00%	2030
Total	<u>\$ 55,300,000</u>		

14. Public Improvement Bonds of 2009 (Tax-Exempt)

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>July 1,</u>
015302E81	\$ 4,100,000	4.00%	2017
015302E99	4,100,000		2018
015302F23	4,100,000	4.00%	2019
Total	<u>\$ 12,300,000</u>		

15. Public Improvement Bonds of 2009 (Taxable-Build America Bonds)

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

16. Public Improvement Bonds of 2008 (Tax-Exempt)

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>July 15,</u>
015302A93	\$ 3,100,000	5.00%	2017
015302B27	3,100,000	4.00%	2018
015302B35	3,100,000	4.00%	2019
015302B43	3,100,000	4.25%	2020
Total	<u>\$ 12,400,000</u>		

17. Public Improvement Bonds of 2008 (Taxable)

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>July 15,</u>
015302D58	\$ 250,000	5.25%	2017
015302D66	250,000	5.25%	2018
Total	<u>\$ 500,000</u>		

18. Refunding Bonds of 2007

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>June 15,</u>
015302ZU9	\$ 2,825,000	5.00%	2018
015302ZV7	2,825,000	5.00%	2019
015302ZW5	2,825,000	5.00%	2020
015302ZX3	2,830,000	5.00%	2021
Total	<u>\$ 11,305,000</u>		

19. Public Improvement Bonds of 1999 (Tax-Exempt)

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>January 15,</u>
015302TY8	\$ 2,000,000	5.00%	2018
015302TZ5	2,000,000	5.00%	2019
Total	<u>\$ 4,000,000</u>		

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

The requirements to pay all long-term bonds as of June 30, 2017, including interest payments of \$154.8 million, are summarized as follows:

<u>Fiscal Year</u>	<u>Serial Bonds</u> <u>Principal</u>	<u>Interest</u>
2018.....	\$ 44,852,000	\$ 21,345,479
2019.....	45,319,000	19,497,053
2020.....	43,891,000	17,650,209
2021.....	41,809,000	15,963,839
2022.....	39,411,000	14,115,247
2023-2027.....	176,288,000	47,161,010
2028-2032.....	128,428,000	16,685,493
2033-2037.....	37,235,000	2,393,079
	<u>\$ 557,233,000</u>	<u>\$ 154,811,409</u>

The General Fund meets debt service requirements for general obligation bonds. The City retains the liability for the portion of general obligation bonds issued to fund capital projects of the School Board. The City expects to receive \$14.7 million in Build America Bonds interest subsidy payments through 2031.

Legal Debt Margin - The City has no overlapping debt with other jurisdictions. As of June 30, 2017, the City had a legal debt limit of \$3.8 billion and a debt margin of \$3.3 billion:

Assessed Value of Real Property, January 1, 2017	<u>\$38,987,293,704</u>
Debt Limit: 10 Percent of Assessed Value.....	3,898,729,370
Amount of Debt Applicable to Debt Limit:	
General Obligation Bond.....	<u>\$557,233,000</u>
Less Total General Obligation Debt.....	(557,233,000)
LEGAL DEBT MARGIN REMAINING.....	<u>\$ 3,341,496,370</u>

Unissued Bonds - Bond authorizations expire three years from the effective date of the respective bond ordinances. Authorization of bonds, bonds issued and expired during the fiscal year ended June 30, 2017, are summarized below:

	Authorized and Unissued <u>July 1, 2016</u>	<u>Authorized</u>	<u>Issued</u>	<u>Expired</u>	Authorized and Unissued <u>June 30, 2017</u>
General Obligation Bonds	\$ 86,322,000	\$105,300,000	\$73,735,000	\$ 2,000	\$117,885,000

On July 25, 2017, the City Council issued \$94.7 million in General Obligation Tax-exempt Bonds and \$4.4 million in General Obligation Taxable Bonds. The \$94.7 million bonds were issued with an original premium of \$11.5 million and a true cost of \$2.5 million, which will be used to finance certain capital improvement projects for the City including, but not limited to, public school projects, city parks and buildings, transit and traffic control infrastructure, capital contributions to the Washington Metropolitan Area Transit Authority, storm water infrastructure improvements, and acquisition of fire department vehicles and apparatus. The \$4.4 million bonds were issued with an original premium of \$40,000 and a true cost of \$3.0 million, which will be used for affordable housing.

On September 5, 2017, the City Council also issued \$102.1 million in General Obligation Refunding Bonds at a true interest cost of 1.93 percent.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

The City did not issue any short-term debt or have any short-term debt outstanding during FY 2017. Other short-term liabilities represent unclaimed money and deposits.

Changes in Long-Term Liabilities - Changes in the total long-term liabilities during the fiscal year ended June 30, 2017 are summarized below. In general, the City uses the General Fund to liquidate long-term liabilities.

Primary Government – Governmental Activities

	Balance			Balance	Amounts Due
	July 1, 2016	Additions	Reductions	June 30, 2017	Within One Year
General Obligation Bonds	\$ 522,710,000	\$ 107,903,000	\$ 73,380,000	\$ 557,233,000	\$ 44,852,000
Bond Premium	39,583,163	10,469,488	3,157,124	46,895,527	3,157,124
Workers' Compensation Claims	20,487,824	6,181,777	5,683,417	20,986,184	5,356,350
Accrued Compensated Absences	23,352,295	14,564,462	14,286,862	23,629,895	3,479,490
Net Pension Liability	203,229,263	19,747,807	34,481,030	188,496,040	-
Net OPEB Obligation	19,469,308	-	3,828,842	15,640,466	-
Total	\$ 828,831,853	\$ 158,866,534	\$ 134,817,275	\$ 852,881,112	\$ 56,844,964

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 position. The adjustment from modified accrual to full accrual is as follows:

Balances at June 30, 2017:	
Long-term liabilities (detail above)	\$ 852,881,112
Accrued interest payable	<u>4,115,388</u>
Adjustment	<u>\$ 856,996,500</u>

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

Compensated absences	\$ 277,600
Workers compensation	498,360
Change in net OPEB obligation	(3,828,842)
Amortization of bond premium,	
Discount and interest	8,231,830
Accrued interest on bonds	<u>(765,225)</u>
Adjustment	<u>\$ 4,413,723</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

The adjustment from modified accrual basis to full accrual for pension is comprised of pension expense net of pension contributions.

Pension expense, Note 17	\$ 33,447,582
Contributions, measurement date	
City Single Agency FY17	(26,620,761)
Virginia Retirement Service FY17	(9,974,720)
True up adjustment for FY16	45,644
Adjustment to Exhibit IV	<u>\$ (3,102,255)</u>

Deferred Inflows/Outflows: Exhibit I

Deferred Inflows Exhibit III	\$295,792,507
Tax Receivable, Note I	(17,769,096)
Deferred Gain on Refunding Bonds, Note I	(6,479,722)
Adjustment Exhibit III	<u>(24,248,818)</u>
Deferred Inflows, Taxes Exhibit I	<u>278,023,411</u>
Deferred Inflows, Pensions Exhibit I	<u>12,078,424</u>

Component Unit – School Board

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due Within One Year
Accrued Compensated Absences	\$ 7,371,943	\$ 11,800,627	\$ 11,873,377	\$ 7,299,193	\$ 973,130
Workers' Compensation Claims	978,948	831,585	958,985	851,548	596,084
Rent Abatement Accrual	2,741,420	52,355	222,716	2,571,059	230,196
Total	<u>\$ 11,092,311</u>	<u>\$ 12,684,567</u>	<u>\$ 13,055,078</u>	<u>\$ 10,721,800</u>	<u>\$ 1,799,410</u>

Refunding Bonds

Prior-year Defeasance of Debt

In prior years, the City defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2017, \$57.4 million of bonds outstanding were considered defeased.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (Continued)

Current year Defeasance of Debt

On November 10, 2016, the City Council issued \$34.2 million in Tax Exempt General Obligation Bonds with an effective interest rate of 1.9 percent to advance refund a portion of the City's 2011 Series, aggregating in principal amount of \$30.1 million. The net proceeds of \$34.2 million (after payment of \$0.2 million in issuance cost) were used to purchase U.S. Government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. Accordingly, the refund bonds are considered to be defeased and are not included in the City's financial statements.

The advance refunding resulted in a difference between the new debt and the net carrying value of the old debt of \$4.1 million. This refunding will achieve a savings for the city of \$2,416 million in future debt service payments over the next 16 years and obtain economic gain of \$2,129 million.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 10. INTERFUND BALANCES AND COMPONENT UNIT TRANSACTIONS

Primary Government

Interfund receivable/payable consisted of the following at June 30, 2017:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government - General Fund	Primary Government - Alexandria Transit Company	\$300,000

This balance represents timing differences related to accounts receivable.

Interfund transfers and transactions for the year ended June 30, 2017 consisted of the following:

<u>Transfers:</u>	<u>General</u>	<u>Special Revenue</u>	<u>Internal Service</u>	<u>Capital Projects</u>	<u>Total Transfers In</u>
Primary Government					
General Fund	\$ -	\$ 9,906,977	\$ 507,500	\$ -	\$ 10,414,477
Special Revenue	50,089,026	33,765	-	-	50,122,791
Capital Projects	28,291,006	7,860,539	-	-	36,151,545
Internal Service	-	1,123,558	-	-	1,123,558
Alexandria Transit	756,583	11,295,384	-	34,585	12,086,552
Total Transfers Out	<u>79,136,615</u>	<u>30,220,223</u>	<u>507,500</u>	<u>34,585</u>	<u>109,898,923</u>
Component Unit					
School Board	204,020,497	-	-	21,298,309	225,318,806
Library	6,863,312	-	-	-	6,863,312
Total Transfers Out	<u>\$ 210,883,809</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,298,309</u>	<u>\$ 232,182,118</u>

Primary government transfer activities include:

Transfers from the General Fund to the Special Revenue Fund represent City funds required to match grant programs resources and taxes collected for affordable housing projects and to fund transportation agreements. In addition, the City transferred \$4.4 million in capital assets to Alexandria Transit in FY 2017.

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 and library operations.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

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 a condition 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 \$177.4 million in FY 2017. Sources of these revenues were as follows:

GOVERNMENTAL FUNDS

Federal Government	\$ 39,526,968
Commonwealth of Virginia	77,520,439
Total Primary Government	117,047,407

FEDERAL GOVERNMENT

School Board	15,879,993
Component Units - Federal Government	15,879,993

COMMONWEALTH OF VIRGINIA

School Board	44,328,919
Library	169,476
Component Units - Commonwealth of Virginia	44,498,395

Total Component Units	60,378,388
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TOTAL CITY AND COMPONENT UNITS

Federal Government	55,406,961
Commonwealth of Virginia	122,018,834
Total Intergovernmental Revenue	\$ 177,425,795

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 13. DUE FROM OTHER GOVERNMENTS

Due from other governments represents accrued revenue at June 30, 2017, consisting of the following:

PRIMARY GOVERNMENT

State

General Fund	\$ 30,954,042
Special Revenue Fund	4,068,540
Alexandria Transit	16,814
Total State	<u>35,039,396</u>

Federal

General Fund	1,155,056
Special Revenue Fund	3,135,057
Total Federal	<u>4,290,113</u>

Total Primary Government	<u>39,329,509</u>
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COMPONENT UNITS

State

School Board	2,982,428
Library	21,443
Total State	<u>3,003,871</u>

Federal

School Board	3,294,723
Total Federal	<u>3,294,723</u>

Total Component Units	<u>6,298,594</u>
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Total Primary Government & Component Units	\$ <u>45,628,103</u>
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CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

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 position. The City does not maintain an equity interest in the Academy's operations. This lease was paid in full in FY 2007. New debt of \$18.7 was issued in FY 2007. The City does not have an equity interest associated with this debt. In addition, the City pays the Northern Virginia Criminal Justice Academy for operating costs based on the pro-rata share of officers trained. In FY 2017, the City paid \$0.6 million for operating costs.

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

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 \$1.1 million in FY 2017.

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 is \$27 million, with 50 percent of the eligible construction cost (\$23.8 million) 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 2017, the City paid \$0.5 million for operating costs and \$0.1 million for debt service payments. The City does not maintain an equity interest in the jail and is not responsible for repayment of the debt.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 14. JOINT VENTURES (Continued)

The agreement expired at the end of FY 2017. All prisoners were moved in March 2017. The facility ceased operations in June 2017. Complete financial statements can be obtained by writing to the Regional Jail Authority at Post Office Box 1460, Bowling Green, Virginia 22427.

D. Washington Metropolitan Area Transit Authority

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

NOTE 15. RELATED PARTY TRANSACTIONS

A related-party transaction reflects considerations other than economic self-interest based upon the relationship that exists between the parties to the transaction.

The Station at Potomac Yard

The City established a related party agreement for The Station at Potomac Yard Apartments project in 2008. This project was developed via a joint venture with a local non-profit housing group, Alexandria Housing Development Corporation (AHDC), and Pulte Homebuilders. None of these related entities is active and plans are to dissolve the limited liability corporation (LLC) that was formed for the project. Due to warranty/liability issues, the LLC was required to be maintained for several years after construction was completed in 2009. During FY2017, the City paid the annual state corporation commission renewal fee of \$50 pending dissolution. The City also provided a residual receipts loan to AHDC for \$1.9M when the project was being constructed, but no payments were received in FY 2017.

East Reed LLC (ERLLC)

In February 2013, the City of Alexandria created a special purpose entity, East Reed LLC (ERLLC), to enter into a public-private partnership arrangement with nonprofit housing developer, Arlington Housing Corporation, Inc. (AHC), to develop 78 units of affordable housing. The project was completed in 2014 and is operational and occupied.

Following ERLLC's establishment, a parcel of City-owned land located at 3600 Jefferson Davis Highway (the 3600 parcel), required to complete AHC's assemblage for the development, was transferred into the LLC. ERLLC later joined the tax credit partnership formed by AHC and its tax credit investor, as a Special Limited Partner, with the 3600-parcel providing the City's equity stake. While ERLLC's interest in the tax credit entity is de minimis, the City had specific governance and oversight participation rights that were detailed in a March 2013 agreement between the City and AHC. These rights were later incorporated into the City's loan agreement with AHC: in addition to the land parcel, the City provided a \$2.5 M residual receipts loan agreement. During FY 2017, no repayments were made by AHC on the City residual receipts loan. However, an allonge was executed to reduce the face amount of a note for the value of the city-owned parcel, to consider the City's share of costs incurred by AHC for remediation of existing soil conditions.

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB)

I. PRIMARY GOVERNMENT

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

This City plan is a reimbursement program that is based on the actual cost of the retiree's monthly premium up to a maximum amount determined by the City Council. Effective July 1, 2005, the maximum monthly amount an eligible retiree or a surviving spouse may receive is \$260. The City Council has authority to establish or amend the provisions. As of June 30, 2017, 339 retirees were eligible and received benefits from all three classes of this plan. Eligibility is contingent upon retiree providing proof of participation and payment to a health insurance plan. The City contributed on a "pay-as-you-go" basis at the rate of up to \$260 per month for each retiree, for a total annual contribution of \$2.3 million for FY 2017. Employees hired after September 30, 2007 will have their retirees' health benefits prorated based on the length of service.

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

Prior to fiscal year 2017, the City followed the guidance in Statement No. 45 of the Governmental Accounting Standards Boards (GASB), (Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions). The City implemented the guidance in GASB Statement No. 74 Financial Reporting for Postemployment Benefit Plans Other than Pension Plans, effective fiscal year 2017. The objective of the statement is to improve the usefulness of information about postemployment benefits other than pensions.

The City established a Single Employer Other Post Employment Trust Plan (OPEB) and plans to fund on a phased in basis the obligation through this trust. There are no legal or contractual requirements for contributing to the OPEB Trust Fund. The City does not issue a stand-alone financial report for OPEB trust fund. The financial statements and required supplementary information are included in City's Comprehensive Annual Financial Report.

Plan Administration

The City Other OPEB Plan, which includes Line of Duty (LOD), is administered by the OPEB Plan Board. The board must be comprised of at least three members including the Chief Financial Officer, the City Finance Director, and at least one other member who is an employee or citizen of the City with "proven integrity, business ability, and demonstrated experience in cash management and in investments. The citizen/employee is nominated by the City Manager and approved by City Council. The City OPEB Board adopts a realistic actuarial rate of return for the Plan and recommends the level of contributions needed to keep the Plan financially sound. City Council approves the contribution level.

Method Used to Value Investments

Investments are valued at fair value. The City does not have any OPEB investments, other than U. S. Government and U.S. government guaranteed obligations, in any one organization that represents five percent or more of the net assets held in trust for OPEB investments.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Investment Policy

The City OPEB Plan has two components: cash payments for Medical Insurance, and Life Insurance. The objective of the Medical Insurance and Life Insurance components is to preserve actuarial soundness in order to meet contractual benefit obligations. In striving to attain these objectives, the Plan will be managed in a manner consistent with three fiduciary standards. First, that all transactions shall be in the sole interest of the participants and their beneficiaries. Second, that all investments shall be made with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in an expert-like capacity and familiar with such matters would use. Third, that all entities dealing with the plan are required to disclose conflicts of interest as soon as they become apparent. The following was the City's adopted asset allocation policy for OPEB as of June 30, 2017.

Target Allocations

<u>Asset Class</u>	<u>Target Allocation</u>
Large Cap Growth	9%
Large Cap Value	9%
Mid Cap Value	14%
Private Equity	5%
Small Cap Core	9%
International Development	10%
Emerging Markets	10%
Domestic Fixed Income	14%
Fixed Income International	4%
Tactical Asset Allocation	4%
Timber	4%
Real Estate	4%
Farmland	4%
Total	100%

Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 14.96 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

The long-term expected rate of return on OPEB plan investments was determined using the last twenty years of return for the index, as of the fiscal year end, for each asset class the in which funds were invested, taking the arithmetic mean and adjusting it for inflation of 3.0%. The long term expected rates of return for each major asset class as of June 30, 2017 are summarized in the following table.

<u>Asset Class</u>	<u>Long Term Expected Rate of Return</u>
Diversified Assets	1.5%
Equity	4.3%
Real Assets	6.8%
Fixed Income	1.4%

Discount Rate

The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Projections of the Plan's fiduciary net position have indicated that it is expected to be sufficient to make projected benefit payments for current Plan members. The actuarial liability, normal cost, and expected benefit payments were projected for the remaining lifetimes of the closed group population as of December 31, 2015. An expected contribution was calculated each year based on the current funding policy. Since the assets are projected to always be greater than the expected benefit payments in any one year, the long-term expected rate of return of 7.5% is used to calculate the total OPEB liability.

Membership

At January 1, 2017, membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	804
Terminated Employees Entitled to Benefits But not yet receiving them	---
Active Employees	<u>2,216</u>
TOTAL	<u>3,020</u>

Annual OPEB Costs and Net OPEB Obligations

Effective July 1, 2012, the City assumed responsibility for funding benefits required under the Virginia Line of Duty Act. Effective July 1, 2017, LOD retirees must elect a plan administered through the Virginia Department of Human Resources (DHRM). The City will pay DHRM the premiums for covered retirees, spouses, and widows. The OPEB Trust Fund is comprised of regular OPEB benefits and Line of Duty (LOD) benefits. Two separate actuarial reports are generated for each.

The annual required contribution (ARC) for Other Post-Employment Benefits increased from \$7.0 million for fiscal year 2016 to \$7.2 million for the current fiscal year. The ARC for Line of Duty Benefits increased from \$53.8 million for fiscal year 2016 to \$5.7 million for the current year. As a percentage of payroll, the ARC increased from 4.27% to 4.31% for the current fiscal year for regular benefits and increased from 5.0% to 6.4% for Line of Duty benefits. As of June 30, 2017, the Net OPEB Obligation (NOO) for Regular Benefits decreased to \$3.6 million compared to \$9.2 million for fiscal year 2016 and for Line of Duty Benefits the NOO increased to \$12.1 million compared to \$10.3 million for fiscal year 2016. As of the December 31, 2016 actuarial reports, the Unfunded

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Accrued Liability (UAAL) decreased from \$59.3 million to \$57.7 million for Regular Benefits. The Unfunded Actuarial Liability (UAL) increased from \$15.9 million to \$25.9 million for Line of Duty Benefits. The Net OPEB Obligation as of June 30, 2017 is as follows:

	Regular	LOD	Total
Annual Required Contribution	\$7,192,829	\$5,705,368	\$12,898,197
Interest on NET OPEB Obligation	691,046	640,960	1,332,006
Adjustment to Annual Required Contribution	(823,079)	(837,807)	(1,660,886)
Annual OPEB Cost	7,060,796	5,508,521	12,569,317
Contribution Made			
Trust fund Contributions	(7,500,000)	(2,600,000)	(10,100,000)
Pay-Go Contributions	(5,222,609)	(1,075,550)	(6,298,159)
Total Contributions Made	(12,722,609)	(3,675,550)	(16,398,159)
Increase (Decrease) in NET OPEB Obligation	(5,661,813)	1,832,971	(3,828,842)
Net OPEB Obligation, Beginning of Year	9,213,952	10,255,356	19,469,308
Net OPEB Obligation, End of Year	<u>\$3,552,139</u>	<u>\$12,088,327</u>	<u>\$15,640,466</u>

Line of Duty (LOD) is part of the OPEB Trust Fund. OPEB Trust fund contributions are comprised of contributions to the Trust Fund and Pay-Go Contributions.

Funded Status and Funding Progress

The funded status of the plan as of December 31, 2016 was as follows:

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll ((2-1)/5)
Regular Benefits 12/30/2016	\$39,853,602	\$97,235,699	\$57,652,097	40.7%	\$166,699,217	34.6%
Line of Duty Benefits (LOD) 12/30/2016	\$3,320,669	\$29,237,562	\$25,916,893	11.4%	\$57,423,658	45.1%

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

Actuarial valuations of the plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about the future employment, mortality, and the healthcare cost trend. The actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following notes to the financial statements, presents results as of December 31, 2016. The schedule provides multi-year trend information about whether the actuarial values of plan Net position are increasing or decreasing over time relative to actuarial accrued liabilities for benefits.

CITY OF ALEXANDRIA, VIRGINIA

Notes to Financial Statements

June 30, 2017

**Exhibit XII
(Continued)**

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations. The actuarial assumptions for both Other Post-Employment Benefits (OPEB) and Line of Duty (LOD) are based on the 2016 experience study. Claim costs and retiree contributions were analyzed and updated to reflect current health care costs. Medical trend rates have been updated to reflect the actuary's

Mortality rates for Fire and Police were based on the RP-2000 Combined Mortality Table sex distinct, projected to 2020 using scale AA. The mortality rates for City Employees was based on the RP-2000 Combined Mortality Table sex distinct for base rates. For mortality improvement, project rates generationally from the base year using a modified version implementation tools with rates converging to the ultimate rate in 2019 (instead of 2029). Disability mortality rates for Fire and Police were based on the RP-2000 Combined Mortality Table, sex distinct, not projected, with ages set forward five years. The disability mortality rates for City Employees were based on 70% of PBGC Disabled Mortality Table 5a for males and 90% PBGC Disabled Mortality Table 6a for females.

For the December 31, 2016 actuarial valuations, regular OPEB benefits valuation used a 7.5% investment rate whereas the LOD valuation used a 6.25% investment rate. The following assumptions apply to both valuation reports. The entry-age actuarial cost method was used. An annual medical cost trend rate of 5.0% for 2017 and then 7.0% graded down to 5.0% over 14 years was used for non-Medicare and 7.0% graded down to 5.00% over 15 years for Medicare. Salary scale ranges were from 3.5% to 7.25% for Fire and Police and 3.25% to 5.1% for City employees depending on service with 3.5% attributable to inflation. The plan's unfunded actuarial accrued liability is being amortized as a level dollar of projected payroll on a closed basis. Asset valuation method used was market value and the remaining amortization period as of December 31, 2016 was 21 years.

Schedule of Employer Contributions

	<u>Fiscal Year Ended</u>	<u>Annual Required Contributions</u>	<u>Employer Contributions</u>	<u>Percentage Contributed</u>
Regular OPEB Benefits	06/30/2015	\$7,617,075	\$6,353,814	83.4%
	06/30/2016	7,020,912	9,451,088	134.6%
	06/30/2017	7,192,829	12,722,609	176.9%
Line of Duty Benefits	06/30/2015	5,634,567	2,369,478	42.1%
	06/30/2016	3,783,205	2,805,445	74.2%
	06/30/2017	5,705,368	3,675,550	64.4%

Three Year Trend Information

	<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
Regular OPEB Benefits	06/30/2015	\$7,499,107	84.7%	\$11,792,903
	06/30/2016	6,872,137	137.5%	9,213,952
	06/30/2017	7,060,796	180.2%	3,552,139
Line of Duty Benefits	06/30/2015	5,478,248	43.3%	9,432,287
	06/30/2016	3,628,514	77.3%	10,255,356
	06/30/2017	5,508,521	66.7%	12,088,327

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Employer contributions are comprised of Trust Fund contributions and Pay-Go contributions.

Total OPEB Liability

The City of Alexandria's total OPEB liability of \$114,682,726 was measured as of June 30, 2017, and was determined by an actuarial valuation as of December 31, 2015 updated to June 30, 2016. Measurements as of the reporting date are based on the fair value of assets as of June 30, 2017 and the Total OPEB Liability as of the valuation date, December 31, 2015, updated to June 30, 2017. There were no significant events between the valuation date and the measurement date.

Change in Net OPEB Liability for City of Alexandria

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances as of 6/30/2016	\$ 108,945,253	\$ 40,550,742	\$ 68,394,511
Changes for the year:			
Service cost	3,803,579	-	3,803,579
Interest	8,232,053	-	8,232,053
Changes in benefit terms	-	-	-
Changes in assumptions	-	-	-
Difference between expected and actual experience	-	-	0
Contributions-employer	-	16,398,159	(16,398,159)
Contributions-member	-	-	0
Net Investment Income	-	6,357,091	(6,357,091)
Benefit payments	(6,298,159)	(6,298,159)	-
Administrative Expense	-	(16)	16
Net Changes	5,737,473	16,457,075	(10,719,602)
Balances at 6/30/2017	\$ 114,682,726	\$ 57,007,817	\$ 57,674,909

There were no deferred outflows of resources or deferred inflows of resources for the period ending June 30, 2017.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

The components of the Net OPEB Liability of the City of Alexandria as of June 30, 2017 are as follows:

	Measurement Date	
	6/30/2017	6/30/2016
Total OPEB Liability	\$ 114,682,726	\$ 108,945,253
Plan Fiduciary Net Position	57,007,817	40,550,742
Net OPEB Liability	<u>\$ 57,674,909</u>	<u>\$ 68,394,511</u>

Plan Fiduciary Net Position as a percentage of Total OPEB Liability	49.7%	37.2%
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The following presents the Net OPEB Liability of the City of Alexandria, calculated using the current discount rate, as well as what the Fund's Net OPEB Liability would be if it were calculated using a discount rate that is 1.00% lower or higher than the current rate

Sensitivity of Net OPEB Liability to Changes in the Discount Rate	1% Decrease	Current Discount Rate	1% Increase
	6.5%	7.5%	8.5%
Total OPEB Liability	\$ 128,046,527	\$ 114,682,726	\$ 103,472,695
Plan Fiduciary Net Position	57,007,817	57,007,817	57,007,817
Net OPEB Liability 6/30/2017	<u>\$ 71,038,710</u>	<u>\$ 57,674,909</u>	<u>\$ 46,464,878</u>

Plan Fiduciary Net Position as a percentage of Total OPEB Liability	44.5%	49.7%	55.1%
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The following presents the Net OPEB Liability of the City of Alexandria, calculated using the current healthcare trend, as well as what the Fund's Net OPEB Liability would be if it were calculated using a healthcare trend 1% lower and 1% higher

Sensitivity of Net OPEB Liability to Changes in Healthcare Cost Trend Data	1% Decrease	Healthcare Trend	1% Increase
Total OPEB Liability	\$ 109,364,297	\$ 114,682,726	\$ 121,050,868
Plan Fiduciary Net Position	57,007,817	57,007,817	57,007,817
Net OPEB Liability 6/30/2017	<u>\$ 52,356,480</u>	<u>\$ 57,674,909</u>	<u>\$ 64,043,051</u>

Plan Fiduciary Net Position as a percentage of Total OPEB Liability	52.1%	49.7%	47.1%
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CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

OPEB Trust

The table below summarizes investments managed by the City of Alexandria in accordance with the fair value hierarchy established by the generally accepted accounting principles. Fair value is defined as the quoted market value on the last trading day of the period. The hierarchy is based on the valuation inputs used to measure the fair value of assets.

Level 1 – Quoted prices in active markets for identical assets or liabilities. During fiscal year 2017, \$6.7 million worth of investments were evaluated and classified in Level 1 of the fair value hierarchy.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborate by observable market data. During fiscal year 2017, \$28.6 million worth of investments were evaluated and classified in Level 2 of the fair value hierarchy.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs. During fiscal year 2017, \$1.4 million worth of investments were evaluated and classified in Level 3 of the fair value hierarchy. \$20.3 million worth of investments were evaluated at Net Asset Value (NAV).

OPEB TRUST
As of June 30, 2017

<u>Portfolio</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Equity Securities</u>			
Common Stock & ETFs	\$ 6,722,769	\$ -	\$ -
Mutual Funds	-	23,204,260	-
Total Equity Securities	6,722,769	23,204,260	-
<u>Private Equity</u>			
Secondaries Funds	-	-	1,378,401
Total Private Equity	-	-	1,378,401
<u>Cash Equivalents</u>			
Money Market Funds	-	5,426,618	-
Total Cash Equivalents	-	5,426,618	-
Total Investments by Fair Asset Value	6,722,769	28,630,878	1,378,401
Investments measured at net asset value (NAV)			
Commingled Collective Trusts	15,764,790		
Real Estate Funds	1,728,199		
Timber Funds	1,565,743		
Farmland	1,217,037		
Total Investments Measured at NAV	20,275,769		
Total Value	\$ 57,007,817		

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Securities Lending

The City permits the Other Post Employment Benefit trust (OPEB) fund to lend its securities with a simultaneous agreement to return the collateral. In FY 2017, the OPEB trust fund lent U.S. Equities with a fair value of underlying securities of \$110,555 and cash collateral received from the borrower of \$114,308. Collateral investments are reported at cost, not market value.

II. COMPONENT UNIT – Alexandria City Public Schools (ACPS)

Plan Description

The School Board administers a single-employer defined benefits healthcare plan. It provides medical insurance benefits to eligible retired school employees and beneficiaries. In May 2009, the School Board authorized the establishment of a trust for accumulating and investing assets to fund Other Postemployment Benefits.

ACPS invests the OPEB Trust Fund's assets with the Virginia Pooled OPEB Trust Fund (Pooled Trust) sponsored by the Virginia Association of Counties and the Virginia Municipal League (VACo/VML). The Pooled Trust is an investment pooling vehicle created to allow participating local governments, school divisions, and authorities in the State to accumulate and invest assets to fund other post-employment benefits. Funds of participating jurisdictions are pooled and invested in the name of the Pooled Trust. ACPS' respective shares in the Pooled Trust are reported in the OPEB Trust Fund's financial statements. The Pooled Trust is governed by a Board of Trustees (Trustees) composed of nine (9) elected members. Trustees are elected by participants in the Pooled Trust, whose votes are weighted according to each Participating Employer's share of total Pooled Trust assets. Investment decisions are made by the Board of Trustees of the Pooled Trust. The Trustees are responsible for managing Trust Fund assets through the appointment and oversight of investment managers and with the guidance of an investment advisor.

Participants in the ACPS Plan must meet the eligibility requirements based on service earned with ACPS and prior service earned from other Virginia agencies to be eligible to receive benefits upon retirement. Participants who do not retire directly from active service are not eligible for the benefits. In addition, participants must meet one of the following criteria:

- Attained the age of 50 with at least 30 years of service for unreduced pension retirement benefits.
- Attained the age of 50 with at least 10 years of service for reduced pension retirement benefits.
- Attained the age of 65 with at least 5 years of service.

Program participants may continue medical coverage by paying the appropriate subsidized premium which range from \$0 to \$1,435 based on the medical plan under which the retiree is covered. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the program on average than those of active employees. The subsidies in this program are accounted for in the ACPS OPES Trust Fund. In FY 2017, ACPS contributed up to \$265 for each participant.

For employees hired after July 1, 2008, the following requirements must be met:

- Non-Medicare eligible retirees and spouses (Under age 65) - The retiree must complete 5 years of vesting service with ACPS to receive a contribution. ACPS contributes a pro-rated amount of \$265 equal to 5.0% per year of service with ACPS (including the 5 vesting years) and other VRS employers for retiree medical coverage. A maximum of 20 years of service will be credited toward the contribution made by ACPS. The retiree and spouse/dependent pay the remainder of the premium.
- Medicare eligible retirees and spouses (Age 65+)- The retiree must complete 5 years of vesting service with ACPS to receive a contribution. ACPS contributes a pro-rated amount of \$265 equal to 5.0 % per year of service with ACPS (including the 5 vesting years) and other VRS employers for retiree medical coverage. A maximum of 20 years of service will be credited

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

- toward the contribution made by ACPS. The contribution will not exceed the premium for the elected coverage. The retiree and spouse/dependent pay the remainder of the premium.

The key actuarial assumptions used in the January 1, 2016 valuation, that was rolled forward to January 1, 2017, are reflected in the chart below.

Membership and Key Actuarial Assumptions	
Active plan members	2,291
Inactive/Deferred Vested	0
Retirees and spouses	567
Total	2,858
Covered Payroll	\$150,313,298
Long-term Expected Rate of Return	7.0 percent
Ultimate Rate of Medical Inflation	4.0 percent
Salary increases, including Inflation	3.0 percent
Discount Rate	7.0 percent
Healthcare Cost Trend Rates	UHC POS: 8% in 2016 then grading from 9% to 4% over 14 years; UHC MA-PD and Kaiser: Grading from 7% to 4% over 15 years
Mortality rates:	
- Pre-Retirement	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females were set back 5 years.
- Post-Retirement	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years.
- Post-Disablement	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement.

Investment Policy

The Pooled Trust Board of Trustees has the responsibility for managing the investment process. In fulfilling this responsibility, the Board will establish and maintain investment policies and objectives. Within this framework, the Board will monitor and evaluate the investment managers, bank custodian, and other parties, to monitor whether operations conform to the guidelines and actual results meet objectives. If necessary, the Board is responsible for making changes to achieve this. The investment objective of the Fund is to maximize total long-term rate of return with reasonable risk by seeking capital appreciation and, secondarily, principal protection. There were no significant changes in investment policy during fiscal year 2017.

The Trustees are responsible for setting each Portfolio's long-term asset allocation, after taking into consideration expectations for asset class returns and volatility, risk tolerance and liquidity needs.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

The Pooled Trust's assets will be separately managed by professional investment managers or invested in professionally managed investment vehicles. Each Portfolio will be invested in a broadly diversified manner by asset class, style, and capitalization, which will control volatility levels. The target allocation for each class of investment is shown below.

Investment Type	Allocation %	Expected Long-Term Rates of
Large Cap Equity (Domestic)	26%	7.8%
Small Cap Equity (Domestic)	10%	9.1%
International Equity (Developed)	13%	8.8%
Emerging Markets Equity	5%	10.1%
Private Equity	5%	10.4%
Core Bonds Fixed Income	7%	2.8%
Core Plus Fixed Income	14%	3.1%
Diversified Hedge Funds	10%	6.3%
Private Core Real Estate	5%	5.5%
Private Value Add Real Estate	2%	6.7%
Commodities	3%	3.9%
Cash & Equivalents	0%	0.9%
Total	100%	6.9%

The expected long-term real rates of return in the above table are arithmetic; they are used as inputs for the financial model to arrive at the median returns for the portfolio which are geometric. When calculating the median rates, which are used to set the target rates, the intermediate term rates are used for the first 10 years and the long-term rates for all years thereafter.

Measurement Date

The measurement date used for the City's OPEB Trust GASB 74 reporting is June 30, 2017.

Concentrations

There are no investments in any one organization that represent 5 percent or more of the OPEB Trust's fiduciary net position.

Money-weighted Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 13.04 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

CITY OF ALEXANDRIA, VIRGINIA

**Notes to Financial Statements
June 30, 2017**

**Exhibit XII
(Continued)**

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Net OPEB Liability

The ACPS net OPEB liability at the beginning of the current measurement year is measured as of a valuation date of January 1, 2016 and rolled forward to June 30, 2016. The net OPEB liability at the end of the measurement year, June 30, 2017, is measured as of a valuation date of January 1, 2016 and projected to June 30, 2017. In future years, valuations will be completed every other year, assuming there are no significant events between the years. Each valuation will be rolled forward to provide two years of OPEB liability.

Changes in Net OPEB Liability			
<i>Increase (Decrease)</i>			
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances as of June 30, 2016	\$ 28,572,757	\$ 14,179,230	\$ 14,393,527
Changes for the year:			
Service cost	1,065,890	-	1,065,890
Interest	2,022,196	-	2,022,196
Contributions - employer	-	2,269,646	(2,269,646)
Contributions - member	-	-	-
Net investment income	-	1,831,086	(1,831,086)
Benefit payments	(1,492,636)	(1,492,636)	-
Administrative expense	-	(17,371)	17,371
Net changes	1,595,450	2,590,725	(995,275)
Balances as of June 30, 2017	\$ 30,168,207	\$ 16,769,955	\$ 13,398,252

Plan Fiduciary Net Position as a percentage of the Total OPEB Liability 55.6%

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Other Post-Retirement Employee Benefits Trust using the discount rate of 7.0%, as well as what the net OPEB liability would be if it was calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate.

	(-1%) Decrease 6.0%	Discount Rate 7.0%	(+1%) Increase 8.0%
Net OPEB Liability	\$ 16,516,916	\$ 13,398,252	\$ 10,808,082

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Trend Rate

The following presents the net OPEB liability of the ACPS Other Post-Retirement Employee Benefits Trust using the current base healthcare trend rate, as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is one percentage point lower (-1%) or one percentage point higher (+1%) than the base rate.

	<u>Trend Minus (-1%)</u>	<u>Trend Baseline</u>	<u>Trend Plus (+1%)</u>
Net OPEB Liability	\$12,355,068	\$13,398,252	\$14,656,018

The ACPS OPEB Trust does not issue a stand-alone financial report and is not included in the report of another entity.

The following is a summary of fiduciary net position of the ACPS OPEB Trust as of June 30, 2017:

Summary of Fiduciary Net Position
Other Post Employee Benefits Trust Fund
As of June 30, 2017

ASSETS

Bonds	\$ 3,169,521
Mutual Funds	8,971,925
Other Investments	4,628,508
Total assets	<u><u>16,769,954</u></u>

NET POSITION

Held in trust for OPEB benefits	<u><u>\$ 16,769,954</u></u>
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CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

The following is a summary of the changes in fiduciary position of the ACPS OPEB Trust as of June 30, 2017.

Summary of Changes in Fiduciary Net Position
Other Post Employee Benefit Trust Fund
For the Year Ended June 30, 2017

ADDITIONS	
Contributions	\$ 2,226,331
Investment Income	1,831,085
Total Additions	<u>4,057,416</u>
DEDUCTIONS	
Benefit payments	1,449,321
Administrative expenses	17,371
Total Deductions	<u>1,466,692</u>
Change in net position	2,590,724
NET POSITION, beginning of year	14,179,230
NET POSITION, end of year	<u><u>\$ 16,769,954</u></u>

Contributions

Contribution requirements of ACPS are established and may be amended by the School Board. The required contributions were actuarially-determined and are based upon projected pay-as-you go financing requirements with additional amount to prefund benefits. The costs of administering the plan are paid for by the OPEB Trust Fund using investment income and employer contributions. For the period ending June 30, 2017, ACPS contributed \$1.5 million for current costs and an additional \$0.7 million to prefund benefits.

Annual OPEB Cost

ACPS' annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially-determined in accordance with the parameters of GASB statement No.45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. GASB Statement No.45 requires recognition of the current program expense based on each ARC, but it does not require funding of the related liability. The current ARC rate is 1.5% of annual covered payroll. The following table shows the components of ACPS' annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Calculation of Net OPEB Obligation (NOO)

Annual Required Contributions (ARC)	\$ 2,248,971
Interest on Net OPEB Obligation	(124,371)
Adjustment to Annual Required Contribution	133,813
Annual OPEB Cost	2,258,413
Contributions made	2,269,646
Increase in net OPEB obligation	(11,233)
Net OPEB obligation (asset) -July 1, 2016	(1,776,728)
Net OPEB obligation (asset) -June 30, 2017	<u>\$ (1,787,961)</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS

I. PRIMARY GOVERNMENT

During FY 2017, the City participated in six 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 five, 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 one is a defined contribution plan (Firefighters and Police Officers Pension Plan-defined contribution component), 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.

Plan Administration

The City Supplemental Plan is administered by the Supplemental Retirement Plan board. The board consists of eight members. Four of the members are nominated by the City Manager, while the other remaining four are nominated by the entire body. The Firefighters and Police Office Pension Plan Board manages the Firefighters and Police Officers Defined Contribution Plan, Defined Benefit Plan, Disability Plan, as well as the Pension for Fire and Police Plan. The board consists of eight members. Four are nominated by the City Manager and four by the Voting Participants. In addition, there are two alternate members nominated by the Voting Participants and one alternate nominated by the City Manager. City Council approves the nominations to the Board.

Method Used to Value Investments

Investments are valued at fair value.

Investment Policy

The Firefighters and Police Office Pension Plan Board investment policy objectives for Defined Benefit and Disability components are to preserve the actuarial soundness of each plan in order to meet contractual benefit obligations and to maximize investment return given an acceptable level of risk. The objective of the Defined Contribution component is to help beneficiaries save for retirement by enabling them to construct portfolios that will achieve an acceptable level of return while minimizing risk through diversification. The objective of the Supplemental plan is to preserve the actuarial soundness of each plan in order to meet contractual benefit obligations. The following is the asset allocation policy as of June 30, 2017.

Target Allocations

<u>Asset Class</u>	Firefighters' & Police Officers' Pension Plan	Supplemental Retirement Plan	Pension Plan for Firefighters & Police
Domestic Equity	40%	30%	0%
International Equity Developed	10%	10%	0%
International Equity Emerging	10%	10%	0%
Private Equity	5%	5%	0%
Timber	5%	5%	0%
Farmland	0%	2%	0%
Real Estate	10%	8%	0%
Domestic Fixed Income	15%	15%	0%
Global Fixed Income	5%	10%	0%
All-Asset	0%	5%	0%
Guaranteed Deposit	0%	0%	100%
Total	100%	100%	100%

Target Allocations for Firefighters' & Police Officers' Pension Plan also apply to Firefighters' and Police Officers' Disability Pension Plan

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

	<u>Capital Market</u>	<u>Firefighters' & Police Officers' Pension Plan</u>		<u>Supplemental Retirement Plan</u>		<u>Pension Plan for Firefighters & Police Officers</u>	
<u>Asset Class</u>	<u>Estimate</u>	<u>Allocation</u>	<u>Return</u>	<u>Allocation</u>	<u>Return</u>	<u>Allocation</u>	<u>Return</u>
Diversified	7.1%	0.0%	0.0%	5.7%	0.4%	0.0%	0.0%
Domestic Equity	7.3%	65.3%	4.7%	58.7%	4.3%	0.0%	0.0%
Commodities	2.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Real Assets	6.4%	13.4%	0.9%	13.4%	0.9%	0.0%	0.3%
Fixed Income	4.8%	20.6%	1.1%	19.8%	0.9%	0.0%	0.0%
Cash	2.0%	0.6%	0.0%	2.3%	0.0%	0.0%	3.5%
Return			6.6%		6.5%		3.5%
Inflation			2.5%		2.5%		2.5%
Return w/Inflation			9.1%		9.0%		6.0%
Risk Adjustment			-1.5%		-1.5%		-0.5%
Total Expected Arithmetic Nominal Return			7.6%		7.5%		5.5%

Assumed Rate of Return for Firefighters' & Police Officers' Pension Plan also applies to Firefighters' and Police Officers' Disability Pension Plan

Money-weighted Rate of Return

<u>Firefighters' & Police Officers' Pension Plan</u>	<u>Supplemental Retirement Plan</u>	<u>Pension Plan for Firefighters & Police Officers</u>
13.7%	14.4%	5.1%

**Money-weighted Rate of Return for Firefighters' & Police Officers' Pension Plan also applies to Firefighters' and Police Officers' Disability Pension Plan

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Virginia Retirement System Long-Term Expected Rate of Return

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Arithmetic Long Term Expected Rate of Return</u>	<u>Weighted Average Long- Term Expected Rate of Return</u>
U. S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.0%	10.41%	1.25%
Cash	1.0%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.8%</u>
Inflation			<u>2.50%</u>
Expected arithmetic nominal return			<u>8.33%</u>

VRS Long- Term Expected Rate of Return

The long-term expected rate of return on pension system investments were determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension system investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the above table.

VRS Discount Rate

The discount rate used to measure the total pension liability was 7.0 %. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Based on those assumptions, the pension plans fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Exhibit XII
(Continued)

Combining Schedule of Fiduciary Net Position

	<u>Employee Retirement Plans</u>					<u>Post Retirement Benefit Trust</u>	
	<u>Firefighters and Police Officers Pension Plan</u>						
	<u>City Supplemental Retirement</u>	<u>Pension for Fire and Police</u>	<u>Defined Contribution Component</u>	<u>Defined Benefit Component</u>	<u>Disability Component</u>	<u>Other Post Employment Benefits</u>	<u>Total</u>
ASSETS							
Investments, at Fair Value							
Mutual Funds	\$ 89,698,083	\$ -	\$ 12,421,270	\$ 81,261,786	\$ 13,833,395	\$ 23,204,260	\$220,418,794
Stocks	21,614,790	-	-	30,054,364	2,279,080	6,722,769	60,671,003
Guaranteed Investment Accounts	3,197,987	20,141,766	-	1,915,843	4,186,188	5,462,977	34,904,761
Real Estate	9,609,046	-	-	28,747,396	2,299,781	1,728,199	42,384,422
Timber	6,736,010	-	-	11,277,148	896,016	1,565,743	20,474,917
Private Equity	6,453,555	-	-	10,063,160	779,662	1,378,401	18,674,778
Other	2,256,759	-	-	110,062,848	763,409	16,945,468	130,028,484
Total Investments	139,566,230	20,141,766	12,421,270	273,382,545	25,037,531	57,007,817	527,557,159
Receivables	342,642	-	-	534,873	221,017	-	1,098,532
Total Assets	139,908,872	20,141,766	12,421,270	273,917,418	25,258,548	57,007,817	528,655,691
NET POSITION							
Held in Trust for Pension Benefits	<u>\$ 139,908,872</u>	<u>\$ 20,141,766</u>	<u>\$ 12,421,270</u>	<u>\$ 273,917,418</u>	<u>\$ 25,258,548</u>	<u>\$ 57,007,817</u>	<u>\$528,655,691</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Exhibit XII
(Continued)

Combining Schedule of Changes in Fiduciary Net Position

	Employee Retirement Plans					Post Retirement	
	Firefighters and Police Officers Pension Plan					Benefit Trust	
	City Supplemental Retirement	Pension for Fire and Police	Defined Contribution Component	Defined Benefit Component	Disability Component	Other Post Employment Benefits	Total
ADDITIONS							
Contributions:							
Employer	\$ 8,006,825	\$ 1,713,744	\$ -	\$ 11,232,823	\$ 5,667,369	\$ 10,100,000	\$ 36,720,761
Plan Members	1,070,814	-	-	2,914,101	248,035	-	4,232,950
Total Contributions	9,077,639	1,713,744	-	14,146,924	5,915,404	10,100,000	40,953,711
Investment Income:							
Net Appreciation (Depreciation)							
in Fair Value of Investments	12,766,611	-	1,126,935	16,592,258	1,470,457	4,233,773	36,190,034
Interest	5,895,531	821,797	250	17,383,747	1,403,038	2,307,061	27,811,424
Investment Expense	(630,271)	-	-	(1,087,449)	(89,493)	(183,743)	(1,990,956)
Net Investment Income	18,031,871	821,797	1,127,185	32,888,556	2,784,002	6,357,091	62,010,502
Total Additions	27,109,510	2,535,541	1,127,185	47,035,480	8,699,406	16,457,091	102,964,213
DEDUCTIONS							
Benefits	18,794,001	3,298,973	914,500	12,577,076	2,488,687	-	38,073,237
Refunds of Contributions	232,569	-	-	186,617	-	-	419,186
Administrative Expenses	665,349	23,566	4,996	198,337	15,277	16	907,541
Total Deductions	19,691,919	3,322,539	919,496	12,962,030	2,503,964	16	39,399,964
Net Increase (Decrease)	7,417,591	(786,998)	207,689	34,073,450	6,195,442	16,457,075	63,564,249
Assets Transfer in (Out)	-	-	-	-	-	-	-
Net Position at Beginning of Year	132,491,281	20,928,764	12,213,581	239,843,968	19,063,106	40,550,742	465,091,442
Net Position at End of Year	\$ 139,908,872	\$ 20,141,766	\$ 12,421,270	\$ 273,917,418	\$ 25,258,548	\$ 57,007,817	\$ 528,655,691
	\$ 139,908,872	\$ 20,141,766	\$ 12,421,270	\$ 273,917,418	\$ 25,258,549	\$ 57,007,817	\$ 528,655,691

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

The actuarial valuations for all defined benefit plans are performed annually with the exception of Virginia Retirement System (VRS), which is performed biennially; however, an actuarial update is performed in the interim year for informational purposes. The employer contribution rate based on the June 30, 2016 actuarial valuation is 7.55% of payroll. Contribution rates for VRS employees are established every two years, so this rate is for informational purposes only. The employer contribution rate based on the June 30, 2015 actuarial valuation was 7.97%, and this rate is for fiscal years ending 2017 and 2018. The valuation reflects a contribution timing adjustment based on feedback from the 2014 quadrennial audit of the Virginia Retirement System.

Beginning January 1, 2014, employees newly covered under VRS were enrolled in the new VRS Hybrid Retirement Plan (Hybrid Plan). The Hybrid Plan combines the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members of VRS could opt into the new Hybrid Plan. The Employees under the new plan have a mandatory contribution to the Defined Contribution Plan of 1% which is matched by the City. A voluntary employee contribution of up to an additional 4% is allowed with the City matching 1% on the first additional 1% plus .25% for each additional .50%. The recommended contribution includes the contribution to the Defined Contribution Plan for hybrid members.

As of June 30, 2017, the City of Alexandria had 543 employees enrolled in the Hybrid Plan. The FY 2017 City contribution was \$0.4 million.

The 2016 VRS valuation reflects no changes in the actuarial assumptions since the last actuarial valuation.

Financial statements and required supplementary information are presented in the VRS comprehensive annual financial report, which can be obtained at www.varetire.org.

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

The recommended contribution rate decreased from 27.30% as of July 1, 2015 to 26.34% as of July 1, 2016 for the Firefighter and Police Officers Basic Plan and decreased from 13.49% as of July 1, 2015 to 11.84% as of July 1, 2016 for the Disability Plan. During the year ended June 30, 2016, the Basic Plan's assets returned 1.49% and the Disability Plan's assets had a return of 1.50% on a market value basis. However, due to the Plans' asset-smoothing technique which recognizes only a portion of the gains and losses, the returns on the actuarial asset values were 7.80% and 7.64%, respectively. As of the July 1, 2016 Actuarial Valuation, the Basic Plan's unfunded actuarial liability was \$56.7 million and the Disability Plan's unfunded actuarial liability was \$16.8 million. There were no benefit provisions changes. Effective with the July 1, 2015 valuation, annual experience gains and losses as well as assumption changes will be amortized over separate 15 year periods.

The actuarial assumptions for the Firefighters and Police Officers Basic and Disability Plans are based on an actuarial experience study based on experience of the Plans from July 1, 2009 to June 30, 2013 completed in February 2014. The actuarial assumptions for the Pension Plan for Firefighters and Police Officers, with the exception of the mortality and expense assumptions, were recommended by the prior actuary. The actuarial assumptions for the Supplemental Plan have not changed since the last actuarial valuation.

At June 30, 2017, the City recognized a total liability of \$93.6 million for the City's four Single Employer Pension Plans. Measurements as of June 30, 2017 were based on the fair value of assets as of June 30, 2017 and the Total Pension Liability as of the valuation date, June 30, 2016, updated to June 30, 2017. The City recognized a liability of \$94.9 million for the VRS net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

All of the Single Employer Pension Plans use the following mortality assumption: Sex-distinct RP-2000 Combined Mortality Table for their mortality assumptions.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

For each of the City's four Plans, the funding policy is to contribute at least the Actuarially Determined Contribution annually. This contribution is equal to the amortization of the unfunded liability plus expected administrative expenses. The amortization of the unfunded liability is calculated as a level-dollar closed period for the Supplemental and Pension Plan for Firefighters and Police Officers. The firefighters and Police Officers Basic Plan and Disability Plan are calculated as a level percentage.

The remaining amortization periods as well as other major provisions of all the defined pension plans are listed in the disclosure in the following tables.

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CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

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)	(2)	(3)	(4)	(5)	(6)
	VRS City	City Supplemental Retirement	Pension for Fire and Police	Retirement Income for Fire and Police	Firefighters and Police Pension	Fire and Police Disability
Administrator	State of Virginia	Prudential	Prudential	ICMA-RC	Prudential	Prudential
Employees Covered	General body	General body Sheriff/ERT	Public Safety	Public Safety	Public Safety	Public Safety
Authority for Plan Provisions and Contributions	State Statute	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
Plan 1 & 2 Hybrid Plan	Defined Benefit Hybrid	Defined Benefit	Defined Benefit	Defined Contribution	Defined Benefit	Defined Benefit
Stand Alone Financial Report	Yes	No	No	No	No	No
Actuarial Valuation Date	6/30/2016	7/1/2016	7/1/2016	6/30/2016	7/1/2016	7/1/2016

MEMBERSHIP AND PLAN PROVISIONS

Active Participants	1931	1931	0	64	493	493
Retirees & Beneficiaries	1105	464	112	0	296	100
Terminated Vested & Non-vested	714	839	0	64	34	N/A
Normal Retirement Benefits:						
Age	65 50 (30Yrs)	65 50 (30Yrs)/ 50(25 Yrs)	60 50 (20Yrs)	60	55 Any Age (25Yrs)	55
Benefits Vested**	5	5	10	5	5	5
Disability & Death Benefits	Disability Death	Disability Death	Disability Death	N/A Death	Disability Death	Disability N/A

** VRS Hybrid Plan members are always vested in Defined Contributions Plan.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

As of:	6/30/2016	7/01/16	7/01/16	6/30/17	7/01/16	7/01/16
	(1)	(2)	(3)	(4)	(5)	(6)
	<u>VRS City</u>	<u>City Supplemental Retirement</u>	<u>Pension For Fire and Police</u>	<u>Retirement Income for Fire and Police</u>	<u>Firefighters and Police Pension</u>	<u>Fire and Police Disability</u>
SIGNIFICANT ACTUARIAL ASSUMPTIONS						
Investment Earnings	7.0%	7.25%	5.5%	N/A	7.5%	7.5%
Projected Salary Increases						
Attributable to:						
Inflation	2.5%*	2.75%	N/A	N/A	3.5%	3.5%
Seniority/Merit	3.50% -5.35%**	3.25%-5.10%	N/A	N/A	3.50%-7.25%	3.50%-7.25%
Projected Postretirement Increases	2.5%*, 2.25% [†]	None	3.0%	N/A	2.7%	2.7%
Actuarial Cost Method	Entry Age Normal Cost	Entry Age Normal Cost	Entry Age Normal Cost	N/A	Entry Age Normal Cost	Entry Age Normal Cost
Amortization Method Open/Closed	Level Percentage Closed	Level dollar N/A	Level dollar Closed	N/A	Level Percentage Closed	Level Percentage Closed
Remaining Amortization Period	18-27	7	9	N/A	Layers	Layers
Asset Valuation Method	5-year Smoothed Market Value	4-year Smoothed Market	Market Value	N/A	4-year Smoothed Market	4-year Smoothed Market
Funded Status						
Actuarial Value of assets	\$ 472,223,765	\$ 138,307,236	\$ 20,928,764	N/A	\$ 250,965,829	\$ 19,888,881
Actuarial Accrued Liability	554,438,880	166,446,116	27,071,868	N/A	307,617,668	36,677,073
Unfunded Actuarial Accrued Liability (UAAL)	\$ 82,215,115	\$ 28,138,880	\$ 6,143,104	N/A	\$ 56,651,839	\$ 16,788,192
Funded Ratio	85.2%	83.1%	77.3%	N/A	81.6%	54.2%
Annual Covered Payroll	\$ 126,449,341	\$ 139,044,952	N/A	N/A	\$ 37,594,719	\$ 37,594,719
UAAL as Percentage of Covered Payroll	65.0%	20.2%	N/A	N/A	150.7%	44.7%

The multi-year funding progress is presented in RSI.

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

* Plan 1, [†] Plan 2 and Hybrid

**Seniority/Merit: Leo range, 3.50%-4.75%. Non-Leo range 3.50%-5.35%

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

FUNDING POLICY AND ANNUAL PENSION COST

As of:	6/17	6/17	6/17	6/17	6/17	6/17
	VRS City	City Supplemental Retirement	Pension for Fire and Police	Retirement Income for Fire and Police	Firefighters and Police Pension	Fire and Police Disability
PERCENTAGE OF COVERED PAYROLL CONTRIBUTED						
Employee %	5.0%	2.0%	N/A	N/A	7.2%	0.8%
Employer %	7.97%	3.81%	\$ 1.7 mil/Yr.	N/A	27.76%	13.82%
AMOUNT CONTRIBUTED						
Employee	\$ 6,323,823	\$ 1,070,134	\$ -	\$ -	\$ 2,914,101	\$ 248,035
Employer	9,974,720	8,006,825	1,713,744	-	11,148,323	5,667,369
Total Amount Contributed	<u>\$ 16,298,543</u>	<u>\$ 9,076,959</u>	<u>\$ 1,713,744</u>	<u>\$ -</u>	<u>\$ 14,062,424</u>	<u>\$ 5,915,404</u>

All employees make a 5% contribution to VRS.

COVERED PAYROLL

Dollar Amount (in millions)	\$	\$	\$	N/A	\$	\$
Legally Required Reserves	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

INVESTMENT CONCENTRATIONS

The City of Alexandria does not have pension investments (other than U. S. Government and U.S. Government guaranteed obligations) in any one organization that represents five percent or more of net assets held in trust for pension investments.

Prudential General Account (Long Term)	*	2%	100%	-	30%	55%
Prudential and Comerica Mutual Funds	*	64%	-	100%	11%	9%
Stocks	*	15%	-	-	1%	17%
Real Estate	*	7%	-	-	10%	9%
Timber	*	5%	-	-	4%	4%
Private Equity	*	5%	-	-	4%	3%
Other		2%			40%	3%

* Investment information not available on an individual jurisdiction basis.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Firefighters and Police Officers Defined Benefit and Disability Pension Plans

As of June 30, 2017

<u>Portfolio</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Equity Securities</u>			
Common Stock & ETFs	\$ 30,054,364	\$ -	\$ -
Mutual Funds	-	81,261,786	-
Total Equity Securities	30,054,364	81,261,786	-
<u>Private Equity</u>			
Secondaries Funds	-	-	10,063,160
Total Private Equity	-	-	10,063,160
<u>Cash Equivalents</u>			
Money Market Funds	-	1,907,609	-
Total Cash Equivalents	-	1,907,609	-
Total Investments by Fair Asset Value	30,054,364	83,169,395	10,063,160
Investments measured at net asset value (NAV)			
Commingled Collective Trusts	\$ 135,108,613		
Real Estate Funds	28,747,396		
Timber Funds	11,277,148		
Total Investments Measured at NAV	\$ 175,133,157		
Total Value	\$ 298,420,076		

During fiscal year 2017, \$298.4 million worth of investments were evaluated and classified in the fair value hierarchy as follows: Level 1, \$30.1 million; Level 2, \$83.2 million; Level 3, \$10.1 million; and NAV, \$175.1 million.

Pension for Fire and Police Portfolio

As of June 30, 2017

<u>Portfolio</u>	<u>Fair Value Measurement Using</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Prudential Guaranteed Deposit Funds	\$ -	\$ 20,141,766	\$ -
Totals	\$ -	\$ 20,141,766	\$ -

During fiscal year 2017, \$20.1 million worth of investments were evaluated and classified in Level 2 of the fair value hierarchy.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Retirement Income for Firefighters and Police

As of June 30, 2017

<u>Portfolio</u>	Fair Value Measurement Using		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
PIMCO all Asset Instl	\$ -	\$ 2,324	\$ -
Vanguard LifeStrategy Mod GR	-	1,149,190	-
Vanguard LifeStrategy Growth	-	761,125	-
Vanguard Target Retire 2025	-	12,945	-
Vanguard Target Retire 2030	-	4,864	-
Vanguard Target Retire 2040	-	21,487	-
Vanguard Target Retire 2045	-	29,546	-
Vanguard Target Retire 2055	-	60,717	-
Vanguard Target Retire 2060	-	42,618	-
Vanguard Target Retire 2050	-	42,830	-
Vanguard Developed Markets Idx	-	426,452	-
Vanguard Extended Market Index	-	1,068,169	-
Vanguard Emerging Mkts Stk Idx	-	306,153	-
Vanguard 500 Index Admiral	-	3,539,544	-
Invesco Global Real Estate Inc	-	54,675	-
Vanguard REIT Index Admiral	-	48,896	-
PIMCO ComodityReal Ret Strat	-	3,511	-
PIMCO Total Return Admin	-	44,866	-
PIMCO High Yield Institutional	-	10,501	-
PIMCO Foreign Bond (Unhedged)	-	7,035	-
Vanguard Inflation-Protected Secs	-	5,622	-
Vanguard Total Bond Market Idx	-	36,070	-
VT PLUS Fund	-	4,742,130	-
Totals	\$ -	\$ 12,421,270	\$ -
Total Value	<u>\$ 12,421,270</u>		

During fiscal year 2017, \$12.4 million worth of investments were evaluated and classified in Level 2 of the fair value hierarchy.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Supplemental Pension Plan
As of June 30, 2017

<u>Portfolio</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Equity Securities</u>			
Common Stock & ETFs	\$ 21,614,790	\$ -	\$ -
Mutual Funds	-	40,389,371	-
Total Equity Securities	21,614,790	40,389,371	-
<u>Private Equity</u>			
Secondaries Funds	-	-	6,453,555
Total Private Equity	-	-	6,453,555
<u>Cash Equivalents</u>			
Money Market Funds	-	3,020,672	-
Total Cash Equivalents	-	3,020,672	-
Total Investments by Fair Asset Value	21,614,790	43,410,043	6,453,555
Investments measured at net asset value (NAV)			
Commingled Collective Trusts	\$ 49,308,712		
Real Estate Funds	9,609,046		
Timber Funds	6,736,010		
Farmland	2,434,074		
Total Investments Measured at NAV	\$ 68,087,842		
Total Value	\$ 139,566,230		

During fiscal year 2017, \$139.6 million worth of investments were evaluated and classified in the fair value hierarchy as follows: Level 1, \$21.6 million; Level 2, \$43.4 million; Level 3, \$6.5 million; and NAV, \$68.1 million.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Securities Lending

The City permits its pension plan trust funds to lend its securities for collateral with a simultaneous agreement to return the collateral. In FY2017, the City's pension plan trust funds lent U.S. Equities with a fair value of underlying securities and cash collateral received from the borrower as indicated below. Collateral investments are reported at cost, not market value.

Securities Lent as of June 30, 2017

Pension Plan	Fair Value of Underlying Securities	Cash Collateral Received
Firefighters & Police Officers – Defined Benefit Component	\$1,005,877	\$1,037,714
Firefighters & Police Officers – Disability Component	73,504	75,914
Supplemental Retirement Plan	148,201	152,175
Total	\$1,227,582	\$1,265,803

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the City recognized a total pension expense of \$25,098,391 for the City's Fire and Police Officers Pension Plan, Fire and Police Officers Disability Plan, the Supplemental Plan, and the Pension Plan for Firefighters and Police Officers. The City recognized pension expense of \$8,349,191 for the VRS Pension Plan.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Changes in Net Pension Liability for City of Alexandria Defined Benefit Plans

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Firefighters' & Police Officers' Pension Plan			
Balances as of 6/30/2016	\$ 308,163,946	\$ 239,843,968	\$ 68,319,978
Changes for the year:			
Service cost	6,180,741	-	6,180,741
Interest	23,064,895	-	23,064,895
Changes in benefit terms	-	-	-
Changes in assumptions	-	-	-
Difference between expected and actual experience	(546,278)	-	(546,278)
Contributions-employer	-	11,232,823	(11,232,823)
Contributions-employee	-	2,914,101	(2,914,101)
Net Investment Income	-	32,888,556	(32,888,556)
Benefit payments, including refunds	(12,763,693)	(12,763,693)	-
Administrative Expense	-	(198,337)	198,337
Net Changes	15,935,665	34,073,450	(18,137,785)
Balances at 6/30/2017	\$ 324,099,611	\$ 273,917,418	\$ 50,182,193
Firefighters' & Police Officers' Disability Pension Plan			
Balances as of 6/30/2016	\$ 39,528,466	\$ 19,063,106	\$ 20,465,360
Changes for the year:			
Service cost	2,885,911	-	2,885,911
Interest	2,875,585	-	2,875,585
Changes in benefit terms	-	-	-
Changes in assumptions	-	-	-
Difference between expected and actual experience	(2,851,393)	-	(2,851,393)
Contributions-employer	-	5,667,369	(5,667,369)
Contributions-employee	-	248,035	(248,035)
Net Investment Income	-	2,784,003	(2,784,003)
Benefit payments, including refunds	(2,488,687)	(2,488,687)	-
Administrative Expense	-	(15,277)	15,277
Net Changes	421,416	6,195,443	(5,774,027)
Balances at 6/30/2017	\$ 39,949,882	\$ 25,258,549	\$ 14,691,333

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Supplemental Pension Plan			
Balances as of 6/30/2016	\$ 165,014,417	\$ 132,491,281	\$ 32,523,136
Changes for the year:			
Service cost	4,429,736	-	4,429,736
Interest	11,710,854	-	11,710,854
Changes in benefit terms	-	-	-
Changes in assumptions	-	-	0
Difference between expected and actual experience	1,431,699	-	1,431,699
Contributions-employer	-	8,006,825	(8,006,825)
Contributions-employee	-	1,070,814	(1,070,814)
Net Investment Income	-	18,031,871	(18,031,871)
Benefit payments, including refunds	(19,026,570)	(19,026,570)	-
Administrative Expense	-	(665,349)	665,349
Net Changes	(1,454,281)	7,417,591	(8,871,872)
Balances at 6/30/2017	<u>\$ 163,560,136</u>	<u>\$ 139,908,872</u>	<u>\$ 23,651,264</u>
	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Pension Plan for Firefighters & Police Officers			
Balances as of 6/30/2016	\$ 27,656,684	\$ 20,938,764	\$ 6,717,920
Changes for the year:			
Service Cost	-	-	-
Interest	1,399,445	-	1,399,445
Changes in benefit terms	-	-	-
Changes in assumptions	-	-	-
Difference between expected and actual experience	(584,816)	-	(584,816)
Contributions-employer	-	1,713,744	(1,713,744)
Contributions-employee	-	-	-
Net Investment Income	-	821,797	(821,797)
Benefit payments, including refunds	(3,298,973)	(3,298,973)	-
Administrative Expense	-	(23,566)	23,566
Net Changes	(2,484,344)	(786,998)	(1,697,346)
Balances at 6/30/2017	<u>\$ 25,172,340</u>	<u>\$ 20,151,766</u>	<u>\$ 5,020,574</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

VRS	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
	<u> </u>	<u> </u>	<u> </u>
Balances as of 6/30/2015	\$ 536,894,807	\$ 461,701,938	\$ 75,192,869
Changes for the year:			
Service cost	11,832,548	-	11,832,548
Interest	36,704,090	-	36,704,090
Changes in benefit terms	-	-	0
Changes in assumptions	-	-	-
Difference between expected and actual experience	(2,371,962)	-	(2,371,962)
Contributions-employer	-	12,331,063	(12,331,063)
Contributions-employee	-	6,452,307	(6,452,307)
Net Investment Income	-	7,969,523	(7,969,523)
Benefit payments, including refunds	(25,101,326)	(25,101,326)	-
Other	-	(3,392)	3,392
Administrative Expense	-	(286,988)	286,988
Net Changes	<u>21,063,350</u>	<u>1,361,187</u>	<u>19,702,163</u>
Balances at 6/30/2016	<u>\$ 557,958,157</u>	<u>\$ 463,063,125</u>	<u>\$ 94,895,032</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

The components of the Net Pension Liability of the City of Alexandria Defined Benefit Plans as of June 30, 2017 are as follows:

	Firefighters' & Police Officers' Pension Plan	Firefighters' & Police Officers' Disability Pension Plan	Supplemental Retirement Plan	Pension Plan for Firefighters & Police Officers
Total Pension Liability	\$ 324,099,611	\$ 39,949,882	\$ 163,560,136	\$ 25,172,340
Plan Fiduciary Net Position	273,917,418	25,258,549	139,908,872	20,141,766
Net Pension Liability	<u>\$ 50,182,193</u>	<u>\$ 14,691,333</u>	<u>\$ 23,651,264</u>	<u>\$ 5,030,574</u>

Plan Fiduciary Net Position as a percentage of Total Pension Liability	84.5%	63.2%	85.5%	80.0%
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The following presents the Net Pension Liabilities of the City of Alexandria Defined Benefit Plans, calculated using the current discount rates, as well as what the Funds' Net Pension Liabilities would be if it were calculated using a discount rate that is 1.00% lower or higher than the current rate

Firefighters' & Police Officers' Pension Plan				
Sensitivity of Net Pension Liability to Changes in the Discount Rate	1% Decrease	Current Discount Rate	1% Increase	
	6.50%	7.50%	8.50%	
Total Pension Liability	\$ 367,733,196	\$ 324,099,611	\$ 287,944,185	
Plan Fiduciary Net Position	273,917,418	273,917,418	273,917,418	
Net Pension Liability 6/30/2017	<u>\$ 93,815,778</u>	<u>\$ 50,182,193</u>	<u>\$ 14,026,767</u>	

Plan Fiduciary Net Position as a percentage of Total Pension Liability	74.5%	84.5%	95.1%	
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Firefighters' & Police Officers' Disability Pension Plan				
Sensitivity of Net Pension Liability to Changes in the Discount Rate	1% Decrease	Current Discount Rate	1% Increase	
	6.50%	7.50%	8.50%	
Total Pension Liability	\$ 42,987,791	\$ 39,949,882	\$ 37,273,119	
Plan Fiduciary Net Position	25,258,549	25,258,549	25,258,549	
Net Pension Liability 6/30/2017	<u>\$ 17,729,242</u>	<u>\$ 14,691,333</u>	<u>\$ 12,014,570</u>	

Plan Fiduciary Net Position as a percentage of Total Pension Liability	58.8%	63.2%	67.8%	
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Supplemental Retirement Plan				
Sensitivity of Net Pension Liability to Changes in the Discount Rate	1% Decrease	Current Discount Rate	1% Increase	
	6.25%	7.25%	8.25%	
Total Pension Liability	\$ 179,012,289	\$ 163,560,136	\$ 150,152,752	
Plan Fiduciary Net Position	139,908,872	139,908,872	139,908,872	
Net Pension Liability 6/30/2017	<u>\$ 39,103,417</u>	<u>\$ 23,651,264</u>	<u>\$ 10,243,880</u>	

Plan Fiduciary Net Position as a percentage of Total Pension Liability	78.2%	85.5%	93.2%	
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Pension Plan for Firefighters & Police Officers				
Sensitivity of Net Pension Liability to Changes in the Discount Rate	1% Decrease	Current Discount Rate	1% Increase	
	4.50%	5.50%	6.50%	
Total Pension Liability	\$ 26,637,098	\$ 25,172,340	\$ 23,853,714	
Plan Fiduciary Net Position	20,141,766	20,141,766	20,141,766	
Net Pension Liability 6/30/2017	<u>\$ 6,495,332</u>	<u>\$ 5,030,574</u>	<u>\$ 3,711,948</u>	

Plan Fiduciary Net Position as a percentage of Total Pension Liability	75.6%	80.0%	84.4%	
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Virginia Retirement System (VRS)				
Sensitivity of Net Pension Liability to Changes in the Discount Rate	1% Decrease	Current Discount Rate	1% Increase	
	6.00%	7.00%	8.00%	
Net Pension Liability 6/30/2017	<u>\$ 168,141,262</u>	<u>\$ 94,895,032</u>	<u>\$ 34,048,757</u>	

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

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

\$9,974,720 reported as deferred outflows of resources related to pensions resulting from City contributions to VRS subsequent to the measurement date of June 30, 2016 will be recognized in pension expense in the year ended June 30, 2018.

At June 30, 2017, the City of Alexandria reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Firefighters' & Police Officers' Pension Plan		Firefighters' & Police Officers' Disability Pension Plan		Supplemental Pension Plan		Pension Plan for Firefighters & Police Officers		VRS		TOTAL	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Total Deferred Outflows of Resources	Total Deferred Inflows of Resources
Differences between expected and actual experience	\$ 924,546	\$ 944,547	\$ 273,279	\$ 5,167,660	\$ 5,248,195	\$ -	\$ -	\$ -	\$ -	\$ 5,878,043	\$ 6,446,020	\$ 11,990,250
Changes in Assumptions			-	-	6,375,241	-	-	-	-	-	6,375,241	-
Net difference between projected and actual Earnings on pension plan investments	786,189			60,325		27,849	498,194	-	12,114,153		13,398,536	88,174
Employer contributions subsequent to the measurement date	-	-	-	-	-	-	-	-	9,974,720	-	9,974,720	-
Total	<u>\$ 1,710,735</u>	<u>\$ 944,547</u>	<u>\$ 273,279</u>	<u>\$ 5,227,985</u>	<u>\$ 11,623,436</u>	<u>\$ 27,849</u>	<u>\$ 498,194</u>	<u>\$ -</u>	<u>\$ 22,088,873</u>	<u>\$ 5,878,043</u>	<u>\$ 36,194,517</u>	<u>\$ 12,078,424</u>
Total deferred outflows	<u>\$ 36,194,517</u>											
Total deferred inflows		<u>\$ 12,078,424</u>										

	Firefighters' & Police Officers' Pension Plan	Firefighters' & Police Officers' Disability Pension Plan	Supplemental Pension Plan	Pension Plan for Firefighters & Police Officers	VRS
Year ended June 30:					
2018	1,923,630	(536,905)	4,835,934	166,093	\$ (1,937,676)
2019	1,923,631	(536,907)	4,835,935	166,095	(1,937,676)
2020	(158,790)	(683,073)	3,398,236	108,879	5,508,319
2021	(2,831,235)	(893,160)	(1,474,518)	57,127	460,314
2022	(91,048)	(647,430)			-
Thereafter		(1,657,231)	-	-	-
Total Future Deferrals	<u>\$ 766,188</u>	<u>\$ (4,954,706)</u>	<u>\$ 11,595,587</u>	<u>\$ 498,194</u>	<u>\$ 6,236,110</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

DESCRIPTION OF BENEFITS:

VRS—City—Regular, full time City employees who are not covered employees under the Firefighters & Police Officers Pension Plan are members of VRS. Participation is mandatory. This plan is administered by the Virginia Retirement System. Members earn one month of service credit for each month they are employed and for which they and their employer are pay contributions to VRS. Employees with credit for services rendered prior to July 1, 2010 are covered under plan 1, while members hired or rehired on or after July 1, 2010 are covered under plan 2. Members hired after January 1, 2014 are covered under the hybrid plan. Employees are eligible for an unreduced retirement at age 65 with 5 years of service and at age 50 with 30 years of service under plan 1, and at normal Social Security retirement age with at least five years of service or when age and service are equal to 90 under plan 2 and hybrid. An optional reduced retirement benefit is available as early as age 55 with five years of service or age 50 with 10 years of service under plan 1, and age 60 with at least five years of service under plan 2 and hybrid. The retirees are entitled to an annual retirement benefit payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS) for each year of credited service under plan 1; 1.65 % of AFS for plan 2; 1.0% for hybrid. AFS under plan 1 is 36 highest consecutive months while it is 60 highest consecutive months under plan 2 and for plan 1 active non-vested members. 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, full time City Employees and regular, part-time City employees who are scheduled to work at least 50% time and who are not covered under the Firefighters & Police Officers Pension Plan are participants in the Supplemental Retirement Plan. This plan is administered by the City of Alexandria. Full time employees receive Credited Service for each month the City and/or employee makes a contribution. Part-time employees accrue Credited Service on a pro-rata basis determined by scheduled work hours. 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.

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.

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

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

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Firefighters and Police Officers Pension Plan—defined benefit component—Full-time sworn Firefighters and Police Officers are covered employees in the Firefighters and Police Officers Pension Plan. Recruits are also covered by the Plan. This plan is administered by the City of Alexandria. Full time employees receive one month of credit for each full month covered by the Plan. Special rules apply for service prior to January 1, 2004. 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 for employees hired before October, 2013. 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. For employees hired after October 22, 2013 the retiree is entitled to 2.5% of the participant's average monthly compensation, multiplied by years of credit service. There is no limitation service or maximum benefit. The plan also allows for early retirement at age 50 with 20 years of service with reduced benefits.

Firefighters and Police Officers Pension Plan—disability component—The plan provisions provide disability benefits for firefighters and police officers. The benefits for service-connected total and permanent disability are 70 percent of final average earnings, 66 2/3 percent for non-service connected total and permanent disability and service-connected partial disability, and 2.5% multiplied by years of credit service. Employees hired after October 23, 2013 are not eligible for the non-service connected disability. 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.

Deferred Retirement Option Program (DROP)—This program is available for members of the Firefighters and Police Officers Pension Plan who were hired prior to October 23, 2013. Entitled members who are eligible for normal service retirement and have completed at least 30 years of credited service are eligible to participate in this program. DROP provides the ability for an employee to retire for purposes of the pension plan, while continuing to work and receive a salary for a period of three years. During the DROP period, the pension plan accumulates the accrued monthly benefit into an account balance identified as belonging to the member. For members whose DROP effective date is prior to October 31, 2013 the account balance is credited with interest in the amount of 3.0 percent compounded annually. No interest is applied for members whose DROP effective date is after October 31, 2013. The monthly benefit is calculated using service and final compensation as of the date of entry in DROP, with increases equal to the annual COLA adjustment provided for retirees.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

II. COMPONENT UNIT – Alexandria City Public Schools (ACPS)

ACPS participates in three public employee retirement systems (PERS). Two of these systems, a cost-sharing multiple-employer plan (professional) and an agent multiple-employer plan (non-professional), are administered by the Virginia Retirement System (VRS) and are, therefore, not reflected as ACPS pension trust funds. The third plan, Employees' Supplemental Retirement Plan (Supplemental Plan), is a single-employer defined benefit plan, where a stated methodology for determining pension benefits is provided. This plan is part of ACPS' reporting entity and, as such, is reflected as a Pension Trust Fund.

The actuarial valuation for the Supplemental Plan is performed annually. The actuarial valuation for VRS is performed biennially; however, an actuarial update is performed in the interim year.

In the Supplemental Plan, no changes occurred in the actuarial valuation assumptions, plan benefits, actuarial cost method, or procedures affecting the comparability of costs.

A. VIRGINIA RETIREMENT SYSTEM

Plan Description

All full-time salaried permanent (professional) employees of Alexandria City Public Schools (ACPS) are automatically covered by the VRS Teacher Retirement Plan upon employment. All full-time salaried permanent employees (non-professional) of ACPS are automatically covered by the VRS Political Subdivision Retirement Plan. These plans are administered by the Virginia Retirement System (The System or VRS) along with plans for other employer groups in the commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees in the VRS Teacher Retirement Plan and VRS Political Subdivision Retirement Plan—Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criterion. The specific information for each plan and the eligibility for covered groups within each plan are set out in the following table.

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Notes to Financial Statements
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Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

VRS Plan 1	VRS Plan 2	VRS Hybrid Retirement Plan
<p>About Plan 1</p> <p>Plan 1 is a defined benefit plan. The Retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010 and they were vested as of January 1, 2013.</p>	<p>About Plan 2</p> <p>Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at Retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan</p> <p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members").</p> <p>The defined benefit is based on member's age, creditable service and average final compensation at retirement using a formula.</p> <p>The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</p> <p>In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</p>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

<p>Eligible Members</p> <p>Employees are in Plan 1 if their membership date is before July 1, 2010 and they were vested as of January 1, 2013</p> <p>Hybrid Opt-In Election</p> <p>VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p><i>Political Subdivision Plan Only:</i> Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Eligible Members</p> <p>Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election</p> <p>Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p><i>Political Subdivision Plan Only:</i> Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>Eligible Members</p> <p>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: Political subdivision employees* Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014</p> <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: Political Subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP) must elect the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions</p> <p>Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax –deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions</p> <p>Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in their required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions</p> <p>A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

<p>Creditable Service</p> <p>Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service</p> <p>Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting</p> <p>Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.</p>	<p>Vesting</p> <p>Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p>

CITY OF ALEXANDRIA, VIRGINIA
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Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

		<p><u>Defined Contributions Component:</u></p> <p>Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <input type="checkbox"/> After two years a member is 50% vested and may withdraw 50% of employer contributions <input type="checkbox"/> After three years, a member is 75% vested and may withdraw 75% of employer contributions. <input type="checkbox"/> After four or more years, member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70 ½.</p>
<p>Calculating the Benefit</p> <p>The Basic Benefit is calculated based on formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit</p> <p>See definition under Plan 1.</p>	<p>Calculating the Benefit</p> <p><u>Defined Benefit Component:</u></p> <p>See definition under Plan 1</p> <p>The benefit is based on contributions made by the member and any matching contributions made by the member made by the employer, plus net investment earnings on those contributions.</p>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The Retirement multiplier for non-hazardous duty members is 1.70%.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Political Subdivisions hazardous duty employees: Age 60 Normal Retirement Age VRS: Normal Social Security retirement age.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: the retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Political Subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65. Political Subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Age 65. Political Subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS:</p> <p><u>Defined Benefit Component:</u> Same as Plan 2. Political Subdivisions hazardous duty employees: Not applicable</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at last five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at last five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Defined Benefit Component: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) if creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Defined Benefit Component: Any Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) or creditable service.</p>
<p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions</p>

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

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

<p>Cost-of Living Adjustment (COLA) in Retirement</p> <p>The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p>Eligibility:</p> <p>For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following unreduced retirement eligibility date.</p> <p>Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <input type="checkbox"/> The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. <input type="checkbox"/> The member retires on disability. <input type="checkbox"/> The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). <input type="checkbox"/> The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act of the Transitional Benefits Program. <input type="checkbox"/> The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of Living Adjustment (COLA) in Retirement</p> <p>The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%.</p> <p>Eligibility:</p> <p>Same as Plan 1.</p> <p>Exceptions to COLA Effective Dates: Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p><u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution component:</u> Not applicable.</p> <p>Eligibility:</p> <p>Same as Plan 1 and Plan 2.</p> <p>Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2.</p>
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Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

<p>Disability Coverage Not applicable</p>	<p>Disability Coverage Not applicable</p>	<p>Disability Coverage Employees of political subdivision (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Hybrid Retirement Plan members are ineligible for ported service <input type="checkbox"/> The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. <input type="checkbox"/> Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

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

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

ACPS VRS Political Subdivision Retirement Plan

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Count
Inactive members:	
Vested inactive members	29
Non-vested Inactive Members	76
Inactive members active elsewhere in VRS	46
Total Inactive Members	151
Inactive members or their beneficiaries currently receiving benefits	187
Active Members	246
Total Covered Employees	584

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted because of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.0% of their compensation towards their retirement. Prior to July 1, 2012, all or part of the 5.0% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.0% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.0% member contribution.

ACPS' contractually required contribution rate for the year ended June 30, 2017 was 2.25% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from ACPS were \$0.6 million and \$0.9 million for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

ACPS' net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Actuarial Assumptions- General Employees

The total pension liability for ACPS General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Actuarial Assumptions	
Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent – 5.35 percent
Investment rate of return	7.0 Percent, net of pension plan investment expense, including inflation*
Mortality rates:	14% of deaths are assumed to be service related
Largest 10- Non-LEOS:	
- Pre-Retirement	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.
- Post-Retirement	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
- Post-Disablement	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.
All Others (non 10 Largest) Non-LEOS:	
- Pre-Retirement	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.
- Post-Retirement	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.
- Post-Disablement	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement
* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.	

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10-Non-LEOS:

Update mortality table

- ☐ Decrease in rates of service retirement
- ☐ Decrease in rates of disability retirement
- ☐ Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest)-Non-LEOS:

- ☐ Update mortality table
- ☐ Decrease in rates of service retirement
- ☐ Decrease in rates of disability retirement
- ☐ Reduce rates of salary increase by 0.25% per year

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of the expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
Inflation			2.50%
⁽¹⁾ Expected arithmetic nominal return			8.33%

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

⁽¹⁾Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.3% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.4%, including expected inflation of 2.5%.

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made in accordance with the rates adopted by VRS funding policy at rates equal to difference between actuarially determined contribution rates adopted by VRS Board of Trustees and member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	<i>Increase(Decrease)</i>		
	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability (Asset)
Balances at June 30, 2015	\$39,950,072	\$44,065,445	\$(4,115,373)
Changes for the year:			
Service Cost	\$754,823	\$ -	\$754,823
Interest	2,716,423	-	2,716,423
Differences between expected and actual experience	260,117	-	260,117
Contributions - employer	-	436,893	(436,893)
Contributions - employee	-	388,435	(388,435)
Net investment income	-	735,046	(735,046)
Benefit payments, including refunds of employee contributions	(2,288,057)	(2,288,057)	-
Administrative expenses	-	(27,814)	27,814
Other changes	-	(318)	318
Net changes	1,443,306	(755,815)	2,199,121
Balances at June 30, 2016	\$41,393,378	\$43,309,630	\$(1,916,252)

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of ACPS using the discount rate of 7%, as well as, what ACPS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6%) or one percentage point higher (8%) than the current rate:

	(-1%) Decrease 6.00%	Current Discount Rate 7.00% (000s)	(+1%) Increase 8.00%
Net Pension Liability (Asset)	\$2,804	(\$1,916)	(\$5,898)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, ACPS recognized pension expense of (\$0.30 million). As of June 30, 2017, ACPS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference between projected and actual earnings on pension plan investments	\$2,462,343	\$1,344,996
Employer contributions subsequent to the measurement date	307,323	
Difference between expected and actual experience	181,054	502,661
Total	<u>\$2,950,720</u>	<u>\$1,847,657</u>

The \$0.3 million reported as deferred outflows of resources related to pensions resulting from ACPS's contributions subsequent to the measurement date that will be recognized as a reduction of Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Payables to the Pension Plan

At June 30, 2017, ACPS reported payables to the VRS Political Subdivision Retirement Plan of \$50,000.

Year Ending June 30	Amount (\$000)
2018	(\$379)
2019	24
2020	691
2021	459
2022	-
Thereafter	-
	<u>\$795</u>

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

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

These payables are reflected in the balance sheet of the governmental funds and represent short-term amounts due for legally required contributions outstanding at the end of the fiscal year.

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan's is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/Publications/2016-annual-report.pdf>, or by writing to the system's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

VRS Teachers Retirement Plan

Contributions

The contribution requirement for active employees is governed by Title 51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school division by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

Prior to July 1, 2012, all or part of the 5.0% member contributions may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.0% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.0% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each school division's contractually required contribution rate for the year ended June 30, 2017 was 14.7% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015, adjusted for the transfer in June 2015 of \$192.9 million as an accelerated payback of the deferred contribution in the 2010-2012 biennium. The actuarial rate for the Teacher Retirement Plan was 16.3%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provision of title 51.1-145 of the Code of Virginia, as amended, the contributions were funded at 89.8% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from ACPS were \$28.1 million and \$29.3 million for the years ended June 30, 2017 and June 30, 2016, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, ACPS reported a liability of \$259.6 million for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. ACPS' proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was 1.9% as compared to 1.8% at June 30, 2015.

For the year ended June 30, 2017, ACPS recognized pension expense of \$23.0 million. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 14,831,000	\$ -
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,352,000	3,244,000
Differences between expected and actual experience	-	8,414,000
Employer contributions subsequent to the measurement date	21,272,000	-
Total	<u>\$ 44,455,000</u>	<u>\$ 11,658,000</u>

At June 30, 2017, ACPS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

The deferred outflows of resources of \$21.3 million related to pensions, resulting from the school division's contributions subsequent to the measurement date, will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount (\$000)
2018	(\$1,063)
2019	(\$1,063)
2020	7,845
2021	5,833
2022	(\$27)
Thereafter	-
	<u>\$11,525</u>

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Notes to Financial Statements
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Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Actuarial Assumptions	
Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent – 5.95 percent
Investment rate of return	7.0 Percent, net of pension plan investment expense, including inflation*
Mortality rates:	
- Pre-Retirement	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 3 years and females were set back 5 years.
- Post-Retirement	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 2 years and females set back 3 years
- Post-Disablement	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 years and no provision for future mortality improvement.
<p>* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.</p>	

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2008 through June 30, 2012.

Changes to the actuarial assumptions as a result of the experience study are as follows:

- ☐ Update mortality table
- ☐ Adjustments to the rates of service retirement
- ☐ Decrease in rates of withdrawals for 3 through 9 years of service
- ☐ Decrease in rates of disability
- ☐ Reduce rates of salary increase by 0.25% per year

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Long – Term Expected Rate of Return

The long-term expected rate of return on pension System investments were determined using a log- normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
Inflation			2.50%
⁽¹⁾ Expected arithmetic nominal return			8.33%

⁽¹⁾Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.3% but also has a high standard deviation, which means that is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.4%, including expected inflation of 2.5%

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by ACPS for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Sensitivity of the School Division's Proportionate share of the Net Pension Liability to Changes in the Discount Rate

The following presents ACPS' proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	(-1%) Decrease 6.0%	Current Discount Rate 7.0%	(+1%) Increase 8.0%
ACPS' proportionate share of VRS Teacher Plan Net Pension Liability	\$ 370,103,000	\$ 259,630,000	\$ 168,627,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Payables to the Pension Plan

At June 30, 2017, ACPS reported payables to the VRS Teacher Retirement Plan of \$3.0 million. These payables are reflected in the balance sheet of the governmental funds and represent short-term amounts due for legally required contributions outstanding at the end of the fiscal year.

B. EMPLOYEES' SUPPLEMENTAL RETIREMENT PLAN

Plan Description

The ACPS Employees' Supplemental Retirement Plan (the Plan) is a single-employer defined benefit plan sponsored by ACPS. The Plan is governed by the Alexandria School Board (Board) which has the authority to make all investment and policy decisions impacting the Plan's existence, investments, benefits, and administration. The Board has established an Investment Advisory Board (Advisory Board) to monitor and manage the Plan. The Advisory Board consist of five members: 1) the Plan Administrator/ ACPS Chief Human Resource Officer; 2) the Plan Investment Officer/ ACPS Chief Financial Officer; 3) one teacher member selected from among active employee participants; 4) one retired member actively earning benefits from the plan; and 5) one certified investment management professional. The Board has contracted with the Principal Financial Group to manage certain plan assets and administer the retirement benefits to the plan participants.

The purpose of the Plan is to provide supplemental retirement benefits to employees of Alexandria City Public Schools. Statutory authority for the establishment of this Plan is provided by the Code of Virginia §51.1-800 through §51.1-803.

All full-time employees are eligible to participate in the Plan as of July 1, 1961, if classified as a twelve month employee. Ten-month employees were eligible to participate in the Plan as of July 1, 1971. The Plan's fiscal year end is August 31. The net pension liability reported for period ending August 31, 2016 was measured as of August 31, 2016, using the total pension liability that was determined by an actuarial valuation as September 1, 2016.

The Plan's policy is to prepare its financial statements on the accrual basis of accounting. The Plan does not issue a separate, publicly-available financial report.

Measurement Date

A measurement date of August 31, 2016 has been used for GASB 68 reporting.

Benefits provided

The Plan provides disability and death benefits. Benefits at retirement are based upon years of service and the average earnable compensation of an eligible employee during any three years that provide the highest average earnable compensation and are adjusted for

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

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

inflation after retirement. Benefits at early retirement are reduced by an early retirement factor. Employees are considered vested on or after completing five years of service, or on or after attaining age 60. 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 0.40 percent of effective compensation multiplied by credited future service on and after September 1, 1984, and 1.625 percent of effective compensation not to exceed \$100 plus 0.25 percent of the amount by which effective compensation exceeds \$100 multiplied by credited past service before September 1, 1984, and 1.625 percent of past service compensation in excess of \$100 plus 0.25 percent of past service compensation in excess of \$100 times credited past service. There have been no changes in plan provisions during the measurable period.

Contributions

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and a formal commitment has been made to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The funding policy of the Plan provides for monthly contributions at actuarially-determined rates, which will remain relatively level over time as a percentage of payroll and will accumulate sufficient assets to meet the cost of all basic benefits when due. The basis for determining contributions is an actuarially determined contribution rate that is calculated each year in the Plan's actuarial valuation report. Starting January 2013, contributions were made at the rate of 1.50% of covered payroll. During FY 2017, only ACPS employees contributed to the Plan. These contributions totaled \$2.4 million for the fiscal year ended June 30, 2017. Administrative costs of the Plan are paid from the Plan's assets.

Investment policy

The objective of the Plan is to maintain actuarial soundness so that funds will be available to meet contractual benefit obligations. The investment policy may be amended by the Board at any time. Principal Financial Advisors, Inc., a registered investment advisor and wholly-owned subsidiary of Principal Financial Group, has been hired to manage the asset allocation strategy for the Plan. The following was the Plan's adopted asset allocation policy as of August 31, 2016.

Asset Class (Strategy)	Target Allocation	Arithmetic Long term Expected Rate of Return	Expected Geometric Return
U.S Equity - Large Cap	27.60%	8.80%	7.45%
U.S Equity - Mid Cap	3.12%	9.10%	7.45%
U.S Equity - Small Cap	3.21%	9.55%	7.45%
Non-US Equity	10.00%	9.20%	7.45%
REITs	1.02%	8.35%	6.55%
Real Estate (direct property)	9.03%	6.30%	5.95%
TIPS	1.52%	4.10%	3.90%
Core Bond	39.33%	4.25%	4.15%
High Yield	5.17%	6.30%	5.90%
Total	100.00%		
Exp LTROA (arithmetic mean)	6.65%		
Portfolio Standard Deviation	8.56%		
40th percentile	5.71%		
45th percentile	6.01%		
Expected Compound Return	6.31%		
55th percentile	6.61%		
60th percentile	6.91%		
Portfolio Investment Mix:	Equity 44%/Fixed Income 46%/Other 10%		

Concentrations

As of the measurement date, the plan had investments (other than US Government and US Government guaranteed obligations) in only Principal Financial Group, totaling \$116.5 million, that represented 5 percent or more of the Plan's fiduciary net position.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Annual Money-Weighted Rate of Return

For the Plan year ended August 31, 2016, the annual money-weighted rate of return on plan investments for the measurement period is (5.80) %. The money-weighted rate of return is calculated as a rate of return on pension plan investments incorporating the timing and amount of cash flows. This return is calculated net of investment expenses.

Long-Term Expected Rate of Return

For the plan year ended August 31, 2016, the expected long-term rate of return assumption as of the end of period is 6.50%. The expected long-term return on plan assets assumption was developed as a weighted average rate based on the target asset allocation of the plan and the Long-Term Capital Market Assumptions (CMA) 2014. The capital market assumptions were developed with a primary focus on forward-looking valuation models and market indicators. The key fundamental economic inputs for these models are future inflation, economic growth, and interest rate environment. Due to the long-term nature of the pension obligations, the investment horizon for the CMA 2014 is 20- 30 years. In addition to forward-looking models, historical analysis of market data and trends was reflected, as well as the outlook of recognized economists, organizations and consensus CMA from other credible studies

Actuarial Assumptions

The actuarial assumptions used in the August 31, 2016 valuation were based upon the results of an actuarial assumption review for the five-year period of September 1, 2007 to August 31, 2012.

MEMBERSHIP AND PLAN PROVISIONS (Employees' Supplemental)

Active plan members	2,113
Retirees and beneficiaries currently receiving benefits	1,224
Inactive or disabled plan members entitled to but not receiving benefits	985
Total	4,322
Normal retirement age	65 years
Benefits age	50 yrs (+30 yrs of service)
Benefits vesting years	5 years
Disability and death benefits	Yes

SIGNIFICANT ACTUARIAL ASSUMPTIONS

Long-term rate of return	6.50%
Discount rate	6.50%
Projected salary increase attributed to:	
Inflation	2.25%
Seniority /merit	4.88 - 7.18%
Retirement increases	-
Actuarial cost method	Entry Age Normal actuarial cost method
Open/closed	Open
Remaining amortization period	18 years
Asset valuation method	Contract Basis
Mortality - Pre-retirement	RP2006 Total base table with a 10 year mortality improvement Scale
Mortality - Post-retirement	RP2006 Total base table with a 10 year mortality improvement Scale

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

PERCENTAGE OF COVERED PAYROLL CONTRIBUTION

Employee contribution percentage	1.50%
Employer contribution percentage	0.00%
Employee contribution, during the measurement period	\$2,508,919
Employer contribution	-
Total amount contributed	<u>\$2,508,919</u>
Covered payroll (Annual member compensation)	\$140,366,382
Legally-required reserves	None
Long-term contribution contracts	None

Projected Cash Flows

Projected cash flows are based upon the underlying assumptions used in the development of the accounting liabilities.

Discount Rate

The discount rate is a single rate that incorporates the long-term rate of return assumption. The long-term rate of return assumption was applied to the projected benefit payments from 2016 to 2112. Benefit payments after 2112 are projected to be \$0.00.

Net Pension Liability

The net pension liability reported for ACPS fiscal year end of June 30, 2017 was measured as of August 31, 2016, using the total pension liability that was determined by an actuarial valuation as of August 31, 2016.

Changes in Net Pension Liability

	<i>Increase(Decrease)</i>		
	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability
			(Asset)
Balances at August 31, 2015	\$101,935,532	\$113,738,482	\$(11,802,950)
Changes for the year			
Service Cost	\$2,603,388	-	\$2,603,388
Interest	6,578,948	-	6,578,948
Differences between expected and actual experience	998,161	-	998,161
Contributions - employer	-	-	-
Contributions - employee	-	2,508,919	(2,508,919)
Net investment income	-	6,481,332	(6,481,332)
Benefit payments, incl. refunds of employee contributions	(6,157,529)	(6,157,529)	-
Administrative expenses	-	(85,748)	85,748
Net changes	<u>12,035,645</u>	<u>2,746,974</u>	<u>9,288,671</u>
Balances at August 31, 2016	<u>\$113,971,177</u>	<u>\$116,485,456</u>	<u>\$(2,514,279)</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Employees' Supplemental Retirement Plan using the discount rate of 6.5%, as well as what the pension net pension liability would be if it was calculated using a discount rate that is one percentage point lower (5.5%) or one percentage point higher (7.5%) than the current rate.

	(-1%) Decrease	Current Discount Rate	(+1%) Increase
	5.50%	6.50%	7.50%
Net Pension Liability (Asset)	\$12,690,805	(\$2,514,279)	(\$15,043,285)

Pension Expense and Deferred outflows of Resources and Deferred Inflows of Resources Related to Pensions

The Employees' Supplemental Retirement Plan pension expense for the fiscal year ended June 30, 2017 is \$2.2 million. For the year ended June 30, 2017, ACPS reported deferred inflows of resources related to pensions for this Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on pension plan investments	\$5,667,613	\$2,681,598
Changes in assumptions	6,077,248	
Differences between expected and actual experience	827,967	-
Total	<u>\$12,572,828</u>	<u>\$2,681,598</u>

Amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in the pension expense as follows:

Year Ending June 30,	Amount
2018	\$ 2,707,714
2019	2,707,714
2020	4,015,145
2021	460,657
2022	-
Thereafter	-
Total	<u>\$ 9,891,230</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Payables to the Pension Plan

At June 30, 2017, ACPS reported payables to the Employees' Supplemental Retirement Plan of \$0.2 million. The following is a summary of fiduciary net position of the Plan as of June 30, 2017.

Summary of Fiduciary Net Position		
Employees' Supplementary Retirement Plan		
As of June 30, 2017		
ASSETS		
Bonds	\$	51,262,641
Mutual Funds		38,071,491
Other Investments		31,838,529
Contribution Receivable		202,214
Total assets		<u>121,374,875</u>
NET POSITION		
Held in trust for pension benefits	\$	<u>121,374,875</u>

The following is a summary of changes in fiduciary net position of the Plan for the year ended June 30, 2017

Summary of Changes in Fiduciary Net Position		
Employees' Supplementary Retirement Plan		
For the Year Ended June 30, 2017		
ADDITIONS		
Contributions	\$	2,423,234
Investment Income		10,946,876
Total Additions		<u>13,370,110</u>
DEDUCTIONS		
Benefit payments		6,226,686
Administrative expenses		71,734
Total Deductions		<u>6,298,420</u>
Change in net position		7,071,690
NET POSITION, beginning of year		<u>114,303,185</u>
NET POSITION, end of year	\$	<u><u>121,374,875</u></u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 18. TERMINATION BENEFITS

The City provided termination benefits to two employees in fiscal year 2017. The benefit consisted of four weeks of pay based on completed years of service. The total cost to the City was \$52,666.

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CITY OF ALEXANDRIA, VIRGINIA

Notes to Financial Statements

June 30, 2017

Exhibit XII

(Continued)

NOTE 19. TAX ABATEMENTS

A tax abatement is a reduction in tax revenues or exemption from tax expense that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action that after the agreement has been entered into, it contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The City entered into a 15-year agreement with the General Services Administration (GSA) on behalf of an independent federal government agency to the purchase of real property and construction of a building for lease (known as the District). The agreement involves a real property tax exemption that partially exempts real estate taxes due during the 15-year period of leasing the building to tenants. The state law under which the abatement was enacted is the Code of Virginia detailed within 58.1-3221 which states that, the governing body of any county, city or town may, by ordinance, provide for the partial exemption from taxation of real estate on which any structure or other improvement provided certain criteria is met including substantial rehabilitation, renovation, or replacement for commercial or industrial use.

The effective date of the start of the exception is the first January 1 after the first certificate of occupancy. In the event the performance standard is achieved during the first year following the issuance of the first certificate of occupancy, the abatement shall apply to the entire calendar year.

The annual percent of real estate taxes that will be exempt on the improvements during the 15 years of the initial transaction are summarized in the table below.

Year	Percent	Year	Percent
1	100%	9	90%
2	100%	10	80%
3	100%	11	70%
4	100%	12	60%
5	100%	13	50%
6	100%	14	40%
7	100%	15	30%
8	100%	16 & Beyond	0%

The real property assessments for all land and buildings within the District shall be determined by the Real Estate Assessor, and shall be established at 100 percent of fair market value using the same principles, procedures, and methodology established for other like kind taxable real property in the City. The owner of land and improvements within the District maintains the same rights and limitations of appeal of the City's annual real estate assessment as that applicable to other taxable real estate in the City. The annual assessed value of the land component in the District, reflecting any increases or decreases in assessed value of said land component, shall remain fully taxable. The annual assessed value of the land component shall also reflect that of a finished developed lot.

The tax exemption is dependent on the independent federal government agency (agency) fully meeting a required performance standard as follows:

- 1) While the plans are to occupy 100% of the building, the agency must achieve at least 80 percent of the net leasable space of the property. If the agency does not lease its portion and achieve the minimum 80 percent occupancy within one year from the issuance of the last certificate of occupancy, then no tax exemption shall apply.
- 2) Space not occupied by the agency due to incidents such as fires, earthquakes, hurricanes, or other acts of god shall be considered leased and occupied space by the agency in the calculation of the 80 percent occupancy threshold.

CITY OF ALEXANDRIA, VIRGINIA

Notes to Financial Statements

June 30, 2017

Exhibit XII

(Continued)

NOTE 19. TAX ABATEMENTS (Continued)

- 3) By March 1 of each calendar year, the owner of the property at the District is responsible for notifying the City's director of finance of the occupancy level by the agency on a form designated by the director of finance. In the event during a calendar year the agency's occupancy rate falls below 80%, the owner of the property is responsible for notifying the director of finance of the changed agency occupancy level, as well as the date that the occupancy rate fell below 80%.
- 4) Within 60 days of meeting the performance standard, the City must be notified by the property owner. The City then determines in the performance standard was satisfied.
- 5) The partial exemption of real property taxes, including the qualifications and the declining percentage value of the exemption as detailed on the table above shall be considered a covenant that shall run with the land. The City has recorded the covenant in the land records of the City which identifies and defines the partial property tax exemption. These terms, conditions and limitations shall not be revoked during the 15-year period and shall control the payment of real property taxes irrespective of any change in the applicable City Code.
- 6) Per State law, which authorizes the partial real estate tax abatement, this partial real estate tax abatement cannot be reduced during the 15-year abatement period, and is recorded in the City's land records. This provides the needed surety to the property owner and the agency that the proffered tax abatement cannot be reduced or withdrawn later.
- 7) In the event the Property is sold to the federal government or a federal government related entity prior to 20 years after the effective starting date of the property tax exemption then the net present value of the foregone real property taxes which would otherwise have been due to the City between the date of the sale and the 20 years after the effective starting date of the property tax exemption, would be due to the City at the time of the sale (Due on Sale).
- 8) For the purposes of calculating the net present value of forgone real estate taxes prescribed above the following methodology shall apply:
 - a. The discount rate utilized in that calculation shall reflect the City's estimated cost of funds utilizing Thomson Municipal Market Data (MMD) for 10-year AAA rated tax exempt general obligation bonds as of either January 1 or July 1 of the calendar year of the sale of the property, and if this MMD information is not available an equivalent measure shall be substituted,
 - b. the real estate tax assessment used in the net present value calculation shall reflect the real estate tax assessment as of January 1 of the calendar year of the property transfer, and
 - c. the real estate tax rate used shall reflect the adopted real estate tax rate for the calendar year of the sale of the Property, or if the real estate tax rate of the calendar year of the sale has not yet been adopted, then the adopted real estate tax rate for the calendar year prior to the sale of the property shall be used.

The agency's presence in the City is projected to generate (in today's dollars) \$73 million over a 15-year period and up to \$95 million over a 20-year period if the agency lease is extended. After setting aside a \$28 million value of the proposed tax abatement over the 15 years, the net tax gain to the City's General Fund is projected to be \$45 million over a 15-year period and \$68 million over a 20-year period. An economic analysis indicated that the agency will generate 90,000 hotel room stays per year, 30,000 above the original study estimate (worth between \$10 million and \$14 million to these tax generation estimates).

In FY 2017, there were zero dollars of taxes abated. None of the eligibility requirements were met. Additionally, there were no agreements entered by other governments that reduced the City's tax revenues.

CITY OF ALEXANDRIA, VIRGINIA

Notes to Financial Statements

June 30, 2017

Exhibit XII

(Continued)

NOTE 20. NEW ACCOUNTING STANDARD ADOPTED

During the fiscal year ended June 30, 2017, the City adopted three new GASB standards

GASB Statement No. 74 Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

This statement pertains to financial statements with the fiscal year that ends June 30, 2017. GASB 74 will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by postemployment benefits (OPEB) plans that are defined benefit and defined contribution administered through trusts that meet specified criteria. Benefits of GASB 74 include:

- Enhanced decision-usefulness of financial reports.
- Net OPEB liability information, including ratios, will offer an up-to-date indication of the extent to which the total OPEB liability is covered by the fiduciary net position of the OPEB plan.
- The comparability of the reported information for similar types of OPEB plans will be improved by the changes related to the attribution method used to determine the total OPEB liability.
- The contribution schedule will provide measures to evaluate decisions related to the assessment of contribution rates in comparison with actuarially determined rates, if such rates are determined.
- The new information about rates of return on OPEB plan investments will:
 - Highlight the effects of market conditions on OPEB plan's assets over time.
 - Provide information to assess the relative success of the OPEB plan's investment strategy.
 - Provide information to assess the relative contribution that investment earnings provide to the OPEB plan's ability to pay benefits to plan members when they come due.

GASB Statement No. 77 Tax Abatement Disclosures

A tax abatement is a reduction of or exemption from taxes granted by a government for a specified period, usually to encourage economic development, as well as retain businesses that are already located in close proximity. The statement requires that the City enter into agreements to disclose the tax abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients. This disclosure will allow users of the financial statements to be better equipped to understand how tax abatements affect the City's future ability to raise resources and meet its financial obligations, and the impact those abatements have on the City's financial position and economic condition.

GASB Statement No. 80 Blending Requirements for Certain Component Units

The City adopted GASB 80 with the blending of the previously reported component unit, Alexandria Transit Company (ATC), as part of the primary government activities. This Statement amends the blending requirements established in Statement No. 14. Under Statement No. 14, ATC was reported as a component unit in the City's financials using the discrete presentation format (in a column separate from the financial data of the primary government).

Nevertheless, ATC's financials are so intertwined with the City's primary government activities (its transactions and balances are alike), that it makes ATC eligible for blending. Additionally, the Government Accounting Standards Board (GASB) concluded that blending is the appropriate presentation of a component unit that is a not-for-profit corporation (such as ATC), in which the primary government is the sole corporate member ATC is wholly owned by the City of Alexandria.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2017

Exhibit XII
(Continued)

NOTE 20. NEW ACCOUNTING STANDARD ADOPTED (Continued)

		Primary Government	Component Units
Net position, July 1, 2016, as previously stated	\$	372,763,317	(141,557,409)
Transit - DASH per GASB 80		23,225,562	(23,225,562)
Net position, July 1, 2016, as restated	\$	395,988,879	(164,782,971)

NOTE 21. SUBSEQUENT EVENTS

On July 25, 2017, the City Council issued \$94.7 million in General Obligation Tax-exempt Bonds and \$4.4 million in General Obligation Taxable Bonds. The \$94.7 million in bonds were issued with an original premium of \$11.5 million and a true cost of \$2.5 million, which will be used to finance certain capital improvement projects for the City including, but not limited to, public school projects, city parks and buildings, transit and traffic control infrastructure, capital contributions to the Washington Metropolitan Area Transit Authority, storm water infrastructure improvements, and acquisition of fire department vehicles and apparatus. The \$4.4 million in bonds were issued with an original premium of \$40,000 and a true cost of \$3.0 million, which will be used for affordable housing.

On September 5, 2017, the City Council also issued \$102.1 million in General Obligation Refunding Bonds at a true interest cost of 1.9 percent.

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REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

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

CITY OF ALEXANDRIA, VIRGINIA
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2017

EXHIBIT XIII

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget - Positive (Negative)
Revenues:				
General Property Taxes.....	\$ 450,632,010	\$ 450,932,010	\$ 460,874,188	\$ 9,942,178
Other Local Taxes.....	131,077,709	131,077,709	131,900,663	822,954
Permits, Fees, and Licenses.....	2,433,400	2,433,400	2,713,962	280,562
Fines and Forfeitures.....	6,463,517	6,463,517	4,907,527	(1,555,990)
Use of Money and Property.....	4,712,000	4,712,000	5,515,144	803,144
Charges for Services.....	20,859,994	20,864,558	19,419,892	(1,444,666)
Intergovernmental Revenues.....	56,228,977	56,440,644	56,444,434	3,790
Miscellaneous.....	1,131,270	1,131,270	1,874,317	743,047
Total Revenues	673,538,877	674,055,108	683,650,127	9,595,019
Expenditures:				
City Council.....	526,434	588,324	574,479	13,845
City Manager.....	2,464,732	2,548,326	2,464,008	84,318
Office of Management and Budget.....	1,301,434	1,301,434	1,184,450	116,984
18th Circuit Court.....	1,662,220	1,737,175	1,604,021	133,154
18th General District Court.....	148,677	158,279	140,502	17,777
Juvenile And Domestic Relations Court.....	81,320	81,320	64,283	17,037
Commonwealth's Attorney.....	3,220,905	3,220,905	2,869,496	351,409
Sheriff.....	31,014,177	30,717,334	29,679,167	1,038,167
Clerk of Courts.....	1,663,647	1,673,732	1,611,523	62,209
Other Correctional Activities.....	4,164,034	4,223,569	4,116,961	106,608
Court Services.....	1,507,183	1,571,895	1,351,342	220,553
Human Rights.....	789,655	789,655	767,993	21,662
Internal Audit.....	315,991	327,799	307,066	20,733
Information Technology Services.....	10,093,469	11,050,302	9,828,635	1,221,667
Office of Communications.....	1,306,061	1,306,061	1,174,182	131,879
City Clerk and Clerk of Council.....	445,562	445,562	442,776	2,786
Finance.....	13,098,450	13,841,922	11,334,658	2,507,264
Performance and Accountability.....	622,641	721,496	440,232	281,264
Human Resources.....	3,512,923	3,726,110	3,634,483	91,627
Planning and Zoning.....	5,543,691	6,117,600	5,390,794	726,806
Economic Development Activities.....	5,490,493	5,490,493	5,423,105	67,388
City Attorney.....	2,866,163	3,406,163	3,038,089	368,074
Registrar of Voters.....	1,413,610	1,413,610	1,296,200	117,410
General Services.....	14,093,050	14,896,164	13,800,281	1,095,883
Office of Proj. Implementation	1,895,590	1,910,156	1,514,963	395,193
Transportation and Environmental Services.....	29,492,354	30,933,253	26,685,664	4,247,589
Transit Subsidies.....	7,820,972	8,466,900	8,450,237	16,663
Fire.....	49,711,802	49,942,365	49,649,806	292,559
Police.....	60,467,761	61,016,633	60,046,453	970,180
Emergency Communication.....	7,158,590	7,330,760	6,893,877	436,883
Building and Fire Code Administration.....	114,000	121,660	104,840	16,820
Housing.....	1,791,424	1,882,924	1,653,199	229,725
Community and Human Services.....	13,328,244	13,750,039	13,437,271	312,768
Other Health Services.....	1,883,891	1,883,891	1,825,011	58,880
Health.....	6,825,631	7,090,184	6,636,316	453,868
Office of Historic Alexandria.....	3,038,902	3,097,308	2,925,765	171,543
Recreation and Cultural Activities.....	21,717,857	22,068,610	21,400,980	667,630
Other Educational Activities.....	12,131	12,131	12,131	-
Non Departmental (including debt service).....	76,601,103	75,653,525	75,089,133	564,392
	389,206,774	396,515,569	378,864,372	17,651,197
Other Financing Sources (Uses):				
Proceeds of Refunding Bonds.....	-	34,168,000	34,168,000	-
Bond Premium.....	-	-	-	-
Payment to Refunded Bonds Escrow Agent.....	-	(34,017,394)	(34,017,394)	-
Transfers In.....	4,994,761	4,994,761	10,414,477	5,419,716
Transfers Out.....	(75,826,882)	(79,335,018)	(79,136,615)	198,403
Transfers Out - Component Units.....	(213,499,982)	(211,034,007)	(210,883,809)	150,198
Sale of Land.....	-	-	-	-
	(284,332,103)	(285,223,658)	(279,455,341)	5,768,317
Net Change in Fund Balance.....	-	(7,684,119)	25,330,414	33,014,533
Fund Balances at Beginning of Year.....	94,525,932	94,525,932	94,525,932	-
Increase/(Decrease) in Reserve for Inventory.....	-	-	149,937	149,937
FUND BALANCES AT END OF YEAR.....	\$ 94,525,932	\$ 86,841,813	\$ 120,006,283	\$ 33,164,470

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

CITY OF ALEXANDRIA, VIRGINIA
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2017

Exhibit XIV

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance From Amended Budget Positive (Negative)</u>
Revenues:				
General Property Taxes.....	\$ 11,285,704	\$ 11,285,704	\$ 12,048,486	\$ 762,782
Other Local Taxes.....	6,582,034	6,582,034	6,911,178	329,144
Permits, Fees and Licenses.....	9,415,930	9,415,930	6,830,018	(2,585,912)
Fines and Forfeitures.....	-	-	-	-
Use of Money and Property.....	(201,709)	335,291	728,034	392,743
Charges for Services.....	18,733,391	19,746,832	19,900,505	153,673
Intergovernmental Revenues.....	51,365,829	56,484,196	47,934,221	(8,549,975)
Miscellaneous.....	8,287,053	15,268,616	10,131,715	(5,136,901)
Total Revenues.....	<u>105,468,232</u>	<u>119,118,603</u>	<u>104,484,157</u>	<u>(14,634,446)</u>
Other Financing Sources:				
Transfers In.....	52,630,352	53,123,487	50,130,122	(2,993,365)
Total Other Financing Sources.....	<u>52,630,352</u>	<u>53,123,487</u>	<u>50,130,122</u>	<u>(2,993,365)</u>
Total Revenues and Other Financing Sources.....	<u>158,098,584</u>	<u>172,242,090</u>	<u>154,614,279</u>	<u>(17,627,811)</u>
Expenditures:				
Commonwealth's Attorney.....	297,043	505,937	323,525	182,412
Sheriff.....	757,919	759,013	712,151	46,862
Clerk of Courts.....	65,000	65,000	55,692	9,308
Law Library.....	-	250	241	9
Other Correctional and Judicial Activities.....	184,177	184,177	125,276	58,901
Court Services.....	227,184	267,184	186,717	80,467
Human Rights.....	12,717	34,717	34,119	598
Information Technology Services.....	409,794	409,794	371,534	38,260
Finance.....	765,017	796,267	597,398	198,869
Planning and Zoning.....	580,085	730,085	345,818	384,267
Economic Development.....	-	405,000	-	405,000
General Services.....	152,922	194,934	42,237	152,697
Office of Project Implementation.....	1,326,876	1,326,876	1,027,238	299,638
Transit Subsidies.....	12,274,316	12,362,903	9,781,238	2,581,665
Transportation and Environmental Services.....	5,800,000	6,900,000	6,895,978	4,022
Fire.....	2,127,989	2,127,505	1,229,610	897,895
Building and Fire Code Administration.....	7,659,419	7,692,945	5,685,644	2,007,301
Police.....	809,394	2,019,149	269,033	1,750,116
Office of Housing.....	17,515,624	25,830,177	6,535,333	19,294,844
Community and Human Services.....	78,010,867	79,429,349	76,642,232	2,787,117
Alexandria Health.....	31,735	74,115	3,816	70,299
Historic Alexandria.....	742,641	917,572	584,789	332,783
Recreation and Cultural Activities.....	1,070,995	1,884,071	1,365,131	518,940
Library.....	54,346	54,346	54,049	297
Non-Departmental.....	1,275,995	204,542	100,215	104,327
Total Expenditures.....	<u>132,152,055</u>	<u>145,175,908</u>	<u>112,969,014</u>	<u>32,206,894</u>
Other Financing Uses:				
Transfers Out.....	25,661,750	27,066,181	30,220,223	(3,154,042)
Total Other Financing Uses.....	<u>25,661,750</u>	<u>27,066,181</u>	<u>30,220,223</u>	<u>(3,154,042)</u>
Total Expenditures and Other Financing Uses.....	<u>157,813,805</u>	<u>172,242,089</u>	<u>143,189,237</u>	<u>29,052,852</u>
Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses.....				
	284,779	1	11,425,042	11,425,042
Fund Balance at Beginning of Year.....	66,479,290	66,479,290	66,479,290	66,479,290
FUND BALANCE AT END OF YEAR.....	<u>\$ 66,764,069</u>	<u>\$ 66,479,291</u>	<u>\$ 77,904,332</u>	<u>\$ 77,904,332</u>

(See Accompanying Independent Auditor's Report and Notes to Schedules)

CITY OF ALEXANDRIA, VIRGINIA
Notes to Budgetary Comparison Schedules
For Fiscal Year Ended June 30, 2017

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 May 5, 2016, the City Council approved the original adopted budget and on June 24, 2017, approved the revised budget reflected in the required supplementary information.

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

General Fund					
Budget Statement Title	Budgetary Statement Amount	Adjustment for Transfer to Component Unit (Footnote 10)	Exhibit IV	Exhibit IV Title	
Other Educational Activities	\$ 12,131	\$ 204,020,497	\$ 204,032,628	Education	
Transit					
Library Transfer	-	6,863,312	6,863,312	Library	
Other Expenditures (not listed separately)	412,869,635	-	412,869,635	Other Expenditures (not listed separately)	
Total Expenditures	412,881,766	210,883,809	623,765,575	Total Expenditures	
Transfers Out – Component Units	210,883,809	(210,883,809)	-	None	
Operating Transfers Out	79,136,615	-	79,136,615	Operating Transfers Out	
Other Financing	(10,565,083)	-	(10,565,083)	Other Expenditures (not listed separately)	
Total Financing (Sources) Uses	\$ 279,455,341	\$ (210,883,809)	\$ 68,571,532	Total Financing Uses	

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

CITY OF ALEXANDRIA, VIRGINIA
Public Employee Retirement Systems
For Fiscal Year Ended June 30, 2017

Exhibit XVI

SCHEDULE OF EMPLOYER CONTRIBUTIONS

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<u>Supplemental Plan (a)</u>										
Actuarial Determined Contribution	\$ 9,378,597	\$ 9,193,893	\$ 7,548,253	\$ 8,462,725	\$ 7,441,425	\$ 9,394,774	\$ 9,882,928	\$ 10,284,656	\$ 6,381,581	\$ 5,419,262
Actual Contribution Amounts	8,006,825	7,586,006	7,173,760	9,705,496	9,373,813	9,854,860	8,544,859	7,416,575	5,109,723	5,409,164
Contribution Deficiency (Excess)	1,371,772	1,607,887	374,493	(1,242,771)	(1,932,388)	(460,086)	1,338,069	2,868,081	1,271,858	10,098
Percentage of Actual Contribution Contributed	85.37%	82.51%	95.04%	114.69%	125.97%	104.90%	86.46%	72.11%	80.07%	99.81%
Covered-Employee Payroll	139,044,952	136,447,066	136,351,396	127,784,140	129,419,066	125,569,484	124,936,457	125,803,615	126,492,987	123,522,516
Contribution as a Percentage of Covered-Employee Payroll	5.76%	5.56%	5.26%	7.60%	7.24%	7.85%	6.84%	5.90%	4.04%	4.38%
<u>Pension Plan for Fire and Police*</u>										
Actuarial Determined Contribution	908,621	1,057,539	1,158,624	1,211,013	1,332,955	1,472,059	1,443,056	1,623,492	1,679,131	1,209,549
Actual Contribution Amounts	1,713,744	1,723,744	1,728,313	1,700,000	1,700,000	1,700,000	1,700,000	1,679,131	1,707,836	850,000
Contribution Deficiency (Excess)	(805,123)	(666,205)	(569,689)	(488,987)	(367,045)	(227,941)	(256,944)	(55,639)	(28,705)	359,549
Percentage of Actual Contribution Contributed	188.61%	163.00%	149.17%	140.38%	127.54%	115.48%	117.81%	103.43%	101.71%	70.27%
Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution as a Percentage of Covered-Employee Payroll										
<u>Firefighters and Police Pension</u>										
Actuarial Determined Contribution	9,903,407	9,384,623	9,273,326	10,471,367	10,291,033	9,770,783	8,268,658	7,916,599	7,184,309	7,116,057
Actual Contribution Amounts	11,232,823	11,119,553	9,933,001	10,398,552	8,634,820	8,330,531	7,651,601	7,062,118	7,087,325	7,221,966
Contribution Deficiency (Excess)	(1,329,416)	(1,734,930)	(659,675)	72,815	1,656,213	1,440,252	617,057	854,481	96,984	(105,909)
Percentage of Actual Contribution Contributed	113.42%	118.49%	107.11%	99.30%	83.91%	85.26%	92.54%	89.21%	98.65%	101.49%
Covered-Employee Payroll	36,973,064	34,378,179	33,810,854	34,424,794	33,013,511	32,058,296	32,638,214	33,261,971	33,485,674	32,564,077
Contribution as a Percentage of Covered-Employee Payroll	30.38%	32.34%	29.38%	30.21%	26.16%	25.99%	23.44%	21.23%	21.17%	22.18%
<u>Firefighters and Police Disability</u>										
Actuarial Determined Contribution	4,449,438	4,638,338	4,618,019	4,431,587	2,371,116	1,928,701	1,611,887	1,469,682	1,244,853	1,610,278
Actual Contribution Amounts	5,667,369	4,734,529	2,448,696	2,039,849	1,692,368	1,456,788	1,210,062	1,584,314	1,444,947	771,036
Contribution Deficiency (Excess)	(1,217,931)	(96,191)	2,169,323	2,391,738	678,748	471,913	401,825	(114,632)	(200,094)	839,242
Percentage of Actual Contribution Contributed	127.37%	102.07%	53.02%	46.03%	71.37%	75.53%	75.07%	107.80%	116.07%	47.88%
Covered-Employee Payroll	36,973,064	34,378,179	33,810,854	34,424,794	33,013,511	32,058,296	32,638,214	33,261,971	33,485,674	32,564,077
Contribution as a Percentage of Covered-Employee Payroll	15.33%	13.77%	7.24%	5.93%	5.13%	4.54%	3.71%	4.76%	4.32%	2.37%
<u>VRS</u>										
Actuarial Determined Contribution	9,974,720	12,285,419	14,070,398	12,629,447	12,542,600	8,274,478	8,772,167	7,977,375	8,149,979	7,490,208
Actual Contribution Amounts	9,974,720	12,285,419	14,070,398	12,629,447	12,542,600	8,274,478	8,772,167	7,977,375	8,149,979	7,490,208
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	-
Percentage of Actual Contribution Contributed	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Covered-Employee Payroll	\$ 126,449,341	\$ 125,437,843	\$ 125,890,250	\$ 123,842,881	\$ 117,489,335	\$ 115,330,876	\$ 112,083,557	\$ 115,516,783	\$ 114,427,304	\$ 108,719,495
Contribution as a Percentage of Covered-Employee Payroll	7.89%	9.79%	11.18%	10.20%	10.68%	7.17%	7.83%	6.91%	7.12%	6.89%

Actuarially determined contributions and covered-employee payrolls are calculated as of June 30, one year prior to the fiscal year in which contributions are reported

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

CITY OF ALEXANDRIA, VIRGINIA
Public Employee Retirement Systems
For Fiscal Year Ended June 30, 2017

Exhibit XVI
(Continued)

Schedule of Changes in Net Pension Liability and Related Ratios

Last 10 Fiscal Years

Firefighters' & Police Officers' Pension Plan

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Total Pension Liability</u>				
Service Cost	\$ 6,180,741	\$ 5,671,076	\$ 5,526,902	\$ 5,749,258
Interest	23,064,895	21,948,491	20,769,869	19,761,542
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	(546,278)	1,386,820	(978,630)	-
Changes in assumptions	-	-	-	-
Benefit payments, including refunds	(12,763,693)	(12,633,775)	(11,610,344)	(10,147,030)
Net Change in Total Pension Liability	15,935,665	16,372,612	13,707,797	15,363,770
Total Pension Liability - Beginning of Year	308,163,946	291,791,334	278,083,537	262,719,767
Total Pension Liability - End of Year	<u>324,099,611</u>	<u>308,163,946</u>	<u>291,791,334</u>	<u>278,083,537</u>
<u>Plan Fiduciary Net Position</u>				
Contributions - employer	11,232,823	11,119,553	9,933,001	10,398,552
Contributions - employee	2,914,101	2,598,821	2,381,830	2,392,226
Net investment income	32,888,556	3,513,529	6,726,117	33,401,003
Benefit payments, including refunds	(12,763,693)	(12,633,775)	(11,610,344)	(10,147,030)
Administration Expenses	(198,337)	(206,917)	(278,201)	(379,242)
Net Change in Plan Fiduciary Net Position	34,073,450	4,391,211	7,152,403	35,665,509
Plan Fiduciary Net Position - Beginning of Year	239,843,968	235,452,757	228,300,354	192,634,845
Plan Fiduciary Net Position - End of Year	<u>273,917,418</u>	<u>239,843,968</u>	<u>235,452,757</u>	<u>228,300,354</u>
Net Pension Liability - End of Year	<u>\$ 50,182,193</u>	<u>\$ 68,319,978</u>	<u>\$ 56,338,577</u>	<u>\$ 49,783,183</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	84.5%	77.8%	80.7%	82.1%
Covered Employee Payroll	\$ 36,973,064	\$ 35,671,448	\$ 33,810,854	\$ 34,424,794
Net Pension Liability as a percentage of Covered Payroll	135.7%	191.5%	166.6%	144.6%

Information is only available for the current and previous three fiscal years. Future years will be added to the schedule.

CITY OF ALEXANDRIA, VIRGINIA
Public Employee Retirement Systems
For Fiscal Year Ended June 30, 2017

Exhibit XVI
(Continued)

Schedule of Changes in Net Pension Liability and Related Ratios

Last 10 Fiscal Years

Firefighters' & Police Officers' Disability Pension Plan

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Total Pension Liability</u>				
Service Cost	\$ 2,885,911	\$ 2,679,963	\$ 2,620,753	\$ 2,699,276
Interest	2,875,585	2,845,545	2,872,200	2,638,659
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	(2,851,393)	(3,385,398)	409,917	-
Changes in assumptions	-	-	-	-
Benefit payments, including refunds	(2,488,687)	(2,470,684)	(2,571,831)	(2,539,650)
Net Change in Total Pension Liability	421,416	(330,574)	3,331,039	2,798,285
 Total Pension Liability - Beginning of Year	 39,528,466	 39,859,040	 36,528,001	 33,729,716
 Total Pension Liability - End of Year	 <u>39,949,882</u>	 <u>39,528,466</u>	 <u>39,859,040</u>	 <u>36,528,001</u>
 <u>Plan Fiduciary Net Position</u>				
Contributions - employer	5,667,369	4,734,529	2,448,696	2,039,849
Contributions - employee	248,035	243,351	246,551	259,585
Net investment income	2,784,003	263,792	452,996	2,327,679
Benefit payments, including refunds	(2,488,687)	(2,470,684)	(2,571,831)	(2,539,650)
Administration Expenses	(15,277)	(77)	(15,876)	(86,762)
 Net Change in Plan Fiduciary Net Position	 6,195,443	 2,770,911	 560,536	 2,000,701
 Plan Fiduciary Net Position - Beginning of Year	 19,063,106	 16,292,195	 15,731,659	 13,730,958
 Plan Fiduciary Net Position - End of Year	 <u>25,258,549</u>	 <u>19,063,106</u>	 <u>16,292,195</u>	 <u>15,731,659</u>
 Net Pension Liability - End of Year	 <u>\$ 14,691,333</u>	 <u>\$ 20,465,360</u>	 <u>\$ 23,566,845</u>	 <u>\$ 20,796,342</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	63.2%	48.2%	40.9%	43.1%
 Covered Employee Payroll	 \$ 36,973,064	 \$ 35,671,448	 \$ 33,810,854	 \$ 34,424,794
 Net Pension Liability as a percentage of Covered Payroll	 39.7%	 57.4%	 69.7%	 60.4%

Information is only available for the current and three previous fiscal years. Future years will be added to the schedule.

CITY OF ALEXANDRIA, VIRGINIA
Public Employee Retirement Systems
For Fiscal Year Ended June 30, 2017

Exhibit XVI
(Continued)

Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Fiscal Years

Firefighters & Police Officers

	2017	2016	2015	2014
<u>Total Pension Liability</u>				
Service Cost	\$ -	\$ -	\$ -	\$ -
Interest	1,399,445	1,534,443	1,664,966	1,778,386
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	(584,816)	(425,528)	(95,467)	-
Changes in assumptions	-	-	-	-
Benefit payments, including refunds	(3,298,973)	(3,506,496)	(3,715,881)	(3,773,545)
Net Change in Total Pension Liability	(2,484,344)	(2,397,581)	(2,146,382)	(1,995,159)
Total Pension Liability - Beginning of Year	27,656,684	30,054,265	32,200,647	34,195,806
Total Pension Liability - End of Year	25,172,340	27,656,684	30,054,265	32,200,647
<u>Plan Fiduciary Net Position</u>				
Contributions - employer	1,713,744	1,723,744	1,728,313	1,700,000
Contributions - employee	-	-	-	-
Net investment income	821,797	893,641	920,708	1,041,529
Benefit payments, including refunds	(3,298,973)	(3,506,496)	(3,715,881)	(3,773,545)
Administration Expenses	(23,566)	(27,971)	(18,583)	(10,830)
Net Change in Plan Fiduciary Net Position	(786,998)	(917,082)	(1,085,443)	(1,042,846)
Plan Fiduciary Net Position - Beginning of Year	20,928,764	21,845,846	22,931,289	23,974,135
Plan Fiduciary Net Position - End of Year	20,141,766	20,928,764	21,845,846	22,931,289
Net Pension Liability - End of Year	\$ 5,030,574	\$ 6,727,920	\$ 8,208,419	\$ 9,269,358
Plan Fiduciary Net Position as a percentage of Total Pension Liability	80.0%	75.7%	72.7%	71.2%
Covered Employee Payroll	\$ -	\$ -	\$ -	\$ -
Net Pension Liability as a percentage of Covered Payroll	N/A	N/A	N/A	N/A

Information is only available for the current and previous three fiscal years. Future years will be added to the schedule.

CITY OF ALEXANDRIA, VIRGINIA
Public Employee Retirement Systems
For Fiscal Year Ended June 30, 2017

Exhibit XVI
(Continued)

Schedule of Changes in Net Pension Liability and Related Ratios

Last 10 Fiscal Years

Supplemental Retirement Plan

	2017	2016	2015	2014
<u>Total Pension Liability</u>				
Service Cost	\$ 4,429,736	\$ 4,353,655	\$ 4,512,088	\$ 4,812,530
Interest	11,710,854	11,626,797	10,773,145	10,210,998
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	1,431,699	4,866,212	2,957,767	-
Changes in assumptions	-	10,625,401	-	-
Benefit payments, including refunds	(19,026,570)	(13,723,857)	(14,043,843)	(11,276,834)
Net Change in Total Pension Liability	(1,454,281)	17,748,208	4,199,157	3,746,694
Total Pension Liability - Beginning of Year	165,014,417	147,266,209	143,067,052	139,320,358
Total Pension Liability - End of Year	163,560,136	165,014,417	147,266,209	143,067,052
<u>Plan Fiduciary Net Position</u>				
Contributions - employer	8,006,825	7,586,006	7,173,760	9,705,496
Contributions - employee	1,070,814	892,335	756,101	605,369
Net investment income	18,031,871	895,078	5,922,932	20,744,991
Benefit payments, including refunds	(19,026,570)	(13,723,857)	(14,043,843)	(11,276,834)
Administration Expenses	(665,349)	(895,060)	(896,419)	(997,375)
Net Change in Plan Fiduciary Net Position	7,417,591	(5,245,498)	(1,087,469)	18,781,647
Plan Fiduciary Net Position - Beginning of Year	132,491,281	137,736,779	138,824,248	120,042,601
Plan Fiduciary Net Position - End of Year	139,908,872	132,491,281	137,736,779	138,824,248
Net Pension Liability - End of Year	\$ 23,651,264	\$ 32,523,136	\$ 9,529,430	\$ 4,242,804
Plan Fiduciary Net Position as a percentage of Total Pension Liability	85.5%	80.3%	93.5%	97.0%
Covered Employee Payroll	\$ 139,044,952	\$ 139,914,668	\$ 136,374,392	\$ 127,784,140
Net Pension Liability as a percentage of Covered Payroll	17.0%	23.2%	7.0%	3.3%

Information is only available for the current and previous two fiscal years. Future years will be added to the schedule.

**CITY OF ALEXANDRIA, VIRGINIA
Public Employee Retirement Systems
For Fiscal Year Ended June 30, 2017**

**Exhibit XVI
(Continued)**

**Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Fiscal Years**

VRS

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Total Pension Liability</u>			
Service Cost	\$ 11,832,548	\$ 12,256,191	\$ 12,232,148
Interest	36,704,090	35,571,142	33,905,011
Changes in benefit terms	-	55,097	-
Difference between expected and actual experience	(2,371,962)	(7,166,675)	-
Changes in assumptions	-	-	-
Benefit payments, including refunds	(25,101,326)	(23,960,243)	(20,710,314)
Net Change in Total Pension Liability	<u>21,063,350</u>	<u>16,755,512</u>	<u>25,426,845</u>
 Total Pension Liability - Beginning of Year	 <u>536,894,807</u>	 <u>520,139,295</u>	 <u>494,712,450</u>
 Total Pension Liability - End of Year	 <u><u>557,958,157</u></u>	 <u><u>536,894,807</u></u>	 <u><u>520,139,295</u></u>
<u>Plan Fiduciary Net Position</u>			
Contributions - employer	12,331,063	12,232,407	12,630,540
Contributions - employee	6,452,307	6,272,097	6,443,111
Net investment income	7,969,523	20,375,167	61,114,498
Benefit payments, including refunds	(25,101,326)	(23,960,243)	(20,710,314)
Other	(3,392)	(4,303)	3,221
Administration Expenses	<u>(286,988)</u>	<u>(280,179)</u>	<u>(327,787)</u>
 Net Change in Plan Fiduciary Net Position	 1,361,187	 14,634,946	 59,153,269
 Plan Fiduciary Net Position - Beginning of Year	 461,701,938	 447,066,992	 387,913,723
 Plan Fiduciary Net Position - End of Year	 <u>\$ 463,063,125</u>	 <u>\$ 461,701,938</u>	 <u>\$ 447,066,992</u>
 Net Pension Liability - End of Year	 <u>\$ 94,895,032</u>	 <u>\$ 75,192,869</u>	 <u>\$ 73,072,303</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	83.0%	86.0%	86.0%
 Covered Employee Payroll	 \$ 126,449,341	 \$ 125,437,843	 \$ 125,890,250
Net Pension Liability as a percentage of Covered Payroll	75.0%	59.9%	58.0%

Information for VRS is only available for current and previous two fiscal years. Future years will be added to the schedule.

**CITY OF ALEXANDRIA, VIRGINIA
Public Employee Retirement Systems
For Fiscal Year Ended June 30, 2017**

**Exhibit XVI
(Continued)**

Assumed Rate of Return for Firefighters' & Police Officers' Pension Plan also applies to Firefighters' and Police Officers' Disability Pension Plan

Money-weighted Rate of Return

Last Ten Fiscal Years

	Firefighters' & Police Officers' Pension Plan**	Supplemental Retirement Plan	Pension Plan for Firefighters & Police Officers
2014	17.48%	17.60%	4.42%
2015	3.03%	4.73%	4.11%
2016	1.14%	0.37%	5.31%
2017	13.71%	14.39%	5.13%

Notes to the Required Supplemental Information for the City of Alexandria Pension Plans for the year ended June 30, 2017

Firefighters and Police Officers Pension Plan, Basic Plan

Effective with the July 1, 2015 actuarial evaluation, annual experience gains and losses as well as assumption changes will be amortized over separate 15-year periods. Previously the entire portion of Unfunded Actuarial Liability (UAL) was amortized over closed 25-year periods from July 1, 2004.

Firefighters and Police Officers Pension Plan, Disability Plan

Effective with the July 1, 2015 actuarial evaluation, annual experience gains and losses as well as assumption changes will be amortized over separate 15-year periods. Previously the entire Unfunded Actuarial Liability (UAL) was amortized over closed 25-year periods from July 1, 2004.

Supplemental Pension Plan

Effective with the July 1, 2015 actuarial valuation, annual experience gains and losses as well as assumption changes will be amortized over separate 10-year periods.

Pension Plan for Firefighters and Police Officers

There were no changes of benefit terms nor were there any changes in assumptions since the prior actuarial valuation.

Virginia Retirement System (VRS) Pension Plan

Benefit Changes— There have been no material actuarial changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement members for the first time. The Hybrid plan applies to most of the new employees hired on or after January 1, 2014, and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015, was not material.

Changes of assumptions — The following changes of actuarial assumptions were made effective June 30, 2013, based on the most recent experience study of the VRS for the four-year period ending June 30, 2102:

**CITY OF ALEXANDRIA, VIRGINIA
Public Employee Retirement Systems
For Fiscal Year Ended June 30, 2017**

**Exhibit XVI
(Continued)**

Largest 10 – Non-Law Enforcement Officers (LEOS):

- Update mortality table
- Decrease in rates of service retirement
- Decreases in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 – Non-Law Enforcement Officers (LEOS):

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-Law Enforcement Officers (LEOS):

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increases by 0.25% per year

All Others (Non 10 Largest) – Non-Law Enforcement Officers (LEOS):

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

CITY OF ALEXANDRIA, VIRGINIA
Other Post-Employment Benefits (OPEB)
Required Supplementary Information
For Fiscal Year Ended June 30, 2017

Exhibit XVI
(Continued)

SCHEDULE OF FUNDING PROGRESS

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial	Actuarial	Actuarial	Unfunded	Funded	Annual	UAAL as a
Valuation	Value of	Accrued	AAL	Ratio	Covered	Percentage of
Date	Assets	Liability	(UAAL)	(1/2)	Payroll	Covered Payroll
		(AAL)	(2)-(1)			((2-1)/5)
Regular OPEB						
12/31/2010	11,668,519	80,569,082	68,900,563	14.48%	146,101,440	47.16%
12/31/2011	15,081,559	81,202,583	66,121,024	18.57%	148,202,583	44.62%
12/31/2012	19,796,803	88,766,245	68,969,442	22.30%	150,176,760	45.93%
12/31/2013	26,507,342	89,926,799	63,419,457	29.48%	163,191,871	38.86%
12/31/2014	29,961,114	93,440,538	63,479,424	32.06%	159,726,582	39.74%
12/31/2015	32,133,684	91,469,013	59,335,329	35.13%	164,413,239	36.09%
12/31/2016	39,583,602	97,235,699	57,652,097	40.71%	166,699,217	34.58%
Line of Duty						
12/31/2012	\$ -	\$ 16,630,789	\$ 16,630,789	\$ 0.00%	\$ 150,176,760	\$ 11.07%
12/31/2013	-	28,618,663	28,618,663	0.00%	52,648,238	54.36%
12/31/2014	99,417	28,564,357	28,464,940	0.35%	53,315,217	53.39%
12/31/2015	1,346,173	17,262,055	15,915,882	7.80%	56,263,415	28.29%
12/31/2016	3,320,669	29,237,562	25,916,893	11.36%	57,423,658	45.13%

Effective July 1, 2012, the City assumed responsibility for funding benefits required under the Virginia Line of Duty Act.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Actuarial	Annual	Percentage
Date	Required	Contributed
	Contribution	
Regular OPEB		
6/30/2011	7,415,385	110.1%
6/30/2012	7,375,458	109.6%
6/30/2013	7,931,885	102.2%
6/30/2014	7,696,929	80.0%
6/30/2015	7,617,075	83.4%
6/30/2016	7,020,912	181.2%
6/30/2017	7,192,829	176.9%
Line of Duty		
6/30/2013	\$2,570,837	34.8%
6/30/2014	5,839,828	19.7%
6/30/2015	5,634,567	42.1%
6/30/2016	3,783,205	74.2%
6/30/2017	5,705,368	64.4%

CITY OF ALEXANDRIA, VIRGINIA
Other Post-Employment Benefits (OPEB)
Required Supplementary Information
For Fiscal Year Ended June 30, 2017

Exhibit XVI
(Continued)

OPEB Schedule of Employer Contributions

	<u>2017</u>
Actuarially Determined Contributions (ADC)	\$ 12,898,197
Contributions related to the ADC	<u>16,398,159</u>
Contribution Excess relative to ADC	<u>\$ (3,499,962)</u>
Covered Employee Payroll	\$ 167,129,788
Contributions as a percentage of covered employee payroll	9.81%

Information is only available for the current fiscal year. Future years will be added to the schedule.

Notes to Schedule

Valuation Date	12/31/2016
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation during the fiscal year

Key Methods and Assumptions Used to Determine Contribution Rates

Actuarial cost method	Entry Age Normal
Asset valuation method	Market Value
Amortization method	21 year level dollar closed as of 12/31/2016
Discount rate	7.5% for Regular OPEB and 6.25% for Line of Duty OPEB
Healthcare Cost Trend Rates	Non-Medicare: 5% for 2017, then 7% for 2018 grading down to 5% over 15 years Medicare: 7% for 2017 grading down to 5% over 15 years Expenses: 5% per year
Ultimate Salary Increase	Fire & Police: 3.5% VRS members: 3.25%

OPEB Money-Weighted Rate of Return
Last Ten Fiscal Years

2017	14.96%
------	--------

Future years will be added as they become available

CITY OF ALEXANDRIA, VIRGINIA
Other Post-Employment Benefits (OPEB)
Required Supplementary Information
For Fiscal Year Ended June 30, 2017

Exhibit XVI
(Continued)

Schedule of Changes in Net OPEB Liability and Related Ratios
Last 10 Fiscal Years

	2017
<u>Total OPEB Liability</u>	
Service Cost	\$ 3,803,579
Interest	8,232,053
Changes in benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds	(6,298,159)
Net Change in Total Pension Liability	5,737,473
Total OPEB Liability - Beginning of Year	108,945,253
Total OPEB Liability - End of Year	114,682,726
<u>Plan Fiduciary Net Position</u>	
Contributions - employer	16,398,159
Contributions - member	-
Net investment income	6,357,091
Benefit payments, including refunds	(6,298,159)
Administration Expenses	(16)
Net Change in Plan Fiduciary Net Position	16,457,075
Plan Fiduciary Net Position - Beginning of Year	40,550,742
Plan Fiduciary Net Position - End of Year	57,007,817
Net Pension Liability - End of Year	\$ 57,674,909
Plan Fiduciary Net Position as a percentage of Total Pension Liability	49.7%
Covered Employee Payroll	\$ 167,129,788
Net Pension Liability as a percentage of Covered Payroll	34.5%

Information is only available for the current fiscal year. Future years will be added to the

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OTHER SUPPLEMENTARY INFORMATION

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Agency Funds

Agency Funds are the City's 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 Statement of Changes in Assets and Liabilities – Agency Funds
For the Fiscal Year Ended June 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
HUMAN SERVICES SPECIAL WELFARE ACCOUNT				
Assets:				
Cash and Investments with Fiscal Agent.....	\$	\$ 17,739	\$ 13,445	\$ 4,294
Liabilities:				
Other Liabilities.....	-	17,739	13,445	4,294
Total Liabilities.....	-	17,739	13,445	4,294
HUMAN SERVICES DEDICATED ACCOUNT				
Assets:				
Cash and Investments with Fiscal Agent.....	23,135	6,099	3,654	25,580
Liabilities:				
Other Liabilities.....	23,135	6,099	3,654	25,580
Total Liabilities.....	23,135	6,099	3,654	25,580
INDUSTRIAL DEVELOPMENT AUTHORITY				
Assets:				
Equity in Pooled Cash and Investments.....	416,366	45,050	-	461,416
Liabilities:				
Other Liabilities.....	416,366	45,050	-	461,416
Total Liabilities.....	416,366	45,050	-	461,416
TOTAL ALL AGENCY FUNDS				
Assets:				
Equity in Pooled Cash and Investments.....	416,366	45,050	-	461,416
Cash and Investments with Fiscal Agent.....	23,135	23,838	17,099	29,874
Total Assets.....	439,501	68,888	17,099	491,290
Liabilities:				
Other Liabilities.....	439,501	68,888	17,099	491,290
Total Liabilities.....	\$ 439,501	\$ 68,888	\$ 17,099	\$ 491,290

CITY OF ALEXANDRIA, VIRGINIA
Alexandria Transit Company
Statement of Net Position
June 30, 2017

ASSETS

Cash and Cash Equivalents	\$ 49,533
Receivables	961,700
Due from Other Governments	16,814
Inventory of Supplies	694,519
Prepaid and Other Assets	42,508
Capital Assets, Net	24,122,123
Total Assets	25,887,197

LIABILITIES

Accounts Payable	112,078
Accrued Wages	225,976
Other Short-term Liabilities	637,743
Due To Other Funds	300,000
Total Liabilities	1,275,797

NET POSITION

Net Investment in Capital Assets	24,122,123
Unrestricted	489,277
Total Net Position	24,611,400

Total Liabilities and Net Position	\$ 25,887,197
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See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Alexandria Transit Company
Statement of Revenue, Expenses, and Changes in Net Position
June 30, 2017

OPERATING REVENUES:

Charges for Services	\$ 4,322,507
Miscellaneous	60,834
Total Operating Revenues	<u>4,383,341</u>

OPERATING EXPENSES:

Personnel Services	13,120,182
Contractual Services	1,216,567
Materials and Supplies	1,604,028
Other Charges	964,369
Depreciation	3,094,237
Total Operating Expenses	<u>19,999,383</u>

Operating Income/Loss	<u><u>(15,616,042)</u></u>
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NON OPERATING REVENUES (EXPENSES):

Gain on disposal of Fixed Assets	
Other Non Revenue receipts	
Federal Grants	
State Grants	519,495
Total Non Operating Revenues (Expenses)	<u>519,495</u>

Net Profit (Loss) before Transfers	(15,096,547)
Capital Contribution	4,395,833
Transfers In	12,086,552

Change in Net Position	<u>1,385,838</u>
Net Position at Beginning of Year	<u>23,225,562</u>
Net Position at End of Year	<u><u>\$ 24,611,400</u></u>

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Alexandria Transit Company
Statement of Net Position
June 30, 2017

Cash Flows from Operating Activities:	
Cash Received From Customers.....	\$ 3,749,006
Cash Payments to Suppliers for Goods and Services.....	(4,187,760)
Cash Payments to Employees for Services.....	(12,978,595)
Net Cash Used for Operating Activities.....	<u>(13,417,349)</u>
Cash Flows from Noncapital Financing Activities:	
Transfer from Other Funds.....	12,086,552
Cash Received from Nonoperating Grant.....	
Cash Received from Other Nonoperating Revenue.....	819,495
Net Cash Provided by Noncapital and Related Financing Activities.....	<u>12,906,047</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets.....	(658,792)
Net Cash Used for Capital and Related Financing Activities.....	<u>(658,792)</u>
Net Increase in Cash and Cash Equivalents.....	(1,170,094)
Cash and Cash Equivalents at Beginning of Year.....	1,219,626
Cash and Cash Equivalents at End of Year.....	<u>49,532</u>
Reconciliation of Operating Loss to Cash Used for	
Operating Activities:	
Operating Loss.....	<u>(15,616,042)</u>
Adjustments to Reconcile Operating Loss to Net Cash	
Used for Operating Activities:	
Depreciation Expense.....	3,094,237
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable.....	(634,335)
Increase in Inventory of Supplies.....	(3,381)
Decrease in Prepaid Expenses.....	(42,508)
(Increase) in Accounts Payable.....	(356,907)
Increase in Accrued Liabilities.....	22,113
Increase in Other Liabilities.....	119,474
Total Adjustments.....	<u>2,198,693</u>
Net Cash Used for Operating Activities.....	\$ <u>(13,417,349)</u>

See Accompanying Notes to Financial Statements

Special Revenue Fund

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

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

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

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

Northern Virginia Transportation Authority (NVTa) – This sub fund was established in FY 2014. It is funded by various state and local other taxes.

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

CITY OF ALEXANDRIA, VIRGINIA
Combining Balance Sheet
Special Revenue Fund
As of June 30, 2017

	Housing	Sanitary Sewer	Stormwater	Potomac Yard	NVTA	Other Special Revenue	Total Combined Special Revenue
ASSETS							
Cash and Cash Equivalents	\$ 1,990,659	\$ 19,676,700	\$ 1,567,661	\$ 17,042,384	\$ 4,546,670	\$ 32,296,524	\$ 77,120,598
Receivables, Net	-	522,654	-	-	1,140,189	2,498,322	4,161,165
Due From Other Governments	-	-	-	-	-	7,203,597	7,203,597
Prepaid and Other Assets	-	-	-	-	-	1,500	1,500
Total Assets	1,990,659	20,199,354	1,567,661	17,042,384	5,686,859	41,999,943	88,486,860
LIABILITIES							
Accounts Payable	-	169,716	99	-	-	3,236,582	3,406,397
Accrued Wages	-	101,980	44,776	5,473	-	1,994,589	2,146,818
Total Liabilities	-	271,696	44,875	5,473	-	5,231,171	5,553,215
Deferred Inflows	-	-	-	-	-	5,029,312	5,029,312
FUND BALANCES							
Restricted	1,990,659	-	-	-	-	20,406,114	22,396,773
Committed	-	19,927,657	1,522,786	17,036,911	5,686,859	11,333,347	55,507,560
Total Fund Balances	1,990,659	19,927,657	1,522,786	17,036,911	5,686,859	31,739,461	77,904,333
Total Liabilities and Fund Balances	\$ 1,990,659	\$ 20,199,353	\$ 1,567,661	\$ 17,042,384	\$ 5,686,859	\$ 41,999,944	\$ 88,486,860

CITY OF ALEXANDRIA, VIRGINIA
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Special Revenue Fund
For the Fiscal Year Ended June 30, 2017

	Housing	Sanitary Sewer	Stormwater	Potomac Yard	NVTA	Other Special Revenue	Total Combined Special Revenue
REVENUES							
General Property Taxes	\$ -	\$ -	\$ 1,898,286	\$ 10,150,200	\$ -	\$ -	\$ 12,048,486
Other Local Taxes	-	-	-	-	6,911,178	-	6,911,178
Permits, Fees, and Licenses	-	-	-	-	-	6,830,019	6,830,019
Use of Money and Property	-	-	-	-	5,486	722,548	728,034
Charges for Services	-	12,815,569	-	-	-	7,084,936	19,900,505
Intergovernmental Revenue	-	-	-	-	-	47,934,221	47,934,221
Miscellaneous	-	460	-	-	-	10,138,586	10,139,046
Total Revenues	-	12,816,029	1,898,286	10,150,200	6,916,664	72,710,310	104,491,489
EXPENDITURES							
Current Operating:							
General Government	-	-	-	-	-	1,495,346	1,495,346
Judicial Administration	-	-	-	-	-	840,143	840,143
Public Safety	-	-	-	-	-	7,847,606	7,847,606
Public Works	-	4,494,065	1,037,554	102,674	2,681,382	498,467	8,814,142
Health and Welfare	-	-	-	-	-	76,015,511	76,015,511
Culture and Recreation	-	-	-	-	-	2,003,969	2,003,969
Community Development	-	-	419,919	160,434	-	15,371,944	15,952,297
Total Expenditures	-	4,494,065	1,457,473	263,108	2,681,382	104,072,986	112,969,014
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	8,321,964	440,813	9,887,092	4,235,282	(31,362,676)	(8,477,525)
OTHER FINANCING SOURCES (USES)							
Transfers In	1,251,453	-	-	-	11,295,384	37,575,954	50,122,791
Transfers Out	-	(6,745,392)	(113,000)	(5,419,716)	(15,195,384)	(2,746,731)	(30,220,223)
Total Other Financing Sources and Uses	1,251,453	(6,745,392)	(113,000)	(5,419,716)	(3,900,000)	34,829,223	19,902,568
Net Change in Fund Balance	1,251,453	1,576,572	327,813	4,467,376	335,282	3,466,547	11,425,043
Fund Balance at Beginning of Year	739,206	18,351,085	1,194,973	12,569,535	5,351,577	28,272,914	66,479,290
Fund Balance at End of Year	\$ 1,990,659	\$ 19,927,657	\$ 1,522,786	\$ 17,036,911	\$ 5,686,859	\$ 31,739,461	\$ 77,904,333



STATISTICAL SECTION

Draft 11.08.2017

The statistical section includes detailed information to assist in understanding how the financial statements relate to the City's overall financial well-being and includes the following categories:

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

Table I—Schedule of Changes in Net Position

Table II—Changes in Fund Balances Governmental Funds

Table VII—Net Position

Table VIII—Fund Balances Governmental Funds

Table XXII—Five-Year Summary of General Fund Revenues and Expenditure

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

Table III—Tax Revenues by Source

Tables IV and V—Tax Levies and Collections

Table VI—Real and Personal Property Tax Assessments and Rates

Table IX—2017 Tax Rates for Major Revenue Sources

Table XV and XVI—Principal Taxpayers

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

Table X—Legal Debt Margin Information

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

Table XXII—Overlapping Debt and Debt History

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

Table XXIII—Summary of Total General Obligation Bonds Debt Service

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

Table XIV—Population and Per Capita Income

Table XVII—Alexandria City School Board Demographic Statistics

Table XVIII—Government Employees by Function

Table XIX—Principal Employers

Table XXI—Miscellaneous Statistical Data

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

Table XX—Operating and Capital Indicators

Draft 11.08.2017

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Changes in Net Position
Last Ten Fiscal Years
(in millions)

TABLE I

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental Activities:										
General Government	\$ 64.6	\$ 79.5	\$ 61.1	\$ 59.2	\$ 84.7	\$ 75.3	\$ 71.3	\$ 73.8	\$ 66.3	\$ 91.6
Judicial Administration	19.3	19.3	19.3	19.8	20.5	20.8	20.6	20.1	19.9	20.6
Public Safety	114.5	120.5	118.3	122.2	126.9	131.6	141.1	138.6	149.4	152.2
Public Works	48.8	48.5	57.0	51.0	56.4	52.9	68.0	63.9	70.5	78.9
Library	6.9	6.8	6.1	5.9	6.2	6.4	6.6	6.5	6.7	6.9
Health and Welfare	96.2	97.3	90.8	92.7	93.6	92.4	93.8	93.3	94.9	96.9
Transit	14.1	12.5	13.1	16.3	15.9	17.8	10.7	17.8	21.9	12.8
Culture and Recreation	30.4	28.1	25.9	28.3	27.7	28.9	29.8	30.2	32.6	33.4
Community Development	40.6	30.4	21.0	24.6	34.3	40.2	45.7	35.3	33.3	37.1
Education	168.5	173.8	173.3	174.8	185.2	194.6	189.1	197.4	211.2	210.7
Interest on Long-term Debt	12.5	10.9	16.4	17.3	22.0	22.5	23.8	21.8	21.3	20.7
Total Governmental Activities	616.4	627.6	602.3	612.1	673.4	683.4	700.5	698.7	728.0	761.8
Total Primary Government Expenses	616.4	627.6	602.3	612.1	673.4	683.4	700.5	698.7	728.0	761.8
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	5.6	1.4	2.0	1.3	1.5	3.6	2.2	2.9	2.0	3.6
Judicial Administration	1.9	1.6	1.5	1.7	1.7	1.6	1.3	1.2	1.2	1.3
Public Safety	10.7	15.5	11.1	13.3	14.4	17.0	17.7	16.9	14.1	10.5
Public Works	17.4	18.1	18.0	21.3	23.5	27.8	23.7	22.1	33.0	32.0
Health and Welfare	6.7	6.6	6.7	6.4	6.7	6.2	6.4	5.9	5.3	5.5
Culture and Recreation	3.0	2.9	3.1	3.1	5.4	3.7	3.9	4.7	4.8	5.0
Community Development	6.0	8.2	1.6	3.9	2.7	4.2	6.6	5.0	1.5	0.8
Operating Grants and Contributions	61.3	63.2	65.2	65.0	66.4	75.0	78.8	68.8	46.8	65.8
Capital Grants and Contributions	7.6	20.5	50.2	7.4	19.6	18.5	15.1	11.5	6.5	19.1
Total Governmental Activities	120.2	138.0	159.4	123.4	141.9	157.6	155.7	139.0	115.2	143.6
Total Primary Government Revenues	\$ 120.2	\$ 138.0	\$ 159.4	\$ 123.4	\$ 141.9	\$ 157.6	\$ 155.7	\$ 139.0	\$ 115.2	\$ 143.6

Amounts may not add due to rounding

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Changes in Net Position
Last Ten Fiscal Years
(in millions)

TABLE I (continued)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (Expense) (Revenue)										
General Government	\$ (57.7)	\$ (77.6)	\$ (58.5)	\$ (56.4)	\$ (82.4)	\$ (70.8)	\$ (68.1)	\$ (69.8)	\$ (63.2)	\$ (82.0)
Judicial Administration	(13.1)	(13.7)	(14.2)	(14.1)	(15.2)	(15.5)	(16.4)	(15.1)	(16.30)	(18.70)
Public Safety	(89.6)	(91.8)	(93.5)	(96.2)	(99.0)	(99.3)	(108.1)	(106.6)	(121.90)	(132.10)
Public Works	(20.7)	(4.8)	19.3	(15.8)	(9.6)	(3.3)	(23.6)	(22.3)	(23.70)	(32.80)
Library	(6.9)	(6.8)	(6.1)	(5.9)	(6.2)	(6.4)	(6.6)	(6.5)	(6.70)	(6.90)
Health and Welfare	(57.2)	(54.7)	(49.1)	(51.4)	(54.2)	(56.5)	(56.2)	(56.5)	(69.80)	(58.00)
Transit	(14.1)	(12.6)	(13.1)	(16.3)	(15.9)	(17.8)	(10.7)	(17.8)	(21.90)	(12.80)
Culture and Recreation	(27.2)	(25.0)	(22.3)	(24.7)	(22.0)	(24.6)	(25.6)	(25.3)	(26.70)	(26.00)
Community Development	(28.9)	(26.0)	(15.2)	(15.4)	(19.9)	(14.5)	(16.7)	(20.6)	(30.10)	(17.50)
Education	(168.5)	(165.7)	(173.3)	(174.8)	(185.2)	(194.6)	(189.1)	(197.4)	(211.20)	(210.70)
Interest on Long-term Debt	(12.4)	(10.9)	(16.3)	(17.3)	(21.9)	(22.5)	(23.8)	(21.8)	(21.30)	(20.70)
Subtotal Governmental Activities	(496.3)	(489.6)	(442.3)	(488.3)	(531.5)	(525.8)	(544.9)	(559.7)	(612.8)	(618.2)
Total Primary Government	(496.3)	(489.6)	(442.3)	(488.3)	(531.5)	(525.8)	(544.9)	(559.7)	(612.8)	(618.2)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Real Estate	289.3	296.4	304.3	315.6	321.6	333.8	360.7	375.9	393.5	424.4
Personal Property	38.6	37.9	32.9	37.0	48.2	58.6	47.2	50.5	44.5	49.6
Other	112.2	112.3	114.3	118.2	121.1	125.4	127.3	134.1	135.9	139.0
Grants and Contributions										
not restricted to other programs	31.8	32.4	31.5	32.4	41.5	36.9	36.1	33.3	58.5	34.7
Interest and Investment Earnings	6.0	1.7	0.4	1.0	1.3	0.8	4.9	4.9	5.4	5.5
Miscellaneous	0.6	1.1	0.8	1.0	1.2	1.4	2.0	5.0	2.9	11.4
Subtotal Governmental Activities	478.5	481.8	484.2	505.2	534.9	556.9	578.2	603.7	640.7	664.6
Business-type Activities:										
Total Primary Government	478.5	481.8	484.2	505.2	534.9	556.9	578.2	603.7	640.7	664.6
Change in Net Position										
Governmental Activities:	(17.8)	(7.8)	41.9	16.9	3.4	31.1	33.3	44.0	27.9	46.4
	<u>\$ (17.8)</u>	<u>\$ (7.8)</u>	<u>\$ 41.9</u>	<u>\$ 16.9</u>	<u>\$ 3.4</u>	<u>\$ 31.1</u>	<u>\$ 33.3</u>	<u>\$ 44.0</u>	<u>\$ 27.9</u>	<u>\$ 46.4</u>

Amounts may not add due to rounding

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

TABLE II

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
General Property Taxes	\$ 324.1	\$ 333.5	\$ 337.2	\$ 351.6	\$ 366.2	\$ 385.2	\$ 407.8	\$ 422.2	\$ 439.7	\$ 472.90
Other Local Taxes	112.3	112.3	114.4	118.3	121.1	125.3	121.1	134.1	135.9	138.8
Permits Fees and License	5.8	5.7	4.8	7.1	8.8	10.6	17.8	10.9	8.1	9.5
Fines and Forfeitures	3.9	4.1	3.9	4.5	4.9	5.1	5.2	4.9	5.0	5.0
Use of Money and Property	12.0	6.2	3.8	4.1	4.6	4.2	5.2	5.1	6.1	7.7
Charges for Services	25.8	25.3	27.0	29.9	32.2	34.6	32.9	32.1	37.5	39.4
Intergovernmental Revenue	100.7	116.0	110.1	101.9	111.1	125.9	126.5	111.9	108.1	116.5
Miscellaneous and Non Revenue Receipts	10.2	15.8	5.5	7.5	8.3	10.2	9.9	8.8	10.6	16.5
Total Governmental Revenues	594.8	618.9	606.7	624.9	657.2	701.1	726.4	730.0	751.0	806.3
Expenditures										
General Government	43.0	46.7	45.2	44.3	46.8	45.2	45.2	45.7	46.6	50.8
Judicial Administration	18.7	18.9	18.8	19.3	20.0	20.3	20.1	19.7	19.4	20.1
Public Safety	112.2	116.8	115.0	118.4	123.8	131.0	134.8	134.9	142.7	146.7
Public Works	36.7	36.9	42.3	37.9	41.0	40.3	49.6	41.8	44.2	43.4
Library	6.9	6.8	6.1	5.9	6.1	6.4	6.6	6.5	6.7	6.9
Health and Welfare	95.7	96.8	90.2	92.1	93.1	91.8	93.1	92.9	94.4	96.5
Transit and Transit Transfer	14.1	12.5	13.1	16.3	15.9	17.8	10.7	17.8	21.9	8.4
Culture and Recreation	24.5	23.2	21.8	22.8	23.2	24.6	25.3	24.7	25.5	26.3
Community Development	34.4	28.5	19.3	22.8	25.9	35.8	41.4	29.4	31.4	34.8
Education	164.2	168.0	167.5	170.1	178.5	185.8	185.9	196.3	202.8	225.3
Capital Outlay	75.8	100.7	93.4	91.5	71.8	70.9	91.1	99.5	62.9	81.4
Debt Service - Principal	18.2	19.1	19.5	21.1	23.7	27.5	33.5	38.6	41.6	43.3
- Interest	12.3	12.8	15.1	17.4	19.5	22.4	23.8	22.6	21.8	21.5
Total Governmental Expenditures	656.7	687.7	667.3	679.9	689.3	719.8	761.1	770.4	761.9	805.4
Excess of Revenues over (under) expenditures	(61.9)	(68.8)	(60.6)	(55.0)	(32.1)	(18.7)	(34.7)	(40.4)	(10.9)	0.9
Other Financing Sources/(Uses)										
Issuance of Debt	-	145.7	-	74.2	74.8	88.1	70.7	39.1	25.4	73.7
Sale of Land	-	-	-	-	0.6	-	1.2	5.3	-	4.4
Transfers in	67.8	58.9	48.6	47.9	61.7	82.8	77.8	85.9	91.2	96.7
Transfers out	(67.8)	(58.2)	(48.9)	(48.1)	(65.2)	(82.8)	(81.2)	(86.6)	(100.8)	(109.4)
Total Other Financing Sources (Uses)	-	146.4	(0.3)	74.0	71.9	88.1	68.5	43.7	15.8	65.4
Net change in Fund Balance	\$ (61.9)	\$ 77.6	\$ (60.9)	\$ 19.0	\$ 39.8	\$ 69.4	\$ 33.8	\$ 3.3	\$ 4.9	\$ 66.3
Debt Service as percentage of noncapital expenditures	5.25%	5.43%	6.03%	6.54%	7.00%	7.70%	8.55%	9.09%	9.07%	8.94%

Amounts may not add due to rounding

CITY OF ALEXANDRIA, VIRGINIA
Tax Revenues by Source
Last Ten Fiscal Years

TABLE III

Fiscal Year		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Property Taxes	Real Estate	\$ 287,344,299	\$ 295,518,893	\$ 302,666,192	\$ 314,506,526	\$ 326,248,520	\$ 343,336,713	\$ 362,339,024	\$ 375,629,898	\$ 391,339,844	\$ 422,362,653
	Personal	34,883,037	36,023,945	32,923,178	34,891,944	37,897,525	39,694,273	43,799,341	44,495,560	45,556,820	47,476,491
	Penalties and Interest	1,885,683	1,939,225	1,631,548	2,246,186	2,092,976	2,140,497	1,685,517	2,065,762	2,757,775	3,083,530
Other Local Taxes	Local Sales	24,256,803	21,679,635	22,744,483	23,880,909	24,949,593	25,549,709	27,619,132	29,907,322	31,174,524	32,360,983
	Utility	10,019,854	10,409,248	10,462,233	10,812,989	10,322,623	10,650,297	11,460,413	12,364,106	12,579,583	12,286,676
	Business License	32,026,526	30,527,956	30,295,624	30,444,798	31,468,957	32,571,953	30,237,576	33,474,138	32,134,946	33,751,755
	Cable TV Franchise Licen	-	-	-	-	-	-	-	-	-	-
	Motor Vehicle License	3,197,576	3,085,288	3,172,254	3,324,937	3,348,075	3,501,907	3,557,565	3,483,135	3,602,980	3,661,152
	Bank Franchise	1,263,689	1,855,496	2,432,312	2,670,275	2,768,991	2,641,475	3,035,635	3,077,715	3,408,128	3,391,507
	Tobacco	2,681,573	2,719,084	2,910,382	2,777,052	2,674,157	2,567,249	2,927,125	3,020,469	2,907,915	3,021,243
	Recordation	4,947,208	3,206,705	3,313,547	3,668,663	5,152,593	5,847,889	5,468,147	6,481,339	6,458,302	6,185,633
	Transient Lodging	8,506,762	10,592,806	10,824,410	11,245,201	11,375,121	11,774,914	11,568,709	12,371,555	12,755,322	13,542,901
	Restaurant Food	10,972,048	14,912,796	14,908,999	16,214,900	16,313,765	17,325,897	17,404,589	17,635,886	18,655,330	18,878,758
	Telecommunication	857,354	829,291	819,313	839,848	564,219	741,542	821,426	530,408	988,865	772,110
	Admissions	1,090,067	1,103,782	1,125,172	1,082,685	1,093,182	1,086,841	948,968	902,556	759,368	709,640
	Cell Phone	-	-	-	-	-	-	-	-	-	-
	Communications Sales Ta	12,402,256	11,268,560	11,315,541	11,259,534	11,030,711	11,060,107	10,871,785	10,776,792	10,457,755	10,200,706
	Other	42,225	80,723	47,081	37,566	39,246	27,743	1,418,920	44,078	36,409	48,777
Total		<u>\$ 436,376,960</u>	<u>\$ 445,753,433</u>	<u>\$ 451,592,269</u>	<u>\$ 469,904,013</u>	<u>\$ 487,340,254</u>	<u>\$ 510,519,006</u>	<u>\$ 535,163,872</u>	<u>\$ 556,260,719</u>	<u>\$ 575,573,866</u>	<u>\$ 611,734,515</u>

CITY OF ALEXANDRIA, VIRGINIA
Real Estate Tax Levies and Collections
Last Ten Calendar Years

Table IV

Real Property (Amounts in thousands)									
Calendar Year Ended December 31, 2016		Taxes Levied for the Calendar Year*		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years		Total Collections to date	
				Amount	Percentage of Levy			Amount	Percentage of Levy
		2007	\$	282,562	\$	279,948	99.07%	2,586	\$
2008		296,188		292,996	98.92%	3,183		296,179	100.00%
2009		306,346		305,691	99.79%	642		306,333	100.00%
2010		308,520		305,548	99.04%	2,936		308,484	99.99%
2011		315,192		314,116	99.66%	1,042		315,158	99.99%
2012		327,318		324,947	99.28%	2,315		327,262	99.98%
2013		352,602		351,598	99.72%	729		352,327	99.92%
2014		366,625		363,840	99.24%	2,294		366,134	99.87%
2015		379,213		374,919	98.87%	3,665		378,584	99.83%
2016		399,780		396,465	99.17%	-		396,465	99.17%

* Levy adjusted for changes since original levy

Table V

Calendar Year Ended December 31, 2016	Personal Property (Amounts in thousands)						
	Taxes Levied for the Calendar Year		Collected within the Fiscal Year of the Levy		Total Collections to date		
	Total	Commonwealth Reimbursement	Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2007	\$ 61,974	\$ 23,849	\$ 55,247	89.15%	2,789	\$ 58,036	93.65%
2008	62,740	23,768	56,201	89.58%	2,661	58,862	93.82%
2009	57,163	24,351	54,784	95.84%	1,910	56,694	99.18%
2010	58,607	23,764	55,611	94.89%	2,503	58,114	99.16%
2011	60,123	22,782	58,042	96.54%	1,356	59,398	98.79%
2012	63,337	23,446	59,802	94.42%	2,689	62,491	98.66%
2013	67,192	23,239	65,664	97.73%	627	66,291	98.66%
2014	68,075	23,455	63,579	93.40%	2,919	66,498	97.68%
2015	69,918	23,710	65,294	93.39%	2,910	68,204	97.55%
2016	71,960	23,517	66,231	92.04%	-	66,231	92.04%

* Commonwealth reimbursement included in taxes levied and collections.

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

TABLE VI

Calendar Year	Real Property (\$000)				Personal Property (\$000)					
					Motor Vehicle and Tangibles Assessments		Machine and Tools Assessment		Tax Rate per \$100	Total Assessment
	Residential	Commercial	Total	Tax Rate per \$100		Tax Rate per \$100				
2007	\$ 20,143,403	\$ 15,411,555	\$ 35,554,958	\$ 0.830	\$ 1,426,679	\$ 4.75	\$ 11,485	\$ 4.50	\$ 1,438,164	
2008	20,139,614	14,963,203	35,102,817	0.845	1,354,932	4.75	17,837	4.50	1,372,769	
2009	19,152,518	14,811,680	33,964,198	0.903	1,170,972	4.75	14,246	4.50	1,185,218	
2010	18,270,905	13,378,585	31,649,490	0.978	1,226,896	4.75	14,336	4.50	1,241,232	
2011	18,430,731	14,201,221	32,631,952	0.998	1,309,164	4.75	10,665	4.50	1,319,829	
2012	18,715,707	15,066,989	33,782,696	0.998	1,343,202	4.75	12,631	4.50	1,355,833	
2013	19,384,653	14,706,140	34,090,793	1.038	1,417,679	4.75	11,506	4.50	1,429,185	
2014	20,314,910	15,020,272	35,335,182	1.043	1,397,502	5.00	11,281	4.50	1,408,783	
2015	21,195,556	15,376,112	36,571,668	1.050	1,426,427	5.00	10,776	4.50	1,437,203	
2016	21,713,189	15,866,156	37,579,345	1.073	1,492,140	5.00	11,199	4.50	1,503,339	

CITY OF ALEXANDRIA, VIRGINIA
Net Position
Last Ten Fiscal Years
(in millions)

TABLE VII

Governmental Activities	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net Investment in Capital Assets	\$ 231.0	\$ 153.3	\$ 248.0	\$ 335.4	\$ 321.6	\$ 329.5	\$ 343.9	\$ 364.3	\$ 373.4	\$ 364.7
Restricted for:										
Affordable Housing	-	-	-	-	-	-	1.0	1.4	0.7	2.0
Other Projects							13.7	15.1	15.8	20.4
Capital Projects	51.5	134.7	72.3	-	-	-	-	-	-	-
Unrestricted Net Position	<u>60.3</u>	<u>47.0</u>	<u>57.3</u>	<u>59.0</u>	<u>76.2</u>	<u>99.4</u>	<u>103.5</u>	<u>(36.0)</u>	<u>(17.2)</u>	<u>32.0</u>
Total Governmental Activities Net Position	<u>\$ 342.8</u>	<u>\$ 335.0</u>	<u>\$ 377.6</u>	<u>\$ 394.4</u>	<u>\$ 397.8</u>	<u>\$ 428.9</u>	<u>\$ 462.1</u>	<u>\$ 344.8</u>	<u>\$ 372.7</u>	<u>\$ 419.1</u>
Primary Government										
Net Investment in Capital Assets	\$ 231.0	\$ 153.3	\$ 248.0	\$ 335.4	\$ 321.6	\$ 329.5	\$ 343.9	\$ 364.3	\$ 373.4	\$ 364.7
Restricted for:										
Affordable Housing	0.0	-	-	-	-	-	1.0	1.4	0.7	2.0
Other Projects							13.7	15.1	15.8	20.4
Capital Projects	51.5	134.7	72.3	0.0	-	-	-	-	-	-
Unrestricted Net Position	<u>60.3</u>	<u>47.0</u>	<u>57.3</u>	<u>59.0</u>	<u>76.2</u>	<u>99.4</u>	<u>103.5</u>	<u>(36.0)</u>	<u>(17.2)</u>	<u>32.0</u>
Total Primary Government Net Position	<u>\$ 342.8</u>	<u>\$ 335.0</u>	<u>\$ 377.6</u>	<u>\$ 394.4</u>	<u>\$ 397.8</u>	<u>\$ 428.9</u>	<u>\$ 462.1</u>	<u>\$ 344.8</u>	<u>\$ 372.7</u>	<u>\$ 419.1</u>

Amounts may not add due to rounding

The City implemented GASB Statement No. 80 effective July 1, 2016. The 2016 net position presented has not been restated.

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

TABLE VIII

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved for:										
Encumbrances	\$ 1,579,168	\$ 1,967,201	\$ 2,007,557	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventories	1,588,472	1,891,281	1,827,459	-	-	-	-	-	-	-
Notes Receivable	-	400,000	400,000	-	-	-	-	-	-	-
Unreserved	62,320,401	49,048,509	58,806,355	-	-	-	-	-	-	-
Non-Spendable	-	-	-	5,509,288	8,099,925	9,945,850	2,952,021	3,374,907	10,905,853	10,917,115
Committed	-	-	-	16,149,828	17,219,808	15,855,605	12,741,566	10,382,766	11,524,556	11,737,149
Assigned	-	-	-	30,009,737	27,235,643	10,769,948	9,538,948	12,400,000	20,116,985	35,789,849
Unassigned	-	-	-	29,191,314	30,427,629	32,941,779	40,019,733	51,624,142	51,978,538	61,562,170
Subtotal General Fund	\$ 65,488,041	\$ 53,306,991	\$ 63,041,371	\$ 80,860,167	\$ 82,983,005	\$ 69,513,182	\$ 65,252,268	\$ 77,781,815	\$ 94,525,932	\$ 120,006,283
All Other Governmental Funds										
Reserved For										
Capital Projects	\$ 2,691,739	\$ 101,741,783	\$ 39,286,809	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Notes Receivable	1,204,885	2,673,806	2,650,025	-	-	-	-	-	-	-
Encumbrances	50,019,226	34,830,199	30,913,373	-	-	-	-	-	-	-
Unreserved Special Revenue	15,523,030	20,280,831	15,972,479	-	-	-	-	-	-	-
Unreserved Capital Projects	-	-	-	-	-	-	-	-	-	-
Non-Spendable (Special Revenue Fund)	-	-	-	2,625,521	2,596,021	2,596,021	2,498,322	2,498,322	-	-
Restricted (Special Revenue Fund)	-	-	-	9,720,387	7,748,211	10,400,005	12,173,856	14,027,836	16,553,843	22,396,774
Committed (Special Revenue Fund)	-	-	-	8,562,334	12,575,087	29,183,258	45,738,029	52,452,826	49,925,447	55,507,559
Committed (Capital Projects)	-	-	-	64,184,449	97,523,662	169,174,812	188,551,536	171,248,033	172,124,584	212,284,917
Assigned (Special Revenue Fund)	-	-	-	4,961,270	7,730,465	-	-	-	-	-
Total All Other Governmental Funds	\$ 69,438,880	\$ 159,526,619	\$ 88,822,686	\$ 90,053,961	\$ 128,173,446	\$ 211,354,096	\$ 248,961,743	\$ 240,227,017	\$ 238,603,874	\$ 290,189,250

With the implementation of GASB Statement No. 54 in Fiscal Year 2011, the fund balance terminology was changed.

CITY OF ALEXANDRIA, VIRGINIA
2017 Tax Rates for Major Revenue Sources

TABLE IX

Real Estate Tax	\$1.073 per \$100 assessed value
Personal Property Tax	\$4.50 per \$100 assessed value (machinery and tools)
	\$4.75 per \$100 assessed value (tangible personal property)
	\$1.043 per \$100 assessed value (Mobile homes)
	\$5.00 per \$100 assessed value (Automobiles)
	\$3.55 per \$100 assessed value (handicap vehicles)
	\$0.01 per \$100 assessed value (Boats)
Utility Tax (for residential users)	15% of water service charge
	\$1.12 plus \$0.012075 of each KWh (\$3.00 maximum)
	\$1.28 plus \$0.124444 of each CCF gas delivered (\$3.00 maximum)
	\$1.28 plus \$0.050909 of each CCF gas delivered-group meter consumers) (\$3.00 maximum per dwelling unit)
	\$1.28 plus 0.023267 of each CCF gas delivered-group meter interruptible consumers (\$3.00 maximum per dwelling unit)
Utility Tax (for commercial users)	20% of first \$150 of water service charge
	\$1.18 plus \$0.005578 of each kwh delivered-commercial consumer
	\$1.18 plus \$0.004544 of each kwh delivered-industrial consumer
	\$1.42 plus \$0.050213 each CCF gas delivered-commercial/industrial consumer
	\$4.50 plus \$0.003670 of each CCF gas delivered-non-residential interruptible gas consumers
Business and Professional Licenses	
Alcoholic Beverages	\$5 - \$1,500
First year of operation:	
Gross receipts less than \$100,000	No tax due
Gross receipts of greater than \$100,000 and less than \$2,000,000	\$50
Gross receipts of \$2,000,000 or more	Same as renewal for greater than \$100,000 below
Renewal business	
Gross receipts of greater than \$10,000 and less than \$100,000:	
Any business	\$50
Gross receipts of \$100,000 or more	
Amusement and Entertainment	\$0.36 per \$100 gross receipts
Professional	\$0.58 per \$100 gross receipts
Renting of Residential Property	\$0.50 per \$100 gross receipts
Renting of Commercial Property	\$0.35 per \$100 gross receipts
Financial Services	\$0.35 per \$100 gross receipts
Personal, Business and Repair Service	\$0.35 per \$100 gross receipts
Retail Merchants	\$0.20 per \$100 gross receipts
Contractors	\$0.16 per \$100 gross receipts
Wholesale Merchants	\$0.05 per \$100 total purchases
Public Utilities	
Telephone	\$0.50 per \$100 gross receipts
Communication Tax	5% of statewide communication tax
Water, heat, electric and gas companies	\$0.50 per \$100 gross receipts
Admissions Tax	10% of admissions up to \$0.50 per person
Public Rights-of-Way Use Fee	\$1.11 per line per month
Electric Consumption Tax	\$0.0038/kwh
Natural Gas Consumption Tax	\$0.004 per CCF
Local Sales Tax	1% added to the rate of the state retail tax imposed
Short-Term Rental Tax	1% or of gross proceeds of business arising from rentals
Cigarette Tax	\$1.15 on each package of twenty cigarettes
Transient Lodging Tax	6.5% of total amount paid for room rental plus \$1 per night lodging fee
Restaurant Meal Tax	4% on all food and drink
Recordation Tax	\$0.083 per \$100 of sales price – City (State is \$0.25 per \$100)
Late Payment Tax Penalty	10% or \$10, whichever is greater
Tax Interest	10% for the first year and 5% for each year thereafter. Equals refund rates.

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

TABLE X

	2008	2009	2010	2011	2012
Assessed Value of Real Property, January 1	\$ 35,554,958,000	\$ 34,379,163,000	\$ 31,649,490,000	\$ 32,631,952,000	\$ 33,782,697,985
Debt Limit: 10 percent	3,555,495,800	3,437,916,300	3,164,949,000	3,263,195,200	3,378,269,799
Amount of Debt Applicable to Debt Limit	<u>260,350,000</u>	<u>383,950,000</u>	<u>364,485,000</u>	<u>415,720,000</u>	<u>459,060,000</u>
Legal Debt Margin	\$ 3,295,145,800	\$ 3,053,966,300	\$ 2,800,464,000	\$ 2,847,475,200	\$ 2,919,209,799
Debt as a Percentage of Assessed Value	0.73%	1.12%	1.15%	1.27%	1.36%
	2013	2014	2015	2016	2017
Assessed Value of Real Property, January 1	\$ 34,725,071,000	\$35,335,182,000	\$37,146,860,126	\$38,195,318,730	\$38,987,293,704
Debt Limit: 10 percent	3,472,507,100	3,533,518,200	3,714,686,012	3,819,531,873	3,898,729,370
Amount of Debt Applicable to Debt Limit	<u>508,700,000</u>	<u>539,780,000</u>	<u>540,495,000</u>	<u>522,710,000</u>	<u>557,233,000</u>
Legal Debt Margin	\$ 2,963,807,100	\$ 2,993,738,200	\$ 3,174,191,012	\$ 3,296,821,873	\$ 3,341,496,370
Debt as a Percentage of Assessed Value	1.46%	1.53%	1.46%	1.37%	1.43%

Limitations on the Incurrence of General Obligation Debt:

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

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

The only constitutional limitation on the issuance of general obligation bonds is contained in Article VII, Section 10 of the Virginia Constitution, which states that: "No city or town shall issue any bonds or other interest-bearing obligations which, including existing indebtedness, shall at any time exceed ten percent of the assessed valuation of real estate in the city or town subject to taxation, as shown by the last preceding assessment for taxes."

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

TABLE XI

Year	Population ⁽³⁾	Assessed Value (\$000) ⁽²⁾			Outstanding Debt	Outstanding Debt As Percentage of Assessed		Personal Income (\$100)	Debt Per Capita	Debt Per Capita As A Percentage of Per Capita Income ⁽⁴⁾
		Real Property	Personal Property	Total		Real Property	Total Property			
2008	140,879	35,102,817	1,426,679	36,529,496	260,350,000	0.74	0.71	10,204,006	1,848	2.6
2009	144,100	33,964,198	1,354,932	35,319,130	383,950,000	1.13	1.09	10,178,071	2,664	3.7
2010	139,993	31,649,490	1,170,972	32,820,462	364,485,000	1.15	1.11	10,441,443	2,604	3.4
2011	140,100	32,631,952	1,226,896	33,858,848	415,720,000	1.27	1.23	10,627,334	2,967	3.8
2012	140,800	33,782,698	1,309,164	35,091,862	459,060,000	1.36	1.31	10,758,922	3,260	4.0
2013	142,000	34,725,071	1,343,202	36,068,273	508,700,000	1.46	1.41	11,760,450	3,582	4.5
2014	144,000	35,335,182	1,417,679	36,752,861	539,780,000	1.53	1.47	12,115,212	3,748	4.5
2015	147,650	37,146,860	1,397,502	38,544,362	540,495,000	1.46	1.40	12,071,851	3,661	4.6
2016	150,500	38,195,319	1,437,203	39,632,522	522,710,000	1.37	1.32	11,789,823	3,473	4.3
2017	156,100	38,987,294	1,503,339	40,490,633	557,233,000	1.43	1.38	12,692,748	3,570	4.4

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

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

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

(4) Personal Income and per capita income represents data from the United States Bureau of Economic Analysis, as revised, that is generally two years old.

CITY OF ALEXANDRIA, VIRGINIA
Overlapping Debt and Debt History
June 30, 2017

TABLE XII

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

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

Credit Ratings

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

Paying Agents

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

**Ratio of Annual Debt Service Expenditures for Net
General Debt ⁽¹⁾ to Total General Expenditures
Last Ten Fiscal Years**

TABLE XIII

Year	Principal	Interest and Other Costs	Total Debt Service	General Expenditures ⁽²⁾	Ratio of Debt Service to General Governmental Expenditures %
2008	\$ 18,175,000	\$ 12,344,320	\$ 30,519,320	\$ 688,844,141	4.43
2009	19,100,000	12,800,634	31,900,634	720,924,777	4.42
2010	19,465,000	15,123,463	34,588,463	705,338,251	4.90
2011	21,065,000	17,414,349	38,479,349	722,966,982	5.32
2012	23,725,000	19,492,222	43,217,222	735,769,542	5.87
2013	27,550,000	22,437,678	49,987,678	763,516,075	6.55
2014	33,476,070	23,835,653	57,311,723	820,080,010	6.99
2015	38,645,000	22,614,198	61,259,198	817,311,890	7.50
2016	41,595,000	21,766,140	63,361,140	808,809,675	7.83
2017	43,300,000	21,490,252	64,790,252	860,542,894	7.53

(1) Net General Debt includes general obligation bonds

(2) Includes expenditures for School Board and Library component units

**Demographic Statistics
June 30, 2017**

TABLE XIV

Population

<u>Calendar Year</u>	<u>Population</u>	<u>Calendar Year</u>	<u>Population</u>
1950	61,787	2011	140,100
1960	91,023	2012	140,800
1970	110,938	2013	142,000
1980	103,217	2014	144,000
1990	111,183	2015	147,650
2000	128,283	2016	150,500
2010	139,993	2017	156,100

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

**POPULATION INDICATORS
PER CAPITA INCOME***

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Alexandria	\$65,141	\$70,632	\$72,220	\$70,846	\$76,362	\$78,383	\$80,952	\$81,078	\$77,142	\$82,683
Arlington	\$63,827	\$68,270	\$72,317	\$69,241	\$79,967	\$82,491	\$83,242	\$82,736	\$83,170	\$86,161
Fairfax (include Fairfax City and Falls Church)	\$64,698	\$67,909	\$69,885	\$69,241	\$66,679	\$69,008	\$71,607	\$71,752	\$75,007	\$74,923
Washington MS	\$57,746	\$62,484	\$56,510	\$56,984	\$57,343	\$59,345	\$75,198	\$75,329	\$69,838	\$73,505

*The BEA has revised these numbers.

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

**UNEMPLOYMENT RATE
LAST TEN YEARS**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Unemployment Rate	2.9%	2.8%	4.8%	4.8%	4.6%	4.7%	4.6%	3.5%	2.9%	2.9%

SOURCE: Virginia Employment Commission

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

TABLE XV

Private Property

Owner's Name	Property	2017 Assessed Value (in millions)	Percentage of Total Assessed Valuation
1. LCOR Alexandria, L.L.C.	Office Buildings	\$980.3	2.55%
2. Equity Residential	Apartments Buildings	540.6	1.41%
3. Paradigm Companies	Apartments Buildings	654.6	1.71%
4. JBG Properties	Apartments and Land	643.4	1.68%
5. Washington REIT	Apartments, Office, Retail	370.4	0.97%
6. AIMCO	Apartments	356.1	0.93%
7. UDR	Apartments	379.1	0.99%
8. Southern Towers, L.L.C	Southern Towers	288.8	0.75%
9. CPYR	PY Shopping & Theater	202.1	0.53%
10. AP	Apartments	196.9	1.05%

SOURCE: City of Alexandria, Department of Finance, Real Estate Assessment Division

Owner's Name	Property	2008 Assessed Value (in millions)	Percentage of Total Assessed Valuation
1. LCOR Alexandria LLC	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 LLC	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 LLC	Office Buildings	184.5	0.52%
Tishman Speyer Archiston Smith Newport			
9. Village I & II	Newport Village Apartments	167.8	0.47%
10. Alexandria Apartments L.L.C	Alexandria Apartments	166.2	0.47%

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

TABLE XV
(Continued)

Public Service Companies

Owner's Name	2017 Assessed Value (In millions)	Percentage of Total Assessed Valuation
1. Virginia Electric & Power Company	\$227.0	0.58 %
2. Norfolk Southern Railway Company	73.4	0.19
3. CSX Transportation	63.2	0.16
4. Virginia-American Water Co.	61.5	0.16
5. Potomac Electric Power Company	42.8	0.11
6. Washington Gas Light Company	42.1	0.11
7. Verizon Virginia LLC	41.1	0.11
8. Covanta Alexandria/Arlington, Inc.	32.9	0.08
9. Cello	9.6	0.02
10. New Cingular Wireless, PCS, LLC	9.1	0.02

SOURCE: Virginia State Corporation Commission

Owner's Name	2008 Assessed Value (In millions)	Percentage of Total Assessed Valuation
1. Mirant Potomac River, LLC	\$271.9	31 %
2. Virginia Electric Power Company	155.4	17.7
3. Covanta Alexandria/Arlington, Inc.	90.3	10.3
4. Verizon Virginia Inc	61.3	7.0
5. Virginia American Water Company	45.6	5.2
6. Potomac Electric Power Company	36.2	4.1
7. Washington Gas Light Company	32.4	3.7
8. Washington DC SMSA Limited Partnership	6.1	0.7
9. Comcast Phone of Northern Virginia, Inc.	6.1	0.7
10. T-Mobile License, LLC	5.7	0.6

SOURCE: Virginia State Corporation Commission

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

TABLE XVI

Fiscal Year	Total Enrollment	Number Receiving Free or Reduced Meals	Number in English as Second Language	Number Receiving Special Education	Number in Elementary School Gifted and Talented Programs	Number in Middle (6-8) School Gifted and Talented Programs
2008	10,557	5,012	2,083	1,786	451	435
2009	11,225	5,866	2,909	1,830	333	395
2010	11,623	6,264	2,572	1,747	451	330
2011	11,999	6,665	2,698	1,701	462	293
2012	12,395	6,916	3,005	1,686	495	326
2013	13,114	7,370	3,406	1,641	935	351
2014	13,623	8,100	3,642	1,621	759	370
2015	14,224	8,582	4,202	1,634	823	432
2016	14,729	8,664	4,381	1,672	861	545
2017	15,105	8,965	4,789	1,803	933	604

SOURCE: City of Alexandria Public School System

General Fund
City Departments Expenditures Detail by Function
For the Fiscal Year Ended June 30, 2017

TABLE XVII

	General Government	Judicial Administration	Public Safety	Public Works	Health and Welfare	Recreation & Culture	Community Development	Education	Transit Subsidies	Debt Service	Total
Expenditures:											
City Council.....	\$ 574,479	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	574,479
City Manager.....	2,464,008	-	-	-	-	-	-	-	-	-	2,464,008
Office of Management and Budget.....	1,184,450	-	-	-	-	-	-	-	-	-	1,184,450
18th Circuit Court.....	-	1,604,021	-	-	-	-	-	-	-	-	1,604,021
18th General District Court.....	-	140,502	-	-	-	-	-	-	-	-	140,502
Juvenile and Domestic Relations Cou	-	64,283	-	-	-	-	-	-	-	-	64,283
Commonwealth's Attorney.....	-	2,869,496	-	-	-	-	-	-	-	-	2,869,496
Sheriff.....	-	7,470,651	22,208,516	-	-	-	-	-	-	-	29,679,167
Clerk of Courts.....	-	1,611,523	-	-	-	-	-	-	-	-	1,611,523
Other Correctional Activities.....	-	4,116,949	12	-	-	-	-	-	-	-	4,116,961
Court Services.....	-	1,351,342	-	-	-	-	-	-	-	-	1,351,342
Human Rights.....	767,993	-	-	-	-	-	-	-	-	-	767,993
Internal Audit.....	307,066	-	-	-	-	-	-	-	-	-	307,066
Information Technology Services.....	8,643,785	-	-	-	-	-	1,184,850	-	-	-	9,828,635
Office of Communications.....	-	-	-	-	-	-	1,174,182	-	-	-	1,174,182
City Clerk and Clerk of Council.....	442,776	-	-	-	-	-	-	-	-	-	442,776
Finance.....	11,334,658	-	-	-	-	-	-	-	-	-	11,334,658
Human Resources.....	3,634,483	-	-	-	-	-	-	-	-	-	3,634,483
Planning and Zoning.....	-	-	-	-	-	-	5,390,794	-	-	-	5,390,794
Economic Development Activities.....	-	-	-	-	-	-	5,423,105	-	-	-	5,423,105
City Attorney.....	3,038,089	-	-	-	-	-	-	-	-	-	3,038,089
Registrar.....	1,296,200	-	-	-	-	-	-	-	-	-	1,296,200
General Services.....	2,677,481	-	1,093,567	10,029,233	-	-	-	-	-	-	13,800,281
Project Implementation Office.....	-	-	-	-	-	-	1,514,963	-	-	-	1,514,963
Performance and Accountability	440,232	-	-	-	-	-	-	-	-	-	440,232
Transportation and Environmental	-	-	-	-	-	-	-	-	-	-	-
Services.....	-	-	-	23,981,667	-	-	2,104,531	-	-	599,466	26,685,664
Transit Subsidies.....	-	-	-	-	-	-	-	-	8,450,237	-	8,450,237
Fire.....	-	-	47,926,863	-	-	-	-	-	-	1,722,943	49,649,806
Police.....	-	-	60,046,453	-	-	-	-	-	-	-	60,046,453
Emergency Communications.....	-	-	6,893,877	-	-	-	-	-	-	-	6,893,877
Code Administration.....	-	-	104,840	-	-	-	-	-	-	-	104,840
Housing.....	-	-	-	-	-	-	1,653,199	-	-	-	1,653,199
Community and Human Services.....	1,243,196	-	-	-	12,194,076	-	-	-	-	-	13,437,272
Other Health Services.....	-	-	1,320	-	1,823,691	-	-	-	-	-	1,825,011
Health.....	-	-	-	-	6,427,009	-	209,307	-	-	-	6,636,316
Office of Historic Alexandria.....	-	-	-	-	-	2,925,764	-	-	-	-	2,925,764
Recreation and Cultural Activities.....	-	-	-	-	-	21,400,980	-	-	-	-	21,400,980
Other Educational Activities.....	-	-	-	-	-	-	-	12,131	-	-	12,131
Miscellaneous.....	11,284,762	-	555,640	543,927	-	-	236,961	-	-	62,467,843	75,089,133
Total Expenditures.....	\$ 49,333,658	\$ 19,228,767	\$ 138,831,088	\$ 34,554,827	\$ 20,444,776	\$ 24,326,744	\$ 18,891,892	\$ 12,131	\$ 8,450,237	\$ 64,790,252	\$ 378,864,372

CITY OF ALEXANDRIA
Government Employees by Function
Last Ten Fiscal Years

TABLE XVIII

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government	297	273	269	259	270	302	321	323	246	318
Judicial Administration	120	120	123	123	123	290	286	286	287	287
Public Safety	936	937	930	934	973	805	803	801	809	816
Public Works	228	231	232	240	238	220	212	212	223	212
Library	55	56	55	54	55	54	71	71.5	70	69
Health and Welfare	515	511	510	530	532	526	579	589	586	598
Culture and Recreation	158	155	152	144	145	147	183	183	175	179
Community Development	55	59	57	57	62	65	83	82	85	85
Education	2,058	2,015	2,098	2,115	2,181	2,230	2,285	2,268	2,277	2,518
TOTAL	4,422	4,357	4,426	4,456	4,579	4,639	4,823	4,816	4,758	5,082

Principal Employers
Current Year (as of July 1, 2017 and Nine Years Ago)

TABLE XIX

Current Year	Employees⁽¹⁾	Percentage of Total City Employment⁽²⁾	Nine Years Ago	Employees⁽¹⁾	Percentage of Total City Employment⁽²⁾
LARGEST PUBLIC EMPLOYERS			LARGEST PUBLIC EMPLOYERS		
U.S. Department of Commerce	1,000 & over	3.14%	U.S. Patent Trademark Office	1,000 & over	8.38%
U.S. Department of Defense	1,000 & over	3.14%	U.S. Department of Defense	1,000 & over	7.10%
Alexandria Public Schools	1,000 & over	2.66%	City of Alexandria	1,000 & over	2.30%
City of Alexandria	1,000 & over	2.39%	Alexandria Public Schools	1,000 & over	1.90%
WMATA	500-999	0.78%	WMATA	500-999	1.30%
Northern Virginia Community College	500-999	0.78%	Northern Virginia Community College	500-999	0.70%
U.S. Department of Agriculture	500-999	0.78%	U.S. Postal Service	500-999	0.60%
U.S. Department of Homeland Defense	250-499	0.39%	U.S. Attorney's Office	500-999	0.20%
		14.07%			22.48%
LARGEST PRIVATE EMPLOYERS			LARGEST PRIVATE EMPLOYERS		
INOVA Health System	1000 & over	3.14%	INOVA Alexandria Hospital	1,000 & over	1.80%
Institute for Defense Analysis	500-999	0.78%	American Building Maintenance Com	1,000 & over	1.20%
Grant Thornton LLP	500-999	0.78%	Institute of Denfense Analysis	500-999	0.80%
The Home Depot	500-999	0.78%	United Postal Services (UPS)	500-999	0.70%
Clinical Oncology	250-499	0.39%	Center for Naveal Analysis	500-999	0.60%
Oblon Spivak McClelland PC	250-499	0.39%	Military Professional Resources	500-999	0.50%
Catholic Diocese of Arlington	250-499	0.39%	Grant Thornton LLP	500-999	0.50%
Giant Food	250-499	0.43%			
		7.10%			6.10%

SOURCE: Virginia Employment Commission

⁽¹⁾ Employment ranges are given to ensure confidentiality.

⁽²⁾ Percentages are based on the midpoint of the employment range.

CITY OF ALEXANDRIA
Operating Indicators By Function
Last Ten Fiscal Years

TABLE XX

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Judicial Administration										
Civil and criminal cases processed by Clerk of Courts	5,730	5,700	5,666	6,700	6,950	6,650	6,000	6,000	5,377	5,734
Real estate documents processed	29,396	29,000	26,340	25,000	25,000	29,000	30,000	30,000	20,137	20,990
Public Safety										
Fire calls requiring emergency response	5,990	6,050	6,080	5,900	5,950	5,950	**	**	5,407	5,601
Average number of calls for service per fire emergency	*	*	*	*	*	*	1,690	310	359	326
Patrol calls for service	*	*	*	*	52,230	52,230	**	77,367	71,432	71,502
Number of fire code violations	*	*	*	*	*	*	2,074	2,205	3,656	6,503
EMS incidents responded to	*	11,583	12,500	15,000	15,000	15,000	**	**	14,558	15,209
Public Works										
Sq yds of concrete sidewalks replaced	8,000	8,000	3,450	5,635	5,600	5,800	6,700	N/A	6,617	3,583
Cubic yards of leaves collected	33,000	33,000	32,001	32,001	33,700	27,194	36,185	41,614	35,205	35,999
Library										
Circulation	1,234,726	1,302,633	1,215,000	1,105,000	1,060,000	*	*	*	*	**
Total number of material circulated	*	*	*	*	1,060,000	1,132,500	1,335,000	1,339,000	1,304,000	1,595,528
Number of Library Vistors and Web Users	*	*	*	1,149,837	1,145,267	1,233,203	1,219,936	1,288,629	1,247,355	1,303,209
Health and Welfare										
Youth attending outreach activities	*	*	*	*	200	800	800	800	800	**
Average monthly food stamp cases	1,675	3,294	4,098	4,586	4,898	4,958	4,632	4,547	4,622	4,635
Other public health services	*	*	*	*	*	*	**	18,157	19,173	21,842
Adult clients served	3,230	3,230	2,456	2,477	2,477	2,244	**	**	2,283	**
Transit										
Annual Ridership	3,800,000	4,006,825	3,880,000	3,741,499	3,882,022	4,265,417	4,244,588	4,275,682	4,108,706	3,833,959
Trolley/Shuttle Cost per rider	*	*	*	*	*	1.19	1.06	1.14	1.14	1.09
Miles of service	1,505,000	1,534,900	1,500,000	1,410,656	1,472,993	1,493,146	1,550,704	1,714,388	1,758,689	1,857,385
Culture and Recreation										
Number of registered users in recreation										
Centers and recreation activites	*	*	*	*	*	7,000	7,000	13,745	23,806	26,423
Average cost per park facility maintained	\$ 23,018	24,512	22,671	23,078	7,963	7,394	**	**	**	**
Average number of acres of public open space and park	*	*	*	*	*	*	*	7	7	7
Community Development										
Homeownership loan cost per household	*	*	*	*	*	59,713	**	**	62,000	57,500
Average Home rehabilitation loan cost	\$ 69,484	32,379	61,154	63,350	71,737	79,453	**	**	76,785	80,380
Education										
Cost per pupil	\$ 19,341	19,078	18,003	18,169	18,516	17,024	17,249	17,041	16,896	17,216
Enrollment	10,557	11,225	11,623	11,999	12,798	13,707	14,171	14,224	14,729	15,105

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

** - Indicator no longer maintained

CITY OF ALEXANDRIA
Capital Indicators By Function
Last Ten Fiscal Years

TABLE XX (cont.)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Judicial Administration										
Number of foster care homes	135	91	60	60	53	50	50	46	46	39
Public Safety										
Fire vehicles	136	130	137	139	138	138	143	143	143	143
Public Works										
Paved streets	521	514	514	514	556	560	560	560	560	561
Sidewalks	321	321	321	321	319	319	319	319	319	319
Library										
Full service branches and central library	4	4	4	4	4	4	4	4	4	4
Health and Welfare										
Preventative health care sites	3	3	3	3	3	3	3	3	3	3
Transit										
DASH transit buses	57	62	63	63	77	79	79	74	85	85
Culture and Recreation										
Playgrounds	46	46	46	45	36	36	37	36	40	41
Athletic fields available for games	50	50	56	48	49	49		49	53	53
Acreage of park and open space	964	964	964	965	722	958	974	1,000	1,036	1,042
Total number of facilities maintained	206	235	237	237	181	181	181	181	181	130
Community Development										
Public housing and public housing replacement units	1,150	1,150	1,150	1,150	1,150	1,150	1,150	1,150	1,150	1,150
Education										
Public schools	17	17	17	17	17	17	17	16	16	16

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

** - Indicator no longer maintained

CITY OF ALEXANDRIA, VIRGINIA
Miscellaneous Statistical Data
As of June 30, 2017

TABLE XXI

Date of Incorporation	1779
Date of City Charter	1922
Form of Government Council-Manager	
Number of Full-Time City Positions (Other than Schools).....	2552
Number of Full-Time Equivalent School Positions	2,518

Land Area

15.75 Square Miles

Elevation

0 to 287 Feet Above Sea Level

Location

38.8210 N

77.0861 W

Climate

Average January Temperature 34.9°

Average July Temperature 79.2°

Transportation

Major Highways:

Capital Beltway (I-95)

I-395 (Shirley Highway)

U.S. Route 1

George Washington Memorial Parkway

Rail:

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

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

Air:

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

Dulles International Airport provides international and longer domestic travel.

Ground:

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

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

Individualized service is available through privately owned taxicab fleets.

Port Facilities:

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

Population

2017 Resident Population.....	156,100
Number of Households—2015 Census	72,376
Household Size (2015 U.S. Census).....	2.21 Persons Per Unit
2015 Population by Race (2011-2015 U.S. Census American Community Survey):	
White.....	64.1%
Black	21.4%
Native American	0.2%
Asian and Pacific Islanders	7.0%
Multi-Racial	3.2%
Hispanic (All Races)	16.6%

2015 Population by Age (U.S. Census Bureau Estimate):

(1-17)	15.7%
(18-24)	8.1%
(25-64)	66.5%
(65 +).....	9.7%

Registered Voters

June 2017

Temporary Assistance to Needy Families

(Cases)—Monthly Average, 2017.....

Food Stamps (Cases)—Monthly Average, 2017

Medicaid (Cases)—Monthly Average, 2017

Economy

Employed Residents, May 2017.....

Unemployed Residents, May 2017.....

Unemployed Rate, May 2017.....

Washington PMSA Inflation Rate, based

on Consumer Price Index, for FY 2017... ..

CITY OF ALEXANDRIA, VIRGINIA
Miscellaneous Statistical Data
As of June 30, 2017

TABLE XXI
(Continued)

Housing	2017	2016
Total Housing Units.....	77,099	76,992
Type of Single-Family Housing		
Detached.....	9,141	9,138
Semi-Detached.....	5,800	5,762
Row House.....	6,630	6,549
Condo Townhouse.....	1,419	1,318
Total Single-Family.....	21,571	21,449
Condominium Units.....	18,624	18,643
Rental Apartments.....	33,845	33,815
Public Housing and Public Housing		
Replacement Units.....	1,150	1,150
Average Assessed Value of		
Single Family Homes.....	730,449	720,701
Average Assessed Value of		
Condominiums.....	\$310,990	\$306,883
Average Market Rents		
Efficiency.....	\$1,319	\$1,231
1 Bedroom Apartment.....	\$1,641	\$1,587
2 Bedroom Apartment.....	\$2,016	\$1,975
3 Bedroom Apartment.....	\$2,082	\$2,049

*3,883 end-unit townhouses previously classified as semi-detached houses have been reclassified as Row House in the table.

*3,883 end-unit townhouses previously classified as semi-detached houses have been reclassified as Row House in the table.

Communications

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

Miles of Streets, Sidewalks and Alleys

Streets:
Paved—Lane Miles..... 561
Sidewalks..... 319.0
Alleys, Paved..... 33

Utilities

Telephone..... various
Electric..... Dominion Virginia Power
Gas..... Washington Gas
Water..... Virginia - American Water Company
Sewer..... Alexandria Renewal Enterprises
Cable..... Comcast Communications

Public Recreation

Acreage..... 1,042
Facilities:
Playground Areas..... 41
Swimming Pools..... 4
Gymnasiums..... 16
Basketball Courts (outdoor)..... 21
Tennis Courts..... 38
Playing Fields..... 53

Medical Facilities	Beds
Hospital:	
INOVA Alexandria Hospital.....	318
Nursing Homes:	
Goodwin House.....	80
Hermitage Retirement Community.....	204
Woodbine Rehabilitation & Healthcare Center.....	307
Washington House.....	55
Integrated Health Services of Northern Virginia.....	111

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

Education	Number
Public Schools:	
Elementary.....	13
Middle.....	2
High School.....	1
Parochial and Private Schools.....	12

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

Financial Institutions

Commercial Banks..... 15
Credit Unions..... 11

Hotels and Motels	Rooms
Alexandria Comfort Inn.....	150
Best Western Old Colony Inn.....	49
Bragg Street Hospitality, LLC.....	200
Courtyard Alexandria Pentagon South.....	203
Courtyard Hotel.....	178
Crowne Plaza Alexandria Old Towne.....	254
Embassy Suites Hotel.....	268
Extended Stay America #768.....	104
Extended Stay America #9719.....	132
Gatsby's House.....	1
Hampton Inn Alexandria Old Town.....	80
Hilton Alexandria Hotel.....	252
Hilton Alexandria Mark Center.....	496
Hilton Garden Inn Alex. Old Town.....	109
Holiday Inn Historic District.....	178
Holiday Inn Alexandria.....	207
Joricris Espiritu.....	12
Morrison House.....	45
Post Carlyle Square.....	549
Residence Inn Alexandria at Carlyle.....	350
Residence Inn Alexandria Old Town.....	240
Sheraton Suites Alexandria.....	247
Springhill Suites Alex Tech Center.....	155
The Alexandrian.....	241
The Lorien Hotel & Spa.....	107
The Westin Alexandria.....	319
Towne Motel.....	26
Tower Hotel, LLC.....	98
Virginia Theological Seminary.....	29
Total.....	<u>5,279</u>

CITY OF ALEXANDRIA, VIRGINIA
CITY OF ALEXANDRIA, VIRGINIA

Five-Year Summary of General Fund Revenues and Expenditures

As of June 30, 2017

Table XXI

	2013	2014	2015	2016	2017
Revenues:					
General Property Taxes	\$ 381,929,567	\$ 403,229,553	\$ 414,740,999	\$ 428,938,197	\$ 460,874,188
Other Local Taxes	125,347,523	121,053,810	127,652,883	129,377,852	131,900,663
Permits, Fees, and Licenses	2,227,745	2,380,825	2,455,001	2,544,080	2,713,962
Fines and Forfeitures	5,148,115	5,187,003	4,916,607	4,964,339	4,907,527
Use of Money and Property	3,568,335	4,815,192	4,870,007	5,422,935	5,515,144
Charges for Services	16,533,824	16,844,363	18,557,721	19,896,356	19,419,892
Intergovernmental Revenues	55,021,954	56,334,737	55,401,515	56,080,138	56,444,434
Miscellaneous	1,398,291	1,569,959	1,781,031	2,171,682	1,874,317
Total Revenues	591,175,354	611,415,442	630,375,764	649,395,579	683,650,127
Other Financing Sources:					
Operating Transfers In	3,833,938	3,044,329	3,206,574	6,973,897	10,414,477
Refunding Bonds	17,335,000	18,635,000	33,995,000	10,595,000	34,168,000
Bond Premium (Discount)	1,921,545	-	-	50,678	-
Sale of Land	-	-	5,328,843	-	-
Total Other Financing Sources	23,090,483	21,679,329	42,530,417	17,619,575	44,582,477
Total Revenues and Other Financing Sources	614,265,837	633,094,771	672,906,181	667,015,154	728,232,604
Expenditures:					
Current:					
General Government	44,271,646	44,591,188	44,429,060	45,099,841	49,333,658
Judicial Administration	19,212,554	18,952,110	18,897,717	18,582,543	19,228,767
Public Safety	121,756,031	126,256,389	125,936,874	134,138,428	138,831,088
Public Works	35,707,593	36,104,660	35,375,711	35,595,460	34,554,827
Library	6,387,227	6,598,290	6,468,697	6,737,614	6,863,312
Health and Welfare	20,408,625	20,663,159	19,749,292	19,308,575	20,444,776
Transit	17,757,518	8,767,748	7,040,044	10,908,182	8,450,237
Culture and Recreation	23,450,802	24,062,336	23,377,440	24,086,422	24,326,744
Community Development	15,772,902	16,043,648	18,096,016	18,715,795	18,891,892
Education	179,623,193	185,623,257	191,823,349	198,823,443	204,032,628
Debt Services:					
Principal Retired	27,550,000	33,476,070	38,645,000	41,595,000	43,300,000
Interest and Fiscal Charges	22,437,678	23,835,653	22,614,198	21,766,140	21,490,252
Total Expenditures	534,335,769	544,974,508	552,453,398	575,357,443	589,748,181
Other Financing Uses:					
Payment to Refunded Bonds					
Escrow Agent	19,119,142	18,531,679	33,858,404	10,749,293	34,017,394
Operating Transfers Out	74,547,899	73,439,890	74,508,779	64,029,633	79,136,615
Total Other Financing Uses	93,667,041	91,971,569	108,367,183	74,778,926	113,154,009
Total Expenditures and Other Financing Uses	628,002,810	636,946,077	660,820,581	650,136,369	702,902,190
Revenues and Other Financing Sources					
Over/(Under) Expenditures and Other Financing					
Uses	(13,736,973)	(3,851,306)	12,085,600	16,878,785	25,330,414
Fund Balances at Beginning of Year	82,983,005	69,513,182	65,252,268	77,781,815	94,525,932
Increase (Decrease) in Reserve for Inventory	267,150	(409,608)	443,947	(134,668)	149,937
FUND BALANCES					
AT END OF YEAR	\$ 69,513,182	\$ 65,252,268	\$ 77,781,815	\$ 94,525,932	\$ 120,006,283

CITY OF ALEXANDRIA, VIRGINIA

**Summary of Total
General Obligation Bonds
Debt Service
As of June 30, 2017**

Table XXIII

Fiscal Year	Total Principal	Total Interest	Total
2018	\$ 44,852,000	\$ 21,345,479	\$ 66,197,479
2019	45,319,000	19,497,053	64,816,053
2020	43,891,000	17,650,209	61,541,209
2021	41,809,000	15,963,839	57,772,839
2022	39,411,000	14,115,247	53,526,247
2023	39,434,000	12,420,478	51,854,478
2024	36,222,000	10,758,655	46,980,655
2025	36,059,000	9,309,770	45,368,770
2026	33,906,000	7,957,112	41,863,112
2027	30,667,000	6,714,995	37,381,995
2028	30,504,000	5,471,393	35,975,393
2029	30,344,000	4,237,635	34,581,635
2030	27,272,000	3,127,503	30,399,503
2031	22,394,000	2,240,880	24,634,880
2032	17,914,000	1,608,082	19,522,082
2033	14,250,000	1,102,899	15,352,899
2034	6,960,000	621,834	7,581,834
2035	6,955,000	411,096	7,366,096
2036	5,075,000	197,325	5,272,325
2037	3,995,000	59,925	4,054,925
Total	\$ 557,233,000	\$ 154,811,409	\$ 712,044,409



SINGLE AUDIT

Draft 11.08.2017

Draft 11.08.2017

Draft 11.08.2017

Draft 11.08.2017

Draft 11.08.2017

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor/Recipient State Agency/Program or Cluster Title	Federal Catalog Number	Pass-through Number	Pass-through to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE			
Pass Through Payments:			
Department of Agriculture and Consumer Services (301 535-06):			
Farmers' Market and Local Food Promotion Program	10.168		\$ 24,655
Food Insecurity Nutrition Incentive	10.331		8,114
National School Lunch Program	10.555		541,852
Commodity Food Distribution	10.559		223,130
State Administrative Matching for Supplemental Nutrition Assistance Prog	10.561		3,042,255
Virginia State Department of Education (197 457-07)			
School Breakfast Program	10.553		1,578,011
School Lunch Program	10.555		4,399,604
Child and Adult Care Food Program	10.558		246,611
Summer Food Service Program for Children	10.559		122,083
TOTAL U.S. DEPARTMENT OF AGRICULTURE			10,186,315
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Payments:			
Administration for Children, Youth and Families			
Special Programs for the Aging _Title VII, Chapter 3	93.041	N/A	4,000
Affordable Care Act (ACA) Personal	93.092	N/A	185,443
Total Direct Payments			189,443
Pass Through Payments: State of Virginia			
Department of Health:			
Preventive Health and Health Services Block Grant	93.991	State Allocation	309,936
Department of Mental Health and Mental Retardation			
Centers for Disease Control and Prevention_ Investigations and Technical	93.283	State Allocation	2,855
Injury Prevention and Control Research and State and Community Based	93.136	N/A	43,955
Department of Mental Health and Mental Retardation			
Substance Abuse and Mental Health Services _Projects of Regional and N	93.243	State Allocation	33,111
State Health Insurance Assistance Program	93.324	State Allocation	27,930
Block Grant for Community Mental Health Services	93.958	Various	1,024,615
Projects for Assistance in Transition from Homelessness	93.150	State Allocation	94,078
Block Grant for Prevention and Treatment of Substance Abuse	93.959	Various	738,392
Drug Free Communities Support Program Grants	93.276	State Allocation	108,504
Department for the Aging:			
Aging Cluster:			
Special Programs for the Aging _Title III Part B Supportive Svces and Ser	93.044	State Allocation	151,874
Special Programs for the Aging _Title III Part D _Disease Prevention and	93.043	State Allocation	4,756
Special Programs for the Aging Title IIIC - Nutritional Services	93.045	State Allocation	247,408
Department of Social Services:			
Promoting Safe and Stable Families	93.556	Various	41,293
Temporary Assistance for Needy Families	93.558	Various	1,162,955
Head Start	93.600	Various	2,245,340
Family Support Payments to States _Assistance Payments	93.667	State Allocation	1,029,375
Child Welfare Services State Grant	93.645	Various	2,432
Refugee and Entrant Assistance _ State Administered Programs	93.566	Various	145,874
Community Services Block Grant	93.569	Various	138,318
Low Income Home Energy Assistance	93.568	Various	104,089
Child Care Mandatory and Matching Funds of the Childcare and Develop	93.596	Various	202,007
Chafee Education and Training Vouchers Program	93.599	Various	10,972
Foster Care Title IV - E	93.658	Various	1,519,263
Adoption Assistance	93.659	Various	1,269,243
Chafee Foster Care Independence Program	93.674	Various	8,294
Children's Health Insurance Program	93.767	Various	104,843
Medical Assistance Program	93.778	Various	3,480,610
Opioid STR	93.788	Various	2,100
Total Pass Through Payments			14,254,422
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN			\$ 14,443,865

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor/Recipient State Agency/Program or Cluster Title	Federal Catalog Number	Pass-through Number	Pass-through to Subrecipients
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Payments:			
Continuum of Care Program	14.267	N/A	\$ 22,341
Community Development Block Grant Program, Entitlement Grants	14.218	N/A	1,703,861
Total Direct Payments			<u>1,726,202</u>
Pass Through Payments:			
Supportive Housing Program	14.235	State Allocation	269,555
Home Investment Partnerships Program	14.239	Various	25,561
Total Pass Through Payments			<u>295,116</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u><u>2,021,318</u></u>
DEPARTMENT OF HOMELAND SECURITY			
Pass Through Payments			
Emergency Management Performance Grants	97.042	State Allocation	5,251
Assistance to Firefighters Grant	97.044	State Allocation	316,915
Port Security Grant Program	97.056	State Allocation	92,020
Homeland Security Grant Program	97.067	State Allocation	370,182
Total Pass Through Payments			<u>784,368</u>
TOTAL DEPARTMENT OF HOMELAND SECURITY			<u><u>784,368</u></u>
U.S. DEPARTMENT OF JUSTICE			
Pass Through Payments:			
Department of Criminal Justice Services (140-390-01)			
Asset Forfeiture Report	16.000	Various	604,817
State Criminal Alien Assistance Program	16.606	Various	66,190
B - Cooperative Agreements	16.111	State Allocation	9,293
Violence Against Women Office	16.071	State Allocation	8,443
Youth Gang Prevention	16.544	State Allocation	3,553
Crime Victim Assistance	16.575	State Allocation	168,174
Violence Against Women Formula Grants	16.588	State Allocation	104,949
Edward Byrne Memorial JAG grant	16.738	State Allocation	63,716
Presidential Inaug Security	16.753	State Allocation	12,460
Total Pass Through Payments			<u>1,041,595</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u><u>1,041,595</u></u>
U.S. DEPARTMENT OF LABOR			
Pass Through Payments:			
Economic Dislocation and Worker Adjustment Assistance Act			
WIA Pilots, Demonstrations, and Research Projects	17.261	LWA 12-09	23,199
WIA Adult Program	17.258	LWA 12-09	123,278
WIA Youth Activities	17.259	LWA 12-09	63,619
WIA Employment Training Administration	17.278	LWA 12-09	151,447
			<u>361,543</u>
TOTAL U.S. DEPARTMENT OF LABOR			<u><u>361,543</u></u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Direct Payments:			
Solid Waste Management Assistance Grants	66.808	N/A	1,412
Congressionally Mandated Projects	66.202	N/A	206,647
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			<u><u>\$ 208,059</u></u>

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor/Recipient State Agency/Program or Cluster Title	Federal Catalog Number	Pass-through Number	Pass-through to Subrecipients
U.S. DEPARTMENT OF TRANSPORTATION			
Pass Through Payments:			
Department of Transportation			
Highway Planning and Construction	20.205	Various	\$ 4,068,780
Alcohol Open Container Requirements	20.607	State Allocation	21,491
Interagency Hazardous Materials Public Sector Training and Planning Gra	20.703	State Allocation	7,592
Federal Transit_Formula Grants	20.507	State Allocation	3,180,635
Federal Transit_Capital Investment Grants	20.500	Various	669,227
New Freedom Program	20.521	Various	238,227
ARRA Surface Transportation _ Discretionary Grants for Capital Investm	20.932	Various	326,829
Total Pass through payments			<u>8,512,781</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>8,512,781</u>
U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION			
Direct Payments:			
Employment Discrimination_State and Local Fair Employment Practices /	30.002	N/A	<u>31,949</u>
TOTAL U.S EQUAL EMPLOYMENT OPPORTUNITY COMMISSION			<u>31,949</u>
U.S. DEPARTMENT OF EDUCATION			
Pass Through Payments:			
Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	State Allocation	3,417,847
Title I State Agency Program for Neglected and Delinquent Children	84.013	State Allocation	126,842
Special Education Grants to States	84.027	State Allocation	3,593,099
Adult Literacy Services- Federal	84.002	State Allocation	131,755
Career and Technical Education-- Basic Grants to States	84.048	State Allocation	226,284
Special Education Preschool Grants	84.173	State Allocation	87,327
Education for Homeless Children and Youth	84.196	State Allocation	30,394
Mathematics and Science Partnerships	84.366	State Allocation	19,188
English Language Acquisition Grants	84.365	State Allocation	582,461
Improving Teacher Quality State Grants	84.367	State Allocation	616,426
Child Care and Development Block Grant	93.575	State Allocation	65,987
Total Pass through payments			<u>8,897,610</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>8,897,610</u>
OTHER FEDERAL AID			
Direct Payments:			
High Intensity Drug Trafficking Assessment/Evaluation	99.997	N/A	36,485
High Intensity Drug Trafficking Area	98.473	N/A	<u>41,668</u>
TOTAL OTHER FEDERAL			<u>78,153</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 46,567,556</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Schedule of Expenditures of Federal Awards
June 30, 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards includes all federal grant activity of the City of Alexandria, Virginia and its component units during FY 2017. The City's reporting entity is defined in Note 1 of the City's Basic Financial Statements. Federal awards are received directly, as well as passed through other governmental agencies.

This schedule has been prepared on the modified accrual basis of accounting. Expenditures are recorded when the liability is incurred. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

The City and the Alexandria City Public Schools did not elect to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

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

Total Federal Expenditures per Schedule	\$ 46,567,556
Non-Reportable Federal Revenue	9,062,535
Commodities Distribution	<u>(223,130)</u>
Total Federal Revenue per Note 12	<u>\$ 55,406,961</u>

FEDERAL COGNIZANT AGENCY

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

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

I Summary of Independent Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u>	_____ No
Significant deficiency(s) identified that are not considered to be material weaknesses?	_____ Yes	_____ <u>X</u>	_____ None Reported
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>X</u>	_____ No

Federal Awards

Internal control over major programs:

Material weakness (es) identified?	_____ Yes	_____ <u>X</u>	_____ No
Significant deficiency (ies) identified that are not considered to be material weaknesses?	_____ Yes	_____ <u>X</u>	_____ None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with reference to the uniform grant guidance to CFR 200	_____ Yes	_____ <u>X</u>	_____ No
---	-----------	----------------	----------

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.559	Child Nutrition Cluster
84.010	Title I
20.500, 20.507	Federal Transit Cluster

Dollar threshold used to distinguish between type A and type B programs	\$ <u>1,151,623</u>
---	---------------------

Auditee qualified as low-risk auditee?	_____ <u>X</u>	_____ Yes	_____ No
--	----------------	-----------	----------

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

II Federal Award Findings and Questioned Costs

There are no findings and questioned costs.

Draft 11.08.2017

CITY OF ALEXANDRIA, VIRGINIA
Summary Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2017

None noted.

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