

THE CITY OF
Alexandria
VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDING
JUNE 30, 2018



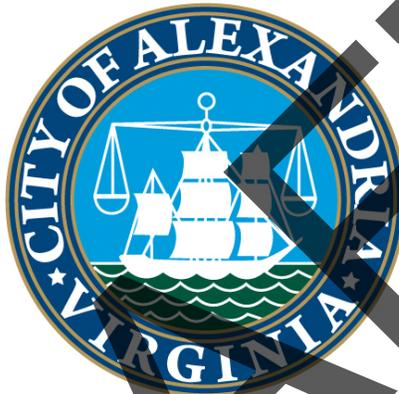
DRAFT

FRONT COVER:

The Ferdinand T. Day Elementary School opened its doors to students on September 4, 2018 and serves grades K through 5. The City's 13th elementary school is named after civil rights icon and education pioneer, Ferdinand Day. Born in Alexandria in 1918, Mr. Day went on to become the first African-American school board chair in the state and was at the helm of Alexandria's School Board through the integration of T.C. Williams High School in 1971.

The school, which has a 650-student capacity, adds extra space to meet growing enrollment in the West End and will offer a STEM-focused curriculum of science, technology, engineering and mathematics. The school district purchased a vacant office building and a nearby parking garage on North Beauregard Street, and converted it into the school with a roof-top play area. It is the first new Alexandria school to open since 2000 and the first created by retrofitting office space.

**CITY OF ALEXANDRIA, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR
 JULY 1, 2017 TO JUNE 30, 2018**



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.....Joanna C. Anderson
City Clerk and Clerk of Council..... Gloria Sitton
Independent Auditors.....CliftonLarsonAllen, LLP

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

alexandriava.gov

CITY OF ALEXANDRIA, VIRGINIA
Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2018

The CAFR Project Team extends its gratitude all personnel throughout the City who contributed to the success of the FY2018 external financial audits and the preparation of the FY2018 CAFR.

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

CAFR PROJECT TEAM

Karen L. Spence, CPA, CGMA
Financial Reporting Manager

Carmen M. Fraser, CPA
General Accounting Manager

Tewodros A. Tessema, CPA, CGFM
Accountant III

Erik A. Braun, CPA, M.B.A
Accountant II

Brigitte C. Perrussot, MGDT
Accountant II

Stacie M. Peña, CPA, M.P.Acy.
Accountant II

Giovana Jenkins
Accountant II

Terita Pitt, M.B.A
Accountant I

Carl Brown, M.P.A
Financial Reporting Analyst

**CITY OF ALEXANDRIA, VIRGINIA
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018**

TABLE OF CONTENTS

	Description	Page
	<u>Part I Introductory Section</u>	
	Principal Officials	Title Page
	Organizational Chart.....	4
	Finance Department's Transmittal Letter	5
	Certificate of Achievement for Excellence in Financial Reporting.....	14
	<u>Part II - Financial Section</u>	
<u>Exhibits</u>		
	Independent Auditors' Report	17
	Management's Discussion and Analysis	23
	Basic Financial Statements	
	Government-wide Financial Statements	
Exhibit I	Statement of Net Position	37
Exhibit II	Statement of Activities.....	38
	Fund Financial Statements	
	Governmental Funds Financial Statements	
Exhibit III	Balance Sheet	39
Exhibit IV	Statement of Revenues, Expenditures and Changes in Fund Balances.....	40
	Proprietary Fund Financial Statements	
Exhibit V	Statement of Net Position.....	41
Exhibit VI	Statement of Revenues, Expenses and Changes in Fund Net Position	42
Exhibit VII	Statement of Cash Flows.....	43
	Fiduciary Fund Financial Statements	
Exhibit VIII	Statement of Fiduciary Net Position	44
Exhibit IX	Statement of Changes in Fiduciary Net Position.....	45
	Component Units Financial Statements	
Exhibit X	Statement of Net Position.....	46
Exhibit XI	Statement of Activities.....	47
Exhibit XII	Notes to Financial Statements	
	1. Summary of Significant Accounting Policies	48
	Financial Reporting Entity	48
	Government-wide and Fund Financial Statements	50
	Basis of Accounting.....	53
	Budgets and Budgetary Accounting.....	53
	Equity in Pooled Cash and Investments	54
	Allowance for Uncollectible Accounts	54
	Inventory of Supplies and Prepaid and Other Assets.....	54
	Capital Assets	55
	Compensated Absences	56
	Use of Estimates	56
	Fund Balance	56
	Short Term Liabilities.....	60
	Deferred Outflows	60
	Deferred Inflows.....	60
	2. Legal Compliance—Budgets.....	61
	3. Deposits and Investments	62
	4. Receivables	68
	5. Capital Assets.....	71
	6. Risk Management	76
	7. Operating Leases.....	79
	8. Commitments and Contingencies	80
	9. Long-Term Debt	85
	10. Interfund Balances and Component Unit Transactions	101
	11. Grants	102
	12. Intergovernmental Revenues.....	103

13. Due From Other Governments.....	103
14. Joint Ventures.....	104
15. Related Party Transactions.....	105
16. Other Post-Employment Benefits.....	107
17. Employee Retirement Systems.....	121
18. Termination Benefits.....	167
19. Tax Abatements.....	168
20. New Accounting Standards and Restatement.....	171
21. Subsequent Events.....	173

Required Supplementary Information other than Management’s Discussion and Analysis

Budgetary Comparison Schedules	
Exhibit XIII General Fund.....	176
Exhibit XIV Special Revenue Fund.....	177
Exhibit XV Notes to Budgetary Comparison Schedules	178
Exhibit XVI Pension and Other Post Employment Benefit Trust Funds	
Pension Schedule of Employer Contributions.....	180
Schedule of Changes in Net Pension Liability and Related Ratios.....	181
Schedule of Changes in Net OPEB Liability and Related Ratios.....	188
Schedule of OPEB Contributions.....	189

Other Supplementary Information

Statements/Schedules

Combining and Individual Fund Statements and Schedules

Combining Statement of Changes in Assets and Liabilities—Agency Funds.....	193
Statement of Net Position —Alexandria Transit Company.....	194
Statement of Revenue, Expenses, and Changes in Net Position —Alexandria Transit Company.....	195
Combining Balance Sheet—Special Revenue Fund.....	197
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance—Special Revenue Fund.....	198

Part III - Statistical Section

Tables

Table I Schedule of Changes in Net Position—Last Ten Fiscal Years.....	204
Table II Changes in Fund Balances, Governmental Funds—Last Ten Fiscal Years.....	206
Table III Tax Revenues by Source—Last Ten Fiscal Years.....	207
Table IV Real Estate Tax Levies and Collections—Last Ten Calendar Years.....	208
Table V Personal Property Tax Levies and Collections—Last Ten Calendar Years.....	208
Table VI Real and Personal Property Assessments and Tax Rates—Last Ten Calendar Years.....	209
Table VII Net Position—Last Ten Fiscal Years.....	210
Table VIII Fund Balances, Governmental Funds—Last Ten Fiscal Years.....	211
Table IX 2018 Tax Rates for Major Revenue Sources.....	212
Table X Legal Debt Margin Information—Last Ten Fiscal Years.....	213
Table XI Ratio of Net General Debt to Assessed Value and Net Debt Per Capita—Last Ten Fiscal Years.....	214
Table XII Overlapping Debt and Debt History.....	215
Table XIII Ratio of Annual Debt Service Expenditures for Net General Debt to Total General Expenditures Last Ten Fiscal Years.....	215
Table XIV Demographic Statistics.....	216
Table XV Principal Taxpayers—Current Year and Nine Years Ago.....	217
Table XVI Alexandria City School Board Demographic Statistics—Last Ten Fiscal Years.....	219
Table XVII General Fund—City Departments’ Expenditures Detail by Function.....	220
Table XVIII City Government Employees by Function—Last Ten Fiscal Years.....	221
Table XIX Principal Employers—Current Year and Nine Years Ago.....	221
Table XX Operating and Capital Indicators—Last Ten Fiscal Years.....	222
Table XXI Miscellaneous Statistical Data.....	224
Table XXII Five Year Summary of General Fund Revenues and Expenditures.....	226
Table XXIII Summary of Debt Service.....	227

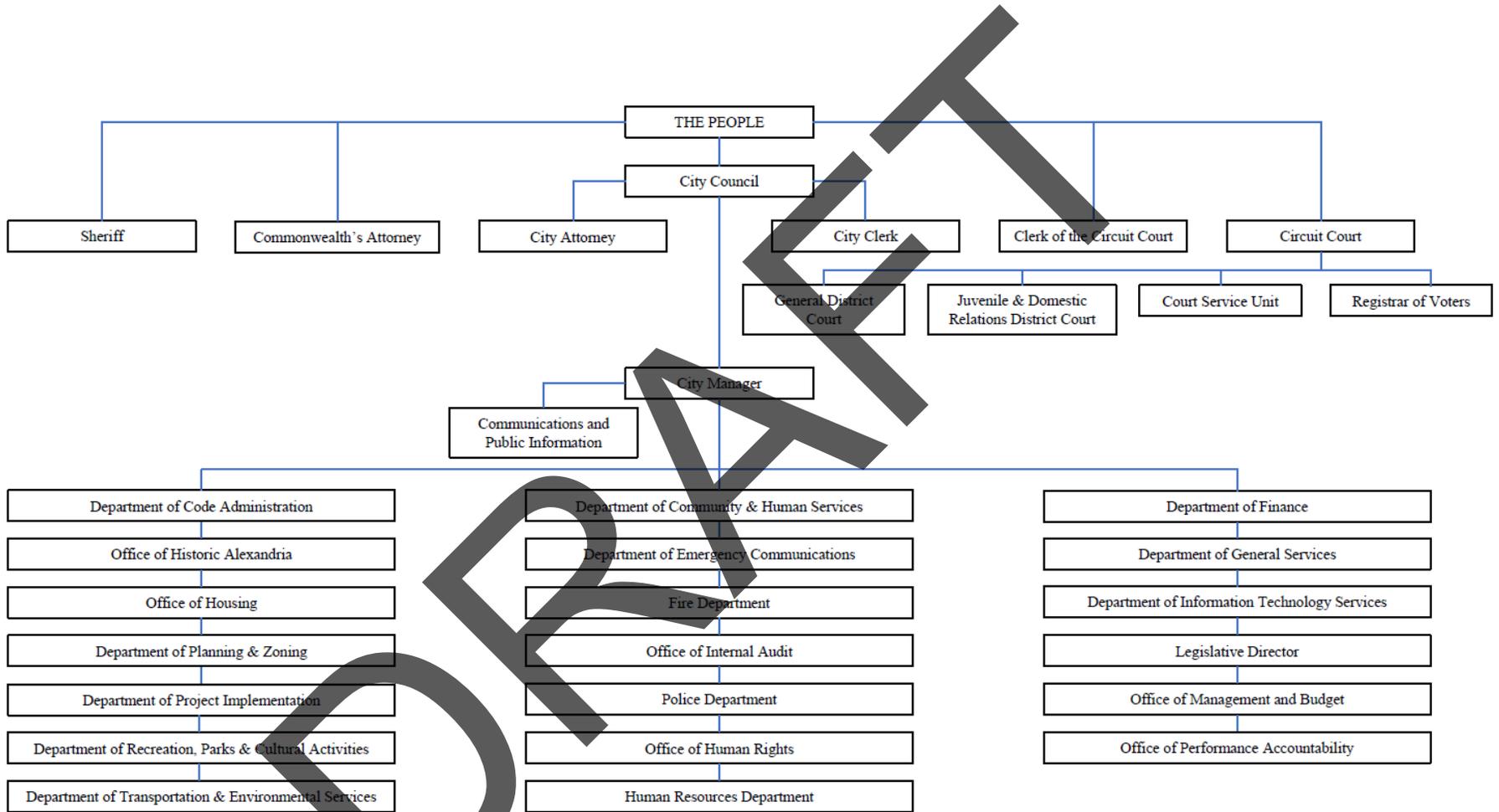
Part IV-Single Audit Section

Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	230
Independent Auditors’ Report on Compliance with Requirements Applicable to Each Major Program, Internal Control over Compliance and the Schedule of Expenditures of Federal Awards in Accordance with OMB Uniform Grant Guidance.....	232
Schedule of Expenditures of Federal Awards.....	234
Notes to Schedule of Expenditures of Federal Awards.....	237
Schedule of Findings and Questioned Costs.....	238
Schedule of Prior Year Findings and Questioned Costs.....	239

INTRODUCTORY SECTION

DRAFT

ALEXANDRIA CITY GOVERNMENT ORGANIZATIONAL CHART





November 2018

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, 2018. 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 (GAAP);
- The Governmental Accounting Standards Board (GASB) Codification, an integration of guidance from governmental accounting and financial reporting statements, interpretations, technical bulletins, implementation guides, and concepts; National Council on Governmental Accounting (NCGA) statements and interpretations; and the American Institute of Certified Public Accountants (AICPA) industry audit guide and other literature.
- 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 2017, midway through Fiscal Year 2018, the City's employment averaged 98,980. While Alexandria's economy is somewhat stable, the City has felt 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 on 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 reviewing economically sensitive City revenues. During FY 2018, the City showed moderate movement in several revenue or tax categories. Overall, FY 2018 collections from the transient lodging tax compared to FY 2017 showed modest growth of 3.2 percent. The meals tax decreased by 2.6 percent compared to the prior fiscal year. Revenues from sales tax were down 1.0 percent when measured against FY 2017 and personal property tax revenues on vehicles and business equipment showed a 3.8 percent increase over FY 2017.

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 2.35 percent compared to 2017. Residential real property increased by 3.3 percent while locally assessed commercial assessments increased by 0.9 percent. However, the office vacancy rate of 14.7 percent in the second quarter of 2018 is nearly four percentage points lower or better than one year earlier, and approximately one percentage point lower than the office vacancy rate in neighboring Arlington County. The City's unemployment rate of 2.4 percent in June 2018 is slightly lower than a year earlier, and still well below the national unemployment rate of 4.2 percent and the average for Virginia of 3.3 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 2019 – 2028 Capital Improvement Program (CIP) totals \$2.2 billion, which is a \$77.4 million increase over last year's approved CIP, or 3.7 percent over last year's ten-year plan. Non-City funds including federal and state funds and private capital contributions contribute \$427.4 million of this total for FY 2019 – FY 2028. The City portion for the same time period is \$1.8 billion. The City Council's Approved FY 2019 – 2028 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 page 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 2018, the City's debt to tax base ratio was just 1.49 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 \$5.3 billion since 2009. This includes a 2.4 percent increase from calendar year 2017 to 2018. Real property taxes, which are based on assessments as of January 1 of each year, are due in two payments. The first half of the real estate tax is due on June 15 and the second half of the tax is due on November 15.

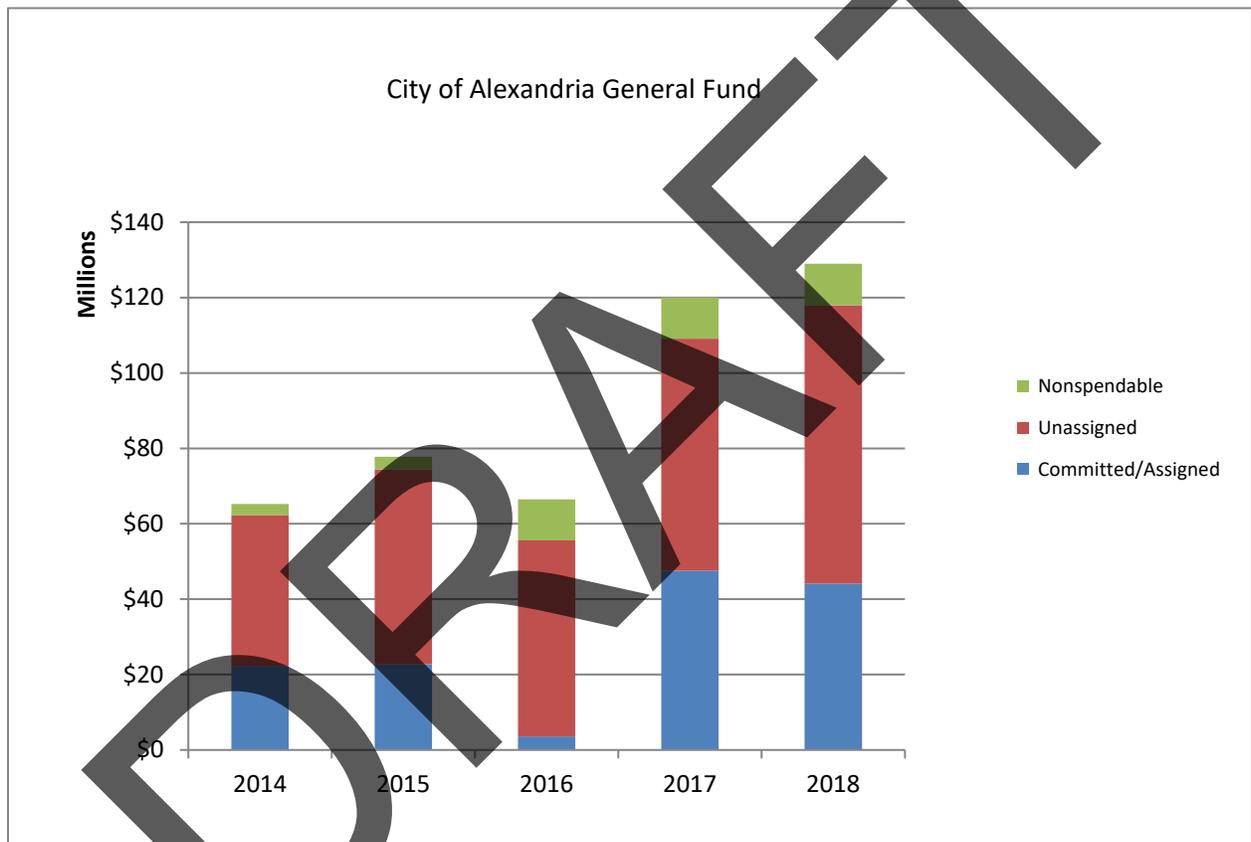
CHANGE IN ASSESSED VALUE OF REAL PROPERTY
(Amounts in thousands of dollars)

<u>Year</u>	<u>Residential Assessed Value</u>	<u>Residential % Increase (Decrease)</u>	<u>Commercial¹ Assessed Value</u>	<u>Commercial % Increase (Decrease)</u>	<u>Total² Assessed Value</u>	<u>Total % Increase (Decrease)</u>
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	2.1
2018	22,844,036	3.3	16,437,017	0.9	39,281,053	2.4

1. Includes apartment buildings.

2. Total assessed value includes only locally assessed property.

The chart above 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 2018, the City's General Fund balance was \$129 million and included a non-spendable fund balance of \$11 million, several commitments and assignments totaling \$44.1 million, including \$14 million assigned for future capital funding, leaving a remaining unassigned fund balance of \$73.8 million. At the end of FY 2018 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 2019 through FY 2028 represents \$1.8 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 \$427.4 million in additional planned capital funding for the FY 2019—FY 2028 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:

	<u>Ceiling</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>	<u>2018</u>	<u>Target</u>
Debt as a Percentage of												
Assessed Value	2.50%	1.12%	1.15%	1.27%	1.36%	1.46%	1.50%	1.46%	1.37%	1.43%	1.49%	N/A
Debt Per Capita as a Percentage of												
Per Capita Income ¹	4.50%	3.67%	3.42%	3.78%	3.98%	4.63%	4.66%	4.45%	4.19%	4.40%	4.63%	3.20%
Debt Service as a Percentage of Gen- eral Governmental Expenditures ²	12.00%	4.42%	4.90%	5.32%	5.87%	6.55%	6.99%	7.50%	7.84%	7.36%	7.19%	N/A
10-Year Debt Payout Ratio ³	50% (floor)	-	-	-	-	-	-	-	-	70.27%	69.02%	65.00%
General Fund Balance as a Perce- ntage of General Fund Revenue:												
Unreserved	10%	9.30%	11.10%	-	-	-	-	-	-	-	-	N/A
Spendable	(floor)			0.137	13.20%	10.10%	10.20%	11.70%	12.88%	15.96%	16.43%	10% & above
Undesignated	4% (floor)	4.70%	5.30%	-	-	-	-	-	-	-	-	5.50%
Unassigned				0.053	5.30%	5.60%	6.50%	8.00%	8.00%	9.00%	10.28%	
Net Position as a Percentage of												
General Revenue	4% (floor)	9.40%	11.80%	11.70%	14.20%	17.90%	20.20%	(5.97%)	(2.68%)	4.78%	8.68%	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 2018 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 audit 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 forty-third year in 2017. 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 2018.

REPORTING REQUIREMENTS

As required by the U.S. Securities and Exchange Commission Rule 15c2-12, the City has agreed for the benefit of the owners of City general obligation bonds and joint enterprise waste-to-energy-revenue bonds, to provide each nationally recognized municipal securities information repository and to any appropriate state information depositor, if any is hereafter created, certain financial information not later than 270 days after the end of each of its fiscal years, commencing with the fiscal year ended June 30, 1996. 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



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, 2017

Christopher P. Morvill

Executive Director/CEO

DRAFT



FINANCIAL SECTION

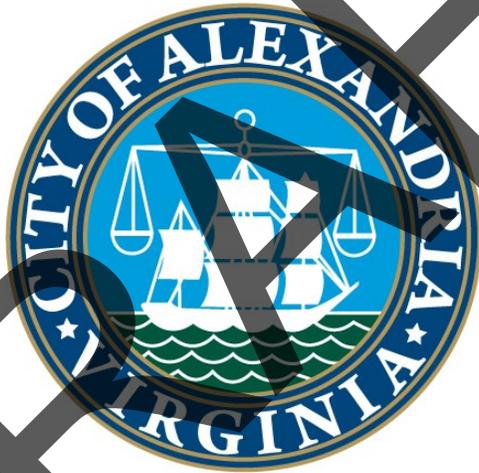
DRAFT



INDEPENDENT AUDITORS' REPORT

DRAFT

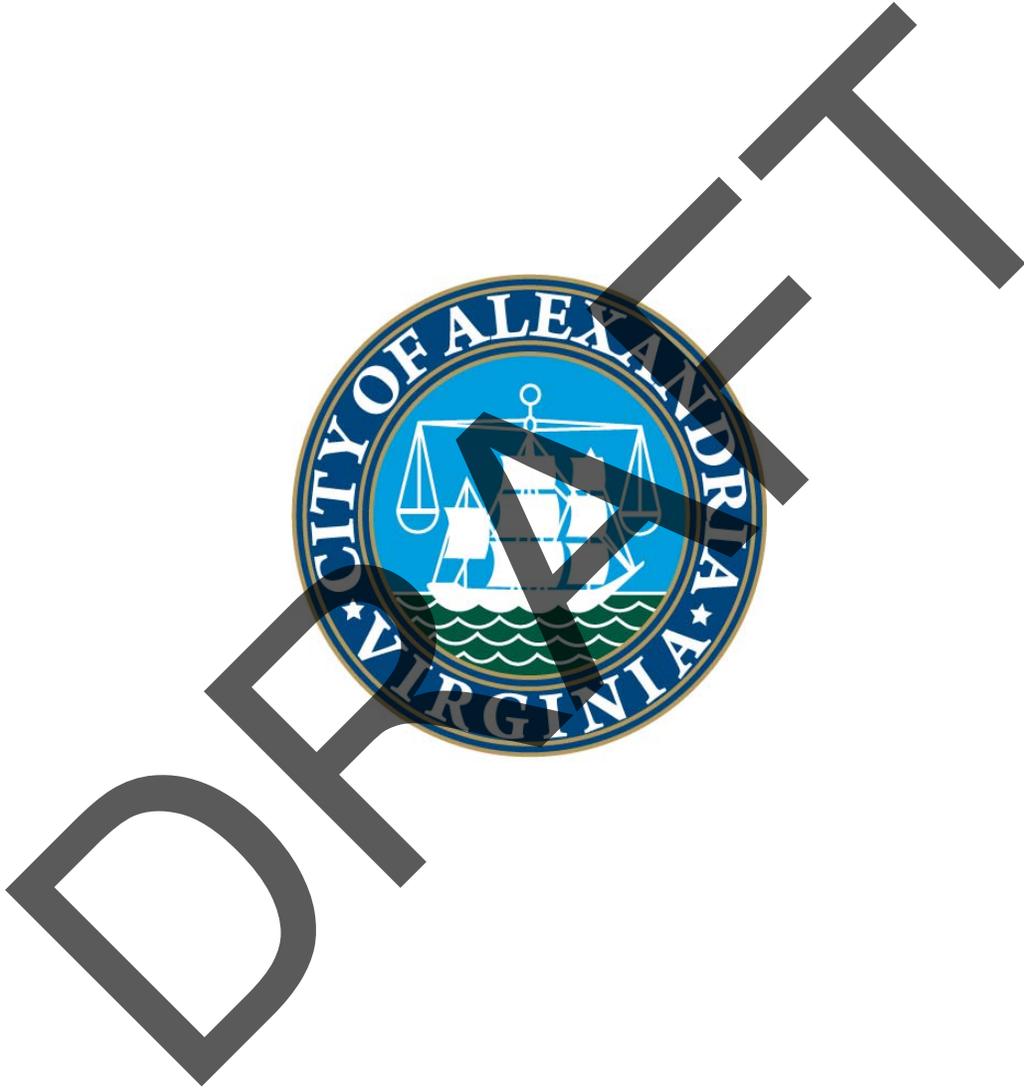
DRAFT



DRAFT

DRAFT

DRAFT



MANAGEMENT'S DISCUSSION AND ANALYSIS

DRAFT



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 that ended June 30, 2018. 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 2018

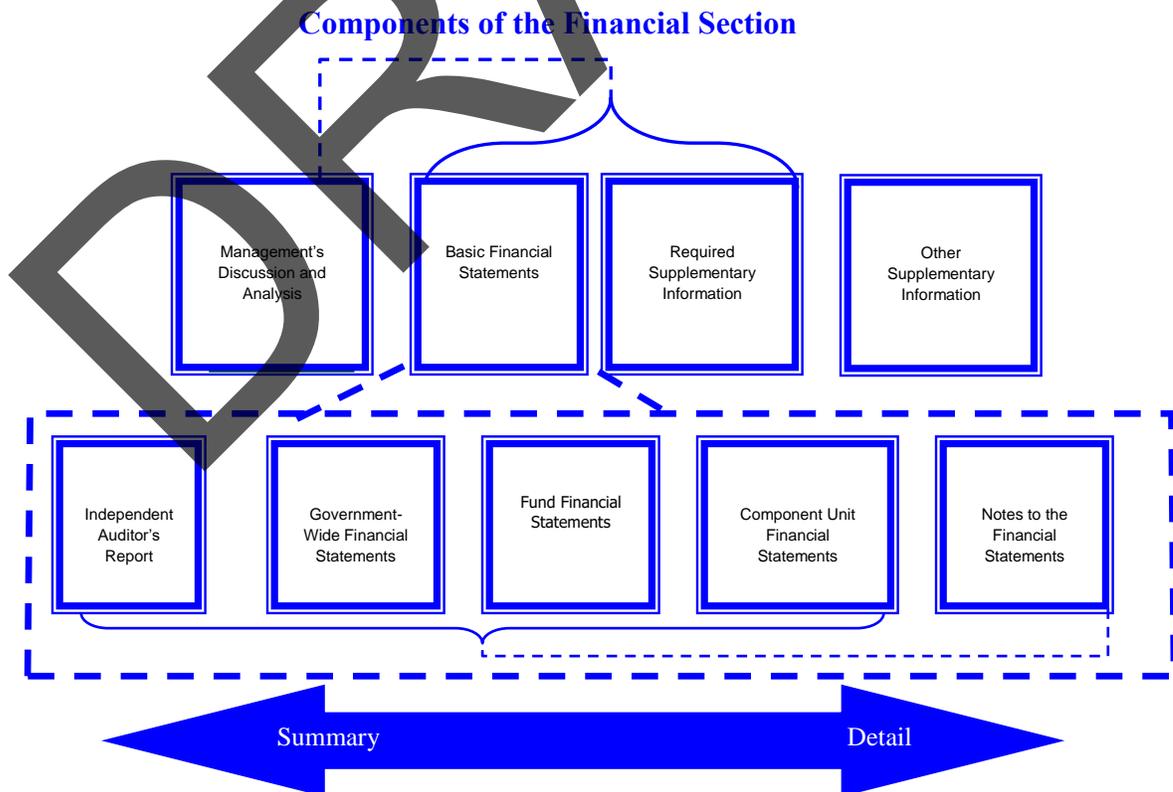
The City’s total Net Position, excluding component units, on a government wide basis, increased approximately \$102.5 million from \$401.8 million to \$504.2 million at June 30, 2018. The City implemented GASB Statement No.75 as of June 30, 2018. The Statement required a restatement of beginning net position for the net OPEB (Note 16) liability and related deferred outflow and inflow of resources. The restatement decreased net position by \$42.0 million for the Governmental Activities and by \$15.2 million for the Component Units. The FY2017 CAFR was not reissued.

The government-wide activities had an unrestricted net position of \$62.1 million (Exhibit I) as of June 30, 2018, an increase of \$29.8 million from FY 2017. For government activities, the City’s general revenues of \$714.7 million were \$33.5 million more than the \$681.2 million in FY 2017 general revenues (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 \$8.9 million (Exhibit IV) after making a \$56.1 million transfer to the capital projects fund and a \$60 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's activities as a whole. These statements include all assets, liabilities, deferred outflows, and deferred inflows 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 net position. 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. To assess the overall health of the City 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.

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 to explain the relationship (or differences) between them.

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

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

Fiduciary funds—The City is the trustee or fiduciary for its employees’ pension plans 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, 2018 and 2017
(in millions)

	Primary Government		Component Units	
	Governmental Activities			
	2018	2017	2018	2017
ASSETS				
Current and other assets	\$ 907	\$ 772	\$ 94	\$ 93
Capital assets	862	829	13	12
Total Assets	1,769	1,601	107	105
Deferred Outflows	55	43	50	60
LIABILITIES				
Other Liabilities	57	57	51	36
Long-term liabilities	715	665	13	13
Net Pension/OPEB Liability	228	188	241	260
Total Liabilities	1,000	910	305	309
Deferred Inflows	319	290	35	16
NET POSITION				
Net Investment in Capital				
Assets	416	389	11	10
Restricted	26	22	5	6
Unrestricted	62	33	(200)	(176)
Total Net Position	\$ 504	\$ 444	\$ (184)	\$ (160)

Amounts may not add due to rounding

The City’s Net Position, (which is the City’s bottom line) increased \$102 million from its restated Net Position of \$402 million to \$504 million. The remaining increase is attributable to an increase in General Revenues and a decrease in several areas of spending including General Government, Public Works and Interest on Long-Term Debt. Implementation of GASB 75 created an overall increase in net deferred outflows of resources related to pensions and OPEB related to pensions.

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, 2018 and 2017
(in millions)

	<u>Primary Government</u>		<u>Component</u>	
	<u>Governmental</u>		<u>Units</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
REVENUES				
Program revenues				
Charges for services	\$ 78	\$ 63	\$ 3	\$ 3
Operating grants and contributions	52	66	21	21
Capital grant/contributions	7	19	-	-
General revenues				
Property taxes	498	474	-	-
Other taxes	141	139	-	-
Other	53	52	-	40
Payment to/from City	23	17	258	233
Total Revenues	<u>852</u>	<u>830</u>	<u>282</u>	<u>297</u>
EXPENSES				
General Government	50	92	-	-
Judicial Administration	20	20	-	-
Public Safety	157	152	-	-
Public Works	73	79	-	-
Library	7	7	8	8
Health and Welfare	98	97	-	-
Transit	39	33	-	-
Culture and Recreation	33	33	-	-
Community Development	36	37	-	-
Education	217	211	283	285
Interest on Long-term Debt	19	21	-	-
Total Expenses	<u>749</u>	<u>782</u>	<u>291</u>	<u>293</u>
Change in Net Position	<u>102</u>	<u>48</u>	<u>(9)</u>	<u>4</u>
Net Position beginning of Year, restated	<u>402</u>	<u>396</u>	<u>(175)</u>	<u>(164)</u>
Net Position end of Year	<u>\$ 504</u>	<u>\$ 444</u>	<u>\$ (184)</u>	<u>\$ (160)</u>

Amounts may not add due to rounding

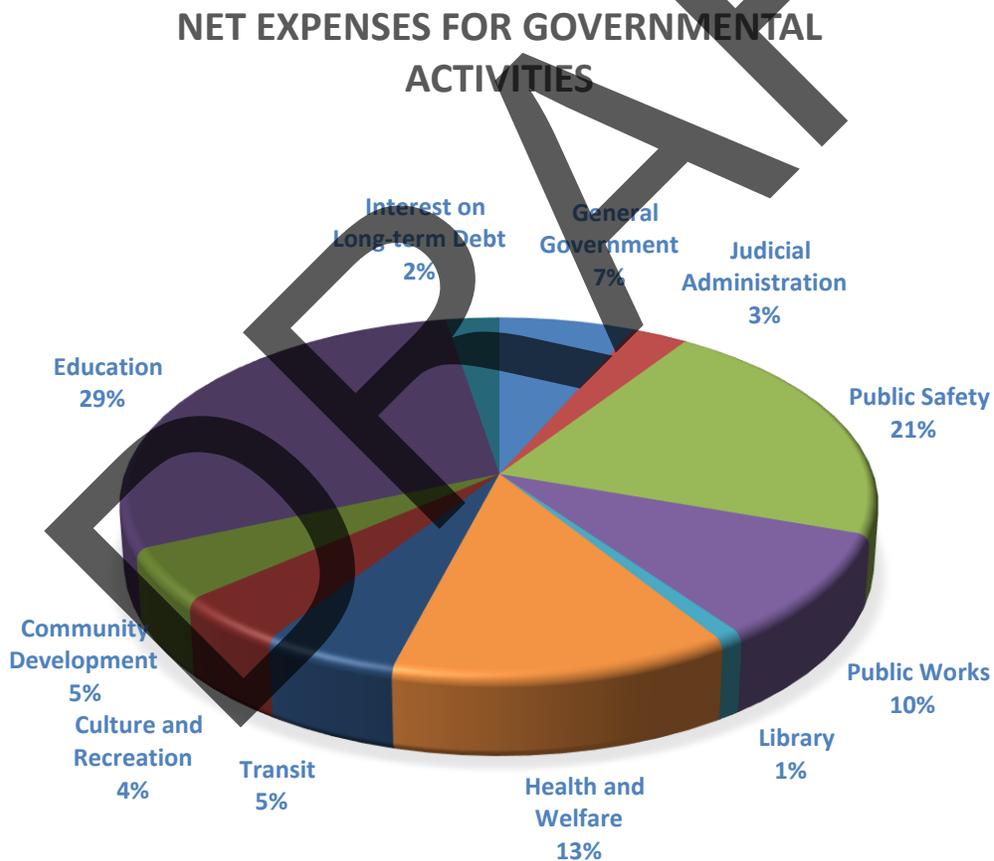
REVENUES

For the fiscal year ending June 30, 2018, revenues from governmental activities totaled \$852 million (Table 2). Real estate tax revenues, the City's largest revenue source, reflecting the recognition of the taxes associated with the last half of calendar year 2017 and the first half of calendar year 2018 real property tax billings, were \$441.4 million. The increase in tax revenues is primarily attributable to an increase in the City's assessed real property tax base and a constant tax rate \$1.13 per \$100 of assessed value in calendar year 2018. The component units' beginning Net Position was restated to (\$175.6) million due to the implementation of GASB 75 as of July 1, 2017.

EXPENSES

For the fiscal year ending June 30, 2018, expenses for governmental activities totaled \$749 million (Table 2) reflecting a decrease of \$33 million and is primarily due to decreases in General Government, Public Works and Interest on Long-Term Debt.

Education continues to be one of the City's highest priorities. Capital funding in addition to the City's operating subsidy to the Schools totaled \$206.9 million.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

For the fiscal year ended June 30, 2018, the governmental funds reflect a combined fund balance of \$522.6 million (Exhibit III). The Governmental fund balance increase of \$102.5 million is reflected in all fund categories. The general fund increase is due to the issuance and refunding of General Obligation Bonds, additional revenue from an appreciation in real estate assessed values and vacancy savings while positions were being filled and decrease in Interest on Long-term Debt. The Special Revenue Fund increase is due to sanitary sewer revenue in preparation for the combined sanitary sewer outflow and stormwater utility fee implementation and collection in June 2018 for the stormwater mitigation capital projects. The Capital Projects monies funded significant public building and transit projects. The City did not restate prior year financial statements. Some highlights for the year include:

- The General Fund contributed \$43.3 million to pay-as-you-go financing of capital projects.
- The City contributed \$214.1 million to the schools for operations.
- The City spent \$101.1 million in the Capital Projects Fund primarily to fund school projects and the new transit initiatives.
- The Northern Virginia Transportation Fund received \$7.4 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.
- Storm Sewer funding changed from ½ cent real estate tax to a Stormwater Fee in an effort to more equitably distribute the cost of Stormwater capital projects.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Table 3
General Fund Budget
(in millions)

	FY 2018		
	Original Budget	Amended Budget	Actual
Revenues, Transfers, and Other Financial Sources			
Taxes	\$ 487	\$ 487	\$ 490
Other Local Taxes	133	132	133
Transfers and Other	105	271	270
Total	725	890	893
Expenditures, Transfers, and Other Financial Uses			
Expenditures	376	381	365
Transfers and Other	317	520	520
Total	693	901	885
Change in Fund Balance	\$ 32	\$ (11)	\$ 8

Amounts may not add due to rounding

Revenues and other financing sources exceeded expenditures and other financing uses by \$8 million in the General Fund for FY 2018.

Actual General Fund revenues and other financial sources exceeded the original budget by \$168 million and exceeded the amended budget by \$3 million during FY 2018. Including supplemental appropriations, actual General Fund expenditures were above the original budget by \$192 million, while General Fund expenditures were less than the amended budget by \$16 million. The increase in revenue is primarily due to an appreciate of real estate assessed values, which resulted in an increase in committed funds.

During FY 2018, 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, 2017, but not paid by that date.
- To reappropriate monies to pay for projects budgeted for FY 2017 but not completed before the end of the fiscal year.
- To reappropriate grant, donation and other revenues authorized in FY 2017 or earlier, but not expended or encumbered as of June 30, 2017.
- To appropriate grants, donations, and other revenues accepted or adjusted in FY 2018.

CAPITAL ASSETS

At the end of FY 2018, the City’s governmental activities had invested cumulatively \$861.6 million (see Note 5) in a variety of capital assets and infrastructure, as reflected in the following schedule, which represents a net increase of \$32.3 million.

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

	<u>Balance 30-Jun-17</u>	<u>Net Additions/ (Deletions)</u>	<u>Balance 30-Jun-18</u>
Non-Depreciable Assets			
Land and Land Improvements	\$ 113.2	\$ -	\$ 113.2
Construction in Progress	35.6	39.5	75.1
Other Capital Assets			
Intangible Assets	25.7	(0.5)	25.2
Buildings	670.7	7.2	677.9
Infrastructure	276.4	10.3	286.7
Furniture and Other Equipment	155.0	11.6	166.5
Accumulated Depreciation on Other Capital Assets	(447.3)	(35.7)	(483.0)
Total Capital Assets	<u>\$ 829.3</u>	<u>\$ 32.4</u>	<u>\$ 861.6</u>

Amounts may not add due to rounding

The FY 2019—FY 2028 Approved Capital Improvement Program (CIP), which was approved by City Council on May 4, 2017, sets forth a 10-year program with \$2.2 billion in new City funding and \$427.4 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 \$77 million above the FY 2018—FY 2027 CIP. For purpose of comparison the Approved FY 2018—FY 2027 CIP totaled \$2.1 billion in total funding, of which \$423.5 million was from non-City sources.

LONG-TERM DEBT

At the end of FY 2018, the City had \$595.0 million in outstanding general obligation bonds, an increase of \$37.8 million over last year's debt of \$557.2 million. More detailed information about the City's long-term liabilities is presented in Note 9 to the financial statements.

During 2018, 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 \$4.0 billion for the City.

During fiscal year 2018, the City Council issued \$99.1 million in General Obligation Bonds with a premium of \$11.5 million and a true interest cost of 2.5 percent (Series 2017A) and 3.1 percent (Series 2017B). The \$99.1 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.

During fiscal year 2018, the City issued General Obligation Refunding Bonds totaling \$137.1 million with an effective interest rate of 1.9 percent (Series 2017C and Series 2017D). The net proceeds were used to purchase U.S. Government Securities. The bonds will achieve a savings of \$13.6 million in future debt service payments over the next 15 years.

The Primary Government recorded a 'due from other funds' in reference to a loan to the Alexandria Transit Company for \$200,000. The amount was offset in the Primary Government's long-term liabilities due in more than one year. Prior year loan to Alexandria Transit Company was paid in full in fiscal year 2018.

The City did not issue any short-term debt or have any short-term debt outstanding during FY 2018. Other short-term liabilities represent unclaimed money and deposits.

ECONOMIC FACTORS

The number of jobs in the city decreased slightly in FY 2018. As of June 2018, the number of Alexandria jobs totaled 98,980 (the latest data available from the Virginia Employment Commission). Tourism improved slightly, with lodging tax showing an increase of 3 percent in FY 2018 from all sources.

As of 2016 (the latest data available from the U.S. Bureau of Economic Analysis), the city per capita personal income of \$83,167 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 14.7 percent by the second quarter of 2018.

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.

DRAFT



BASIC
FINANCIAL STATEMENTS

DRAFT



CITY OF ALEXANDRIA, VIRGINIA
Statement of Net Position
June 30, 2018

Exhibit I

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>	<u>Component</u> <u>Units</u>
ASSETS		
Cash and Cash Equivalents	\$ 336,089,928	\$ 78,604,738
Cash and Investments with Fiscal Agents	219,874,961	3,202,514
Receivables, Net	298,834,712	364,835
Accrued Interest	69,715	-
Due From Other Governments	40,659,559	5,220,701
Inventory of Supplies	3,451,507	281,037
Prepaid and Other Assets	8,484,313	1,388,973
Net Pension Asset	-	4,600,977
Capital Assets:		
Land and Construction in Progress	188,292,794	1,046,239
Other Capital Assets, Net	673,298,167	11,746,654
Capital Assets, Net	<u>861,590,961</u>	<u>12,792,893</u>
Total Assets	<u>1,769,055,656</u>	<u>106,456,668</u>
DEFERRED OUTFLOWS		
Pension	45,007,984	49,759,153
OPEB	4,486,791	384,379
Deferred Gain on Refunding Bonds	5,056,021	-
Total Deferred Outflows of Resources	<u>54,550,796</u>	<u>50,143,532</u>
LIABILITIES		
Accounts Payable	16,384,155	19,132,989
Accrued Wages	10,062,828	28,355,097
Accrued Liabilities	1,689,562	-
Unearned Revenue	7,517,690	3,817,110
Other Short-term Liabilities	21,402,607	-
Deposits	5,016,362	-
Long-term Liabilities Due Within One Year	50,017,044	2,595,440
Long-term Liabilities Due in More Than One Year	659,731,953	10,199,383
Net Pension Liability	163,020,518	229,706,920
Net OPEB Liability	65,284,471	11,658,050
Total Liabilities	<u>1,000,127,190</u>	<u>305,464,989</u>
DEFERRED INFLOWS		
Deferred Tax Revenues	285,270,176	-
Pension	33,987,738	33,292,663
OPEB	-	2,163,202
Total Deferred Inflows of Resources	<u>319,257,914</u>	<u>35,455,865</u>
NET POSITION		
Net Investment in Capital Assets	416,057,692	10,910,323
Restricted for:		
Affordable Housing	5,747,522	-
Special Projects	20,365,968	-
Educational Projects	-	5,103,063
Unrestricted	62,050,166	(200,334,040)
Total Net Position	<u>\$ 504,221,348</u>	<u>\$ (184,320,654)</u>

CITY OF ALEXANDRIA, VIRGINIA
Statement of Activities
For the Fiscal Year Ended June 30, 2018

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 Governmental Activities	Component Units
Primary Government:						
Governmental Activities:						
General Government	\$ 49,499,027	\$ 3,734,113	\$ 676,551	\$ -	\$ (45,088,362)	\$ -
Judicial Administration	20,477,743	1,417,784	534,638	-	(18,525,321)	-
Public Safety	157,328,491	3,594,914	9,591,644	-	(144,141,933)	-
Public Works	73,286,236	38,867,452	1,071,839	7,105,128	(26,241,817)	-
Library	6,935,201	-	-	-	(6,935,201)	-
Health and Welfare	97,596,199	10,425,809	33,216,206	-	(53,954,184)	-
Transit	38,992,158	4,246,357	180,083	-	(34,565,718)	-
Culture and Recreation	32,953,004	6,985,468	267,549	27,547	(25,672,440)	-
Community Development	35,443,468	8,389,836	6,693,432	-	(20,360,200)	-
Education	217,387,699	-	-	-	(217,387,699)	-
Interest on Long-term Debt	19,369,938	-	-	-	(19,369,938)	-
Total Governmental Activities	749,269,164	77,661,733	52,231,942	7,132,675	(612,242,813)	-
Total Primary Government	749,269,164	77,661,733	52,231,942	7,132,675	(612,242,813)	-
Component Units:						
Library	7,909,507	428,972	169,278	-	-	(7,311,257)
School Board	283,294,490	2,354,108	21,129,803	-	-	(259,810,579)
Total Component Units	\$291,203,997	\$ 2,783,080	\$ 21,299,081	\$ -	-	(267,121,836)
General Revenues						
Property Taxes:						
				441,473,485	-	-
				56,962,854	-	-
Other Local Taxes:						
				33,846,543	-	-
				31,965,152	-	-
				18,283,682	-	-
				13,936,579	-	-
				12,069,408	-	-
				10,719,467	-	-
				20,066,057	-	-
Revenue from Primary Government						
					213,799,134	
				66,877	43,719,948	
Grants & Contributions Not Restricted to Specific Programs						
				52,439,020	-	
Interest and Investment Earnings						
				7,307,650	222,758	
Miscellaneous						
				15,575,995	669,527	
Total General Revenues						
				714,712,769	258,411,367	
Change in Net Position						
				102,469,956	(8,710,469)	
Net Position at Beginning of Year, as restated						
				401,751,392	(175,610,185)	
Net Position at End of Year						
				\$ 504,221,348	\$ (184,320,654)	

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Balance Sheet
Governmental Fund
As of June 30, 2018

Exhibit III

	General	Special Revenue	Capital Projects	Alexandria Transit Company	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 143,930,839	\$ 93,307,184	\$ 83,413,131	\$ 9,549	\$ 320,660,703
Cash and Investments with Fiscal Agents	-	-	219,874,961	-	219,874,961
Receivables, Net	287,212,978	10,641,677	-	980,057	298,834,712
Accrued Interest	69,715	-	-	-	69,715
Due From Other Funds	200,000	-	-	-	200,000
Due From Other Governments	32,230,741	8,414,629	-	14,189	40,659,559
Inventory of Supplies	2,757,976	-	-	693,531	3,451,507
Prepaid and Other Assets	8,320,786	-	-	163,527	8,484,313
Total Assets	<u>474,723,035</u>	<u>112,363,490</u>	<u>303,288,092</u>	<u>1,860,853</u>	<u>892,235,470</u>
LIABILITIES					
Accounts Payable	7,023,486	3,208,679	5,552,123	189,736	15,974,024
Due to Other Governments	228,214	-	-	-	228,214
Accrued Wages	7,435,593	2,091,414	39,927	495,894	10,062,828
Other Liabilities	20,657,080	-	4,420	741,107	21,402,607
Deposits	5,016,362	-	-	-	5,016,362
Due to Other Funds	-	-	-	200,000	200,000
Unearned Revenue	7,517,690	-	-	-	7,517,690
Total Liabilities	<u>47,878,425</u>	<u>5,300,093</u>	<u>5,596,470</u>	<u>1,626,737</u>	<u>60,401,725</u>
DEFERRED INFLOWS					
Deferred Inflows	297,886,267	11,298,794	-	-	309,185,061
FUND BALANCES					
Non-Spendable	11,009,773	-	-	-	11,009,773
Restricted	-	26,113,490	-	-	26,113,490
Committed	10,015,523	69,651,113	297,691,622	-	377,358,258
Assigned	34,152,482	-	-	-	34,152,482
Unassigned	73,780,565	-	-	234,116	74,014,681
Total Fund Balances	<u>128,958,343</u>	<u>95,764,603</u>	<u>297,691,622</u>	<u>234,116</u>	<u>522,648,684</u>
Total Liabilities and Fund Balances	<u>\$ 474,723,035</u>	<u>\$ 112,363,490</u>	<u>\$ 303,288,092</u>	<u>\$ 1,860,853</u>	

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)	827,506,481
(2) Other long-term assets are not available to pay for current period expenditures; the taxes offset by deferred revenue in the governmental funds. (Note 1)	28,970,906
(3) Deferred inflows of resources related to Pensions & OPEB (Note 17)	(33,987,738)
(4) Deferred outflows of resources related to Pensions & OPEB (Note 16 & 17)	49,494,775
(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)	28,197,372
(6) Alexandria Transit Company is blended in to the primary government, and therefore, the assets and liabilities are included in governmental activities in the statement of Net Position. (Note 5)	21,134,416
(7) Long-term liabilities, including bonds payable, are not reported as liabilities in the governmental funds. (Note 9)	(939,743,548)

Net Position of Governmental Activities

\$ 504,221,348

CITY OF ALEXANDRIA, VIRGINIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

Exhibit IV

	General	Special Revenue	Capital Projects	Alexandria Transit Company	Total Governmental Funds
REVENUES					
General Property Taxes	\$ 490,205,197	\$ 2,085,353	\$ -	\$ -	\$ 492,290,550
Other Local Taxes	133,448,905	7,437,983	-	-	140,886,888
Permits, Fees, and Licenses	2,235,428	8,267,647	-	-	10,503,075
Fines and Forfeitures	5,024,337	-	-	-	5,024,337
Use of Money and Property	7,307,650	2,655,090	3,867,534	-	13,830,274
Charges for Services	21,272,076	30,840,693	58,812	4,246,357	56,417,938
Intergovernmental Revenue	56,587,411	44,935,828	7,132,676	180,083	108,835,998
Miscellaneous	1,646,321	6,763,852	6,076,369	35,221	14,521,763
Total Revenues	717,727,325	102,986,446	17,135,391	4,461,661	842,310,823
EXPENDITURES					
Current Operating:					
General Government	51,000,556	1,617,290	-	-	52,617,846
Judicial Administration	19,080,832	839,671	-	-	19,920,503
Public Safety	142,200,883	7,814,120	-	-	150,015,003
Public Works	35,665,834	10,336,413	-	-	46,002,247
Library	6,935,201	-	-	-	6,935,201
Health and Welfare	20,169,486	76,958,213	-	-	97,127,699
Transit	15,340,916	-	-	20,345,860	35,686,776
Culture and Recreation	24,860,318	2,115,879	-	-	26,976,197
Community Development	19,167,648	14,919,217	-	-	34,086,865
Education	214,073,749	-	(7,197,539)	-	206,876,210
Debt Service:					
Principal	44,404,949	-	-	-	44,404,949
Interest and Other Charges	21,795,764	-	-	-	21,795,764
Capital Outlay	-	-	101,164,079	-	101,164,079
Total Expenditures	614,696,136	114,600,803	93,966,540	20,345,860	843,609,339
Excess (Deficiency) of Revenues Over (Under) Expenditures	103,031,189	(11,614,357)	(76,831,149)	(15,884,199)	(1,298,516)
OTHER FINANCING SOURCES (USES)					
Issuance of Debt	-	4,380,000	94,670,000	-	99,050,000
Issuance of Refunding Bonds	165,711,747	-	-	-	165,711,747
Bond Premium (Discount)	-	39,975	11,461,687	-	11,501,662
Other Financing	-	39,750	-	233,564	273,314
Payment to Refunded Bonds Escrow Agent	(166,600,582)	-	-	-	(166,600,582)
Capital Contribution	-	-	-	66,877	66,877
Transfers In	10,705,736	60,064,679	56,106,167	12,340,890	139,217,472
Transfers Out	(103,984,281)	(35,049,777)	-	-	(139,034,058)
Total Other Financing Sources and	(94,167,380)	29,474,627	162,237,854	12,641,331	110,186,432
Net Change in Fund Balance	8,863,809	17,860,270	85,406,705	(3,242,868)	108,887,916
Fund Balance at Beginning of Year	120,006,283	77,904,333	212,284,917	24,611,400	434,806,933
Increase/(Decrease) in Reserve for Inventory	88,251	-	-	-	88,251
Fund Balance at End of Year	\$ 128,958,343	\$ 95,764,603	\$ 297,691,622	\$ 21,368,532	\$ 643,782,000

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.	211,005,531
(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)	36,721,471
(3) Governmental funds report pension & OPEB contributions as expenditures, however in the statement of activities the cost of pension & OPEB benefits earned net of employee contributions is reported as pension & OPEB expense.	9,216,264
(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)	6,145,789
(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)	(276,263,409)
(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)	(22,677,489)
(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)	5,177,148
(8) Change in net pension & OPEB liability	24,168,483
	\$ 102,469,956

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Net Position
Proprietary Funds- Internal Service Fund
June 30, 2018

Exhibit V

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 15,429,225
Total Current Assets	15,429,225

Capital Assets:

Buildings and Equipment	47,414,447
Less Accumulated Depreciation	(34,464,383)
Capital Assets, Net	12,950,064

Total Assets	28,379,289
---------------------	------------

LIABILITIES

Current Liabilities:

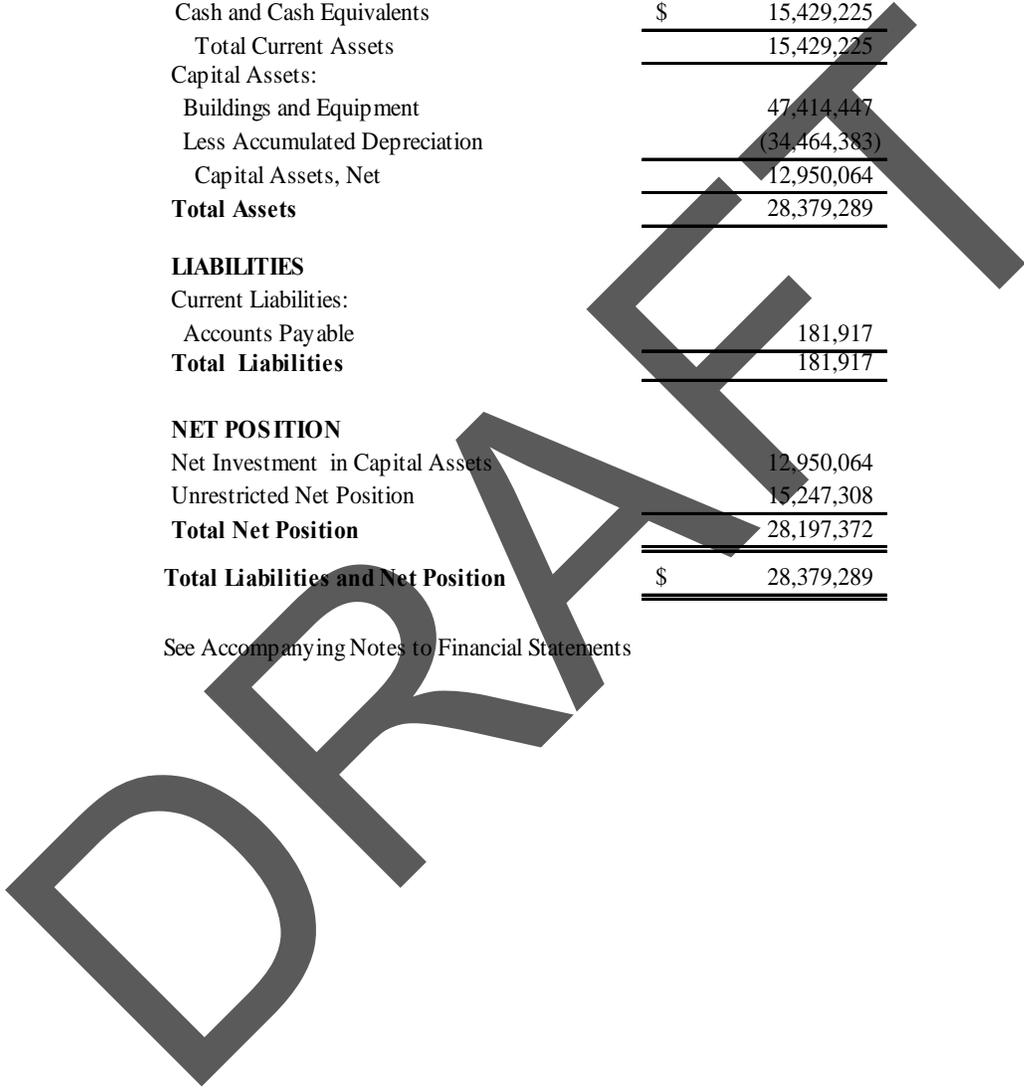
Accounts Payable	181,917
Total Liabilities	181,917

NET POSITION

Net Investment in Capital Assets	12,950,064
Unrestricted Net Position	15,247,308
Total Net Position	28,197,372

Total Liabilities and Net Position	\$ 28,379,289
---	---------------

See Accompanying Notes to Financial Statements



CITY OF ALEXANDRIA, VIRGINIA
Statement of Revenue, Expenses, and Change in Net Position
Proprietary Funds – Internal Service Fund
For the Fiscal Year Ended June 30, 2018

Exhibit VI

OPERATING REVENUES	
Charges for Services	\$ 5,469,708
Total Operating Revenues	5,469,708
 OPERATING EXPENSES	
Materials and Supplies	109,146
Depreciation	4,867,800
Total Operating Expenses	4,976,946
Operating Income (Loss)	492,762
Net Profit (Loss) Before Transfers and Contributions	492,762
Transfers In	313,760
Transfers Out	(497,174)
Total Net Transfers	(183,414)
Change in Net Position	309,348
Net Position at Beginning of Year	27,888,024
Net Position at End of Year	\$ 28,197,372

See Accompanying Notes to Financial Statements

DRAFT

CITY OF ALEXANDRIA, VIRGINIA
Statement of Cash Flows
Proprietary Funds – Internal Service Fund
For the Fiscal Year Ended June 30, 2018

Exhibit VII

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts From Customers	\$ 5,469,708
Reduction in Payments to Suppliers	(437,766)
Net Cash Provided by Operating Activities	<u><u>5,031,942</u></u>

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

Transfers to Other Funds	313,760
Transfers from Other Funds	(497,174)
Net Transfers	<u><u>(183,414)</u></u>

**CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES**

Purchases of Capital Assets	(2,400,371)
	<u>(2,400,371)</u>
Net Cash Used By Capital and Related Financing Activities	<u>(2,583,785)</u>

Net Increase (Decrease) in Cash and Cash Equivalents	2,448,157
Cash and Cash Equivalents at Beginning of Year	12,981,068
Cash and Cash Equivalents at End of Year	<u><u>15,429,225</u></u>

**Reconciliation of Operating Income to Net Cash
Provided by Operating Activities**

Operating Income (Loss)	492,762
Adjustments:	
(1) Cash flows reported in other categories:	
Depreciation Expense	4,867,800
(2) Effect of changes in Operating Assets and Liabilities:	
Accounts Payable	(328,620)
Net Cash Provided by Operating Activities	<u><u>\$ 5,031,942</u></u>

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Fiduciary Net Position
June 30, 2018

Exhibit VIII

	Employee Benefit Trust Funds	Other Post Employment Benefits	Private- Purpose Trusts	Agency Funds
ASSETS				
Cash and Short-term Investments	\$ -	\$ -	\$ -	\$ 23,380
Investments, at Fair Value:				
LGIP/CDARS/ICS/NOW	-	-	7,411	491,992
Mutual Funds	173,139,848	38,416,360	-	-
Stocks	41,013,085	7,102,626	-	-
Guaranteed Investment Accounts	30,363,083	1,324,610	-	-
Real Estate	43,731,965	1,859,880	-	-
Timber/Private Equity	39,417,631	4,371,796	-	-
Other Investments	171,685,266	14,214,499	-	-
Total Investments	<u>499,350,878</u>	<u>67,289,771</u>	<u>7,411</u>	<u>491,992</u>
Total Assets	<u>499,350,878</u>	<u>67,289,771</u>	<u>7,411</u>	<u>515,372</u>
LIABILITIES				
Refunds Payable and Other	-	-	500	515,372
Total Liabilities	<u>-</u>	<u>-</u>	<u>500</u>	<u>515,372</u>
NET POSITION				
Held in Trust for:				
Pension Benefits	499,350,878	-	-	
Other Post Employment Benefits	-	67,289,771	-	
Other Purposes	-	-	6,911	
Total Net Position	<u>\$ 499,350,878</u>	<u>\$ 67,289,771</u>	<u>\$ 6,911</u>	

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Change in Fiduciary Net Position
For the Year ended June 30, 2018

Exhibit IX

	Employee Benefit Trust Funds	Other Post Employment Benefits	Private- Purpose Trusts
ADDITIONS			
Contributions:			
Employer	\$ 26,504,160	\$ 5,900,000	\$ -
Plan Members	4,111,106	-	-
Total Contributions	<u>30,615,266</u>	<u>5,900,000</u>	<u>-</u>
Investment Earnings:			
Net Appreciation (Depreciation) in Fair Value of Investments	19,988,235	1,593,600	-
Interest	23,823,878	2,999,119	15
Investment Expense	(1,961,698)	(164,879)	-
Net Investment Income	<u>41,850,415</u>	<u>4,427,840</u>	<u>15</u>
Total Additions	72,465,681	10,327,840	15
DEDUCTIONS			
Benefits	42,550,683	-	-
Refunds of Contributions	791,177	-	-
Administrative Expenses	1,420,817	45,886	-
Total Deductions	<u>44,762,677</u>	<u>45,886</u>	<u>-</u>
Change in Net Position	27,703,004	10,281,954	15
Net Position at Beginning of Year	471,647,874	57,007,817	6,896
Net Position at End of Year	<u><u>\$ 499,350,878</u></u>	<u><u>\$ 67,289,771</u></u>	<u><u>\$ 6,911</u></u>

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Combining Statement of Net Position
Component Units
As of June 30, 2018

Exhibit X

	<u>School Board</u>	<u>Library</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 78,496,154	\$ 108,584	\$ 78,604,738
Cash and Investments with Fiscal Agents	-	3,202,514	3,202,514
Receivables	364,835	-	364,835
Due from Other Governments	5,214,985	5,716	5,220,701
Inventory of Supplies	281,037	-	281,037
Net Pension Asset	4,600,977	-	4,600,977
Prepaid and Other Assets	1,289,639	99,334	1,388,973
Capital assets			
Land and Construction in Progress	1,046,239	-	1,046,239
Other Capital Assets, Net	11,746,654	-	11,746,654
Capital Assets, Net	<u>12,792,893</u>	<u>-</u>	<u>12,792,893</u>
Total Assets	<u>103,040,520</u>	<u>3,416,148</u>	<u>106,456,668</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	49,759,153	-	49,759,153
OPEB	384,379	-	384,379
Total Deferred Outflows of Resources	<u>50,143,532</u>	<u>-</u>	<u>50,143,532</u>
Total Assets and Deferred Outflows of Resources	<u>153,184,052</u>	<u>3,416,148</u>	<u>156,600,200</u>
LIABILITIES			
Accounts Payable	19,073,845	59,144	19,132,989
Accrued Wages	28,149,944	205,153	28,355,097
Unearned Revenue	3,817,110	-	3,817,110
Long-term Liabilities Due Within One Year	2,595,440	-	2,595,440
Long-term Liabilities Due in More Than One Year	10,199,383	-	10,199,383
Net Pension Liabilities	229,706,920	-	229,706,920
Net OPEB Liabilities	11,658,050	-	11,658,050
Total Liabilities	<u>305,200,692</u>	<u>264,297</u>	<u>305,464,989</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions	33,292,663	-	33,292,663
OPEB	2,163,202	-	2,163,202
Total Deferred Inflow of Resources	<u>35,455,865</u>	<u>-</u>	<u>35,455,865</u>
NET POSITION			
Net Investment in Capital Assets	10,910,323	-	10,910,323
Restricted for grant programs	222,073	-	222,073
Restricted for health benefits	4,880,990	-	4,880,990
Unrestricted	(203,485,891)	3,151,851	(200,334,040)
Total Net Position	<u>(187,472,505)</u>	<u>3,151,851</u>	<u>(184,320,654)</u>
Total Deferred Inflows of Resources, Liabilities and Net Position	<u>\$ 153,184,052</u>	<u>\$ 3,416,148</u>	<u>\$ 156,600,200</u>

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Combining Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2018

Exhibit XI

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Totals
		Charges for Services	Operating Grants and Contributions	School Board	Library	
School Board	\$ 283,294,490	\$ 2,354,108	\$ 21,129,803	\$ (259,810,579)	\$ -	\$ (259,810,579)
Library	7,909,507	428,972	169,278	-	(7,311,257)	(7,311,257)
Total Component Units	<u>291,203,997</u>	<u>2,783,080</u>	<u>21,299,081</u>	<u>(259,810,579)</u>	<u>(7,311,257)</u>	<u>(267,121,836)</u>
General Revenues:						
				206,863,933	6,935,201	213,799,134
				43,719,948	-	43,719,948
				-	222,758	222,758
				513,406	156,121	669,527
				<u>251,097,287</u>	<u>7,314,080</u>	<u>258,411,367</u>
				(8,713,292)	2,823	(8,710,469)
				<u>(178,759,213)</u>	<u>3,149,028</u>	<u>(175,610,185)</u>
				<u>\$ (187,472,505)</u>	<u>\$ 3,151,851</u>	<u>\$ (184,320,654)</u>

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 154,500 and a land area of 15.8 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 City's significant 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 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 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).

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 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 support, for combined operations and capital equipment total \$206.9 million in FY 2018.

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 2018. 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 category, 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 governmental. 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 2018.

1. Governmental Funds

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

a. General Fund

The General Fund is a major fund and 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 a major fund and 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 2018 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.

Stormwater Utility – This sub fund is funded by a stormwater utility fee which was implemented in 2018. This fee replaces the dedicated real estate property tax in the Stormwater Management fund.

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) is a major fund and accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities.

d. Alexandria Transit Company

Alexandria Transit Company is a blended entity and major fund which accounts for the City's transit activity.

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, 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 one proprietary fund, the Internal Service Fund. The Internal Service Fund accounts for the financing of goods or services provided by one department to other departments or agencies of the City on a cost-reimbursement basis 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 Internal Service Fund is 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 2018 comprise the following:

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

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

The government-wide Statement of Net 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, 2017, the City Council formally approved the original adopted budget and on June 24, 2018, approved the revised budget reflected in the required supplemental information. Budgets are prepared for the Capital Projects Fund on a project basis, which covers the life of the project. A Capital Projects Fund appropriation does not lapse until an appropriation reduction is approved by City Council.

Encumbrances

Encumbrance accounting, the recording of purchase orders, contracts, and other monetary commitments 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018, is comprised of the following:

GENERAL FUND:	
Taxes Receivable:	
Real Property	\$ 1,062,858
Personal	13,806,901
Penalties and Interest	<u>267,410</u>
Total Taxes	15,137,169
Accounts Receivable	11,634
Notes Receivable	<u>309,000</u>
	<u>\$ 15,457,803</u>
 SPECIAL REVENUE FUND:	
Housing Fund Notes Receivable	<u>\$ 44,890,595</u>
 CAPITAL PROJECTS FUND:	
Capital Projects Fund Notes Receivable	<u>\$ 1,475,000</u>

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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	\$ 23,914,885
Deferred interest	<u>5,056,021</u>
 Total Adjustment	 <u>\$ 28,970,906</u>

Blended Component Unit

Entities which meet any one of the following characteristics are blended component units of the City:

- The organization’s governing body is substantively the same as the City’s governing body and (1) there is a financial benefit or burden relationship between the City and the organization, or (2) management of the City has operational responsibility for the organization.
- The organization provides services entirely, or almost entirely, to the City, or otherwise exclusively or almost exclusively benefits the City even though it does not provide services directly to it.
- The organization’s total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with City resources.
- The organization is a not-for-profit corporation, in which the City is the sole corporate member.

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

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.

K. 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.

L. Fund Balance

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

Fund Balances are reported according to the following categories:

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

DRAFT

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Detail

General Fund

Nonspendable

Inventories	\$	2,757,976
Prepays		7,851,797
Long Term Notes		400,000
Total		11,009,773

Committed

Encumbrances		5,015,523
Self-Insurance		5,000,000
Total		10,015,523

Assigned

Subsequent Capital Program		14,000,000
Natural Disaster/Emergencies		2,900,000
Economic Contingence		4,600,000
Accrued Leave Payout		1,000,000
Economic Development Incentives		1,022,500
Transportation Improvement		708,540
Affordable Housing-Operating Budget		5,121,442
Affordable Housing Programs - NSF		500,000
Regional Transportation		2,000,000
City Projects/Initiatives		2,300,000
Total		34,152,482

Unassigned

Total Fund Balance

		73,780,565
	\$	128,958,343

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 (\$14.0 million) have been assigned to fund a portion of the capital improvement program for CIP projects in FY 2020 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, 2018

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

City Projects/Initiatives – These funds (\$2.3 million) are assigned to support projects and initiatives that are approved but not yet under contract, such as City Council contingent reserve initiatives.

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

Affordable Housing Programs (Operating Budget) – These funds (\$5.1 million) were identified in the FY 2018 Operating Budget primarily from the three-cent increase in the real estate tax rate. Funds collected in June 2017 first half real estate tax payment were set aside for affordable housing. These funds are the residual balance of Affordable Housing Funds that are collected through real estate tax set asides and dedications in both FY 2018 and FY 2019.

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 (\$1.0 million) are assigned to provide funds to incentivize business to locate or expand in the City.

Regional Transportation – These funds (\$2.0 million) are committed to address the City’s share of collective bargaining agreements with WMATA employees.

Special Revenue

Restricted	
Grants	\$ 14,740,602
Donations	5,625,366
Housing Programs	5,747,522
Total	26,113,490
 Committed	
Sanitary Sewer	30,007,734
Stormwater Utility	1,884,511
Stormwater	1,769,837
Other Programs	12,908,414
NVTA	6,465,537
Potomac Yard	16,615,080
Total	69,651,113
Total Fund Balance	\$ 95,764,603

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant encumbrances in excess of \$1.0 million as of June 30, 2018 were:

<u>Fund</u>	<u>Vendor</u>	<u>Amount</u>
Capital Projects	Ft. Myer Construction Corp.	\$8.9 million
Capital Projects	Dustin Construction Inc.	\$8.3 million
Capital Projects	Gillig LLC	\$6.6 million
Capital Projects	The Lane Construction Corporation	\$4.5 million
Capital Projects	Keller Brothers Inc.	\$4.3 million
Capital Projects	Williams Emergency Vehicle Services	\$2.8 million
Capital Projects	Environmental Quality Resources LLC	\$2.2 million
Capital Projects	Kimley-Horn and Associates Inc.	\$1.0 million
Capital Projects	Avon Corporation	\$1.0 million
Capital Projects	N to N Fiber LLC	\$1.0 million
Capital Projects	Tyler Technologies Inc.	\$1.0 million

M. Short Term Liabilities

Short Term Liabilities include unclaimed funds. The City did not have any short-term debt during FY 2018.

N. 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, 2018, the City had deferred outflows of resources related to pensions and OPEB of \$49.5 million. GASB 75 was implemented in FY 2018 and Outflows now include OPEB.

O. 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, 2018, the City had deferred inflows of resources of \$319.3 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, 2018, the City had deferred inflows of resources related to pensions of \$34.0 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 2018, 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 2018, a number of intradepartmental transfers were made.

DRAFT

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

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, 2018, the carrying value of the City's deposits was \$486,710 and the bank balance was \$6,106,304. 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, 2018, the City had \$219,874,961 in the SNAP short term investment.

Component Units

At June 30, 2018, the carrying value of deposits for the School Board was negative \$2,102,322 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, 2018, the carrying value of deposits and bank balance for the Library was \$211,981. 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, 2018

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), and the 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, and 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 \$50.0 million).

During fiscal year 2018 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, where deposits are eligible for FDIC insurance, as well as commercial paper, U.S. Agencies, and the Virginia Investment Pool.

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, and CDARS. During the fiscal year, the City held its investments in LGIP, CDARS, VIP, commercial paper, and 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, 2018

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, commercial paper, investments of U.S. agencies, and CDARS. 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, 2018, 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 Certificate of Deposit	\$ 37,920,165	\$ 28,119,438	\$ 9,800,727	\$ -
Federal Farm Credit Bank (FFCB)	2,407,868	2,407,868	-	-
Federal Home Loan Bank (FHLB)	12,805,694	10,415,986	2,389,708	-
Local Government Investment Pool	279,765,938	279,765,938	-	-
Treasury Securities	3,202,956	3,202,956	-	-
Total Investments Controlled by City	336,102,621	323,912,186	12,190,435	-
OPEB Trust Investments *	67,289,771	-	-	67,289,771
Pension Plan Investments (Exhibit VIII) *	499,350,878	-	-	499,350,878
Total	\$ 902,743,270	\$ 323,912,186	\$ 12,190,435	\$ 566,640,649

*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	\$ 486,710
Cash with Fiscal Agents	219,898,341
Total Deposits and Investments	\$ 1,123,128,321

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

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 Certificate of Deposit	\$ 9,093,376	\$ 6,743,131	\$ 2,350,245	\$ -
Federal Farm Credit Bank (FFCB)	577,414	577,414	-	-
Federal Home Loan Bank (FHLB)	3,070,846	2,497,786	573,060	-
Local Government Investment Pool	67,088,761	67,088,761	-	-
Treasury Securities	768,079	768,079	-	-
Total Investments Controlled by City	\$ 80,598,476	\$ 77,675,171	\$ 2,923,305	\$ -

Component Unit

Library

	Investment Maturities			
	Fair Value	1-12 Months	13-24 Months	25-60 Months
Fixed Certificate of Deposit	\$ 12,251	\$ 9,085	\$ 3,166	\$ -
Federal Farm Credit Bank (FFCB)	778	778	-	-
Federal Home Loan Bank (FHLB)	4,137	3,365	772	-
Local Government Investment Pool	90,383	90,383	-	-
Treasury Securities	1,035	1,035	-	-
Total Investments Controlled by City	\$ 108,584	\$ 104,646	\$ 3,938	\$ -
Total Investments Controlled by City				
Primary Government and Component Units:	\$ 416,809,681			

As of June 30, 2018, the City had investments in the following issuers with credit quality ratings as shown below:

	Fair Value	S&P		
		AAA	AA	Certificate of Deposit
Fixed Certificate of Deposit	\$ 47,025,792	\$ -	\$ -	\$ 47,025,792
Federal Farm Credit Bank (FFCB)	2,986,060	-	2,986,060	-
Federal Home Loan Bank (FHLB)	15,880,677	-	15,880,677	-
Local Government Investment Pool	346,945,082	61,163,406	285,781,676	-
Treasury Securities **	3,972,070	3,972,070	-	-
Total Investments Controlled by City & Components	\$ 416,809,681	\$ 65,135,476	\$ 304,648,413	\$ 47,025,792

** Rated by Moody as AAA

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

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
John Marshall Bank	Fixed Certificate of Deposit	\$21,737,476	5.21%
Commonwealth of Virginia	Virginia Dept of Treasury	285,781,676	68.56%
VIP 1-3 Years	Local Government Investment	40,732,079	9.77%

Reconciliation of total deposits and investments to the government-wide financial statements as of June 30, 2018:

	Governmental Activities	Fiduciary Activities	Total
Primary Government including DASH			
Cash on Hand and In Banks	\$ 486,711	\$ -	\$ 486,711
Cash and Investments	335,603,218	499,403	336,102,621
Cash and Investments with Fiscal Agents	219,874,961	566,664,029	786,538,990
Total	<u>555,964,890</u>	<u>567,163,432</u>	<u>1,123,128,322</u>
Component Unit School Board			
Cash on Hand and In Banks	(2,102,322)	-	(2,102,322)
Cash and Investments Controlled by City	80,598,476	-	80,598,476
Total	<u>78,496,154</u>	<u>-</u>	<u>78,496,154</u>
Component Unit Library			
Cash and Investments Controlled by City	108,584	-	108,584
Cash and Investments with Fiscal Agents	3,202,514	-	3,202,514
Total	<u>3,311,098</u>	<u>-</u>	<u>3,311,098</u>
Grand Total	<u>\$ 637,772,142</u>	<u>\$ 567,163,432</u>	<u>\$ 1,204,935,574</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

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 2018, investments worth \$4.0 million were classified in Level 1 of the fair value hierarchy. Additionally, investments worth \$106.6 million were classified in Level 2. Fixed government securities worth \$18.9 million, fixed certificates of deposit worth \$47.0 million, and Virginia Investment Pool 1-3 Year worth \$40.7 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	\$ 3,972,070	\$ 3,972,070	\$ -	\$ -
Fixed Government Securities	18,866,737	-	18,866,737	-
Fixed Certificates of Deposit	47,025,792	-	47,025,792	-
Virginia Investment Pool 1-3 Year	40,732,079	-	40,732,079	-
Total investments by fair value level	<u>\$ 110,596,678</u>	<u>\$ 3,972,070</u>	<u>\$ 106,624,608</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
Virginia Local Govt. Investment Pool	\$ 285,781,676			
Virginia Investment Pool - Liquidity	20,431,327			
	<u>306,213,003</u>			
Total Investments	<u>\$ 416,809,681</u>			

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 4. RECEIVABLES

Receivables at June 30, 2018, 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	\$ 228,348,289	\$ -	\$ -	\$ -	\$ 228,348,289
Personal Property	57,789,215	-	-	-	57,789,215
Penalties and Interest	3,369,852	-	-	-	3,369,852
Others	2,863,907	-	-	-	2,863,907
Total Taxes	292,371,262	-	-	-	292,371,262
Account	9,590,519	8,143,355	-	980,057	18,713,932
Interest	69,715	-	-	-	69,715
Intergovernmental	32,230,741	8,414,629	-	14,189	40,659,559
Due from other funds	200,000	-	-	-	200,000
Notes	709,000	47,388,916	1,475,000	-	49,572,916
Gross Receivable	335,171,237	63,946,900	1,475,000	994,246	401,587,384
Less: Allowance for Uncollectibles	15,457,803	44,890,595	1,475,000	-	61,823,398
Net Receivables	\$ 319,713,434	\$ 19,056,306	\$ -	\$ 994,246	\$ 339,763,986

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, 2018 and is based on historical collection rates. Almost all the uncollectible taxes derive from personal property taxes. Almost all of the real property tax receivables as of June 30, 2018, represent the second-half payment due for real estate taxes on November 15, 2018.

Receivables on a government-wide basis include taxes receivable of \$23.9 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 \$6.1 million of taxes that are considered current financial resources and, therefore, are reported in the governmental funds. This comprises:

Real Estate Tax Receivables	\$ 82,591
Personal Property Tax Receivables	<u>(6,228,380)</u>
Total	<u>\$ (6,145,789)</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

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 2018 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	\$ 297,107,926	\$ 7,517,690	\$ 304,625,616
Grant proceeds received prior to completion of eligibility requirements	7,447,119	-	7,447,119
Total	\$ 304,555,045	\$ 7,517,690	\$ 312,072,735

Deferred Outflows/Inflows

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Comment</u>
Total Deferred Taxes	\$ 297,107,926	\$ 4,630,016	
Grants Received Prior to Eligibility	778,341	-	Build America Bond subsidy in General Fund
Grants Received Prior to Eligibility	-	6,668,778	Eligible grants with timing differences
Total Deferred Outflows, Receivables	\$ 297,886,267	\$ 11,298,794	

Component Units

Receivables at June 30, 2018, consist of following:

	<u>School Board</u>	<u>Library</u>	<u>Total</u>
Accounts	\$ 364,111	\$ -	\$ 364,111
Intergovernmental	5,215,709	5,716	5,221,425
Total Receivables	\$ 5,579,820	\$ 5,716	\$ 5,585,536

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, 2018

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, 2018, includes amounts not yet received from the January 1, 2018 levy (due June 15 and November 15, 2018), less an allowance for uncollectible amounts. The installment due on November 15, 2018 is included as unavailable revenue since these taxes are restricted for use until FY 2018. 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 2018 and 2017.

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, 2018, includes amounts not yet billed or received from the January 1, 2018 levy (due October 5, 2018). These taxes are included as unearned revenue since these taxes are restricted for use until FY 2019. The tax rate for motor vehicles was \$5.00 per \$100 of assessed value during calendar years 2018 and 2017. The tax rates during calendar years 2018 and 2017 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 Commonwealth, 56 percent of taxpayers' payment. The 56 percent represents the relief given to the taxpayers whose vehicle's value was \$20,000 or less for the October 2017 payment due date. Unavailable revenues include the state's share of the January 1, 2018 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, 2018:

Governmental Activities

General Fund	\$ 709,000
Special Revenue Fund	47,388,916
Capital Projects Fund	1,475,000
Less Allowance for Uncollectible Accounts	<u>(46,674,595)</u>
Net	<u>2,898,321</u>
Amounts due within one year	<u>180,000</u>
Amounts due in more than one year	<u>\$ 2,718,321</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

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, 2018:

Governmental Activities

Primary Government

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 113,216,863	\$ -	\$ -	\$ 113,216,863
Construction in Progress	35,616,446	55,116,431	15,656,946	75,075,931
Total Capital Assets Not Being Depreciated	<u>148,833,309</u>	<u>55,116,431</u>	<u>15,656,946</u>	<u>188,292,794</u>
Depreciable Capital Assets				
Buildings	670,719,627	7,243,269	-	677,962,896
Infrastructure	276,426,468	10,324,264	-	286,750,732
Intangible Assets	25,704,584	-	522,217	25,182,367
Furniture and Other Equipment	111,232,115	16,705,111	5,127,606	122,809,620
Total Depreciable Capital Assets	<u>1,084,082,794</u>	<u>34,272,644</u>	<u>5,649,823</u>	<u>1,112,705,615</u>
Less Accumulated Depreciation for				
Buildings	203,221,018	16,912,181	-	220,133,199
Infrastructure	137,849,895	9,117,541	-	146,967,436
Intangible Assets	19,561,444	2,822,412	522,217	21,861,639
Furniture and Other Equipment	67,143,786	9,457,500	5,021,696	71,579,590
Total Accumulated Depreciation	<u>427,776,143</u>	<u>38,309,634</u>	<u>5,543,913</u>	<u>460,541,864</u>
Depreciable Capital Assets, Net	<u>656,306,651</u>	<u>(4,036,990)</u>	<u>105,910</u>	<u>652,163,751</u>
Alexandria Transit Company				
Depreciable Capital Assets				
Equipment	43,615,614	317,675	346,636	43,586,653
Less: Accumulated Depreciation	19,493,491	3,305,382	346,636	22,452,237
Total Depreciable Capital Assets, Net	<u>24,122,123</u>	<u>(2,987,707)</u>	<u>-</u>	<u>21,134,416</u>
TOTALS	<u>\$ 829,262,083</u>	<u>\$ 48,091,734</u>	<u>\$ 15,762,856</u>	<u>\$ 861,590,961</u>

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 5. CAPITAL ASSETS (Continued)

Governmental activities capital assets, net of accumulated depreciation at June 30, 2018, are comprised of the following:

General Capital Assets, Net	\$ 827,506,481
Internal Service Fund Capital Assets, Net	12,950,064
Alexandria Transit Company Capital Assets, Net	<u>21,134,416</u>
Total	<u><u>\$ 861,590,961</u></u>

Depreciation was charged to governmental functions as follows:

General Government	\$ 2,037,550
Judicial Administration	557,240
Public Safety	7,045,762
Public Works	8,693,155
Depreciation of Infrastructure Assets	9,117,541
Health and Welfare	468,500
Transit	3,305,382
Culture and Recreation	2,433,444
Education	7,695,908
Community Development	<u>260,534</u>
Total	<u><u>\$ 41,615,016</u></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	\$ 101,164,079
Donated Assets	2,967,639
Depreciation Expense	(41,615,016)
Capital Outlay not capitalized	<u>(25,795,231)</u>
Total Adjustment	<u><u>\$ 36,721,471</u></u>

Donated assets are comprised of infrastructure donated by developers.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 5. CAPITAL ASSETS (Continued)

Net position Investment in capital assets is computed as follows:

General Capital Assets, Net		\$861,590,961
Outstanding bonds (including premium)	(665,408,230)	
Net of Unspent bond proceeds at SNAP	<u>219,874,961</u>	
Net Outstanding Debt		<u>(445,533,269)</u>
Investment in Capital Assets Net of Debt		<u><u>\$416,057,692</u></u>

DRAFT

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

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, 2018:

	<u>Balance June 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 999,381	\$ -	\$ -	\$ 999,381
Construction-in progress	45,391	46,858	45,391	46,858
Total Capital Assets Not Being Depreciated	<u>1,044,772</u>	<u>46,858</u>	<u>45,391</u>	<u>1,046,239</u>
Depreciable Capital Assets				
Buildings	39,045,988	1,556,404	-	40,602,392
Furniture and Other Equipment	21,340,553	1,553,843	60,760	22,833,636
Total Depreciable Capital Assets	<u>60,386,541</u>	<u>3,110,247</u>	<u>60,760</u>	<u>63,436,028</u>
Less Accumulated Depreciation For				
Buildings and building improvements	37,148,150	417,525	-	37,565,675
Furniture and Other Equipment	12,284,607	1,899,853	60,760	14,123,700
Depreciable Capital Assets, Net	<u>49,432,757</u>	<u>2,317,378</u>	<u>60,760</u>	<u>51,689,375</u>
Total Other Capital Assets, Net	<u>10,953,784</u>	<u>792,869</u>	<u>-</u>	<u>11,746,653</u>
TOTALS	<u>\$ 11,998,556</u>	<u>\$ 839,727</u>	<u>\$ 45,391</u>	<u>\$ 12,792,892</u>

In FY 2002, the Virginia Assembly passed a general law to respond to GASB Statement No. 34 that establishes the local option of creating, for financial reporting purposes, a tenancy in common with the local school board when a city or county issues bonds for acquisition, construction, or improvement of public school property. The sole purpose of the law is to allow cities and counties the ability to record 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, 2018

Exhibit XII
(Continued)

NOTE 5. CAPITAL ASSETS (Continued)

Primary Government

Construction-in-progress is composed of the following at June 30, 2018:

	<u>Project Authorization</u>	<u>Expended Through June 30, 2018</u>	<u>Committed</u>
Schools Capital projects	\$ 104,244,482	\$ 54,153,906	\$ -
Housing and Community Improvement	6,200,473	1,423,983	1,794,442
Parks and Recreation	17,732,728	8,979,949	5,232,690
Public Buildings	12,585,400	2,290,663	1,785,983
Public Safety	16,694,941	1,458,645	9,813,005
Infrastructure	25,793,184	4,497,987	14,378,066
Information Technology Hardware	6,006,085	2,270,798	2,053,109
Total	<u>\$ 189,257,293</u>	<u>\$ 75,075,931</u>	<u>\$ 35,057,295</u>

Component Units

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

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, 2018: public entity and public officials' excess liability, medical malpractice liability, voting booths, special events, vacant buildings, volunteer liability, cyber 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 \$1.5 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 Hartford Fire Insurance Company in the amounts shown below as of June 30, 2018:

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
Land Use Permit Bond	\$100,000
Mortgage Lender/Broker Bond	\$25,000
Special Police Officer.....	\$10,000
Conservator of the Peace.....	\$10,000
Alexandria Historic Restoration and Preservation Commissioners.....	\$10,000

Self-Insurance

The non-current portion of unpaid workers' compensation claims amounted to approximately \$19.4 million as of June 30, 2018 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, 2018 the current portion of employees' health insurance was \$0.8 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, 2018. 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, 2018

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, 2018 and 2017 were as follows:

	Workers' Compensation	Health Insurance
July 1, 2016 Liability Balances	\$ 20,487,824	\$ 1,780,866
Claims and changes in estimates	6,181,777	19,655,247
Claim Payments	(5,683,417)	(20,422,967)
June 30, 2017 Liability Balances	20,986,184	1,013,146
Claims and changes in estimates	6,572,076	17,796,582
Claim Payments	(8,168,902)	(18,024,689)
June 30, 2018 Liability Balances	\$ 19,389,358	\$ 785,039

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, 2018.

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 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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 6. RISK MANAGEMENT (Continued)

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 2018, the Alexandria Transit Company paid an annual premium of \$0.2 million for participation in this pool.

Line of Duty Act (LODA) 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.

In accordance with State code, Effective July 1, 2017, LODA retirees had to elect a plan administered through the Virginia Department of Human Resources (DHRM). The City paid the DHRM the premiums for covered retirees, spouses, and widows. In FY 2018, the City contributed to the OPEB trust fund for line of duty act benefits. In fiscal year 2018, an actuarial valuation was issued for Line of Duty Act benefits (see Note 16 OPEB). According to the December 31, 2017 actuarial valuation, 723 active employees were eligible for Line of Duty Act benefits. As of June 2018, 86 beneficiaries were receiving Line of Duty Act payments. During FY 2018, Line of Duty Act payments for the recipients amounted to \$1.5 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, 2018

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 2033. 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
2019	\$5,078,307	\$2,972,151
2020	5,042,857	2,944,354
2021	5,194,594	2,974,678
2022	5,351,276	3,056,481
2023	5,472,071	3,140,535
2024-2028	34,666,258	18,697,902
2029-2033	27,528,222	18,697,902

Total rental costs during FY 2018 for operating leases were \$5.1 million for the Primary Government and \$2.9 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 2033. The net book value of leased assets of \$7.7 million (cost of \$27.2 million less accumulated depreciation of \$19.4 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:

A joint venture is a legal entity or other organization that results from a contractual arrangement and is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain: (a) an ongoing financial interest or (b) an ongoing financial responsibility.

Fiscal Year	Total Revenues
2019	\$1,668,123
2020	1,709,284
2021	1,751,048
2022	1,801,277
2023	833,025
2024-2028	9,599,469
2029-2033	26,750,212

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 2018 amounted to 4.4 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

In June 2010, a new Capital 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 assumed an increase of \$150.0 million per year of new federal funds, matched with \$50.0 million each from the Commonwealth of Virginia, the State of Maryland, and the District of Columbia. That new agreement totaled \$5.0 billion, \$2.5 billion was projected to be funded by the federal government. The participating jurisdictions' financial obligations, per the Regional Capital Funding Agreement, are subject to individual jurisdictional annual appropriation consideration. Currently a new one-year Capital Funding Agreement has been negotiated between WMATA and participating jurisdictions for FY 2019. The dollar amount of that agreement is \$30.4 million, compared to the FY 2018 contribution for Alexandria, which was \$41.2 million. Earlier in 2018, the jurisdictions which comprise the WMATA compact, the Commonwealth of Virginia, the State of Maryland, the District of Columbia and WMATA engaged in discussions about WMATA's increased capital investment, which will be needed over the next decade. The conclusion that the Council of Government's study reached is that the WMATA system will need some \$500.0 million per year or \$5.0 billion in added investment over the next decade to keep the system in a safe and reliable operating category. Dedicated funding streams were established by the Commonwealth of Virginia, the State of Maryland and the District of Columbia during their legislative processes of 2018, which will provide a combined \$500.0 million annually in new funding to fund WMATA capital costs.

2. Operating subsidies - Bus and Rail Systems

During FY 2018, obligations for bus and rail subsidies amounted to \$40.3 million. The City paid these obligations from the following sources:

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 8. COMMITMENTS AND CONTINGENCIES (Continued)

Source of Obligations (in millions)

City General Fund	\$ 14
State Aid and State Motor Fuel Sales Tax revenues	24
NVTA 30%	2
TOTAL	\$ 40

Expected obligations for FY 2019 are \$44.7 million, \$15.7 million of which is expected to be paid from the City's General Fund. The City will also use \$27.5 million from NVTC funding and \$1.6 million from NVTA 30% funding to cover the rest of the obligations.

3. WMATA Transit Revenue Bonds

WMATA issued approximately \$1.0 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 \$1.1 million was the City's allocation during the fiscal year ended June 30, 2018. 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 \$1.0 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 adjacent to Arlington's Crystal City and south of downtown Washington, D.C. and Ronald Reagan Washington National Airport. Potomac Yard consists of two development tracts, North Potomac Yard and South Potomac Yard, which are divided into smaller geographic units or "landbays" for zoning and development purposes. One special tax district has been established and implemented 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. A Tier II Tax District (Landbays I and J) also previously established by City Council with a 10-cent per \$100 of valuation, is under review.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(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 with site plan and associated Special Use Permits to construct a Metrorail station and associated facilities in Potomac Yard. The Federal Transit Administration (“FTA”) and the National Park Service (“NPS”) issued their Records of Decision for the Potomac Yard Metrorail Station in the fall of 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 for the design-build contract on November 28, 2016, and the project is in the final stages of the WMATA procurement phase. A contract award was announced in September 2018 with construction beginning in 2019.

The City has recently prepared an updated financial feasibility analysis that reconfirmed the City’s ability to finance the station budgeted at \$320.0 million. The funding sources include cash derived from net new tax revenues from Potomac Yard, \$156.0 million in long term debt, \$69.5 million in grants from the NVTB, and a \$50.0 million 2% VTIB loan that was awarded to the City by the Commonwealth Transportation Board in January 2015. The long-term debt will be repaid by net new taxes derived from Potomac Yard development, developer contributions, and special tax district taxes.

The remaining \$156.0 million in long term debt is expected to be comprised of a combination of long-term City-issued general obligation bonds of \$68.0 million and a loan from the U.S. Department of Transportation (“USDOT”) Build America Bureau, formerly known as a Transportation Infrastructure Finance and Innovation Act (“TIFIA”) loan. Both the \$50.0 million VTIB loan and the estimated \$88.0 million TIFIA loan will be structured to include about \$10.0 million in “capitalized interest.” This enables the City to align the repayment more closely with the revenue growth associated with the Potomac Yard area. While the City has been accepted into the TIFIA loan program, loan approval by USDOT has not yet occurred.

The financial risk to the City associated with the Metrorail station project has been carefully structured. 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 loan financing by capitalizing interest during construction. Current projections estimate no negative cash flow impact on the City’s General Fund in any given year. However, upfront shortfall guarantees totaling \$32.0 million have been negotiated with the north Potomac Yard property owner. 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 finalized station cost, outside funding sources and prevailing interest rates, as well as development progress in Potomac Yard, which is projected to generate substantial new tax revenues to help cover debt service. In addition, the owner of North Potomac Yard has agreed to shortfall guarantees totaling \$32.0 million.

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 cash flow draw from 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 8. COMMITMENTS AND CONTINGENCIES (Continued)

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 respectively. 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 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 related revenue bond 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 the County (60%) and the City (40%). The FMG budget for FY 2018 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 2018.

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 2018 payment of \$256,070 was made from the proceeds from the City's telecommunications tax received by the General Fund and the maturity date for this bond is May 15, 2034. The City is not liable for repayment of the 20-year bonds.

E. Combined Sanitary Sewer/Stormwater Sewer System

The City is facing increased state and federal regulatory mandates associated with sanitary sewer and stormwater requirements to protect and enhance the water quality in our local streams, the Potomac River, and the Chesapeake Bay. For Alexandria, this means approximately \$385.0 million in investments to its combined sewer system over the next 8 years, as well as investing between \$65.0 million to \$100.0 million for the implementation and maintenance of stormwater infrastructure over the next decade.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 8. COMMITMENTS AND CONTINGENCIES (Continued)

Because of state and federal regulations mandating the improvement of Chesapeake Bay water quality for the six states and the District of Columbia that comprise the Bay's watershed, municipalities must make significant capital investments in stormwater management infrastructure. Virginia municipalities in the Bay watershed that are regulated by a municipal separate storm sewer system ("MS4") permit that regulates urban stormwater discharges must achieve increasing pollution reduction goals enforced through three 5-year MS4 permit cycles. Accordingly, the City must achieve 5 percent of the pollution reduction targets during the 2013 – 2018 permit, with successive MS4 permits requiring an additional 35% (40% total) during the 2018-2023 permit, and the remaining 60% (100% total) on or before the end of the third permit cycle of 2023 to 2028. The estimated cost of these stormwater infrastructure improvements over this 15-year time period is between \$70.0 million and \$100.0 million. Effective January 1, 2018, the City Council adopted a Stormwater Utility Fee as a dedicated funding source to perform operations and maintenance of existing and new stormwater management infrastructure, and to provide cash capital and funding of debt service to implement new stormwater infrastructure improvements to meet the state and federal mandates in the MS4 permit. Collection of this fee began in Calendar Year 2018, with the typical single-family home billed approximately \$140 per year.

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"). As part of the FY 2018 Sanitary Sewer Ten-Year Plan, \$370.2 million was added to the CIP to comply with legislation passed by the 2017 Virginia General Assembly which required the City to accelerate its efforts to address combined sewer discharges from all four outfalls in the City. The bill mandated construction of each outfall be completed no later than July 1, 2025.

On April 14, 2018, City Council adopted a new Long-Term Control Plan Update ("LTCPU"). The LTCPU was developed as a partnership between the City and Alexandria Renew Enterprises ("AlexRenew") which allowed for the leveraging of both the City's and AlexRenew's experience and abilities. On April 18, 2018 the City Council authorized transfer of Combined Sewer Outfalls to Alexandria Renew. Accordingly, the Outfall Transfer Agreement was executed between the City and Alexandria Renew on May 1, 2018. AlexRenew has a proven track record of delivering complex infrastructure projects for more than 60 years. Since the LTCPU involves significant construction at AlexRenew and operations related to the treatment of combined sewer flows, the City and AlexRenew are proceeding with a CSO outfall transfer initiative. This would allow AlexRenew to own all of the combined sewer outfalls and then finance and construct to own the proposed unified tunnel and dual use wet weather treatment infrastructure. AlexRenew would also debt finance this CSO project and increase its user rates to repay bonds issued for the CSO project.

The funding in the Approved FY 2019 – FY 2028 CIP reflects preliminary project costs (in future dollars) and timing that would be necessary to meet the State requirement of completing construction on all four outfalls no later than July 1, 2025. With obligations for financing and implementing LTCPU being transferred to AlexRenew, the subsequent FY2020-FY2029 CIP will reflect that transfer. In future City CIP's the CSO capital project will be deleted from the City's 10-year CIP and included in AlexRenew's CIP.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

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, 2018, are comprised of the following individual issues:

1.	\$34.9 million General Obligation Refunding Bond of 2017, installments ranging from \$3.0 to \$4.0 through 2030, bearing interest rate 5.0 percent payable semiannually on January 1 and July 1, and maturing on July 1, 2030. The Bonds are not subject to optional redemption prior to their maturities.	\$	34,905,000
2.	\$102.2 million General Obligation Refunding Bond of 2017, installments ranging from \$0.5 to \$10.7 through 2032, bearing interest rates ranging from 3.0 percent to 5.0 percent payable semiannually on January 1 and July 1, and maturing on July 1, 2032. The Bonds will be subject to optional redemption in whole or in part at the direction of the City on or after July 1, 2027.		102,150,000
3.	\$4.4 million General Obligation Capital Improvement Bonds of 2017 (taxable), installments ranging from \$.21 to \$.22 through 2037, bearing interest rates ranging from 2.4 percent to 3.4 percent payable semiannually on January 15 and July 15, and maturing on July 15, 2037. The Bonds will be subject to optional redemption in whole or in part at the direction of the City on or after July 15, 2027.		4,380,000
4.	\$94.7 million General Obligation Capital Improvement Bonds of 2017 (tax exempt), installments ranging from \$2.0 to \$5.0 through 2037, 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, 2037. The Bonds will be subject to optional redemption in whole or in part at the direction of the City on or after July 15, 2027.		94,670,000
5.	\$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.		33,801,000
6.	\$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 15, 2026.		72,335,000
7.	\$10.6 million General Obligation Refunding Bonds (taxable) of 2015, installments ranging from \$1.0 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.		8,650,000
8.	\$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.		20,885,000
9.	\$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.		32,655,000
10.	\$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.		30,595,000
11.	\$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.		5,700,000

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (continued)

12.	\$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.	16,525,000
13.	\$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.	35,900,000
14.	\$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.	11,020,000
15.	\$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.	40,455,000
16.	\$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.	18,815,000
17.	\$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 35.0 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.	11,100,000
18.	\$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 35.0 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.	8,200,000
19.	\$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.	1,550,000
20.	\$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.	250,000
21.	\$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.	8,480,000

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (continued)

22.	\$40.0 million Public Improvement Bonds of 1999 due in annual installments of \$2.0 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.		2,000,000
	Total	\$	595,021,000

DRAFT

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (continued)

The outstanding bonds have been issued as follows:

1. General Obligation Refunding Bond of 2017D

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>July 1,</u>
	\$ -	0.00%	2019
	-	0.00%	2020
0153025V0	2,950,000	5.00%	2021
0153025W8	2,995,000	5.00%	2022
0153025X6	3,035,000	5.00%	2023
0153025Y4	3,075,000	5.00%	2024
0153025Z1	3,110,000	5.00%	2025
0153026A5	3,850,000	5.00%	2026
0153026B3	3,900,000	5.00%	2027
0153026C1	3,945,000	5.00%	2028
0153026D9	3,995,000	5.00%	2029
0153026E7	4,050,000	5.00%	2030
	<u>\$ 34,905,000</u>		

2. General Obligation Refunding Bond of 2017C

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>July 1,</u>
0153124Z2	\$ 1,365,000	5.00%	2019
0153125B4	5,715,000	5.00%	2020
0153125A6	500,000	3.00%	2020
0153125C2	2,130,000	5.00%	2021
0153125E8	500,000	3.00%	2021
0153125D0	500,000	3.50%	2021
0153125F5	8,985,000	5.00%	2022
0153125G3	2,000,000	3.00%	2022
0153125H1	10,595,000	5.00%	2023
0153125J7	10,645,000	5.00%	2024
0153125K4	11,450,000	5.00%	2025
0153125L2	11,555,000	5.00%	2026
0153125M0	11,665,000	5.00%	2027
0153125N8	7,695,000	5.00%	2028
0153125P3	7,670,000	3.00%	2029
0153125Q1	3,085,000	4.00%	2030
0153125R9	3,060,000	4.00%	2031
0153125S7	3,035,000	4.00%	2032
	<u>\$ 102,150,000</u>		

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (continued)

3. General Obligation Bonds (taxable) of 2017B

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>July 15,</u>
0153024D1	\$ 220,000	2.38%	2018
0153024E9	220,000	2.50%	2019
0153024F6	220,000	2.75%	2020
0153024G4	220,000	2.75%	2021
0153024H2	220,000	3.00%	2022
0153024J8	220,000	3.00%	2023
0153024K5	220,000	3.00%	2024
0153024L3	220,000	2.65%	2025
0153024M1	220,000	2.75%	2026
0153024N9	220,000	2.85%	2027
0153024P4	220,000	3.00%	2028
0153024Q2	220,000	3.10%	2029
0153024R0	220,000	3.20%	2030
0153024S8	220,000	3.25%	2031
0153024T6	220,000	3.30%	2032
0153024U3	220,000	3.30%	2033
0153024V1	215,000	3.30%	2034
0153024W9	215,000	3.35%	2035
0153024X7	215,000	3.35%	2036
0153024Y5	215,000	3.40%	2037
	<u>\$ 4,380,000</u>		

4. General Obligation Capital Improvement Bonds of 2017A

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>July 15,</u>
0153023H3	\$ 2,000,000	5.00%	2018
0153023J9	3,000,000	5.00%	2019
0153023K6	4,985,000	5.00%	2020
0153023L4	4,985,000	5.00%	2021
0153023M2	4,985,000	5.00%	2022
0153023N0	4,985,000	5.00%	2023
0153023P5	4,985,000	5.00%	2024
0153023Q3	4,985,000	5.00%	2025
0153023R1	4,980,000	5.00%	2026
0153023S9	4,980,000	5.00%	2027
0153023T7	4,980,000	5.00%	2028
0153023U4	4,980,000	2.00%	2029
0153023V2	4,980,000	3.00%	2030
0153023W0	4,980,000	5.00%	2031
0153023X8	4,980,000	3.00%	2032
0153023Y6	4,980,000	3.00%	2033
0153023Z3	4,980,000	3.00%	2034
0153024A7	4,980,000	3.25%	2035
0153024B5	4,980,000	3.25%	2036
0153024C3	4,980,000	3.25%	2037
	<u>\$ 94,670,000</u>		

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (continued)

5. General Obligation Refunding Bond of 2016B

<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>July 15,</u>
\$ 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
\$ 33,801,000		

6. General Obligation Bonds of 2016A

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>July 15,</u>
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
	\$ 72,335,000		

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (continued)

7. General Obligation Bonds (taxable) of 2015C

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>July 15,</u>
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>\$ 8,650,000</u>		

8. General Obligation Capital Improvement Bonds of 2015B

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>July 15,</u>
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>\$ 20,885,000</u>		

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (continued)

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

<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>July 15,</u>
\$ 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>\$ 32,655,000</u>		

10. General Obligation Capital Improvement Bonds of 2014B

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>January 15,</u>
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>\$ 30,595,000</u>		

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (continued)

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

<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u>
		<u>June 15,</u>
\$ 2,915,000	1.00%	2019
2,785,000	1.00%	2020
<u>\$ 5,700,000</u>		

12. General Obligation Capital Improvement Bonds of 2013

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u>
			<u>June 15,</u>
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
	<u>\$ 16,525,000</u>		

13. Public Improvement Bonds of 2012 B

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u>
			<u>June 15,</u>
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
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>\$ 35,900,000</u>		

14. Refunding Bonds of 2012 C

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u>
			<u>June 15,</u>
015302R95	\$ 2,750,000	3.00%	2023
015302S29	5,630,000	3.00%	2024
015302S37	2,640,000	3.00%	2025
	<u>\$ 11,020,000</u>		

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (continued)

15. Refunding Bonds of 2012

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>June 15,</u>
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>\$ 40,455,000</u>		

16. Public Improvement Bonds of 2011

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>July 15,</u>
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
015302L26	3,760,000	3.00%	2022
	<u>\$ 18,815,000</u>		

17. Public Improvement Bonds of 2010 (Taxable)

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>July 1,</u>
015302H47	\$ 3,700,000	3.95%	2018
015302H54	3,700,000	4.15%	2019
015302H62	3,700,000	4.05%	2020
Total	<u>\$ 11,100,000</u>		

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

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>July 1,</u>
015302F31	\$ 4,100,000	4.85%	2020
015302F49	4,100,000	5.00%	2021
Total	<u>\$ 8,200,000</u>		

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (continued)

20. Public Improvement Bonds of 2008 (Tax Exempt)

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>July 1,</u>
015302B27	\$ 1,550,000	4.00%	2018
Total	<u>\$ 1,550,000</u>		

21. Public Improvement Bonds of 2008 (Taxable)

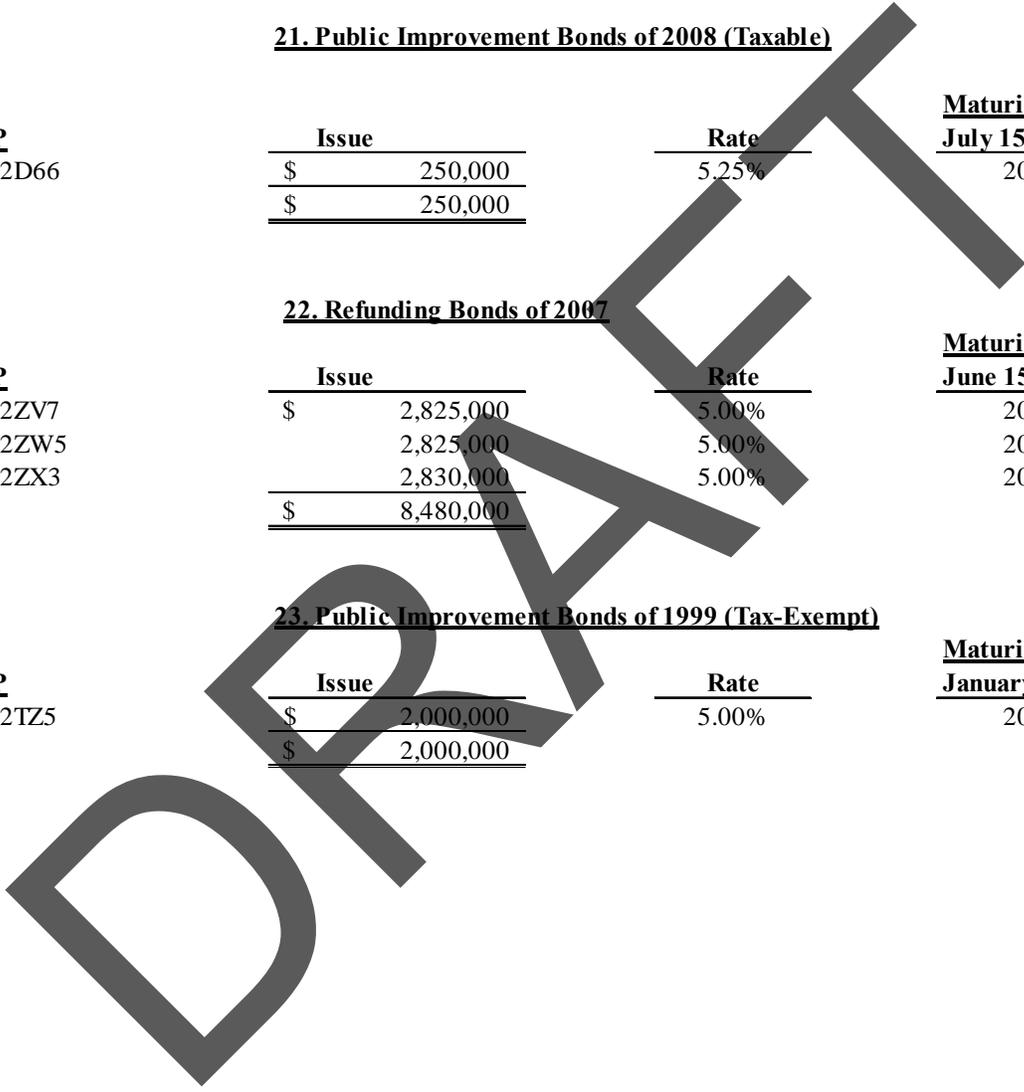
<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>July 15,</u>
015302D66	\$ 250,000	5.25%	2018
Total	<u>\$ 250,000</u>		

22. Refunding Bonds of 2007

<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>June 15,</u>
015302ZV7	\$ 2,825,000	5.00%	2019
015302ZW5	2,825,000	5.00%	2020
015302ZX3	2,830,000	5.00%	2021
Total	<u>\$ 8,480,000</u>		

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

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



CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (continued)

The requirements to pay all long-term bonds as of June 30, 2018, including interest payments of \$166.4 million, are summarized as follows:

<u>Fiscal Year</u>	<u>Serial Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2019.....	\$ 45,989,000	\$ 23,516,205
2020.....	45,376,000	21,339,549
2021.....	46,029,000	19,072,929
2022.....	42,896,000	16,994,262
2023.....	43,059,000	15,032,243
2024-2028.....	187,328,000	49,553,615
2029-2033.....	135,379,000	17,556,749
2034-2038.....	48,965,000	3,378,788
	\$595,021,000	\$ 166,444,340

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 \$3.0 million in Build America Bonds interest subsidy payments through July 2020.

Legal Debt Margin - The City has no overlapping debt with other jurisdictions. As of June 30, 2018, 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, 2018.....	<u>\$39,897,986,964</u>
Debt Limit: 10 Percent of Assessed Value.....	3,989,798,696
Amount of Debt Applicable to Debt Limit:	
General Obligation Bond.....	<u>\$595,021,000</u>
Less Total General Obligation Debt.....	<u>(595,021,000)</u>
Legal Debt Margin Remaining.....	<u>\$ 3,394,777,696</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, 2018, are summarized below:

	Authorized and Unissued <u>July 1, 2017</u>	<u>Authorized</u>	<u>Issued</u>	<u>Expired</u>	Authorized and Unissued <u>June 30, 2018</u>
General Obligation Bonds	\$ 117,885,000	\$69,000,000	\$99,050,000	\$ 5,785,000	\$82,050,000

On July 25, 2018, the City Council issued \$40.9 million in General Obligation Bonds. The \$40.9 million in bonds were issued with an original premium of \$3.4 million and a true cost of 2.89%, 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, transportation improvements, infrastructure, and fire department equipment.

On July 6, 2018, the City issued two lines of credit each for \$125.0 million to provide short-term funding and facilitate efficient cash management operations as a part of the City's Capital Improvement Program. 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (continued)

Primary Government – Governmental Activities

	Balance			Balance June 30, 2018	Amounts Due Within One Year
	July 1, 2017	Additions	Reductions		
General Obligation Bonds	\$ 557,233,000	\$ 236,105,000	\$ 198,317,000	\$ 595,021,000	\$ 45,989,000
Bond Premium	46,895,527	28,656,747	5,165,044	70,387,230	5,165,044
Workers' Compensation Claims	23,629,895	14,870,443	15,644,115	22,856,223	3,675,009
Accrued Compensated Absences	20,986,184	6,181,777	5,683,417	21,484,544	5,356,350
Net Pension Liability	188,496,040	15,574,257	41,049,779	163,020,518	-
Net OPEB Obligation	15,640,466	65,284,471	15,640,466	65,284,471	-
Total	\$ 852,881,112	\$ 366,672,695	\$ 281,499,821	\$ 938,053,986	\$ 60,185,403

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, 2018:	
Long-term liabilities (detail above)	\$ 938,053,986
Accrued interest payable	<u>1,689,562</u>
Adjustment	<u>\$ 939,743,548</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:

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (continued)

Compensated absences	\$	(773,672)
Workers compensation		498,360
Discount and interest		25,378,627
Accrued interest on bonds		<u>(2,425,826)</u>
Net Adjustment	\$	<u>22,677,489</u>

Change in Pension Liability	\$	(25,475,522)
Change in OPEB Liability		<u>49,644,005</u>
Net Adjustment	\$	<u>24,168,483</u>

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

Pension and OPEB Adjustment

Pension expense, Note 17	\$	24,148,487
Contributions, measurement date		
City Single Agency & VRS FY18		<u>(36,487,522)</u>
Net Pension Expense		(12,339,035)
OPEB Expense, Note 16		15,328,413
Contributions, measurement date		
City OPEB FY18		<u>(12,205,642)</u>
Net OPEB Adjustment		<u>3,122,771</u>
Adjustment to Exhibit IV	\$	<u>(9,216,264.00)</u>

Deferred Inflows

Deferred Inflows: Exhibit I		
Deferred Inflows Exhibit III	\$	309,185,061
Tax Receivable, Note I		<u>(23,914,885)</u>
Deferred Gain on Refunding Bonds, Note I		<u>(5,056,021)</u>
Adjustment Exhibit III		<u>(28,970,906)</u>
Deferred Inflows, Taxes Exhibit I		<u>285,270,176</u>
Deferred Inflows, Pensions & OPEB Exhibit I	\$	<u>33,987,738</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 9. LONG-TERM DEBT (continued)

Component Unit – School Board

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Within One Year	Long-term Payable
Compensated absences	\$ 7,299,193	\$ 11,661,905	\$ (11,484,494)	\$ 7,476,604	\$ 952,819	\$ 6,523,785
Workers' Compensation Claims	851,548	1,047,372	(804,134)	1,094,786	766,351	328,435
Capital Leases	2,486,640	-	(604,070)	1,882,570	646,074	1,236,496
Rent Abatement Accrual (ACPS Note 6)	2,571,059	-	(230,196)	2,340,863	230,196	2,110,667
Net Pension Liability	259,630,000	41,158,920	(71,082,000)	229,706,920	-	229,706,920
Net OPEB Liability	13,398,252	2,526,527	(4,266,729)	11,658,050	-	11,658,050
Total	\$ 286,236,692	\$ 56,394,724	\$ (88,471,623)	\$254,159,793	\$ 2,595,440	\$251,564,353

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, 2018, \$125.8 million of bonds outstanding were considered defeased.

Current-Year Defeasance of Debt

On September 7, 2017, the City Council issued \$63.1 million in Tax-Exempt General Obligation Refunding Bonds with an all-in cost of 2.02 percent to advance refund a portion of the City's Series 2008A Bonds, Series 2011 Bonds, Series 2012B Bonds, and Series 2013 Bonds aggregating \$68.4 million. After paying \$0.3 million in issuance costs, \$76.9 million, with an equity contribution from the City were used to purchase an Open Market portfolio which included 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 refunded bonds are considered to be defeased and are not included in the City's financial statements. This advance refunding resulted in a savings for the City of \$6.5 million in future debt service payments over the next 16 years and obtain economic gain of \$4.8 million.

On September 7, 2017, the City Council issued \$39.1 million in Tax-Exempt General Obligation Refunding Bonds with an all-in cost of 1.9 percent to refund a portion of the City's Series 2009B Build America Bonds aggregating \$44.5 million. After paying \$0.2 million in issuance costs, \$46.8 million were used to purchase an Open Market portfolio which included U.S. Government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for future principal payments on the refunded bonds. The deposit to the escrow fund is not sufficient to pay the full debt service on the refunded bonds. Accordingly, the refunded bonds are legally outstanding until the call date, July 1, 2019 when the refunded bonds will be considered defeased and will no longer be included in the City's financial statements. This refunding resulted in a savings for the City of \$4.1 million in future debt service payments over the next 13 years and obtain economic gain of \$3.7 million.

On December 20, 2017, the City Council issued \$34.9 million in Tax-Exempt General Obligation Refunding Bonds with an all-in cost of 1.2 percent to refund a portion of the City's Series 2010B Build America Bonds

NOTE 9. LONG-TERM DEBT (continued)

aggregating \$40.5 million. After paying \$0.3 million in issuance costs, \$42.9 million were used to purchase State and Local Government Securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for future principal payments on the refunded bonds. The deposit to the escrow fund is not sufficient to pay the full debt service on the refunded bonds. Accordingly, the refunded bonds are legally outstanding until the call date, July 1, 2020 when the refunded bonds will be considered defeased and will no longer be included in the City's financial statements. This refunding resulted in a savings for the City of \$3.0 million in future debt service payments over the next 14 years and obtain economic gain of \$2.6 million.

DRAFT

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 10. INTERFUND BALANCES AND COMPONENT UNIT TRANSACTIONS

Primary Government

Interfund receivable/payable consisted of the following at June 30, 2018:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government - General Fund	Primary Government - Alexandria Transit Company	\$ 200,000

This balance represents timing differences related to accounts receivable.

Interfund transfers and transactions for the year ended June 30, 2018 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	\$ -	\$ 10,705,736	\$ -	\$ -	\$ 10,705,736
Special Revenue	59,986,948	77,731	-	-	60,064,679
Capital Projects	43,348,676	12,260,317	497,174	-	56,106,167
Internal Service	-	313,760	-	-	313,760
Alexandria Transit	648,657	11,692,233	-	-	12,340,890
Total Transfers Out	103,984,281	35,049,777	497,174	-	139,531,232
Component Unit					
School Board*	214,061,472	-	-	(7,197,539)	206,863,933
Library	6,935,201	-	-	-	6,935,201
Total Transfers Out	\$ 220,996,673	\$ -	\$ -	\$ (7,197,539)	\$ 213,799,134

*From ACPS CAFR Exhibit IV. General amount excludes Contributions/Donations.

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 \$0.1 million in capital assets to Alexandria Transit in FY 2018.

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, 2018

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 \$173.0 million in FY 2018. Sources of these revenues were as follows:

GOVERNMENTAL FUNDS	
Federal Government	\$ 34,886,019
Commonwealth of Virginia	73,430,544
Total Primary Government	<u>108,316,563</u>
FEDERAL GOVERNMENT	
School Board	16,292,323
Component Units - Federal Government	<u>16,292,323</u>
COMMONWEALTH OF VIRGINIA	
School Board	47,790,225
Library	169,278
Component Units - Commonwealth of Virginia	<u>47,959,503</u>
Total Component Units	<u>64,251,826</u>
TOTAL CITY AND COMPONENT UNITS	
Federal Government	51,178,342
Commonwealth of Virginia	121,390,047
Total Intergovernmental Revenue	<u>\$ 172,568,389</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 13. DUE FROM OTHER GOVERNMENTS

Due from other governments represents accrued revenue at June 30, 2018, consisting of the following:

PRIMARY GOVERNMENT

State

General Fund	\$	31,163,998
Special Revenue Fund		2,281,805
Alexandria Transit		14,189
Total State		<u>33,459,992</u>

Federal

General Fund		1,066,743
Special Revenue Fund		6,132,824
Total Federal		<u>7,199,567</u>

Total Primary Government		<u>40,659,559</u>
--------------------------	--	-------------------

COMPONENT UNITS

State

School Board		1,689,079
Library		5,716
Total State		<u>1,694,795</u>

Federal

School Board		3,525,906
Total Federal		<u>3,525,906</u>

Total Component Units		<u>5,220,701</u>
-----------------------	--	------------------

Total Primary Government & Component Units	\$	<u>45,880,260</u>
---	-----------	--------------------------

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 14. JOINT VENTURES

A joint venture is a legal entity or other organization that results from a contractual arrangement and is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain: (1) an ongoing financial interest or (2) an ongoing financial responsibility.

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 \$6.6 million 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 million 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 2018, 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 2018.

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. 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.

D. Virginia Railway Express (VRE)

In July 2014, the City entered an amended agreement with the Northern Virginia Transportation Commission (NVTC), the Potomac and Rappahannock Transportation Commission (PRTC), and several jurisdictions in Northern Virginia to provide commuter rail services. The commuter rail service is known as Virginia Railway Express (VRE). In fiscal year 2018, the City made payments of \$140,589 to VRE.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

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.

A. Alexandria Housing Development Corporation (AHDC)

AHDC is an affordable housing provider.

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, AHDC, and Pulte Homebuilders. None of these related entities are 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 FY2018, 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 \$1.9 million when the project was being constructed, but no payments were received in FY 2018.

Carpenter's Shelter

On December 17, 2016, City Council approved a loan in the amount of \$7.1 million for AHDC Carpenter's Shelter project. In June 2017 the project was awarded Low-Income Housing Tax Credit (LIHTC) credits by Virginia Housing Development Authority (VHDA). The City distributed \$500,000 in predevelopment Funds and will close on the full loan in FY 2019.

King and Beauregard

On November 15, 2015, City Council approved a loan in the amount of \$5.5 million for AHDC for the King and Beauregard project. In June 2016, the project was awarded LIHTC credits by VHDA. In February 2018 the City closed on the loan and distributed \$5.2 million in loan proceeds. The City had previously distributed \$350,000 in predevelopment loan funds.

B. Arlington Housing Corporation, Inc (AHC)

East Reed LLC (ERLLC)

In February 2013, the City of Alexandria created a special purpose entity, ERLLC, to enter into a public-private partnership arrangement with nonprofit housing developer, 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), and 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 million residual receipts loan agreement. During FY 2018, two interest payments totaling \$4,949 were made by AHC on the City residual reports loan.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 15. RELATED PARTY TRANSACTIONS (Continued)

Church of Resurrection

On January 20, 2018, City Council approved a loan in the amount of \$9.0 million for the AHC Church of the Resurrection project. In June 2018, the project was awarded LIHTC credits by VHDA. The City has distributed \$400,000 in predevelopment funds and will close on the full loan in FY 2019.

C. Alexandria Redevelopment and Housing Authority (ARHA)

ARHA is a public agency established under the Housing Authority Law, Chapter 1 Title 36 of the Code of Virginia of 1938. The agency develops a variety of housing projects around the City.

Ramsey Homes

On May 22, 2018 City Council approved a loan in the amount of \$3.6 million for ARHA's Ramsey Homes project. In June 2017, the project was awarded LIHTC credits by VHDA. The City has distributed no funds and will close on the loan in FY 2019.

DRAFT

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

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.

Full-time employees who retire under a primary City-sponsored retirement plan may continue to participate in a City-sponsored health insurance plan as a retiree. The City also offers a reimbursement program that is based on the actual cost of the retiree's monthly health care premium up to a maximum amount determined by the City Council. Eligibility is contingent upon the retiree providing proof of participation and payment to a health insurance plan. In FY 2018, 363 retirees participated in the reimbursement program. 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. In FY18, 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 \$2.4 million. Employees hired after June 30, 2008 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 to regular full-time employees hired prior to July 1, 2009, at no cost to the employee. At retirement, full-time regular employees hired before July 1, 2009, are eligible for basic life insurance at two times their salary as of the last January 1st rounded up to the nearest \$1,000, with applicable reductions after age 65. On January 1, following the 65th birthday, the basic life insurance amount is reduced by 25 percent and then by 10 percent each year until the 70th birthday. The ultimate insurance amount is 25 percent of the salary.

Prior to fiscal year 2018, the City followed the guidance in Statements No. 45 and 74 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.75, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans, effective fiscal year 2018. The objective of the statement is to improve the usefulness of information about post-employment benefits other than pensions.

The City established a Single Employer Other Post-Employment Benefit Trust Plan (OPEB) and plans to fund the obligation through this Trust Fund using a phased in approach. There are no legal or contractual requirements for contributing to the OPEB Trust Fund. Line of Duty Act (LODA) is part of the OPEB Trust Fund. OPEB Trust Fund contributions are comprised of contributions to the Trust Fund and Pay-Go Contributions.

The City does not issue a stand-alone financial report for the OPEB Trust Fund. The financial statements and required supplementary information are included in the City's Comprehensive Annual Financial Report.

Plan Administration

The City's OPEB Plan, which includes the Line of Duty (LODA), is overseen 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

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

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.

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, 2018.

Target Allocations

<u>Asset Class</u>	<u>Target Allocation</u>
Large Cap Growth	10%
Large Cap Value	15%
Mid Cap Core	10%
Private Equity	5%
Small Cap Core	5%
International Developed Markets	10%
Emerging Markets	15%
Fixed Income Domestic	10%
Tactical Asset Allocation	5%
Timber	5%
Real Estate	5%
Farmland	5%
Total	100%

Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 7.39 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

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 in which funds were invested, taking the arithmetic mean and adjusting it for inflation of 2.50 percent. The long term expected rates of return for each major asset class as of June 30, 2018 are summarized in the following table.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

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

<u>Asset Class</u>	<u>Long Term Expected Rate of Return</u>
Diversified Assets	0.3%
Equity	4.7%
Real Assets	0.6%
Fixed Income	0.9%
Return	6.5%
Inflation	2.5%
Return w/ Inflation	9.0%
Risk	
Adjustment	-1.5%
Total Expected Arithmetic Nominal Return	7.5%

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, 2016. An expected contribution was calculated each year based on the current funding policy. The long-term expected rate of return used for funding purposes in the December 31, 2017 actuarial reports was reduced from 7.50 percent to 6.75 percent. The discount rate used for the GASB 74/75 report is 7.50 percent.

Membership

At January 1, 2018, membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	1,445
Terminated Employees Entitled to Benefits But not yet receiving them	---
Active Employees	<u>2,224</u>
TOTAL	<u>3,669</u>

Annual OPEB Costs and Net OPEB Liability

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

Effective July 1, 2017, the City's GASB requirements fall under GASB 74 and 75 and the entire liability has been booked on the balance sheet. The actuarially determined contribution (ADC) consists of two parts: (1) the normal cost, which represents the annual cost attributable to service earned in a given year, and (2) the amortization of the Unfunded Actuarial Liability (UAL), which is based on a closed period ending December 31, 2037. Under the current

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

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

method of actuarial funding, the City contributes the entire ADC. As of the December 31, 2017 actuarial reports, the Unfunded Actuarial Accrued Liability (UAAL) decreased from \$57.7 million to \$53.7 million for Regular Benefits. The Unfunded Actuarial Liability (UAL) decreased from \$25.9 million to \$19.5 million for Line of Duty Act Benefits.

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.

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 the Fire and Police Members are the assumptions that were adopted by the City of Alexandria Firefighters and Police Officers Pension Plan Board based upon the results of an actuarial experience study covering the period July 1, 2013 through June 30, 2017. The actuarial assumptions for the City Members are similar to the assumptions that were adopted by the City of Alexandria Supplemental Retirement Plan Board based upon the results of an actuarial experience study covering the period July 1, 2010 through June 30, 2015. Terminations and Disability rates were further adjusted to reflect the difference in the definition of disability between the OPEB Plan and the Pension Plan. Changes made can be referenced in the Required Supplemental Information.

In the actuarial valuations the same mortality rates are used for both OPEB and LODA. Mortality rates for Fire and Police were based on the SOA RP-2014 Blue Collar Mortality Table adjusted to 2006 and projected fully generationally with scale MP-2017. The mortality rates for City employees were based on the RP-2000 Combined Mortality Table sex distinct for base rates. For mortality improvement, rates were projected generationally from the base year using a modified version of the MP-2015 projection scale. Disability mortality rates for Fire and Police were based on SOA RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected fully generationally with scale MP-2017. The disability mortality rates for City Employees were based on 70 percent of PBGC Disabled Mortality Table 5a for males, and 90 percent PBGC Disabled Mortality Table 6a for females.

For the December 31, 2017 actuarial valuations, the following assumptions apply to both OPEB and LODA valuation reports. The investment rate used was 6.75 percent. The entry-age actuarial cost method was used. An annual medical cost trend rate of 7.00 percent for 2018 grading down to 5.00 percent over 14 years was used for non-Medicare and 6.87 percent for 2018 grading down to 5.00 percent over 14 years for Medicare. Salary scale ranges were from 3.25 percent to 7.25 percent for Fire and Police and 3.25 percent to 5.10 percent for City employees depending on service with 3.25 percent 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, 2017 was 20 years.

Total OPEB Liability

The City of Alexandria's total OPEB liability of \$132,574,242 was measured as of June 30, 2018 and was determined by an actuarial valuation as of December 31, 2016, projected to June 30, 2018. Measurements as of the reporting date are based on the fair value of assets as of June 30, 2018 and the Total OPEB Liability as of the valuation date, December 31, 2016, updated to June 30, 2018. There were no significant events between the valuation date and the measurement date.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

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

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 6/30/2017	\$ 114,682,726	\$ 57,007,817	\$ 57,674,909
Changes for the year:			
Service cost	4,814,967	-	4,814,967
Interest	9,470,934	-	9,470,934
Changes in benefit terms	4,587,884	-	4,587,884
Changes in assumptions	5,078,954	-	5,078,954
Difference between expected and actual experience	244,419	-	244,419
Contributions-employer	-	12,205,642	(12,205,642)
Contributions-member	-	-	-
Net Investment Income	-	4,427,840	(4,427,840)
Benefit payments	(6,305,642)	(6,305,642)	-
Administrative Expense	-	(45,886)	45,886
Net Changes	<u>17,891,516</u>	<u>10,281,954</u>	<u>7,609,562</u>
Balances at 6/30/2018	<u>\$ 132,574,242</u>	<u>\$ 67,289,771</u>	<u>\$ 65,284,471</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$15,328,413.

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 203,683	\$ -
Changes of assumptions	4,232,462	-
Net difference between projected and actual earnings on OPEB plan investments	50,646	-
Total	<u>\$ 4,486,791</u>	<u>\$ -</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

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

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended December 31:

	2019	\$	899,889
	2020		899,889
	2021		899,889
	2022		899,891
	2023		887,233
	Thereafter		
Total Future Deferrals		<u>\$</u>	<u>4,486,791</u>

The components of the Net OPEB Liability of the City of Alexandria as of June 30, 2018 are as follows:

	Measurement Date	
	6/30/2018	6/30/2017
Total OPEB Liability	\$ 132,574,242	\$ 114,682,726
Plan Fiduciary Net Position	67,289,771	57,007,817
Net OPEB Liability	<u>\$ 65,284,471</u>	<u>\$ 57,674,909</u>
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	50.8%	49.7%

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 the discount rate that is 1.0 percent lower or higher than the current rate.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

	Current		
	1% Decrease	Discount Rate	1% Increase
	6.5%	7.5%	8.5%
Total OPEB Liability	\$ 148,230,734	\$ 132,574,242	\$ 119,618,295
Plan Fiduciary Net Position	67,289,771	67,289,771	67,289,771
Net OPEB Liability 6/30/2018	<u>\$ 80,940,963</u>	<u>\$ 65,284,471</u>	<u>\$ 52,328,524</u>
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	45.4%	50.8%	56.3%

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 1.0 percent lower and 1.0 percent higher.

Sensitivity of Net OPEB Liability to Changes in Healthcare Cost Trend Data

	Healthcare		
	1% Decrease	Trend	1% Increase
Total OPEB Liability	\$ 125,534,209	\$ 132,574,242	\$ 141,002,293
Plan Fiduciary Net Position	67,289,771	67,289,771	67,289,771
Net OPEB Liability 6/30/2018	<u>\$ 58,244,438</u>	<u>\$ 65,284,471</u>	<u>\$ 73,712,522</u>
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	53.6%	50.8%	47.7%

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

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 2018, \$46.8 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 2018, no 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 2018, \$1.5 million worth of investments were evaluated and classified in Level 3 of the fair value hierarchy.

\$18.9 million worth of investments were evaluated at Net Asset Value (NAV).

OPEB TRUST
As of June 30, 2018

<u>Portfolio</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Equity Securities</u>			
Common Stock & ETFs	\$ 7,102,626	\$ -	\$ -
Mutual Funds	38,416,360	-	-
Total Equity Securities	<u>45,518,986</u>	<u>-</u>	<u>-</u>
<u>Private Equity</u>			
Secondaries Funds	-	-	1,538,117
Total Private Equity	<u>-</u>	<u>-</u>	<u>1,538,117</u>
<u>Cash Equivalents</u>			
Money Market Funds	1,329,383	-	-
Total Cash Equivalents	<u>1,329,383</u>	<u>-</u>	<u>-</u>
Total Investments by Fair Asset Value	<u>46,848,369</u>	<u>\$ -</u>	<u>\$ 1,538,117</u>
Investments measured at net asset value (NAV)			
Commingled Collective Trusts	12,933,766		
Real Estate Funds	1,859,880		
Timber Funds	2,833,679		
Farmland	1,275,960		
Total Investments Measured at NAV	<u>18,903,285</u>		
Total Value	<u>\$ 67,289,771</u>		

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

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 2018, the OPEB trust fund lent U.S. Equities with a fair value of underlying securities of \$357,281 and cash collateral received from the borrower of \$366,912. Collateral investments are reported at cost, not market value.

DRAFT

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

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 the purpose of accumulating and investing assets to fund Other Post Employment 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 postemployment 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 Trust Fund assets. Investment decisions are made by the Trustees of the Pooled Trust. The Trustees are responsible for managing Pooled Trust assets through the appointment and oversight of investment managers and with the guidance of an investment advisor.

Eligibility

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:

VRS Tier 1:

- 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.

VRS Tier 2:

- Age plus service equals 90 for unreduced pension retirement benefits.
- Age 60 with at least 5 years of service for reduced pension retirement benefits.
- Social Security Normal Retirement Age with at least five years of service.

Benefits

Program participants may continue medical coverage by paying the appropriate subsidized premium which range from \$0.00 to \$1,786.44, 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 OPEB Trust Fund. In FY 2018, ACPS contributed up to \$265 for each participant. For employees hired July 1, 2008 or earlier: ACPS contributes \$265 per month for retiree medical coverage. This Board contribution will not exceed the premium for the coverage tier elected. The retiree and dependents pay the remainder of the premium, if any.

For employees hired after July 1, 2008: The retiree must complete five years of vesting service with ACPS to receive a Board contribution. ACPS contributes a pro-rated amount of \$265 per month equal to 5 percent per year

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

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

of service with ACPS (including the five 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. This Board contribution will not exceed the premium for the coverage tier elected. The retiree and dependents pay the remainder of the premium, if any.

Actuarial Assumptions

The key actuarial assumptions used in the January 1, 2018 valuation are reflected in the chart below.

Membership and Key Actuarial Assumptions	
Active plan members	2,403
Inactive/Deferred Vested	0
Retirees and spouses	<u>615</u>
Total	3,018
Covered Payroll	\$160,188,472
Long-term Expected Rate of Return	7.0 percent
Salary increases, including Inflation	3.0 percent
Ultimate Rate of Medical Inflation	4.5 percent
Discount Rate	7.0 percent
Healthcare Cost Trend Rates	UHC POS: 8% in 2018 then grading from 9% to 4.5% over 15 years; UHC MA-PD: 0% in 2018 then grading from 12% to 4.5% over 15 years; Kaiser: 1.25% in 2018 then grading from 7% to 4.5% over 15 years; Kaiser Medicare Plus: 1.25% in 2018 then grading from 10% to 4.5% over 15 years
Mortality rates:	
- Pre-Retirement	RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at 81 and older with Scale BB to 2020.
- Post-Retirement	RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at age 50 and older projected with Scale BB to 2020; males 1% increase compounded from ages 70 to 90; females setback 3 years with 1.5% increase compounded from ages 65 to 74 and 2% increase compounded from ages 75 to 90.
- Post-Disablement	RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

Investment Policy

The Pooled Trust Board of Trustees has the responsibility for managing the investment process. In fulfilling this responsibility, the Trustees will establish and maintain investment policies and objectives. Within this framework, the Trustees 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 Trustees are responsible for making changes to achieve this. The investment objective of the Pooled Trust

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

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

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 2018. 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. 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.

<u>Investment Type</u>	<u>Allocation</u>	<u>Expected Long-Term Rates of Return (real)</u>
Large Cap Equity (Domestic)	26.00%	7.53%
Small Cap Equity (Domestic)	10.00	8.79
International Equity (Developed)	13.00	5.51
Emerging Markets Equity	5.00	9.80
Private Equity	5.00	10.16
Core Bonds Fixed Income	7.00	2.74
Core Plus Fixed Income	14.00	3.01
Diversified Hedge Funds	16.00	5.29
Private Core Real Estate	5.00	5.91
Private Value Add Real Estate	2.00	7.15
Commodities	3.00	2.18
Total	<u>100.00%</u>	<u>6.59%</u>

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.

Discount Rate

The discount rate as of June 30, 2018 is 7.00 percent, which is the assumed long-term expected rate of return on Pooled Trust investments. 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.

Measurement Date

The measurement date used for the OPEB Trust GASB 75 reporting is June 30, 2018.

Concentrations

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

Money-weighted Rate of Return

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

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

For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 9.52 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Schedule of Investment Returns

Last 10 Fiscal Years⁽¹⁾

	2018	2017
Annual Money-Weighted Rate of Return Net of Investment Expense	9.52%	13.04%

⁽¹⁾This chart is intended to show information for 10 fiscal years. More data will be added as it becomes available.

Net OPEB Liability

The net OPEB liability at the beginning of the current measurement year is measured as of a valuation date of January 1, 2018 and rolled forward to June 30, 2018. The net OPEB liability at the end of the measurement year, June 30, 2018, is measured as of a valuation date of January 1, 2018 and projected to June 30, 2018. 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, 2017	\$ 30,168,207	\$ 16,769,955	\$ 13,398,252
Changes for the year:			
Service cost	1,119,634	-	1,119,634
Interest	2,159,080	-	2,159,080
Changes of benefits	-	-	-
Differences between expected and actual experience	(2,071,966)	-	(2,071,966)
Changes of assumptions	432,426	-	432,426
Contributions - employer	-	1,792,946	(1,792,946)
Contributions - member	-	-	-
Net investment income	-	1,605,675	(1,605,675)
Benefit payments	(902,946)	(902,946)	-
Administrative expense	-	(19,245)	19,245
Net changes	736,228	2,476,430	(1,740,202)
Balances as of June 30, 2018	\$ 30,904,435	\$ 19,246,385	\$ 11,658,050

Plan Fiduciary Net Position as a percentage of the Total OPEB Liability 62.28%

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

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

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 Fund using the discount rate of 7.0 percent, 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%
Total OPEB Liability	\$ 34,775,832	\$ 30,904,435	\$ 27,732,650
Plan Fiduciary Net Position	19,246,385	19,246,385	19,246,385
Net OPEB Liability	<u>\$ 15,529,447</u>	<u>\$ 11,658,050</u>	<u>\$ 8,486,265</u>

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability

55.3%	62.3%	69.4%
-------	-------	-------

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

The following presents the net OPEB liability of the Other Post-Retirement Employee Benefits Trust Fund 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.

	Trend Minus (-) 1%	Trend Baseline	Trend Plus (+) 1%
Total OPEB Liability	\$ 29,454,661	\$ 30,904,435	\$ 32,660,189
Plan Fiduciary Net Position	19,246,385	19,246,385	19,246,385
Net OPEB Liability	<u>\$ 10,208,276</u>	<u>\$ 11,658,050</u>	<u>\$ 13,413,804</u>

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability

65.3%	62.3%	58.9%
-------	-------	-------

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2018 the OPEB expense is \$1,831,567. At June 30, 2018, the deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,841,748
Change in assumptions	384,379	-
Net difference between projected and actual earnings on OPEB plan investments	-	321,454
Total	<u>\$ 384,379</u>	<u>\$ 2,163,202</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

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

Amounts reported as deferred outflows and inflows of resources will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2019	\$ (262,534)
2020	(262,534)
2021	(262,534)
2022	(262,534)
2023	(182,173)
Thereafter	(546,514)
Total	\$ (1,778,823)

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 through the use of investment income and employer contributions. For the period ending June 30, 2018, ACPS contributed \$1.7 million for current costs and an additional \$0.9 million to prefund benefits.

The current funding policy of ACPS is to contribute the pay-as-you-go benefit payments to the Trust Fund while contributing the actuarially determined contribution minus the pay-as-you-go benefit payments to the Pooled Trust. ACPS expects to contribute pay-as-you-go benefit payments to the Trust over the next 20 years. The assets were then projected forward reflecting known contributions through June 30, 2018, and then assuming the funding policy is followed going forward. Using the long-term expected rate of return of 7.0 percent, the assets are projected to always be greater than the expected benefit payments in any year.

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

Additional disclosures on changes in schools OPEB liability, related ratios, and employer contributions can be found in the RSI following the notes to the Financial Statements.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS

I. PRIMARY GOVERNMENT

During FY 2018, the City participated in six public employee retirement systems (PERS). One system is handled by the 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. Four are single-employer defined benefit systems where a stated methodology for determining benefits is provided. The four systems are the City Supplemental, Pension Plan for Fire and Police, Firefighters and Police Officers Pension Plan-defined benefit component, and Firefighters and Police Officers Pension Plan-disability component. The last system 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 overseen 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 board. There are four alternates nominated by the board and one alternate nominated by the City Manager. The Firefighters and Police Officers 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 members are nominated by the City Manager and four members are nominated 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 all boards.

Method Used to Value Investments

Investments are valued at fair value.

Investment Policy

The Firefighters and Police Officers 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 assets for the Pension Plan for the Firefighters and Police Officers are part of a group annuity contract with Prudential. Prudential invests the money according their guidelines. The following is the asset allocation policy as of June 30, 2018.

Target Allocations

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, 2018

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

<u>Asset Class</u>	Supplemental Retirement Plan	Firefighters & Police Officers Pension Plan	Pension Plan for Firefighters & Police Officers
Large Cap Growth	5%	5%	0%
Large Cap Value	10%	15%	0%
Mid Cap Core	10%	15%	0%
Private Equity	5%	5%	0%
Small Cap Core	5%	5%	0%
International Dev.	10%	10%	0%
Emerging Markets	10%	10%	0%
Domestic Fixed Income	7.5%	7.5%	0%
Global Fixed Income	10%	5%	0%
Tactical Asset Allocation	5%	5%	0%
Timber	5%	10%	0%
Real Estate	8%	0%	0%
Farmland	2%	0%	0%
Cash/ Other Fixed	7.5%	7.5%	0%
Guaranteed Deposit	0%	0%	100%
Total	100%	100%	100%

<u>Asset Class</u>	<u>Estimate</u>	<u>Firefighters & Police Officers Pension Plan</u>		<u>Supplemental Retirement Plan</u>		<u>Pension Plan for Firefighters & Police Officers</u>	
		<u>Allocation</u>	<u>Return</u>	<u>Allocation</u>	<u>Return</u>	<u>Allocation</u>	<u>Return</u>
Diversified	6.4%	0.0%	0.0%	4.9%	0.3%	0.0%	0.0%
Domestic Equity	7.2%	66.4%	4.7%	55.3%	4.0%	0.0%	0.0%
Commodities	5.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Real Assets	6.4%	13.0%	0.8%	14.3%	0.9%	0.0%	0.3%
Fixed Income	4.8%	20.1%	1.0%	24.1%	1.1%	0.0%	0.0%
Cash	1.8%	0.5%	0.0%	1.4%	0.0%	100.0%	3.5%
Return			6.6%		6.4%		3.5%
Inflation			2.5%		2.5%		2.5%
Return w/Inflation			9.1%		8.9%		6.0%
Risk Adjustment			-1.5%		-1.5%		-0.5%
Total Expected Arithmetic Nominal Return			7.6%		7.4%		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>
8.7%	10.3%	4.9%

**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, 2018

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>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.8%</u>
Inflation			<u>2.50%</u>
Expected arithmetic nominal return			<u>7.30%</u>

VRS 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 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 percent. 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, 2018

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Exhibit XII
(Continued)

Combining Schedule of Fiduciary Net Position

	Employee Retirement Plans					Post Retirement	Total
	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	
ASSETS							
Investments, at Fair Value							
Mutual Funds	\$ 43,070,344	\$ -	\$ 12,745,063	\$ 100,510,065	\$ 16,814,376	\$ 38,416,360	\$ 211,556,208
Stocks	21,134,184	-	-	18,153,217	1,725,684	7,102,626	48,115,711
Guaranteed Investment Accounts	1,950,156	19,469,687	-	1,694,574	7,248,666	1,324,610	31,687,693
Real Estate	10,335,993	-	-	30,922,196	2,473,776	1,859,880	45,591,845
Timber	6,925,255	-	-	11,570,281	926,231	2,833,679	22,255,446
Private Equity	6,899,473	-	-	11,997,273	1,099,118	1,538,117	21,533,981
Other	48,602,618	-	-	122,100,441	982,207	14,214,499	185,899,765
Total Investments	<u>138,918,023</u>	<u>19,469,687</u>	<u>12,745,063</u>	<u>296,948,047</u>	<u>31,270,058</u>	<u>67,289,771</u>	<u>566,640,649</u>
Total Assets	<u>138,918,023</u>	<u>19,469,687</u>	<u>12,745,063</u>	<u>296,948,047</u>	<u>31,270,058</u>	<u>67,289,771</u>	<u>566,640,649</u>
NET POSITION							
Held in Trust for Pension Benefits	<u>\$ 138,918,023</u>	<u>\$ 19,469,687</u>	<u>\$ 12,745,063</u>	<u>\$ 296,948,047</u>	<u>\$ 31,270,058</u>	<u>\$ 67,289,771</u>	<u>\$ 566,640,649</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Exhibit XII
(Continued)

Combining Schedule of Changes in Fiduciary Net Position

	Employee Retirement Plans					Post Retirement	Total
	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	
ADDITIONS							
Contributions:							
Employer	\$ 8,148,716	\$ 1,700,000	\$ -	\$ 10,436,128	\$ 6,219,316	\$ 5,900,000	\$ 32,404,160
Plan Members	1,140,415	-	-	2,745,051	225,640	-	4,111,106
Total Contributions	<u>9,289,131</u>	<u>1,700,000</u>	<u>-</u>	<u>13,181,179</u>	<u>6,444,956</u>	<u>5,900,000</u>	<u>36,515,266</u>
Investment Income:							
Net Appreciation (Depreciation) in Fair Value of Investments	7,600,798	-	988,295	10,448,732	950,410	1,593,600	21,581,835
Interest	6,844,601	706,055	8,179	14,968,227	1,296,816	2,999,119	26,822,997
Investment Expense	(623,307)	-	-	(1,220,040)	(118,351)	(164,879)	(2,126,577)
Net Investment Income	<u>13,822,092</u>	<u>706,055</u>	<u>996,474</u>	<u>24,196,919</u>	<u>2,128,875</u>	<u>4,427,840</u>	<u>46,278,255</u>
Total Additions	<u>23,111,223</u>	<u>2,406,055</u>	<u>996,474</u>	<u>37,378,098</u>	<u>8,573,831</u>	<u>10,327,840</u>	<u>82,793,521</u>
DEDUCTIONS							
Benefits	22,583,416	3,056,201	667,978	13,683,234	2,559,854	-	42,550,683
Refunds of Contributions	508,876	-	-	282,301	-	-	791,177
Administrative Expenses	1,009,780	21,933	4,703	381,934	2,467	45,886	1,466,703
Total Deductions	<u>24,102,072</u>	<u>3,078,134</u>	<u>672,681</u>	<u>14,347,469</u>	<u>2,562,321</u>	<u>45,886</u>	<u>44,808,563</u>
Net Increase (Decrease)	(990,849)	(672,079)	323,793	23,030,629	6,011,510	10,281,954	37,984,958
Assets Transfer in (Out)	-	-	-	-	-	-	-
Net Position at Beginning of Year	139,908,872	20,141,766	12,421,270	273,917,418	25,258,548	57,007,817	528,655,691
Net Position at End of Year	<u>\$ 138,918,023</u>	<u>\$ 19,469,687</u>	<u>\$ 12,745,063</u>	<u>\$ 296,948,047</u>	<u>\$ 31,270,058</u>	<u>\$ 67,289,771</u>	<u>\$ 566,640,649</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

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, 2017 actuarial valuation is 7.74 percent of payroll. Contribution rates for VRS employers are established every two years, so this rate will apply to fiscal years ending 2019 and 2020.

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 1.00 percent which is matched by the City. A voluntary employee contribution of up to an additional 4.00 percent is allowed with the City matching up to 1.00 percent on the first 1.00 percent of voluntary contributions plus 0.25 percent for each additional 0.50 percent. The employer contribution includes the contribution to the Defined Contribution Plan for Hybrid members.

As of June 30, 2018, the City of Alexandria had 550 employees enrolled in the Hybrid Defined Contribution Plan. The FY 2018 City contribution was \$0.6 million.

The 2017 VRS valuation reflects changes in the actuarial assumptions adopted by the Board of Trustees recommended in the experience study for the four-year period ending June 30, 2016. The assumption changes are presented in the RSI for Pensions. In addition to the assumption changes, the method to determine the normal cost rate has changed. Beginning with the 2017 valuation, the payroll used to develop the rate will be reduced for those expected to leave during the year. The normal cost rate is also adjusted to reflect that the hybrid payroll as a percent of total payroll will increase from the setting valuation date to when employers make that contribution.

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

Historically the City has assumed the responsibility of paying 2.00 percent of the employee share of contributions for the City Supplemental Retirement Plan. Employees commencing participation in this Plan after July 1, 2009, will make the 2.00 percent employee contribution. The City will continue to make the 2.00 percent contribution for employees who were participants prior to July 1, 2009. However, these contributions will be characterized as employer contributions. The City paid an employer contribution of 5.58 percent for FY2018.

The recommended contribution rate increased from 26.34 percent as of July 1, 2016 to 33.75 percent as of July 1, 2017 for the Firefighter and Police Officers Basic Plan and decreased from 11.84 percent as of July 1, 2016 to 4.55 percent as of July 1, 2017 for the Disability Plan. During the year ended June 30, 2017, the Basic Plan's assets returned 13.68 percent and the Disability Plan's assets had a return of 13.40 percent 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 for both plans were 8.08 percent. As of the July 1, 2017 Actuarial Valuation, the Basic Plan's unfunded actuarial liability was \$71.6 million, and the Disability Plan's unfunded actuarial liability was \$11.6 million. There were no benefit provisions changes. Effective with the July 1, 2016 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, 2013 to June 30, 2017. The changes in assumptions are presented in the RSI for Pensions. The actuarial assumptions for the Pension Plan for Firefighters and Police Officers, have been changed since the prior actuarial valuation. The actuarial assumptions reflect the actuary's understanding of the likely future experience of the Plan. The changes in assumptions are presented in the RSI for Pensions. The Supplemental Plan's lump sum conversion rate changed since the last actuarial valuation to reflect the lump sum plan provisions, and the assumed rate of investment return was changed from 7.25 percent to 7.00 percent. The Supplemental Plan's remaining assumptions were updated in the July 1, 2015 valuation as a result of an actuarial experience study covering the period of July 1, 2010 through June 30, 2015.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

On June 30, 2018, the City recognized a total liability of \$94.8 million for the City's four Single Employer Pension Plans. Measurements as of June 30, 2018 were based on the fair value of assets as of June 30, 2018 and the Total Pension Liability as of the valuation date, June 30, 2017, updated to June 30, 2018. The City recognized a liability of \$68.2 million for the VRS net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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 normal costs. 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.

DRAFT

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

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.

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	6/30/2017	7/1/2017	7/1/2017	6/30/2018	7/1/2017	7/1/2017
MEMBERSHIP AND PLAN PROVISIONS						
Active Participants	1973	1944	0	60	514	514
Retirees & Beneficiaries	1158	478	104	0	308	100
Terminated Vested & Non-vested	740	826	0	60	35	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

* Tier 1 members. Tier 2 and Hybrid members' normal retirement benefit age is their Social Security Retirement age.

** VRS Hybrid Plan members are vested in the Defined Contributions Plan after four years.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

MEMBERSHIP AND PLAN PROVISIONS

As of:	6/30/2017	7/01/2017	7/01/2017	6/30/2018	7/01/2017	7/01/2017
	(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
SIGNIFICANT ACTUARIAL ASSUMPTIONS						
Investment Earnings	7.0%	7.0%	5.0%	N/A	7.0%	7.0%
Projected Salary Increases						
Attributable to:						
Inflation	2.5%*	2.75%	N/A	N/A	3.3%	3.3%
Seniority/Merit	3.50% -5.35%**	3.25%-5.10%	N/A	N/A	3.25%-7.25%	3.25%-7.25%
Projected Postretirement Increases	2.5%*, 2.25% ¹	None	2.5%	N/A	2.5%	2.5%
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	Level Percentage	Level dollar	Level dollar	N/A	Level Percentage	Level Percentage
Open/Closed	Closed	N/A	Closed	N/A	Closed	Closed
Remaining Amortization Period	17-26	10	8	N/A	15	15
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	\$ 500,324,777	\$ 138,799,411	\$ 20,141,766	N/A	\$ 272,466,846	\$ 25,044,989
Actuarial Accrued Liability	576,760,007	165,271,825	25,593,938	N/A	344,086,696	36,608,387
Unfunded Actuarial Accrued Liability (UAAL)	\$ 76,435,230	\$ 26,472,414	\$ 5,452,172	N/A	\$ 71,619,850	\$ 11,563,398
Funded Ratio	86.8%	84.0%	78.7%	N/A	79.2%	68.4%
Annual Covered Payroll	\$ 131,605,713	\$ 142,843,740	N/A	N/A	\$ 40,352,969	\$ 40,352,969
UAAL as Percentage of Covered Payroll	58.1%	18.5%	N/A	N/A	177.5%	28.7%

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

* Plan 1, ¹Plan 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, 2018

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

FUNDING POLICY AND ANNUAL PENSION COSTS

As of:	6/30/2018	6/30/2018	6/30/2018	6/30/2018	6/30/2018	6/30/2018
	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%	6.19%	\$ 1.7 mil/Yr.	N/A	27.30%	16.07%
AMOUNT CONTRIBUTED						
Employee	\$ 6,382,493	\$ 1,140,415	\$ -	\$ -	\$ 2,745,051	\$ 225,640
Employer	9,983,362	8,148,716	1,700,000	-	10,436,128	6,219,316
Total Amount Contributed	<u>\$ 16,365,855</u>	<u>\$ 9,289,131</u>	<u>\$ 1,700,000</u>	<u>\$ -</u>	<u>\$ 13,181,179</u>	<u>\$ 6,444,956</u>

All employees make a 5% contribution to VRS.

COVERED PAYROLL

Dollar Amount (in millions)	\$ 131.6	\$ 142.8	\$ N/A	\$ N/A	\$ 39.6	\$ 39.6
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)	*	1%	100%	-	1%	23%
Prudential and Comerica Mutual Funds	*	31%	-	100%	34%	54%
Stocks	*	15%	-	-	6%	6%
Real Estate	*	7%	-	-	10%	8%
Timber	*	5%	-	-	4%	3%
Private Equity	*	5%	-	-	4%	4%
Other	*	35%	-	-	41%	3%

* Investment information not available on an individual jurisdiction basis.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Firefighters and Police Officers Defined Benefit and Disability Pension Plans
As of June 30, 2018

<u>Portfolio</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Equity Securities</u>			
Common Stock & ETFs	\$ 18,153,217	\$ -	\$ -
Mutual Funds	<u>-</u>	<u>100,510,065</u>	<u>-</u>
Total Equity Securities	18,153,217	100,510,065	-
<u>Private Equity</u>			
Secondaries Funds	<u>-</u>	<u>-</u>	<u>11,997,273</u>
Total Private Equity	-	-	11,997,273
<u>Cash Equivalents</u>			
Money Market Funds	<u>-</u>	<u>2,056,066</u>	<u>-</u>
Total Cash Equivalents	-	2,056,066	-
Total Investments by Fair Asset Value	<u>18,153,217</u>	<u>\$ 102,566,131</u>	<u>\$ 11,997,273</u>
Investments measured at net asset value (NAV)			
Commingled Collective Trusts	153,009,007		
Real Estate Funds	30,922,196		
Timber Funds	<u>11,570,281</u>		
Total Investments Measured at NAV	<u>195,501,484</u>		
Total Value	<u>\$ 328,218,105</u>		

During fiscal year 2018, \$328.2 million worth of investments were evaluated and classified in the fair value hierarchy as follows: Level 1, \$18.2 million; Level 2, \$102.6 million; Level 3, \$12.0 million; and NAV, \$195.5 million.

Pension for Fire and Police Portfolio
As of June 30, 2018

<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	\$ -	\$ 19,469,687	\$ -
Totals	\$ -	\$ 19,469,687	\$ -

During fiscal year 2018, \$19.5 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, 2018

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Retirement Income for Firefighters and Police
As of June 30, 2018

<u>Portfolio</u>	Fair Value Measurement Using		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Vanguard LifeStrategy Mod GR	\$ -	\$ 1,489,932	\$ -
Vanguard LifeStrategy Growth	-	453,487	-
Vanguard Target Retire 2020	-	663,798	-
Vanguard Target Retire 2025	-	13,921	-
Vanguard Target Retire 2030	-	63,784	-
Vanguard Target Retire 2035	-	38,504	-
Vanguard Target Retire 2050	-	8,517	-
Vanguard Target Retire 2055	-	19,760	-
Vanguard Developed Markets Idx	-	452,087	-
Vanguard Extended Market Index	-	1,055,009	-
Vanguard Emerging Mkts Stk Idx	-	273,195	-
Vanguard 500 Index Admiral	-	3,404,028	-
Invesco Global Real Estate Inc	-	32,689	-
Vanguard REIT Index Admiral	-	53,261	-
PIMCO ComodityReal Ret Strat	-	3,698	-
PIMCO Total Return Admin	-	66,473	-
PIMCO High Yield Institutional	-	4,002	-
PIMCO Foreign Bond (Unhedged)	-	3,708	-
Vanguard Inflation-Protected Secs	-	3,650	-
Vanguard Total Bond Market Idx	-	22,413	-
VT PLUS Fund	-	4,619,147	-
Totals	\$ -	\$ 12,745,063	\$ -
Total Value	<u>\$ 12,745,063</u>		

During fiscal year 2018, \$12.7 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, 2018

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Supplemental Retirement Plan
As of June 30, 2018

<u>Portfolio</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Equity Securities</u>			
Common Stock & ETFs	\$ 21,134,184	\$ -	\$ -
Mutual Funds	-	43,070,344	-
Total Equity Securities	<u>21,134,184</u>	<u>43,070,344</u>	<u>-</u>
<u>Private Equity</u>			
Secondaries Funds	-	-	6,899,473
Total Private Equity	<u>-</u>	<u>-</u>	<u>6,899,473</u>
<u>Cash Equivalents</u>			
Money Market Funds	-	1,927,310	-
Total Cash Equivalents	<u>-</u>	<u>1,927,310</u>	<u>-</u>
Total Investments by Fair Asset Value	<u>21,134,184</u>	<u>\$ 44,997,654</u>	<u>\$ 6,899,473</u>
Investments measured at net asset value (NAV)			
Commingled Collective Trusts	46,073,544		
Real Estate Funds	10,335,993		
Timber Funds	6,925,255		
Farmland	2,551,920		
Total Investments Measured at NAV	<u>65,886,712</u>		
Total Value	<u><u>\$ 138,918,023</u></u>		

During fiscal year 2018, \$138.9 million worth of investments were evaluated and classified in the fair value hierarchy as follows: Level 1, \$21.1 million; Level 2, \$45.0 million; Level 3, \$6.9 million; and NAV, \$65.9 million.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

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 FY 2018, 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, 2018

Pension Plan	Fair Value of Underlying Securities	Cash Collateral Received
Firefighters & Police Officers – Defined Benefit Component	\$2,733,543	\$2,766,862
Firefighters & Police Officers – Disability Component	136,730	139,240
Supplemental Retirement Plan	1,313,380	1,331,998
Total	\$4,183,653	\$4,238,100

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

For the year ended June 30, 2018, the City recognized a total pension expense of \$20,446,151 for the City's Firefighters and Police Officers Pension Plan, Firefighters and Police Officers Disability Plan, the Supplemental Plan, and the Pension Plan for Firefighters and Police Officers. The City recognized pension expense of \$3,702,336 for the VRS Pension Plan.

DRAFT

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

	Total Pension Liability	Increase (Decrease)	
		Plan Fiduciary Net Position	Net Pension Liability
Firefighters & Police Officers Pension Plan	(a)	(b)	(a)-(b)
Balances as of 6/30/2017	\$ 324,099,611	\$ 273,917,418	\$ 50,182,193
Changes for the year:			
Service cost	8,390,462	-	8,390,462
Interest	24,192,874	-	24,192,874
Changes in benefit terms	-	-	-
Changes in assumptions	19,234,689	-	19,234,689
Difference between expected and actual experience	752,396	-	752,396
Contributions-employer	-	10,436,128	(10,436,128)
Contributions-employee	-	2,745,051	(2,745,051)
Net Investment Income	-	24,196,919	(24,196,919)
Benefit payments, including refunds	(13,965,535)	(13,965,535)	-
Administrative Expense	-	(381,934)	381,934
Net Changes	<u>38,604,886</u>	<u>23,030,629</u>	<u>15,574,257</u>
Balances at 6/30/2018	<u>\$ 362,704,497</u>	<u>\$ 296,948,047</u>	<u>\$ 65,756,450</u>

	Total Pension Liability	Increase (Decrease)	
		Plan Fiduciary Net Position	Net Pension Liability
Firefighters & Police Officers Disability Pension Plan	(a)	(b)	(a)-(b)
Balances as of 6/30/2017	\$ 39,949,882	\$ 25,258,549	\$ 14,691,333
Changes for the year:			
Service cost	543,661	-	543,661
Interest	2,512,564	-	2,512,564
Changes in benefit terms	-	-	-
Changes in assumptions	1,707,637	-	1,707,637
Difference between expected and actual experience	(5,049,132)	-	(5,049,132)
Contributions-employer	-	6,219,316	(6,219,316)
Contributions-employee	-	225,640	(225,640)
Net Investment Income	-	2,128,875	(2,128,875)
Benefit payments, including refunds	(2,559,855)	(2,559,855)	-
Administrative Expense	-	(2,467)	2,467
Net Changes	<u>(2,845,125)</u>	<u>6,011,509</u>	<u>(8,856,634)</u>
Balances at 6/30/2018	<u>\$ 37,104,757</u>	<u>\$ 31,270,058</u>	<u>\$ 5,834,699</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Supplemental Retirement Plan	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of 6/30/2017	\$ 163,560,136	\$ 139,908,872	\$ 23,651,264
Changes for the year:			
Service cost	4,561,409	-	4,561,409
Interest	11,093,766	-	11,093,766
Changes in benefit terms	(7,321,279)	-	(7,321,279)
Changes in assumptions	3,537,513	-	3,537,513
Difference between expected and actual experience	5,495,455	-	5,495,455
Contributions-employer	-	8,148,716	(8,148,716)
Contributions-employee	-	1,140,415	(1,140,415)
Net Investment Income	-	13,822,092	(13,822,092)
Benefit payments, including refunds	(23,092,292)	(23,092,292)	-
Administrative Expense	-	(1,009,780)	1,009,780
Net Changes	<u>(5,725,428)</u>	<u>(990,849)</u>	<u>(4,734,579)</u>
Balances at 6/30/2018	<u>\$ 157,834,708</u>	<u>\$ 138,918,023</u>	<u>\$ 18,916,685</u>

Pension Plan for Firefighters & Police Officers	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of 6/30/2017	\$ 25,172,340	\$ 20,141,766	\$ 5,030,574
Changes for the year:			
Service Cost	-	-	-
Interest	1,204,224	-	1,204,224
Changes in benefit terms	-	-	-
Changes in assumptions	1,282,305	-	1,282,305
Difference between expected and actual experience	(860,707)	-	(860,707)
Contributions-employer	-	1,700,000	(1,700,000)
Contributions-employee	-	-	-
Net Investment Income	-	706,055	(706,055)
Benefit payments, including refunds	(3,056,201)	(3,056,201)	-
Administrative Expense	-	(21,933)	21,933
Net Changes	<u>(1,430,379)</u>	<u>(672,079)</u>	<u>(758,300)</u>
Balances at 6/30/2018	<u>\$ 23,741,961</u>	<u>\$ 19,469,687</u>	<u>\$ 4,272,274</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

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)
Balances as of 6/30/2016	\$ 557,958,157	\$ 463,063,125	\$ 94,895,032
Changes for the year:			
Service cost	11,562,356	-	11,562,356
Interest	38,089,007	-	38,089,007
Changes in benefit terms	-	-	-
Changes in assumptions	(539,132)	-	(539,132)
Difference between expected and actual experience	(3,765,626)	-	(3,765,626)
Contributions-employer	-	9,969,716	(9,969,716)
Contributions-employee	-	6,513,944	(6,513,944)
Net Investment Income	-	55,894,128	(55,894,128)
Benefit payments, including refunds	(27,658,980)	(27,658,980)	-
Other	-	(326,971)	326,971
Administrative Expense	-	(49,590)	49,590
Net Changes	<u>17,687,625</u>	<u>44,342,247</u>	<u>(26,654,622)</u>
Balances at 6/30/2017	<u>\$ 575,645,782</u>	<u>\$ 507,405,372</u>	<u>\$ 68,240,410</u>

DRAFT

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

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, 2018 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	\$ 362,704,497	\$ 37,104,757	\$ 157,834,708	\$ 23,741,961
Plan Fiduciary Net Position	296,948,047	31,270,058	138,918,023	19,469,687
Net Pension Liability	<u>\$ 65,756,450</u>	<u>\$ 5,834,699</u>	<u>\$ 18,916,685</u>	<u>\$ 4,272,274</u>

Plan Fiduciary Net Position as a percentage of Total Pension Liability	81.9%	84.3%	88.0%	82.0%
--	-------	-------	-------	-------

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		
	1% Decrease	Current Discount Rate	1% Increase
Sensitivity of Net Pension Liability to Changes in the Discount Rate	6.00%	7.00%	8.00%
Total Pension Liability	\$ 414,946,742	\$ 362,704,497	\$ 319,890,548
Plan Fiduciary Net Position	296,948,047	296,948,047	296,948,047
Net Pension Liability 6/30/2018	<u>\$ 117,998,695</u>	<u>\$ 65,756,450</u>	<u>\$ 22,942,501</u>

Plan Fiduciary Net Position as a percentage of Total Pension Liability	71.6%	81.9%	92.8%
--	-------	-------	-------

	Firefighters & Police Officers Disability Pension Plan		
	1% Decrease	Current Discount Rate	1% Increase
Sensitivity of Net Pension Liability to Changes in the Discount Rate	6.00%	7.00%	8.00%
Total Pension Liability	\$ 40,589,032	\$ 37,104,757	\$ 34,150,544
Plan Fiduciary Net Position	31,270,058	31,270,058	31,270,058
Net Pension Liability 6/30/2018	<u>\$ 9,318,974</u>	<u>\$ 5,834,699</u>	<u>\$ 2,880,486</u>

Plan Fiduciary Net Position as a percentage of Total Pension Liability	77.0%	84.3%	91.6%
--	-------	-------	-------

	Supplemental Retirement Plan		
	1% Decrease	Current Discount Rate	1% Increase
Sensitivity of Net Pension Liability to Changes in the Discount Rate	6.00%	7.00%	8.00%
Total Pension Liability	\$ 173,684,652	\$ 157,834,708	\$ 144,132,321
Plan Fiduciary Net Position	138,918,023	138,918,023	138,918,023
Net Pension Liability 6/30/2018	<u>\$ 34,766,629</u>	<u>\$ 18,916,685</u>	<u>\$ 5,214,298</u>

Plan Fiduciary Net Position as a percentage of Total Pension Liability	80.0%	88.0%	96.4%
--	-------	-------	-------

	Pension Plan for Firefighters & Police Officers		
	1% Decrease	Current Discount Rate	1% Increase
Sensitivity of Net Pension Liability to Changes in the Discount Rate	4.00%	5.00%	6.00%
Total Pension Liability	\$ 25,187,359	\$ 23,741,961	\$ 22,447,369
Plan Fiduciary Net Position	19,469,687	19,469,687	19,469,687
Net Pension Liability 6/30/2018	<u>\$ 5,717,672</u>	<u>\$ 4,272,274</u>	<u>\$ 2,977,682</u>

Plan Fiduciary Net Position as a percentage of Total Pension Liability	77.3%	82.0%	86.7%
--	-------	-------	-------

	Virginia Retirement System (VRS)		
	1% Decrease	Current Discount Rate	1% Increase
Sensitivity of Net Pension Liability to Changes in the Discount Rate	6.00%	7.00%	8.00%
Net Pension Liability 6/30/2017	<u>\$ 143,235,141</u>	<u>\$ 68,240,410</u>	<u>\$ 5,925,699</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

\$9,983,362 reported as deferred outflows of resources related to pensions resulting from City contributions to VRS subsequent to the measurement date of June 30, 2017 will be recognized in pension expense in the year ended June 30, 2019. At June 30, 2018, 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	\$ 1,338,320	\$ 690,396	\$ 227,733	\$ 9,064,804	\$ 7,793,424	\$ -	\$ -	\$ -	\$ -	\$ 6,593,526	\$ 9,359,477	\$ 16,348,726
Changes in Assumptions	16,486,876	-	1,552,397	-	7,080,171	-	-	-	-	402,988	25,119,444	402,988
Net difference between projected and actual Earnings on pension plan investments	-	5,210,718	-	352,596	-	4,518,092	545,701	-	-	7,154,618	545,701	17,236,024
Employer contributions subsequent to the measurement date	-	-	-	-	-	-	-	-	9,983,362	-	9,983,362	-
Total	\$ 17,825,196	\$ 5,901,114	\$ 1,780,130	\$ 9,417,400	\$ 14,873,595	\$ 4,518,092	\$ 545,701	\$ -	\$ 9,983,362	\$ 14,151,132	\$ 45,007,984	\$ 33,987,738
Total deferred outflows	<u>\$ 45,007,984</u>											
Total deferred inflows	<u>\$ 33,987,738</u>											

Year ended June 30:	Firefighters & Police Officers Pension Plan		Firefighters & Police Officers Disability Pension Plan		Supplemental Pension Plan		Pension Plan for Firefighters & Police Officers		VRS	
2019	\$ 3,766,363		\$ (886,116)		\$ 5,734,898		\$ 219,495		\$ (7,801,541)	
2020	1,683,942		(1,032,282)		4,297,199		162,279		(355,546)	
2021	(988,503)		(1,242,369)		(575,555)		110,527		(1,217,240)	
2022	1,751,685		(996,637)		898,961		53,400		(4,776,805)	
2023	2,855,298		(951,199)		-		-		-	
Thereafter	2,855,297		(2,528,667)		-		-		-	
Total Future Deferrals	\$ 11,924,082		\$ (7,637,270)		\$ 10,355,503		\$ 545,701		\$ (14,151,132)	

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

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 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. Plan 1 members who did not have 5 years of service as of December 31, 2012, became Plan 2 members. Members hired after January 1, 2014 who are new participants to VRS 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 the Hybrid Plan. 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 the Hybrid Plan. The retirees are entitled to an annual retirement benefit payable monthly for life in an amount equal to 1.70 percent of their average final salary (AFS) for each year of credited service under Plan 1; 1.65 percent of AFS for Plan 2; 1.00 percent for the Hybrid Plan. 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 including Deputy Sheriffs, Medics and Fire Marshals and regular, part-time City employees who are scheduled to work at least 50 percent 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. State employees working at the Alexandria Health Department are also covered under the Plan. 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.

The Deputy Sheriffs, Medics and Fire Marshals can retire unreduced with at least 25 years of services in those positions and at least age 50. The annual benefit is the sum of:

- (1) 0.6 percent of the participant's average earnings times credited service for years 1-5 in these positions
- (2) 0.9 percent of the participant's average earnings times credited service for years 6-15 in these positions
- (3) 1.0 percent of the participant's average earning times credited service for years 16 and greater in these positions.

Benefit provisions are established and may be amended via resolution by City Council.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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 via resolution by City Council. 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 via resolution by City Council. 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 under the new defined benefit plan with the assets associated with their contributions.

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. The Plan also allows for early retirement at age 50 with 20 years of service with reduced benefits. Employees hired before October 2013 are entitled to 2.5 percent of the participant's average monthly compensation (AMC), multiplied by the years of credited service up to 20 years; plus 3.2 percent of the participant's AMC, multiplied by years of credited service in excess of 20 years. The maximum benefit is 82.0 percent of the AMC. Employees hired after October 22, 2013 are entitled to 2.5 percent of the participant's average monthly compensation, multiplied by years of credited service. There is no limitation service or maximum benefit for employees hired after October 2013. AMC is the 48 highest consecutive months.

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 service-connected partial disability, and 2.5 percent multiplied by years of credited service, up to 50 percent for non-service connected partial or total and permanent disability. Employees hired after October 23, 2013 are not eligible for the non-service connected disability. Benefits provisions are established and may be amended via resolution by City Council. 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. Members who 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. No interest is applied for members whose DROP effective date is after October 31, 2013. The monthly benefit is calculated using service and average monthly 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, 2018

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 criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the following table.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

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> <ul style="list-style-type: none"> • The defined benefit is based on member's age, creditable service and average final compensation at retirement using a formula. • 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. • 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.

DRAFT

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

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, and they have not taken a refund.</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. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. 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. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. 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: School division employees and 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, 2018

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 year (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
Notes to Financial Statements
June 30, 2018

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. Members are always 100% vested in the contributions that they make. 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"> • After two years a member is 50% vested and may withdraw 50% of employer contributions • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • 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> See definition under Plan 1 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> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

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: <u>Defined Benefit Component:</u> Same as Plan 2. Political Subdivisions hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<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: <u>Defined Benefit Component:</u> 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><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, 2018

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

<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: <u>Defined Benefit Component:</u> 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. <u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<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>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>Cost-of-Living Adjustment (COLA) in Retirement</p> <p><u>Defined Benefit Component:</u> Same as Plan 2. <u>Defined Contribution component:</u> Not applicable.</p> <p>Eligibility:</p> <p>Same as Plan 1 and Plan 2.</p>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

<p><u>Exceptions to COLA Effective Dates:</u> 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"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • 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. • 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><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of school divisions and 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>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

<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: <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service <u>Defined Contribution Component:</u> Not applicable.</p>
--	--	--

DRAFT

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

ACPS VRS Political Subdivision Retirement Plan

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. 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 the fiduciary net position of the Political Subdivision's Retirement Plan and the additions to/deductions from the Political Subdivision's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). 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.

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Count
Inactive members:	
Vested inactive members	31
Non-vested Inactive Members	77
Inactive members active elsewhere in VRS	43
Total Inactive Members	151
Inactive members or their beneficiaries currently receiving benefits	197
Active Members	251
Total Covered Employees	599

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00 percent of their compensation towards their retirement. Prior to July 1, 2012, all or part of the 5.00 percent-member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00 percent-member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00 percent-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 increase in the employee-paid member contribution.

ACPS' contractually required contribution rate for the year ended June 30, 2018 was 2.25 percent 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 for each of the years ended June 30, 2018 and June 30, 2017, respectively.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Net Pension Liability

ACPS' net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Actuarial Assumptions- General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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:	20% of deaths are assumed to be service related
Largest 10- Non-LEOS:	
- Pre-Retirement	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.
- Post-Retirement	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
- Post-Disablement	RP-2014 Disability Mortality Table Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.
All Others (non 10 Largest) Non-LEOS:	
- Pre-Retirement	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.
- Post-Retirement	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
- Post-Disablement	RP-2014 Disability Mortality Table Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.
<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>	

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. 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 at older ages
- Decrease in rates of disability retirement
- Adjusted withdrawal rates to better fit experience

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

- Update mortality table
- Decrease in rates of service retirement at older ages
- Decrease in rates of disability retirement
- Adjusted withdrawal rates to better fit experience

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
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		(1) Expected arithmetic nominal return	<u>7.30%</u>

(1) The above allocation provides a one-year return of 7.30 percent. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83 percent, including expected inflation of 2.50 percent.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. 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, 2019, 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, 2019 on, participating employers are assumed to contribute 100 percent 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>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Balances at June 30, 2016	\$ 41,393,378	\$ 43,309,630	\$ (1,916,252)
Changes for the year:			
Service Cost	761,926	-	761,926
Interest	2,818,335	-	2,818,335
Differences between expected and actual experience	(332,554)	-	(332,554)
Changes in assumptions	(229,485)	-	(229,485)
Contributions - employer		161,966	(161,966)
Contributions - employee	-	390,792	(390,792)
Net investment income	-	5,185,761	(5,185,761)
Benefit payments, including refunds of employee contributions	(2,262,896)	(2,262,896)	-
Administrative expenses	-	(31,000)	31,000
Other changes	-	(4,572)	4,572
Net changes	<u>755,326</u>	<u>3,440,051</u>	<u>(2,684,725)</u>
Balances at June 30, 2017	<u>\$ 42,148,704</u>	<u>\$ 46,749,681</u>	<u>\$ (4,600,977)</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

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 percent, 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%	(+1%) Increase 8.00%
Net Pension Liability (Asset)	\$ 185,590	\$ (4,600,977)	\$ (8,640,326)

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

For the year ended June 30, 2018, ACPS recognized pension expense of (\$0.6 million). As of June 30, 2018, 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	\$ -	\$ 649,930
Employer contributions subsequent to the measurement date	194,187	-
Change in assumptions	-	153,747
Differences between expected and actual experience	101,991	272,612
Total	\$ 296,178	\$ 1,076,289

The \$0.2 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, 2019. 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
2019	\$ (604,153)
2020	62,023
2021	10,871
2022	(443,039)
2023	-
Thereafter	-
	\$ (974,298)

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Payables to the Pension Plan

At June 30, 2018, ACPS reported payables to the VRS Political Subdivision Retirement Plan of \$60,000. 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 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/Publications/2017-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

The Virginia Retirement System (VRS) Teacher Employee Retirement Plan is a multiple employer, cost sharing plan. 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 the fiduciary net position of the Virginia Retirement System (VRS) Teacher Employee Retirement Plan and the additions to/deductions from the VRS Teacher Employee Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the VRS. In addition, 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.

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 percent of their compensation toward their retirement. Each school division's contractually required contribution rate for the year ended June 30, 2018 was 16.32 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015, and reflects the transfer in June 2015 of \$192.9 million as an accelerated payback of the deferred contribution in the 2010-2012 biennium. 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. Contributions to the pension plan from ACPS were \$27.0 million and \$28.1 million for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, ACPS reported a liability of \$227.2 million for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 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, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was 1.84758 percent as compared to 1.85263 percent at June 30, 2016.

For the year ended June 30, 2018, ACPS recognized pension expense of \$17.4 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, 2018

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

At June 30, 2018, ACPS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 8,255,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,295,000	2,529,000
Changes in assumptions	3,316,000	-
Differences between expected and actual experience	-	16,089,000
Employer contributions subsequent to the measurement date	24,230,000	-
Total	<u>\$ 33,841,000</u>	<u>\$ 26,873,000</u>

The deferred outflows of resources of \$24.2 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2019	\$ (8,290,000)
2020	596,000
2021	(1,410,000)
2022	(7,256,000)
2023	(902,000)
Thereafter	-
	<u>\$ (17,262,000)</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

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, 2016, 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, 2017.

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-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.
- Post-Retirement	RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.
- Post-Disablement	RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.
* 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.	

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016.

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

- Update mortality table
- Lowered rates of retirement at older ages
- Adjusted rates of withdrawals for 0 through 9 years of service
- Adjusted rates of disability to better match experience

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB Statement No. 67, less that system’s fiduciary net position. As of June 30, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows:

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

	Teacher Employee Retirement Plan
Total Pension Liability	\$ 45,417,520
Plan Fiduciary Net Position	33,119,545
Employers' Net Position Liability	\$ 12,297,975
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

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
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		(1) Expected arithmetic nominal return	7.30%

(1) The above allocation provides a one-year return of 7.30 percent. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83 percent, including expected inflation of 2.50 percent.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. 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, 2019, 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, 2019 on, school divisions are assumed to contribute 100 percent 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.

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 percent, 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 6.00%	Current Discount Rate 7.00%	(+1%) Increase 8.00%
ACPS' proportionate share of VRS Teacher Plan Net Pension Liability	\$ 339,308,000	\$ 227,215,000	\$ 134,491,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-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, 2018, ACPS reported payables to the VRS Teacher Retirement Plan of \$3.3 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 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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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, 2017 was measured as of August 31, 2017, using the total pension liability that was determined by an actuarial valuation as August 31, 2017.

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, 2017 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 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 measurement 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 2018, only ACPS employees contributed to the Plan. These contributions totaled \$2.5 million for the fiscal year ended June 30, 2018. Administrative costs of the Plan are paid from the Plan's assets.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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, 2017.

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Expected Geometric Return
U.S Equity - Large Cap	27.13%	7.85%	6.50%
U.S Equity - Mid Cap	3.05%	8.10%	6.50%
U.S Equity - Small Cap	3.07%	8.55%	6.50%
Non-US Equity	10.97%	8.10%	6.50%
REITs	1.03%	7.95%	6.10%
Real Estate (direct property)	10.09%	5.80%	5.50%
TIPS	1.54%	3.05%	2.85%
Core Bond	38.01%	3.75%	3.60%
High Yield	5.11%	6.70%	6.30%
Total	<u>100.00%</u>		
Exp LTROA (arithmetic mean)	6.01%		
Portfolio Standard Deviation	8.53%		
40th percentile	5.07%		
45th percentile	5.37%		
Expected Compound Return	5.67%		
55th percentile	5.96%		
60th percentile	6.27%		
Portfolio Investment Mix:	Equity 44%/Fixed Income 45%/Other 11%		

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 \$122.9 million, that represented 5 percent or more of the Plan's fiduciary net position.

Annual Money-Weighted Rate of Return

For the Plan year ended August 31, 2017, the annual money-weighted rate of return on plan investments for the measurement period is 8.91%. 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Long-Term Expected Rate of Return

For the plan year ended August 31, 2017, the expected long-term rate of return assumption as of the end of period is 6.00%. 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) 2016. 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 2016 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, 2017 valuation were based upon the results of an actuarial assumption review for the five-year period of September 1, 2007 to August 31, 2012.

During the plan year ended August 31, 2017, the following assumptions for the Supplemental plan were changed.

- The discount rate and long-term rate of return on plan assets decreased from 6.50 percent to 6.00 percent
- The rate of inflation assumption decreased from 2.25 percent to 2.00 percent.

MEMBERSHIP AND PLAN PROVISIONS (Employees' Supplemental)

Active plan members	2,194
Retirees and beneficiaries currently receiving benefits	1,253
Inactive or disabled plan members entitled to but not receiving benefits	1,089
Total	4,536
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	6.00%
Discount rate	6.00%
Projected salary increase attributed to:	
Inflation	2.00%
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	RP 2006 Total base table with a 10 year Mortality Improvement Scale
Mortality - Post-reretirement	RP 2006 Total base table with a 10 year Mortality Improvement Scale

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

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	\$ 2,469,133
Employer contribution	-
Total amount contributed	<u>\$ 2,469,133</u>
Covered payroll (Annual member compensation)	\$ 145,803,885
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 used to determine the end of period Total Pension Liability is 6.0%. 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 2113 are projected to be \$0.00.

Net Pension Liability

The net pension liability reported for ACPS fiscal year end of June 30, 2018 was measured as of August 31, 2017, using the total pension liability that was determined by an actuarial valuation as of August 31, 2017.

	Changes in Net Pension Liability		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at August 31, 2016	\$ 113,971,177	\$ 116,485,456	\$ (2,514,279)
Changes for the year			
Service Cost	3,102,017	-	3,102,017
Interest	7,394,011	-	7,394,011
Differences between expected and actual experience	85,946	-	85,946
Change in assumptions	7,007,931	-	-
Contributions - employer	-	-	-
Contributions - employee	-	2,429,572	(2,429,572)
Net investment income	-	10,194,794	(10,194,794)
Benefit payments, including refunds of employee contributions	(6,210,504)	(6,210,504)	-
Administrative expenses	-	(40,660)	40,660
Net changes	<u>11,379,401</u>	<u>6,373,202</u>	<u>5,006,199</u>
Balances at August 31, 2017	<u>\$ 125,350,578</u>	<u>\$ 122,858,658</u>	<u>\$ 2,491,920</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

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 6.0 percent, 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 (5.0%) or one percentage point higher (7.0%) than the current rate.

	(-1%) Decrease 5.00%	Current Discount Rate 6.00%	(+1%) Increase 7.00%
Net Pension Liability (Asset)	\$ 19,845,307	\$ 2,491,920	\$ (11,739,816)

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, 2018 is \$4.6 million. For the year ended June 30, 2018, 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	\$ 3,830,389	\$ 3,548,655
Changes in assumptions	9,380,070	-
Differences between expected and actual experience	616,349	-
Total	\$ 13,826,808	\$ 3,548,655

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
2019	\$ 3,947,134
2020	5,254,565
2021	1,628,418
2022	(551,964)
2023	-
Thereafter	-
Total	\$ 10,278,153

Payables to the Pension Plan

At June 30, 2018, ACPS reported payables to the Employees' Supplemental Retirement Plan of \$0.2 million.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 17. EMPLOYEE RETIREMENT SYSTEMS (Continued)

The following is a summary of fiduciary net position of the Plan as of June 30, 2018.

Summary of Fiduciary Net Position	
Employees' Supplementary Retirement Plan	
As of June 30, 2018	
ASSETS	
Bonds	\$ 56,572,040
Mutual Funds	34,496,026
Other Investments	33,807,418
Contribution Receivable	206,142
Total assets	<u>125,081,626</u>
LIABILITIES	
Accounts Payable	<u>-</u>
Total liabilities	<u>-</u>
NET POSITION	
Held in trust for pension benefits	<u>\$ 125,081,626</u>

The following is a summary of changes in fiduciary net position of the Plan for the year ended June 30, 2018

Summary of Changes in Fiduciary Net Position	
Employees' Supplementary Retirement Plan	
For the Year Ended June 30, 2018	
ADDITIONS	
Contributions	\$ 2,469,132
Investment Income	7,571,969
Total Additions	<u>10,041,101</u>
DEDUCTIONS	
Benefit payments	6,029,977
Administrative expenses	<u>304,373</u>
Total Deductions	<u>6,334,350</u>
Change in net position	3,706,751
NET POSITION, beginning of year	<u>121,374,875</u>
NET POSITION, end of year	<u>\$ 125,081,626</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 18. TERMINATION BENEFITS

There were no material termination benefits paid in FY 2018.

DRAFT

CITY OF ALEXANDRIA, VIRGINIA

Notes to Financial Statements

June 30, 2018

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 for 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 100.0 percent of the building, the agency must achieve at least 80.0 percent of the net leasable space of the property. If the agency does not lease its portion and achieve the minimum 80.0 percent occupancy within one year from the issuance of the last certificate of occupancy, then no tax exemption shall apply.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 19. TAX ABATEMENTS (Continued)

- 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 80.0 percent occupancy threshold.

- 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 80.0 percent, 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 80.0%.

- 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) \$73.0 million over a 15-year period and up to \$95.0 million over a 20-year period if the agency lease is extended. After setting aside a \$28.0 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 \$45.0 million over a 15-year period and \$68.0 million over a 20-year period. An economic analysis indicated that the

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 19. TAX ABATEMENTS (Continued)

agency will generate 90,000 hotel room stays per year, 30,000 above the original study estimate (worth between \$10.0 million and \$14.0 million to these tax generation estimates).

In FY 2018, the eligibility requirements for the District were met and \$1,378,431 in real estate taxes were abated.

DRAFT

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 20. NEW ACCOUNTING STANDARDS AND RESTATEMENT

During the fiscal year ended June 30, 2018, the City adopted three new GASB standards.

GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

The City implemented Governmental Accounting Standard Board (GASB) Statement No. 75 (an amendment of GASB Statement No. 45) during the fiscal year ending June 30, 2018. The implementation of the statement required the City to restate the beginning net position for the OPEB liability as of the measurement period (fiscal year ending June 30, 2017). As a result, the net position for the governmental activities at July 1, 2017 was restated to decrease the City's net position by \$42.0 million and its components by \$15.0 million.

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It enhances the financial support information provided for OPEB. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits regarding providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

The following schedule represents the restated July 1, 2017 net position of governmental activities for the City and its component units:

Net Position Governmental Activities, July 1, 2017, as previously stated	\$443,785,835
Eliminate Net OPEB Obligation recorded under GASB 45	15,640,466
Cumulative effect of application of GASB 75, Net OPEB Liability	<u>(57,674,909)</u>
Net Position Governmental Activities, July 1, 2017, as restated	<u><u>\$401,751,392</u></u>
Net Position, Component Units, July 1, 2017, as previously stated	(\$163,573,000)
Eliminate Net OPEB Asset recorded under GASB 45	(1,787,961)
Cumulative effect of application of GASB 75, Net OPEB Liability	<u>(13,398,252)</u>
Net Position Component Units, July 1, 2017, as restated	<u><u>(\$178,759,213)</u></u>

GASB Statement No. 82 Pension Issues – An Amendment of GASB Statements Nos. 67, 68, and 73

The objective of this Statement is to address certain issues related to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements for this Statement takes effect after June 15, 2017.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

GASB Statement No. 85 Omnibus 2017

The objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements. While all does not apply to the City, this Statement addresses a variety of topics including blending component units, goodwill, fair value measurement and application, and post-employment benefits (OPEB). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

DRAFT

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2018

Exhibit XII
(Continued)

NOTE 21. SUBSEQUENT EVENTS

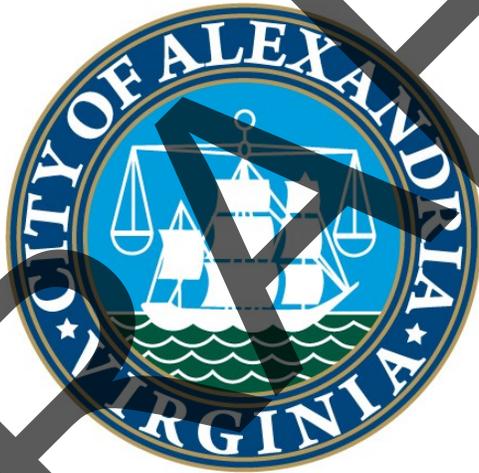
On July 25, 2018, the City Council issued \$40.9 million in General Obligation Bonds. The \$40.9 million in bonds were issued with an original premium of \$3.4 million and a true interest cost of 2.89%, which will be used to finance certain capital improvement projects for the City including, but not limited to public school projects, city parks and buildings, transportation improvements, Infrastructure and acquisition of fire department vehicles and apparatus.

On July 10, 2018, the City of Alexandria closed on two \$125.0 million lines of credit with two separate financial institutions. This short-term financing has enabled the City to certify the availability of funds for the Potomac Yard Metrorail Station project, and to simplify cashflow until long term general obligation debt is issued nearer to the completion of the project.

In July of 2018, the City entered into a transfer agreement with Alexandria Renew Enterprises concerning the wet weather wastewater storage and conveyance facilities. Alexandria Renew Enterprises became responsible for the financing, design, construction, operation and maintenance, and permitting of certain City (Outfalls) in accordance with the implementation schedule approved by VDEQ. Alexandria Renew Enterprises became owners of the Outfalls, which had a net book value as June 30, 2018 of \$0.5 million.

DRAFT

DRAFT



REQUIRED
SUPPLEMENTARY
INFORMATION
(Unaudited)

In accordance with the Governmental Accounting Standards Board Statements No. 25, No. 27, No. 34, No. 43, No.45 and No. 75 the following information is a required part of the basic financial statements.

DRAFT

CITY OF ALEXANDRIA, VIRGINIA
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2018

EXHIBIT XIII

	Original Budget	Budget as Amended	Actual	Variance from Amended Budget - Positive (Negative)
Revenues:				
General Property Taxes.....	\$ 487,347,919	\$ 487,347,919	\$ 490,205,197	\$ 2,857,278
Other Local Taxes.....	132,480,484	132,480,484	133,448,905	968,421
Permits, Fees, and Licenses.....	2,485,350	2,485,350	2,235,428	(249,922)
Fines and Forfeitures.....	6,610,517	6,610,517	5,024,337	(1,586,180)
Use of Money and Property.....	5,023,110	3,298,110	7,307,650	4,009,540
Charges for Services.....	21,740,922	21,740,922	21,272,076	(468,846)
Intergovernmental Revenues.....	56,447,571	56,597,571	56,587,411	(10,160)
Miscellaneous.....	1,812,942	1,812,942	1,646,321	(166,621)
Total Revenues	713,948,815	712,473,815	717,727,325	5,353,510
Expenditures:				
City Council.....	591,441	591,441	583,572	7,869
City Manager.....	2,100,999	2,201,409	2,060,606	140,803
Office of Management and Budget.....	1,276,371	1,276,371	1,091,328	185,043
18th Circuit Court.....	1,694,424	1,630,345	1,538,453	91,892
18th General District Court.....	147,191	147,191	146,200	991
Juvenile And Domestic Relations Court.....	79,446	79,446	66,556	12,890
Commonwealth's Attorney.....	3,158,330	3,191,640	2,955,911	235,729
Sheriff.....	30,672,481	30,772,281	29,740,406	1,031,875
Clerk of Courts.....	1,713,624	1,717,103	1,553,878	163,225
Other Correctional Activities.....	3,744,360	3,744,360	3,612,586	131,774
Court Services.....	1,486,209	1,574,101	1,487,966	86,135
Human Rights.....	832,942	852,942	850,948	1,994
Internal Audit.....	421,894	421,894	315,868	106,026
Information Technology Services.....	10,608,113	11,732,635	10,659,966	1,072,667
Office of Communications.....	1,435,869	1,439,917	1,320,386	119,531
City Clerk and Clerk of Council.....	486,640	486,640	383,089	103,551
Finance.....	13,274,406	13,255,102	11,916,147	1,338,955
Human Resources.....	3,714,522	4,228,545	3,918,700	309,845
Planning and Zoning.....	5,650,753	6,129,187	5,684,561	444,626
Economic Development Activities.....	5,486,986	5,486,986	5,418,653	68,333
City Attorney.....	2,941,270	3,051,270	3,007,656	43,614
Registrar of Voters.....	1,202,818	1,202,318	1,165,618	36,700
General Services.....	14,330,459	15,321,437	13,294,680	2,026,757
Office of Proj. Implementation.....	1,850,882	1,868,143	1,358,584	509,559
Performance and Accountability.....	521,236	670,875	487,002	183,873
Transportation and Environmental Services.....	28,266,772	30,090,164	27,446,455	2,643,709
Transit Subsidies.....	15,135,927	15,385,927	15,340,916	45,011
Fire.....	52,467,234	52,690,982	51,661,254	1,029,728
Police.....	62,459,766	62,676,917	61,929,167	747,750
Emergency Communication.....	7,794,857	7,748,429	7,075,790	672,639
Building and Fire Code Administration.....	24,000	24,000	5,416	18,584
Housing.....	1,804,364	1,896,364	1,774,994	121,370
Community and Human Services.....	13,614,072	13,641,834	13,211,369	430,465
Other Health Services.....	1,764,347	1,764,347	1,764,267	80
Health.....	6,871,818	7,048,804	6,559,894	488,910
Office of Historic Alexandria.....	3,061,491	3,230,371	2,983,904	246,467
Recreation and Cultural Activities.....	21,859,294	22,194,641	21,876,414	318,227
ACPS (Debt Service).....	28,530,550	28,530,550	28,530,550	-
Other Educational Activities.....	12,277	12,277	12,277	-
Non Departmental (including debt service).....	50,983,529	49,773,890	48,907,476	866,414
	404,073,464	409,783,074	393,699,463	16,083,611
Other Financing Sources (Uses):				
Proceeds of Refunding Bonds.....	-	167,436,747	165,711,747	(1,725,000)
Payment to Refunded Bonds Escrow Agent.....	-	(166,600,582)	(166,600,582)	-
Transfers In.....	10,583,814	10,583,814	10,705,736	121,922
Transfers Out.....	(103,142,542)	(109,053,077)	(103,984,281)	5,068,796
Transfers Out - Component Units.....	(220,922,023)	(221,222,023)	(220,996,673)	225,350
	(313,480,751)	(318,855,121)	(315,164,053)	3,691,068
Net Change in Fund Balance.....	(3,605,400)	(16,264,380)	8,863,809	25,128,189
Fund Balances at Beginning of Year.....	120,006,283	120,006,283	120,006,283	-
Increase/(Decrease) in Reserve for Inventory.....	-	-	88,251	88,251
FUND BALANCES AT END OF YEAR.....	\$ 116,400,883	\$ 103,741,903	\$ 128,958,343	\$ 25,216,440

(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, 2018

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.....	\$ 2,077,584	\$ 2,077,584	\$ 2,085,353	\$ 7,769
Other Local Taxes.....	6,812,034	6,812,034	7,437,983	625,949
Permits, Fees and Licenses.....	9,383,795	9,383,795	8,267,647	(1,116,148)
Use of Money and Property.....	709,966	2,292,051	2,655,090	363,039
Charges for Services.....	24,456,512	24,229,375	30,840,693	6,611,318
Intergovernmental Revenues.....	46,808,638	51,674,082	44,935,828	(6,738,254)
Miscellaneous.....	1,887,126	6,132,394	6,763,852	631,458
Total Revenues.....	92,135,655	102,601,315	102,986,446	385,131
Other Financing Sources:				
Transfers In.....	65,291,246	65,336,842	60,064,679	(5,272,163)
Issuance of Debt and other Financing	486,326	4,946,051	4,459,725	(486,326)
Total Other Financing Sources.....	65,777,572	70,282,893	64,524,404	(5,758,489)
Total Revenues and Other Financing Sources.....	157,913,227	172,884,208	167,510,850	(5,373,358)
Expenditures:				
Commonwealth's Attorney.....	227,069	299,760	347,698	(47,938)
Sheriff.....	751,550	757,686	744,205	13,481
Clerk of Courts.....	65,000	145,283	57,395	87,888
Law Library.....	-	-	1	(1)
Other Correctional and Judicial Activities.....	184,177	184,177	125,915	58,262
Court Services.....	227,184	227,184	159,036	68,148
Human Rights.....	(33,009)	(31,659)	(1,473)	(30,186)
Information Technology Services.....	398,244	398,244	360,798	37,446
Finance.....	743,346	768,346	687,754	80,592
Planning and Zoning.....	541,268	590,632	368,888	221,744
Economic Development.....	-	-	77,500	(77,500)
General Services.....	120,000	160,157	29,379	130,778
Office of Project Implementation.....	1,317,007	1,317,007	914,880	402,127
Transportation and Environmental Services.....	47,593,013	19,754,842	10,866,099	8,888,743
Transit Subsidies.....	5,800,000	5,800,000	4,386,623	1,413,377
Fire.....	79,865	599,025	1,159,540	(560,515)
Police.....	570,558	733,819	484,699	249,120
Emergency Communications.....	107,230	107,230	110,176	(2,946)
Building and Fire Code Administration.....	8,571,253	7,604,143	5,445,749	2,158,394
Office of Housing.....	6,066,658	17,750,985	8,429,428	9,321,557
Community and Human Services.....	71,116,910	71,712,368	77,664,472	(5,952,104)
Alexandria Health.....	-	116,490	46,785	69,705
Historic Alexandria.....	912,277	1,009,817	516,303	493,514
Recreation and Cultural Activities.....	1,540,854	2,034,883	1,546,427	488,456
Library.....	44,600	60,000	53,148	6,852
Non-Departmental.....	1,000,000	1,019,954	19,378	1,000,576
Total Expenditures.....	147,945,054	133,120,373	114,600,803	18,519,570
Other Financing Sources/Uses:				
Transfers Out.....	23,509,812	23,784,812	35,049,777	(11,264,965)
Total Other Financing Uses.....	23,509,812	23,784,812	35,049,777	(11,264,965)
Total Expenditures and Other Financing Uses.....	171,454,866	156,905,185	149,650,580	7,254,605
Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses.....				
	(13,541,639)	15,979,023	17,860,270	17,860,270
Fund Balance at Beginning of Year.....	77,904,333	77,904,333	77,904,333	77,904,333
FUND BALANCE AT END OF YEAR.....	\$ 64,362,694	\$ 93,883,356	\$ 95,764,603	\$ 95,764,603

(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, 2018

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 4, 2017, the City Council approved the original adopted budget and approved multiple budget amendments 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:

Budget Statement Title	Budgetary Statement Amount	Adjustment for Transfer to Component Unit (Footnote 10)	Exhibit IV	Exhibit IV Title
Other Educational Activities	\$ 12,277	\$ 214,061,472	\$ 214,073,749	Education
Transit				
Library Transfer	-	6,935,201	6,935,201	Library
Other Expenditures (not listed separately)	560,287,768	-	560,287,768	Other Expenditures (not listed separately)
Total Expenditures	560,300,045	220,996,673	781,296,718	Total Expenditures
Transfers Out – Component Units	220,996,673	(220,996,673)	-	None
Operating Transfers Out	103,984,281	-	103,984,281	Operating Transfers Out
Other Financing	(9,816,901)	-	(9,816,901)	Other Expenditures (not listed separately)
Total Financing (Sources) Uses	\$ 315,164,053	\$ (220,996,673)	\$ 94,167,380	Total Financing Uses

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

PAGE LEFT BLANK INTENTIONALLY

DRAFT

CITY OF ALEXANDRIA, VIRGINIA
Required Supplementary Information
Pension Schedule of Employer Contributions
For Fiscal Year Ended June 30, 2018

Exhibit XVI

PENSION SCHEDULE OF EMPLOYER CONTRIBUTIONS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Supplemental Plan										
Actuarial Determined Contribution	\$ 9,509,690	\$ 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
Actual Contribution Amounts	8,148,716	8,006,825	7,586,006	7,173,760	9,705,496	9,373,819	9,854,860	8,544,859	7,416,575	5,109,723
Contribution Deficiency (Excess)	1,360,974	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
Percentage of Actual Contribution Contributed	85.69%	85.37%	82.51%	95.04%	114.69%	125.97%	104.90%	86.46%	72.11%	80.07%
Covered-Employee Payroll	142,843,740	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
Contribution as a Percentage of Covered-Employee Payroll	5.70%	5.76%	5.56%	5.26%	7.60%	7.24%	7.85%	6.84%	5.90%	4.04%
Pension Plan for Fire and Police*										
Actuarial Determined Contribution	868,570	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
Actual Contribution Amounts	1,700,000	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
Contribution Deficiency (Excess)	(831,430)	(805,123)	(666,205)	(569,689)	(488,987)	(367,045)	(227,941)	(256,944)	(55,639)	(28,705)
Percentage of Actual Contribution Contributed	195.72%	188.61%	163.00%	149.17%	140.38%	127.54%	115.48%	117.81%	103.43%	101.71%
Covered-Employee Payroll	N/A									
Contribution as a Percentage of Covered-Employee Payroll	N/A									
Firefighters and Police Pension										
Actuarial Determined Contribution	13,620,056	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
Actual Contribution Amounts	10,436,128	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
Contribution Deficiency (Excess)	3,183,928	(1,329,416)	(1,734,930)	(659,675)	72,815	1,656,213	1,440,252	617,057	854,481	96,984
Percentage of Actual Contribution Contributed	76.62%	113.42%	118.49%	107.11%	99.30%	83.91%	85.26%	92.54%	89.21%	98.65%
Covered-Employee Payroll	39,649,421	37,594,719	34,378,179	33,810,854	34,424,794	33,013,511	32,058,296	32,638,214	33,261,971	33,485,674
Contribution as a Percentage of Covered-Employee Payroll	26.32%	29.88%	32.34%	29.38%	30.21%	26.16%	25.99%	23.44%	21.23%	21.17%
Firefighters and Police Disability										
Actuarial Determined Contribution	1,834,550	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
Actual Contribution Amounts	6,219,316	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
Contribution Deficiency (Excess)	(4,384,766)	(1,217,931)	(96,191)	2,169,323	2,391,738	678,748	471,913	401,825	(114,632)	(200,094)
Percentage of Actual Contribution Contributed	339.01%	127.37%	102.07%	53.02%	46.03%	71.37%	75.53%	75.07%	107.80%	116.07%
Covered-Employee Payroll	39,649,421	37,594,719	34,378,179	33,810,854	34,424,794	33,013,511	32,058,296	32,638,214	33,261,971	33,485,674
Contribution as a Percentage of Covered-Employee Payroll	4.63%	15.07%	13.77%	7.24%	5.93%	5.13%	4.54%	3.71%	4.76%	4.32%
VRS										
Actuarial Determined Contribution	9,983,362	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
Actual Contribution Amounts	9,983,362	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
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	\$ 131,605,713	\$ 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
Contribution as a Percentage of Covered-Employee Payroll	7.59%	7.89%	9.79%	11.18%	10.20%	10.68%	7.17%	7.83%	6.91%	7.12%

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
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
For Fiscal Year Ended June 30, 2018

Exhibit XVI
(Continued)

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

Firefighters & Police Officers Pension Plan

	2018	2017	2016	2015	2014
<u>Total Pension Liability</u>					
Service Cost	\$ 8,390,462	\$ 6,180,741	\$ 5,671,076	\$ 5,526,902	\$ 5,749,258
Interest	24,192,874	23,064,895	21,948,491	20,769,869	19,761,542
Changes in benefit terms	-	-	-	-	-
Difference between expected and actual experience	752,396	(546,278)	1,386,820	(978,630)	-
Changes in assumptions	19,234,689	-	-	-	-
Benefit payments, including refunds	(13,965,535)	(12,763,693)	(12,633,775)	(11,610,344)	(10,147,030)
Net Change in Total Pension Liability	38,604,886	15,935,665	16,372,612	13,707,797	15,363,770
Total Pension Liability - Beginning of Year	324,099,611	308,163,946	291,791,334	278,083,537	262,719,767
Total Pension Liability - End of Year	362,704,497	324,099,611	308,163,946	291,791,334	278,083,537
<u>Plan Fiduciary Net Position</u>					
Contributions - employer	10,436,128	11,232,823	11,119,553	9,933,001	10,398,552
Contributions - employee	2,743,051	2,914,101	2,598,821	2,381,830	2,392,226
Net investment income	24,196,919	32,888,556	3,513,529	6,726,117	33,401,003
Benefit payments, including refunds	(13,965,535)	(12,763,693)	(12,633,775)	(11,610,344)	(10,147,030)
Administration Expenses	(381,934)	(198,337)	(206,917)	(278,201)	(379,242)
Net Change in Plan Fiduciary Net Position	23,030,629	34,073,450	4,391,211	7,152,403	35,665,509
Plan Fiduciary Net Position - Beginning of Year	273,917,418	239,843,968	235,452,757	228,300,354	192,634,845
Plan Fiduciary Net Position - End of Year	296,948,047	273,917,418	239,843,968	235,452,757	228,300,354
Net Pension Liability - End of Year	\$ 65,756,450	\$ 50,182,193	\$ 68,319,978	\$ 56,338,577	\$ 49,783,183
Plan Fiduciary Net Position as a percentage of Total Pension Liability	81.9%	84.5%	77.8%	80.7%	82.1%
Covered Employee Payroll	\$ 39,649,421	\$ 36,973,064	\$ 35,671,448	\$ 33,810,854	\$ 34,424,794
Net Pension Liability as a percentage of Covered Payroll	165.8%	135.7%	191.5%	166.6%	144.6%

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

CITY OF ALEXANDRIA, VIRGINIA
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
For Fiscal Year Ended June 30, 2018

Exhibit XVI
(Continued)

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

Firefighters & Police Officers Disability Pension Plan

	2018	2017	2016	2015	2014
<u>Total Pension Liability</u>					
Service Cost	\$ 543,661	\$ 2,885,911	\$ 2,679,963	\$ 2,620,753	\$ 2,699,276
Interest	2,512,564	2,875,585	2,845,545	2,872,200	2,638,659
Changes in benefit terms	-	-	-	-	-
Difference between expected and actual experience	(5,049,132)	(2,851,393)	(3,385,398)	409,917	-
Changes in assumptions	1,707,637	-	-	-	-
Benefit payments, including refunds	(2,559,855)	(2,488,687)	(2,470,684)	(2,571,831)	(2,539,650)
Net Change in Total Pension Liability	(2,845,125)	421,416	(330,574)	3,331,039	2,798,285
Total Pension Liability - Beginning of Year	39,949,882	39,528,466	39,859,040	36,528,001	33,729,716
Total Pension Liability - End of Year	37,104,757	39,949,882	39,528,466	39,859,040	36,528,001
<u>Plan Fiduciary Net Position</u>					
Contributions - employer	6,219,316	5,667,369	4,734,529	2,448,696	2,039,849
Contributions - employee	225,640	248,035	243,351	246,551	259,585
Net investment income	2,128,875	2,784,003	263,792	452,996	2,327,679
Benefit payments, including refunds	(2,559,855)	(2,488,687)	(2,470,684)	(2,571,831)	(2,539,650)
Administration Expenses	(2,467)	(15,277)	(77)	(15,876)	(86,762)
Net Change in Plan Fiduciary Net Position	6,011,509	6,195,443	2,770,911	560,536	2,000,701
Plan Fiduciary Net Position - Beginning of Year	25,258,549	19,063,106	16,292,195	15,731,659	13,730,958
Plan Fiduciary Net Position - End of Year	31,270,058	25,258,549	19,063,106	16,292,195	15,731,659
Net Pension Liability - End of Year	\$ 5,834,699	\$ 14,691,333	\$ 20,465,360	\$ 23,566,845	\$ 20,796,342
Plan Fiduciary Net Position as a percentage of Total Pension Liability	84.3%	63.2%	48.2%	40.9%	43.1%
Covered Employee Payroll	\$ 39,649,421	\$ 36,973,064	\$ 35,671,448	\$ 33,810,854	\$ 34,424,794
Net Pension Liability as a percentage of Covered Payroll	14.7%	39.7%	57.4%	69.7%	60.4%

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

CITY OF ALEXANDRIA, VIRGINIA
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
For Fiscal Year Ended June 30, 2018

Exhibit XVI
(Continued)

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

Pension Plan for Firefighters & Police Officers

	2018	2017	2016	2015	2014
<u>Total Pension Liability</u>					
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	1,204,224	1,399,445	1,534,443	1,664,966	1,778,386
Changes in benefit terms	-	-	-	-	-
Difference between expected and actual experience	(860,707)	(584,816)	(425,528)	(95,467)	-
Changes in assumptions	1,282,305	-	-	-	-
Benefit payments, including refunds	(3,056,201)	(3,298,973)	(3,506,496)	(3,715,881)	(3,773,545)
Net Change in Total Pension Liability	(1,430,379)	(2,484,344)	(2,397,581)	(2,146,382)	(1,995,159)
Total Pension Liability - Beginning of Year	25,172,340	27,656,684	30,054,265	32,200,647	34,195,806
Total Pension Liability - End of Year	<u>23,741,961</u>	<u>25,172,340</u>	<u>27,656,684</u>	<u>30,054,265</u>	<u>32,200,647</u>
<u>Plan Fiduciary Net Position</u>					
Contributions - employer	1,700,000	1,713,744	1,723,744	1,728,313	1,700,000
Contributions - employee	N/A	N/A	N/A	N/A	N/A
Net investment income	706,055	821,797	893,641	920,708	1,041,529
Benefit payments, including refunds	(3,056,201)	(3,298,973)	(3,506,496)	(3,715,881)	(3,773,545)
Administration Expenses	(21,933)	(23,566)	(27,971)	(18,583)	(10,830)
Net Change in Plan Fiduciary Net Position	(672,079)	(786,998)	(917,082)	(1,085,443)	(1,042,846)
Plan Fiduciary Net Position - Beginning of Year	20,141,766	20,928,764	21,845,846	22,931,289	23,974,135
Plan Fiduciary Net Position - End of Year	<u>19,469,687</u>	<u>20,141,766</u>	<u>20,928,764</u>	<u>21,845,846</u>	<u>22,931,289</u>
Net Pension Liability - End of Year	<u>\$ 4,272,274</u>	<u>\$ 5,030,574</u>	<u>\$ 6,727,920</u>	<u>\$ 8,208,419</u>	<u>\$ 9,269,358</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	82.0%	80.0%	75.7%	72.7%	71.2%
Covered Employee Payroll	N/A	N/A	N/A	N/A	N/A
Net Pension Liability as a percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A

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

CITY OF ALEXANDRIA, VIRGINIA
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
For Fiscal Year Ended June 30, 2018

Exhibit XVI
(Continued)

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

Supplemental Retirement Plan

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Total Pension Liability</u>					
Service Cost	\$ 4,561,409	\$ 4,429,736	\$ 4,353,655	\$ 4,512,088	\$ 4,812,530
Interest	11,093,766	11,710,854	11,626,797	10,773,145	10,210,998
Changes in benefit terms	(7,321,279)	-	-	-	-
Difference between expected and actual experience	5,495,455	1,431,699	4,866,212	2,957,767	-
Changes in assumptions	3,537,513	-	10,625,401	-	-
Benefit payments, including refunds	(23,092,292)	(19,026,570)	(13,723,857)	(14,043,843)	(11,276,834)
Net Change in Total Pension Liability	(5,725,428)	(1,454,281)	17,748,208	4,199,157	3,746,694
Total Pension Liability - Beginning of Year	<u>163,560,136</u>	<u>165,014,417</u>	<u>147,266,209</u>	<u>143,067,052</u>	<u>139,320,358</u>
Total Pension Liability - End of Year	<u><u>157,834,708</u></u>	<u><u>163,560,136</u></u>	<u><u>165,014,417</u></u>	<u><u>147,266,209</u></u>	<u><u>143,067,052</u></u>
<u>Plan Fiduciary Net Position</u>					
Contributions - employer	8,148,716	8,006,825	7,586,006	7,173,760	9,705,496
Contributions - employee	1,140,415	1,070,814	892,335	756,101	605,369
Net investment income	13,822,092	18,031,871	895,078	5,922,932	20,744,991
Benefit payments, including refunds	(23,092,292)	(19,026,570)	(13,723,857)	(14,043,843)	(11,276,834)
Administration Expenses	(1,009,780)	(665,349)	(895,060)	(896,419)	(997,375)
Net Change in Plan Fiduciary Net Position	(990,849)	7,417,591	(5,245,498)	(1,087,469)	18,781,647
Plan Fiduciary Net Position - Beginning of Year	139,908,872	132,491,281	137,736,779	138,824,248	120,042,601
Plan Fiduciary Net Position - End of Year	<u>138,918,023</u>	<u>139,908,872</u>	<u>132,491,281</u>	<u>137,736,779</u>	<u>138,824,248</u>
Net Pension Liability - End of Year	<u>\$ 18,916,685</u>	<u>\$ 23,651,264</u>	<u>\$ 32,523,136</u>	<u>\$ 9,529,430</u>	<u>\$ 4,242,804</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	88.0%	85.5%	80.3%	93.5%	97.0%
Covered Employee Payroll	\$ 142,843,740	\$ 139,044,952	\$ 139,914,668	\$ 136,374,392	\$ 127,784,140
Net Pension Liability as a percentage of Covered Payroll	13.2%	17.0%	23.2%	7.0%	3.3%

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

CITY OF ALEXANDRIA, VIRGINIA
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
For Fiscal Year Ended June 30, 2018

Exhibit XVI
(Continued)

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

VRS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Total Pension Liability</u>				
Service Cost	\$ 11,562,356	\$ 11,832,548	\$ 12,256,191	\$ 12,232,148
Interest	38,089,007	36,704,090	35,571,142	33,905,011
Changes in benefit terms	-	-	55,097	-
Difference between expected and actual experience	(3,765,626)	(2,371,962)	(7,166,675)	-
Changes in assumptions	(539,132)	-	-	-
Benefit payments, including refunds	(27,658,980)	(25,101,326)	(23,960,243)	(20,710,314)
Net Change in Total Pension Liability	<u>17,687,625</u>	<u>21,063,350</u>	<u>16,755,512</u>	<u>25,426,845</u>
Total Pension Liability - Beginning of Year	<u>557,958,157</u>	<u>536,894,807</u>	<u>520,139,295</u>	<u>494,712,450</u>
Total Pension Liability - End of Year	<u><u>575,645,782</u></u>	<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	9,969,716	12,331,063	12,232,407	12,630,540
Contributions - employee	6,513,944	6,452,307	6,272,097	6,443,111
Net investment income	55,894,128	7,969,523	20,375,167	61,114,498
Benefit payments, including refunds	(27,658,980)	(25,101,326)	(23,960,243)	(20,710,314)
Other	(49,590)	(3,392)	(4,303)	3,221
Administration Expenses	(326,971)	(286,988)	(280,179)	(327,787)
Net Change in Plan Fiduciary Net Position	<u>44,342,247</u>	<u>1,361,187</u>	<u>14,634,946</u>	<u>59,153,269</u>
Plan Fiduciary Net Position - Beginning of Year	<u>463,063,125</u>	<u>461,701,938</u>	<u>447,066,992</u>	<u>387,913,723</u>
Plan Fiduciary Net Position - End of Year	<u><u>507,405,372</u></u>	<u><u>463,063,125</u></u>	<u><u>461,701,938</u></u>	<u><u>447,066,992</u></u>
Net Pension Liability - End of Year	<u>\$ 68,240,410</u>	<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	88.1%	83.0%	86.0%	86.0%
Covered Employee Payroll	\$ 131,605,713	\$ 126,449,341	\$ 125,437,843	\$ 125,890,250
Net Pension Liability as a percentage of Covered Payroll	51.9%	75.0%	59.9%	58.0%

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

**CITY OF ALEXANDRIA, VIRGINIA
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
For Fiscal Year Ended June 30, 2018**

**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%
2018	8.66%	10.31%	4.87%

**Money-weighted Rate of Return for Firefighters & Police Officers Pension Plan also applies to Firefighters and Police Officers Disability Pension Plan
Future years will be added as they become available

Notes to the Required Supplemental Information for the City of Alexandria Pension Plans for the year ended June 30, 2018

Firefighters and Police Officers Pension Plan, Basic Plan and Firefighters and Police Officers Pension Plan, Disability Plan

An experience study was completed for the period from July 1, 2013 through June 30, 2017. As a result, changes were made in the following assumptions:

- Mortality
- Disability rates
- Termination of employment
- Retirement rates
- Spousal age
- Salary increases
- Rate of inflation
- Rate of increase in total payroll
- Rate of investment return
- Cost of living increase
- Administrative expenses

Supplemental Retirement Plan

The assumed investment rate of return was reduced from 7.25 percent to 7.00 percent. Effective January 1, 2018, the lump sum conversion interest rate was changed from 4.00 percent to 5.00 percent for members hired before May 4, 2017 and 7.00 percent for members hired on or after May 4, 2017.

Pension Plan for Firefighters and Police Officers

The mortality assumption was changed from the RP-2000 Male and Female Mortality Tables for Active Employees projected to Scale AA to the SOA RP-2014 Blue Collar Mortality Table, adjusted to 2006 and projected fully generationally with scale MP-2017. The cost of living adjustment rate changed from 3.00 percent to 2.50 percent. The discount rate decreased from 5.50 percent to 5.00 percent.

**CITY OF ALEXANDRIA, VIRGINIA
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
For Fiscal Year Ended June 30, 2018**

**Exhibit XVI
(Continued)**

Virginia Retirement System (VRS) Pension Plan

The 2017 valuation reflects changes in the actuarial assumptions adopted by the Board of Trustees recommended in the experience study for the four-year period ending June 30, 2016. The new assumptions are outlined below.

For Non-Hazardous Duty Members:

- Updated mortality rates to a more current mortality table-RP-2014 projected to 2020.
- Lowered retirement rates at older ages and extended final retirement age from 70-75.
- Adjusted termination rates to better fit experience at each age and service year.
- Lowered disability rates.
- Increased line of duty disability assumptions from 14 percent to 20 percent.

For Hazardous Duty Members:

- Updated mortality rates to a more current mortality table – RP-2014 projected to 2020.
- Lowered retirement rates at older ages.
- Adjusted termination rates to better fit experience at age and service year.
- Increased disability rates.
- Increased line of duty disability assumption from 60 percent to 70 percent.

In addition to the assumption changes listed above, the method to determine the normal cost rate has changed. Beginning with the 2017 valuation, the payroll used to develop the rate will be reduced for those expected to leave during the year. The normal cost rate is also adjusted to reflect that the hybrid payroll as a percent of total payroll will increase from the rate setting valuation date to when employers make that contribution.

Notes to Schedule

Valuation Date	12/31/2017
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation during the fiscal year

CITY OF ALEXANDRIA, VIRGINIA
Required Supplementary Information
Schedule of Changes in Net OPEB Liability and Related Ratios
For Fiscal Year Ended June 30, 2018

Exhibit XVI
(Continued)

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

	<u>2018</u>	<u>2017</u>
<u>Total OPEB Liability</u>		
Service Cost	\$ 4,814,967	\$ 3,803,579
Interest	9,470,934	8,232,053
Changes in benefit terms	4,587,884	-
Difference between expected and actual experience	244,419	-
Changes in assumptions	5,078,954	-
Benefit payments, including refunds	(6,305,642)	(6,298,159)
Net Change in Total Pension Liability	<u>17,891,516</u>	<u>5,737,473</u>
Total OPEB Liability - Beginning of Year	<u>114,682,726</u>	<u>108,945,253</u>
Total OPEB Liability - End of Year	<u><u>132,574,242</u></u>	<u><u>114,682,726</u></u>
<u>Plan Fiduciary Net Position</u>		
Contributions - employer	12,205,642	16,398,159
Contributions - member	-	-
Net investment income	4,427,840	6,357,091
Benefit payments, including refunds	(6,305,642)	(6,298,159)
Administration Expenses	(45,886)	(16)
Net Change in Plan Fiduciary Net Position	<u>10,281,954</u>	<u>16,457,075</u>
Plan Fiduciary Net Position - Beginning of Year	<u>57,007,817</u>	<u>40,550,742</u>
Plan Fiduciary Net Position - End of Year	<u><u>67,289,771</u></u>	<u><u>57,007,817</u></u>
Net Pension Liability - End of Year	<u><u>\$ 65,284,471</u></u>	<u><u>\$ 57,674,909</u></u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	50.8%	49.7%
Covered Employee Payroll	\$ 169,455,099	\$ 167,129,788
Net Pension Liability as a percentage of Covered Payroll	38.5%	34.5%

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

**CITY OF ALEXANDRIA, VIRGINIA
Required Supplementary Information
Schedule of OPEB Contributions
For Fiscal Year Ended June 30, 2018**

**Exhibit XVI
(Continued)**

Schedule of OPEB Contributions

	2018	2017
Actuarially Determined Contributions (ADC)	\$ 9,404,961	\$ 12,898,197
Contributions related to the ADC	12,205,642	16,398,159
Contribution Excess relative to ADC	\$ (2,800,681)	\$ (3,499,962)
Covered Employee Payroll	\$ 169,455,099	\$ 167,129,788
Contributions as a percentage of covered employee payroll	7.20%	9.81%
Future years will be added to the schedule as they become available.		

Notes to the Required Supplemental Information for the City of Alexandria Other Post-Employment Benefits Trust Fund for the year ended June 30, 2018

For the Fire and Police group, an actuarial experience study was completed for the period from July 1, 2013 through June 30, 2017. As a result, the changes were made in the following assumptions:

- Mortality
- Disability rates
- Termination of employment
- Retirement rates
- Spousal age
- Salary increases
- Rate of increase in total payroll

The discount rate was lowered from 7.50 percent to 6.75 percent.

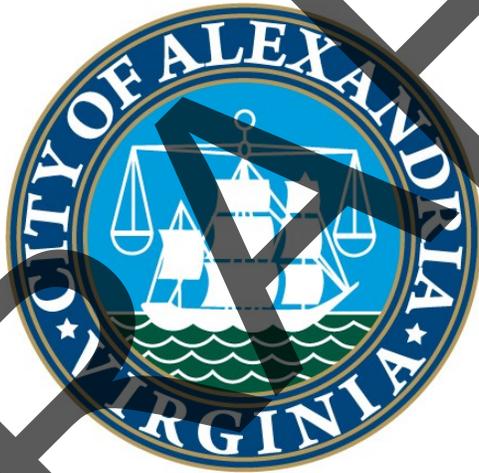
Key Methods and Assumptions Used to Determine Contribution Rates

Actuarial cost method	Entry Age Normal
Asset valuation method	Market Value
Amortization method	20-year level dollar closed as of 12/31/2017
Discount rate	6.75 percent for Regular OPEB and for Line of Duty OPEB
Healthcare Cost Trend Rates	Non-Medicare: 7 percent for 2018 grading down to 5 percent over 14 years Medicare: 6.87 percent for 2018 grading down to 5.00 percent over 14 years
Ultimate Salary Increase	Expenses: 5.00 percent per year Fire & Police: 3.25 percent VRS members: 3.25 percent

**OPEB Money-Weighted Rate of Return
Last Ten Fiscal Years**

2017	14.96%
2018	7.39%

Future years will be added as they become available



OTHER SUPPLEMENTARY
INFORMATION

DRAFT

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.

DRAFT

CITY OF ALEXANDRIA, VIRGINIA
Combining Statement of Changes in Assets and Liabilities – Agency Funds
For the Fiscal Year Ended June 30, 2018

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>
HUMAN SERVICES SPECIAL WELFARE ACCOUNT				
Assets:				
Cash and Investments with Fiscal Agent.....	\$ 4,294	\$ 7,042	\$ 11,336	\$ -
Liabilities:				
Other Liabilities.....	\$ 4,294	\$ 7,042	\$ 11,336	\$ -
Total Liabilities.....	<u>\$ 4,294</u>	<u>\$ 7,042</u>	<u>\$ 11,336</u>	<u>\$ -</u>
HUMAN SERVICES DEDICATED ACCOUNT				
Assets:				
Cash and Investments with Fiscal Agent.....	\$ 25,580	\$ 5	\$ 2,205	\$ 23,380
Liabilities:				
Other Liabilities.....	\$ 25,580	\$ 5	\$ 2,205	\$ 23,380
Total Liabilities.....	<u>\$ 25,580</u>	<u>\$ 5</u>	<u>\$ 2,205</u>	<u>\$ 23,380</u>
INDUSTRIAL DEVELOPMENT AUTHORITY				
Assets:				
Equity in Pooled Cash and Investments.....	\$ 461,416	\$ 30,576	\$ -	\$ 491,992
Liabilities:				
Other Liabilities.....	\$ 461,416	\$ 30,576	\$ -	\$ 491,992
Total Liabilities.....	<u>\$ 461,416</u>	<u>\$ 30,576</u>	<u>\$ -</u>	<u>\$ 491,992</u>
TOTAL ALL AGENCY FUNDS				
Assets:				
Cash and Investments with Fiscal Agent.....	\$ 29,874	\$ 7,047	\$ 13,541	\$ 23,380
Equity in Pooled Cash and Investments.....	461,416	30,576	-	491,992
Total Assets.....	<u>\$ 491,290</u>	<u>\$ 37,623</u>	<u>\$ 13,541</u>	<u>\$ 515,372</u>
Liabilities:				
Other Liabilities.....	\$ 491,290	\$ 37,623	\$ 13,541	\$ 515,372
Total Liabilities.....	<u>\$ 491,290</u>	<u>\$ 37,623</u>	<u>\$ 13,541</u>	<u>\$ 515,372</u>

CITY OF ALEXANDRIA, VIRGINIA
Alexandria Transit Company
Statement of Net Position
June 30, 2018

ASSETS

Cash and Cash Equivalents	\$ 9,549
Receivables	980,057
Due from Other Governments	14,189
Inventory of Supplies	693,531
Prepaid and Other Assets	163,527
Capital Assets, Net	21,134,416
Total Assets	<u>22,995,269</u>

LIABILITIES

Accounts Payable	189,736
Accrued Wages	495,894
Other Short-term Liabilities	741,107
Due To Other Funds	200,000
Total Liabilities	<u>1,626,737</u>

NET POSITION

Net Investment in Capital Assets	21,134,416
Unrestricted	234,116
Total Net Position	<u>21,368,532</u>
Total Liabilities and Net Position	<u>\$ 22,995,269</u>

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Alexandria Transit Company
Statement of Revenue, Expenses, and Changes in Net Position
June 30, 2018

OPERATING REVENUES:

Charges for Services	\$ 4,246,357
Miscellaneous	35,221
Total Operating Revenues	<u>4,281,578</u>

OPERATING EXPENSES:

Personnel Services	13,403,114
Contractual Services	823,201
Materials and Supplies	2,089,991
Other Charges	724,172
Depreciation	3,305,382
Total Operating Expenses	<u>20,345,860</u>

Operating Income/Loss	<u><u>(16,064,282)</u></u>
------------------------------	----------------------------

NON OPERATING REVENUES (EXPENSES):

Gain on disposal of Fixed Assets	
Other Non Revenue receipts	
Federal Grants	
State Grants	180,083
Total Non Operating Revenues (Expenses)	<u>180,083</u>

Net Profit (Loss) before Transfers	(15,884,199)
Capital Contribution	66,877
Transfers In	12,340,890
Other Financing Sources	233,564
Change in Net Position	<u>(3,242,868)</u>
Net Position at Beginning of Year	24,611,400
Net Position at End of Year	<u><u>\$ 21,368,532</u></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.

Stormwater Utility – This sub fund is funded by a stormwater utility fee which was implemented in 2018. This fee replaces the dedicated real estate property tax in the Stormwater Management fund.

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.

DRAFT

CITY OF ALEXANDRIA, VIRGINIA
Combining Balance Sheet
Special Revenue Fund
As of June 30, 2018

	<u>Housing</u>	<u>Sanitary Sewer</u>	<u>Storm water Utility</u>	<u>Stormwater</u>	<u>Potomac Yard</u>	<u>NVTA</u>	<u>Other Special Revenue</u>	<u>Total Combined Special Revenue</u>
ASSETS								
Cash and Cash Equivalents	\$ 5,747,522	\$ 29,566,307	\$ 2,007,746	\$ 1,772,325	\$ 16,628,866	\$ 5,215,045	\$ 32,369,373	\$ 93,307,184
Receivables, Net	-	623,935	4,067,394	-	562,622	1,250,492	4,137,234	10,641,677
Due From Other Governments	-	-	-	-	-	-	8,414,629	8,414,629
Prepaid and Other Assets	-	-	-	-	-	-	-	-
Total Assets	<u>5,747,522</u>	<u>30,190,242</u>	<u>6,075,140</u>	<u>1,772,325</u>	<u>17,191,488</u>	<u>6,465,537</u>	<u>44,921,236</u>	<u>112,363,490</u>
LIABILITIES								
Accounts Payable	-	62,676	123,235	233	-	-	3,022,535	3,208,679
Accrued Wages	-	119,832	-	2,255	13,786	-	1,955,541	2,091,414
Total Liabilities	<u>-</u>	<u>182,508</u>	<u>123,235</u>	<u>2,488</u>	<u>13,786</u>	<u>-</u>	<u>4,978,076</u>	<u>5,300,093</u>
Deferred Inflows	<u>-</u>	<u>-</u>	<u>4,067,394</u>	<u>-</u>	<u>562,622</u>	<u>-</u>	<u>6,668,778</u>	<u>11,298,794</u>
FUND BALANCES								
Restricted	5,747,522	-	-	-	-	-	20,365,968	26,113,490
Committed	-	30,007,734	1,884,511	1,769,837	16,615,080	6,465,537	12,908,414	69,651,113
Total Fund Balances	<u>5,747,522</u>	<u>30,007,734</u>	<u>1,884,511</u>	<u>1,769,837</u>	<u>16,615,080</u>	<u>6,465,537</u>	<u>33,274,382</u>	<u>95,764,603</u>
Total Liabilities and Fund Balances	<u>\$ 5,747,522</u>	<u>\$ 30,190,242</u>	<u>\$ 6,075,140</u>	<u>\$ 1,772,325</u>	<u>\$ 17,191,488</u>	<u>\$ 6,465,537</u>	<u>\$ 44,921,236</u>	<u>\$ 112,363,490</u>

CITY OF ALEXANDRIA, VIRGINIA
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Special Revenue Fund
For the Fiscal Year Ended June 30, 2018

	Housing	Sanitary Sewer	Storm Water Utility	Stormwater	Potomac Yard	NVTVA	Other Special Revenue	Total Combined Special Revenue
REVENUES								
General Property Taxes	\$ -	\$ -	\$ -	\$ 958,456	\$ 1,126,897		\$ -	\$ 2,085,353
Other Local Taxes	-	-	-	-	-	7,437,983	-	7,437,983
Permits, Fees, and Licenses	-	-	-	-	-	-	8,267,647	8,267,647
Use of Money and Property	-	-	-	-	-	9,599	2,645,491	2,655,090
Charges for Services	-	20,284,283	3,933,027	-	-	-	6,623,383	30,840,693
Intergovernmental Revenue	-	-	-	-	-	-	44,935,828	44,935,828
Miscellaneous	-	3,576	2,200	-	-	-	6,758,076	6,763,852
Total Revenues	<u>-</u>	<u>20,287,859</u>	<u>3,935,227</u>	<u>958,456</u>	<u>1,126,897</u>	<u>7,447,582</u>	<u>69,230,425</u>	<u>102,986,446</u>
EXPENDITURES								
Current Operating:								
General Government	-	-	-	-	-	-	1,617,290	1,617,290
Judicial Administration	-	-	-	-	-	-	839,671	839,671
Public Safety	-	113,082	-	-	-	-	7,701,038	7,814,120
Public Works	-	5,030,924	1,655,832	521,149	143,269	2,488,904	496,335	10,336,413
Health and Welfare	-	-	-	-	-	-	76,958,213	76,958,213
Culture and Recreation	-	-	-	-	-	-	2,115,879	2,115,879
Community Development	589,836	-	-	133,756	163,684	-	14,031,941	14,919,217
Total Expenditures	<u>589,836</u>	<u>5,144,006</u>	<u>1,655,832</u>	<u>654,905</u>	<u>306,953</u>	<u>2,488,904</u>	<u>103,760,367</u>	<u>114,600,803</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(589,836)</u>	<u>15,143,853</u>	<u>2,279,395</u>	<u>303,551</u>	<u>819,944</u>	<u>4,958,678</u>	<u>(34,529,942)</u>	<u>(11,614,357)</u>
OTHER FINANCING SOURCES (USES)								
Issuance of Debt	4,380,000	-	-	-	-	-	-	4,380,000
Bond usage	-	-	-	-	-	-	39,750	39,750
Bond Premium	39,975	-	-	-	-	-	-	39,975
Transfers In	(73,275)	-	-	-	9,741,855	11,692,233	38,703,866	60,064,679
Transfers Out	-	(5,063,775)	(394,884)	(56,500)	(10,983,630)	(15,872,233)	(2,678,755)	(35,049,777)
Total Other Financing Sources and Uses	<u>4,346,700</u>	<u>(5,063,775)</u>	<u>(394,884)</u>	<u>(56,500)</u>	<u>(1,241,775)</u>	<u>(4,180,000)</u>	<u>36,064,861</u>	<u>29,474,627</u>
Net Change in Fund Balance	3,756,864	10,080,078	1,884,511	247,051	(421,831)	778,678	1,534,919	17,860,270
Fund Balance at Beginning of Year	1,990,659	19,927,657	-	1,522,786	17,036,911	5,686,859	31,739,461	77,904,333
Fund Balance at End of Year	<u>\$ 5,747,523</u>	<u>\$ 30,007,735</u>	<u>\$ 1,884,511</u>	<u>\$ 1,769,837</u>	<u>\$ 16,615,080</u>	<u>\$ 6,465,537</u>	<u>\$ 33,274,380</u>	<u>\$ 95,764,603</u>

PAGE LEFT BLANK INTENTIONALLY

DRAFT



STATISTICAL SECTION

DRAFT

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—2018 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

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Changes in Net Position
Last Ten Fiscal Years
(in millions)

TABLE I

Expenses	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
General Government	\$ 79.5	\$ 61.1	\$ 59.2	\$ 84.7	\$ 75.3	\$ 71.3	\$ 73.8	\$ 66.3	\$ 91.6	\$ 49.5
Judicial Administration	19.3	19.3	19.8	20.5	20.8	20.6	20.1	19.9	20.6	20.5
Public Safety	120.5	118.3	122.2	126.9	131.6	141.1	138.6	149.4	152.2	157.3
Public Works	48.5	57.0	51.0	56.4	52.9	68.0	63.9	70.5	78.9	73.3
Library	6.8	6.1	5.9	6.2	6.4	6.6	6.5	6.7	6.9	6.9
Health and Welfare	97.3	90.8	92.7	93.6	92.4	93.8	93.3	94.9	96.9	97.6
Transit	12.5	13.1	16.3	15.9	17.8	10.7	17.8	21.9	32.8	39.0
Culture and Recreation	28.1	25.9	28.3	27.7	28.9	29.8	30.2	32.6	33.4	33.0
Community Development	30.4	21.0	24.6	34.3	40.2	45.7	35.3	33.3	37.1	35.4
Education	173.8	173.3	174.8	185.2	194.6	189.1	197.4	211.2	210.7	217.4
Interest on Long-term Debt	10.9	16.4	17.3	22.0	22.5	23.8	21.8	21.3	20.7	19.4
Total Governmental Activities	627.6	602.3	612.1	673.4	683.4	700.5	698.7	728.0	781.9	749.3
Program Revenues										
Governmental Activities										
Charges for Services:										
General Government	1.4	2.0	1.3	1.5	3.6	2.2	2.9	2.0	3.6	3.7
Judicial Administration	1.6	1.5	1.7	1.7	1.6	1.3	1.2	1.2	1.3	1.4
Public Safety	15.5	11.1	13.3	14.4	17.0	17.7	16.9	14.1	10.5	3.6
Public Works	18.1	18.0	21.3	23.5	27.8	23.7	22.1	33.0	32.0	38.9
Library	-	-	-	-	-	-	-	-	-	-
Health and Welfare	6.6	6.7	6.4	6.7	6.2	6.4	5.9	5.3	5.5	10.4
Transit	-	-	-	-	-	-	-	-	4.3	4.2
Culture and Recreation	2.9	3.1	3.1	5.4	3.7	3.9	4.7	4.8	5.0	7.0
Community Development	8.2	1.6	3.9	2.7	4.2	6.6	5.0	1.5	0.8	8.4
Education	-	-	-	-	-	-	-	-	-	-
Operating Grants and Contributions	63.2	65.2	65.0	66.4	75.0	78.8	68.8	46.8	66.3	52.2
Capital Grants and Contributions	20.5	50.2	7.4	19.6	18.5	15.1	11.5	6.5	19.1	7.1
Total Governmental Activities	138.0	159.4	123.4	141.9	157.6	155.7	139.0	115.2	148.4	137.0

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Changes in Net Position
Last Ten Fiscal Years
(in millions)

TABLE I (continued)

	<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>	<u>2018</u>
Net (Expense) (Revenue)										
General Government	\$ (77.6)	\$ (58.5)	\$ (56.4)	\$ (82.4)	\$ (70.8)	\$ (68.1)	\$ (69.8)	\$ (63.2)	\$ (82.0)	\$ (45.1)
Judicial Administration	(13.7)	(14.2)	(14.1)	(15.2)	(15.5)	(16.4)	(15.1)	\$ (16.3)	\$ (18.7)	(18.5)
Public Safety	(91.8)	(93.5)	(96.2)	(99.0)	(99.3)	(108.1)	(106.6)	\$ (121.9)	\$ (132.1)	(144.1)
Public Works	(4.8)	19.3	(15.8)	(9.6)	(3.3)	(23.6)	(22.3)	\$ (23.7)	\$ (32.8)	(26.2)
Library	(6.8)	(6.1)	(5.9)	(6.2)	(6.4)	(6.6)	(6.5)	\$ (6.7)	\$ (6.9)	(6.9)
Health and Welfare	(54.7)	(49.1)	(51.4)	(54.2)	(56.5)	(56.2)	(56.5)	\$ (69.8)	\$ (58.0)	(54.0)
Transit	(12.6)	(13.1)	(16.3)	(15.9)	(17.8)	(10.7)	(17.8)	\$ (21.9)	\$ (28.0)	(34.6)
Culture and Recreation	(25.0)	(22.3)	(24.7)	(22.0)	(24.6)	(25.6)	(25.3)	\$ (26.7)	\$ (26.0)	(25.7)
Community Development	(26.0)	(15.2)	(15.4)	(19.9)	(14.5)	(16.7)	(20.6)	\$ (30.1)	\$ (17.5)	(20.4)
Education	(165.7)	(173.3)	(174.8)	(185.2)	(194.6)	(189.1)	(197.4)	\$ (211.2)	\$ (210.7)	(217.4)
Interest on Long-term Debt	(10.9)	(16.3)	(17.3)	(21.9)	(22.5)	(23.8)	(21.8)	\$ (21.3)	\$ (20.7)	(19.4)
Subtotal Governmental Activities	<u>(489.6)</u>	<u>(442.3)</u>	<u>(488.3)</u>	<u>(531.5)</u>	<u>(525.8)</u>	<u>(544.9)</u>	<u>(559.7)</u>	<u>(612.8)</u>	<u>(633.4)</u>	<u>(612.2)</u>
Total Primary Government	<u>(489.6)</u>	<u>(442.3)</u>	<u>(488.3)</u>	<u>(531.5)</u>	<u>(525.8)</u>	<u>(544.9)</u>	<u>(559.7)</u>	<u>(612.8)</u>	<u>(633.4)</u>	<u>(612.2)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities										
Taxes										
Real Estate	296.4	304.3	315.6	321.6	333.8	360.7	375.9	393.5	424.4	441.5
Personal Property	37.9	32.9	37.0	48.2	58.6	47.2	50.5	44.5	49.6	57.0
Other	112.3	114.3	118.2	121.1	125.4	127.3	134.1	135.9	155.4	141.0
Grants and Contributions										
not restricted to other programs	32.4	31.5	32.4	41.5	36.9	36.1	33.3	58.5	34.8	52.4
Interest and Investment Earnings	1.7	0.4	1.0	1.3	0.8	4.9	4.9	5.4	5.5	7.3
Miscellaneous	1.1	0.8	1.0	1.2	1.4	2.0	5.0	2.9	11.5	15.6
Subtotal Governmental Activities	<u>481.8</u>	<u>484.2</u>	<u>505.2</u>	<u>534.9</u>	<u>556.9</u>	<u>578.2</u>	<u>603.7</u>	<u>640.7</u>	<u>681.2</u>	<u>714.7</u>
Total Primary Government	<u>481.8</u>	<u>484.2</u>	<u>505.2</u>	<u>534.9</u>	<u>556.9</u>	<u>578.2</u>	<u>603.7</u>	<u>640.7</u>	<u>681.2</u>	<u>714.7</u>
Change in Net Position										
Governmental Activities	<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>47.8</u>	<u>102.5</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>\$ 47.8</u>	<u>\$ 102.5</u>

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

TABLE II

Revenues	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Property Taxes	\$ 333.5	\$ 337.2	\$ 351.6	\$ 366.2	\$ 385.2	\$ 407.8	\$ 422.2	\$ 439.7	\$ 473.0	\$ 492.3
Other Local Taxes	112.3	114.4	118.3	121.1	125.3	121.1	134.1	135.9	138.8	140.9
Permits, Fees, and Licenses	5.7	4.8	7.1	8.8	10.6	17.8	10.9	8.1	9.5	10.5
Fines and Forfeitures	4.1	3.9	4.5	4.9	5.1	5.2	4.9	5.0	5.0	5.0
Use of Money and Property	6.2	3.8	4.1	4.6	4.2	5.2	5.1	6.1	7.7	13.8
Charges for Services	25.3	27.0	29.9	32.2	34.6	32.9	32.1	37.5	43.7	56.4
Intergovernmental Revenue	116.0	110.1	101.9	111.1	125.9	126.5	111.9	108.1	117.0	108.8
Miscellaneous and Non Revenue Receipts	- 15.8	- 5.5	- 7.5	- 8.3	- 10.2	- 9.9	- 8.8	10.6 -	16.5 -	14.5 -
Total Governmental Revenues	618.9	606.7	624.9	657.2	701.1	726.4	730.0	751.0	811.2	842.3
Expenditures										
General Government	46.7	45.2	44.3	46.8	45.2	45.2	45.7	46.6	50.8	52.6
Judicial Administration	18.9	18.8	19.3	20.0	20.3	20.1	19.7	19.4	20.1	19.9
Public Safety	116.8	115.0	118.4	123.8	131.0	134.8	134.9	142.7	146.7	150.0
Public Works	36.9	42.3	37.9	41.0	40.3	49.6	41.8	44.2	43.4	46.0
Library	6.8	6.1	5.9	6.1	6.4	6.6	6.5	6.7	6.9	6.9
Health and Welfare	96.8	90.2	92.1	93.1	91.8	93.1	92.9	94.4	96.5	97.1
Transit and Transit Transfer	12.5	13.1	16.3	15.9	17.8	10.7	17.8	21.9	28.4	35.7
Culture and Recreation	23.2	21.8	22.8	23.2	24.6	25.3	24.7	25.5	26.3	27.0
Community Development	28.5	19.3	22.8	25.9	35.8	41.4	29.4	31.4	34.8	34.1
Education	168.0	167.5	170.1	178.5	185.8	185.9	196.3	202.8	225.3	206.9
Capital Outlay	100.7	93.4	91.5	71.8	70.9	91.1	99.5	62.9	81.4	101.2
Debt Service - Principal	19.1	19.5	21.1	23.7	27.5	33.5	38.6	41.6	43.3	44.4
- Interest	12.8	15.1	17.4	19.5	22.4	23.8	22.6	21.8	21.5	21.8
Total Governmental Expenditures	687.7	667.3	679.9	689.3	719.8	761.1	770.4	761.9	825.4	843.6
Excess of Revenues over (under) expenditures	(68.8)	(60.6)	(55.0)	(32.1)	(18.7)	(34.7)	(40.4)	(10.9)	(14.2)	(1.3)
Other Financing Sources/(Uses)										
Issuance of Debt	145.7	-	74.2	74.8	88.1	70.7	39.1	25.4	84.4	99.1
Sale of Land	-	-	-	0.6	-	1.2	5.3	-	4.4	-
Transfers in	58.9	48.6	47.9	61.7	82.8	77.8	85.9	91.2	108.8	139.2
Transfers out	(58.2)	(48.9)	(48.1)	(65.2)	(82.8)	(81.2)	(86.6)	(90.4)	(109.4)	(139.0)
Capital Contribution	-	-	-	-	-	-	-	-	4.3	0.1
Total	146.4	(0.3)	74.0	71.9	88.1	68.5	43.7	26.2	92.5	99.3
Net change in Fund Balance	\$ 77.6	\$ (60.9)	\$ 19.0	\$ 39.8	\$ 69.4	\$ 33.8	\$ 3.3	\$ 15.3	\$ 78.3	98.0
Debt Service as percentage of noncapital expenditures	5.43%	6.03%	6.54%	7.00%	7.69%	8.55%	9.12%	9.07%	8.71%	8.92%

Amounts may not add due to rounding

**CITY OF ALEXANDRIA, VIRGINIA
Tax Revenues by Source – All Funds
Last Ten Fiscal Years**

TABLE III

Fiscal Year		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Property Taxes	Real Estate	\$ 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	\$ 440,427,264
	Personal	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	49,240,775
	Penalties and Interest	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	2,622,511
Other Local Taxes	Local Sales	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	\$ 31,965,152
	Utility	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	12,069,408
	Business License	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	33,846,543
	Motor Vehicle License	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	3,675,482
	Bank Franchise	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	3,828,225
	Tobacco	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	2,777,656
	Recordation	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	9,036,488
	Transient Lodging	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	13,936,579
	Restaurant Food	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	18,283,682
	Telecommunication	829,291	819,313	839,848	564,219	741,542	821,426	530,408	988,865	772,110	837,655
	Admissions	1,103,782	1,125,172	1,082,685	1,093,182	1,086,841	948,968	902,556	759,368	709,640	688,505
	Communications Sales Tax	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	9,881,812
Other	80,723	47,081	37,566	39,246	27,743	1,418,920	44,078	36,409	48,777	59,700	
Total		\$ 445,753,433	\$ 451,592,269	\$ 469,904,013	\$ 487,340,254	\$ 510,519,006	\$ 535,163,872	\$ 556,260,719	\$ 575,573,866	\$ 611,734,515	\$ 633,177,437

**CITY OF ALEXANDRIA, VIRGINIA
Real Estate Tax Levies and Collections
Last Ten Calendar Years**

TABLE IV

Calendar Year Ended December 31, 2017	Taxes Levied for the Calendar Year*		Real Property (Amounts in thousands) Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to date	
	Amount	Percentage of Levy	Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$ 296,188	98.9%	\$ 292,996	98.9%	3,183	\$ 296,179	100.0%
2009	306,346	99.8%	305,691	99.8%	642	306,333	100.0%
2010	308,520	99.0%	305,548	99.0%	2,936	308,484	100.0%
2011	315,192	99.7%	314,116	99.7%	1,042	315,158	100.0%
2012	327,318	99.3%	324,947	99.3%	2,315	327,262	100.0%
2013	352,602	99.7%	351,598	99.7%	729	352,327	99.9%
2014	366,625	99.2%	363,840	99.2%	2,294	366,134	99.9%
2015	379,213	98.9%	374,919	98.9%	3,665	378,584	99.8%
2016	399,780	98.8%	395,168	98.8%	3,894	399,062	99.8%
2017	430,221	98.2%	422,289	98.2%	-	422,289	98.2%

* Levy adjusted for changes since original levy

TABLE V

Calendar Year Ended December 31, 2017	Taxes Levied for the Calendar Year		Personal Property (Amounts in thousands) Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to date	
	Total	Commonwealth Reimbursement	Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$ 62,740	\$ 23,768	\$ 56,201	89.6%	2,661	\$ 58,862	93.8%
2009	57,163	24,351	54,784	95.8%	1,910	56,694	99.2%
2010	58,607	23,764	55,611	94.9%	2,503	58,114	99.2%
2011	60,123	22,782	58,042	96.5%	1,356	59,398	98.8%
2012	63,337	23,446	59,802	94.4%	2,689	62,491	98.7%
2013	67,192	23,239	65,664	97.7%	627	66,291	98.7%
2014	68,075	23,455	63,579	93.4%	2,919	66,498	97.7%
2015	69,918	23,710	65,294	93.4%	2,910	68,204	97.5%
2016	71,960	23,517	66,231	92.0%	3,536	69,767	97.0%
2017	72,988	23,752	67,255	92.1%	-	67,255	92.1%

* 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)				
	Residential	Commercial	Total	Tax Rate per \$100	Motor Vehicle and Tangibles Assessments	Tax Rate per \$100	Machine and Tools Assessment	Tax Rate per \$100	Total Assessment
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
2017	22,092,997	16,284,956	38,377,953	1.130	1,514,742	5.00	6,123	4.50	1,520,865

CITY OF ALEXANDRIA, VIRGINIA
Net Position
Last Ten Fiscal Years
(in millions)

TABLE VII

Governmental Activities	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net Investment in Capital Assets	\$ 153.3	\$ 248.0	\$ 335.4	\$ 321.6	\$ 329.5	\$ 343.9	\$ 364.3	\$ 373.4	\$ 389.1	\$ 416.1
Restricted for:										
Affordable Housing	-	-	-	-	-	1.0	1.4	0.7	2.0	5.7
Other Projects	-	-	-	-	-	13.7	15.1	15.8	20.4	20.4
Capital Projects	134.7	72.3	-	-	-	-	-	-	-	-
Unrestricted Net Position	47.0	57.3	59.0	76.2	99.4	103.5	(36.0)	(17.2)	32.3	62
Total Governmental Activities Net Position	\$ 335.0	\$ 377.6	\$ 394.4	\$ 397.8	\$ 428.9	\$ 462.1	\$ 344.8	\$ 372.7	\$ 443.8	\$ 504.2
Primary Government										
Net Investment in Capital Assets	\$ 153.3	\$ 248.0	\$ 335.4	\$ 321.6	\$ 329.5	\$ 343.9	\$ 364.3	\$ 373.4	\$ 389.1	\$ 416.1
Restricted for:										
Affordable Housing	-	-	-	-	-	1.00	1.40	0.70	2.00	5.70
Other Projects	-	-	-	-	-	13.70	15.10	15.80	20.40	20.40
Capital Projects	134.70	72.30	-	-	-	-	-	-	-	-
Unrestricted Net Position	47.00	57.30	59.00	76.20	99.40	103.50	(36.00)	(17.20)	32.30	62.00
Total Primary Government Net Position	\$ 335.0	\$ 377.6	\$ 394.4	\$ 397.8	\$ 428.9	\$ 462.1	\$ 344.8	\$ 372.7	\$ 443.8	\$ 504.2

Amounts may not add due to rounding

The City implemented GASB Statement No. 75 effective July 1, 2017. The fiscal year 2018 net position has been restated.

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

TABLE VIII

	<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>	<u>2018</u>
General Fund										
Reserved for:										
Encumbrances	\$ 1,967,201	\$ 2,007,557	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventories	1,891,281	1,827,459	-	-	-	-	-	-	-	-
Notes Receivable	400,000	400,000	-	-	-	-	-	-	-	-
Unreserved	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	11,009,773
Committed	-	-	16,149,828	17,219,808	15,855,605	12,741,566	10,382,766	11,524,556	11,737,149	10,015,523
Assigned	-	-	30,009,737	27,235,643	10,769,948	9,538,948	12,400,000	20,116,985	35,789,849	34,152,482
Unassigned	-	-	29,191,314	30,427,629	32,941,779	40,019,733	51,624,142	51,978,538	61,562,170	73,780,565
Subtotal General Fund	<u>\$ 53,306,991</u>	<u>\$ 63,041,371</u>	<u>\$ 80,860,167</u>	<u>\$ 82,983,005</u>	<u>\$ 69,513,182</u>	<u>\$ 65,352,268</u>	<u>\$ 77,781,815</u>	<u>\$ 94,525,932</u>	<u>\$ 120,006,283</u>	<u>\$ 128,958,343</u>
All Other Governmental Funds										
Reserved For										
Capital Projects	\$ 101,741,783	\$ 39,286,809	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Notes Receivable	2,673,806	2,650,025	-	-	-	-	-	-	-	-
Encumbrances	34,830,199	30,913,373	-	-	-	-	-	-	-	-
Unreserved Special Revenue	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	26,113,490
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	69,651,113
Committed (Capital Projects)	-	-	64,184,449	97,523,662	169,174,812	188,551,536	171,248,033	172,124,584	212,284,917	297,691,622
Assigned (Special Revenue Fund)	-	-	4,961,270	7,730,465	-	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 159,526,619</u>	<u>\$ 88,822,686</u>	<u>\$ 90,053,961</u>	<u>\$ 128,173,446</u>	<u>\$ 211,354,096</u>	<u>\$ 248,961,743</u>	<u>\$ 240,227,017</u>	<u>\$ 238,603,874</u>	<u>\$ 290,189,250</u>	<u>\$ 393,456,225</u>

With the implementaion of GASB Statement No. 54 in Fiscal Year 2011, the fund balance terminology was changed.

CITY OF ALEXANDRIA, VIRGINIA
2018 Tax Rates for Major Revenue Sources

TABLE IX

Real Estate Tax	\$1.13 per \$100 assessed value (December and June)
Personal Property Tax	\$4.50 per \$100 assessed value (machinery and tools) \$4.75 per \$100 assessed value (tangible personal property) \$1.13 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 monthly 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 (First year only)
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 Sales and Use Tax	5% of sale price of each communications service
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% of gross proceeds of business arising from rentals. 1.5% Heavy Equipment
Cigarette Tax	\$1.26 on each package of twenty cigarette
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	(State is \$0.25 per \$100) (City is \$0.083 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.

Source: City of Alexandria Revenue Division

CITY OF ALEXANDRIA, VIRGINIA
Legal Debt Margin Information
Last Ten Fiscal Years

TABLE X

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Assessed Value of Real Property, January 1	\$ 34,379,162,885	\$ 31,819,265,702	\$ 32,631,951,698	\$ 33,782,697,985	\$ 34,725,070,077
Debt Limit: 10 percent	3,437,916,289	3,181,926,570	3,263,195,170	3,378,269,799	3,472,507,008
Amount of Debt Applicable to Debt Limit	<u>383,950,000</u>	<u>364,485,000</u>	<u>415,720,000</u>	<u>459,060,000</u>	<u>508,700,000</u>
Legal Debt Margin	<u>\$ 3,053,966,289</u>	<u>\$ 2,817,441,570</u>	<u>\$ 2,847,475,170</u>	<u>\$ 2,919,209,799</u>	<u>\$ 2,963,807,008</u>
Debt as a Percentage of Assessed Value	1.12%	1.15%	1.27%	1.36%	1.46%
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Assessed Value of Real Property, January 1	\$ 35,895,602,676	\$ 37,146,860,126	\$ 38,195,318,730	\$ 38,987,293,704	\$ 39,897,986,964
Debt Limit: 10 percent	3,589,560,268	3,714,686,013	3,819,531,873	3,898,729,370	3,989,798,696
Amount of Debt Applicable to Debt Limit	<u>539,780,000</u>	<u>540,495,000</u>	<u>522,710,000</u>	<u>557,233,000</u>	<u>595,021,000</u>
Legal Debt Margin	<u>\$ 3,049,780,268</u>	<u>\$ 3,174,191,013</u>	<u>\$ 3,296,821,873</u>	<u>\$ 3,341,496,370</u>	<u>\$ 3,394,777,696</u>
Debt as a Percentage of Assessed Value	1.50%	1.46%	1.37%	1.43%	1.49%

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 and 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⁾	Taxable 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			
2009	144,100	34,379,163	1,354,932	35,734,095	383,950,000	1.12	1.07	10,178,071	2,664	3.67
2010	139,993	31,819,266	1,170,972	32,990,238	364,485,000	1.15	1.10	10,441,443	2,604	3.42
2011	140,100	32,631,952	1,226,896	33,858,848	415,720,000	1.27	1.23	10,627,334	2,967	3.78
2012	140,800	33,782,698	1,309,164	35,091,862	459,060,000	1.36	1.31	10,758,922	3,260	3.98
2013	142,000	34,725,071	1,343,202	36,068,273	508,700,000	1.46	1.41	11,760,450	3,582	4.63
2014	144,000	35,895,603	1,417,679	37,313,282	539,780,000	1.50	1.45	12,115,212	3,748	4.66
2015	147,650	37,146,860	1,397,502	38,544,362	540,495,000	1.46	1.40	12,071,851	3,661	4.45
2016	149,900	38,195,319	1,437,203	39,632,522	522,710,000	1.37	1.32	11,789,823	3,487	4.19
2017	152,200	38,987,294	1,503,339	40,490,633	557,233,000	1.43	1.38	12,692,748	3,661	4.40
2018	154,500	39,897,987	1,520,865	41,418,852	595,021,000	1.49	1.44	12,958,210	3,851	4.63

(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 generally has a two-year lag.

CITY OF ALEXANDRIA, VIRGINIA
Overlapping Debt and Debt History
June 30, 2018

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.

<u>Credit Ratings</u>	
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 %
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	808,162,557	7.84
2017	43,300,000	21,490,252	64,790,252	880,542,277	7.36
2018	44,404,949	21,795,764	66,200,713	921,001,925	7.19

(1) Net General Debt includes general obligation bonds

(2) Includes expenditures for School Board and Library component units

**CITY OF ALEXANDRIA, VIRGINIA
Demographic Statistics
June 30, 2018**

TABLE XIV

Population

<u>Calendar Year</u>	<u>Population</u>	<u>Calendar Year</u>	<u>Population</u>
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.....	149,900
2010.....	139,993	2017.....	152,200
2011.....	140,100	2018.....	154,500

SOURCE: U.S. Bureau of Census, "General Population Characteristics"
2011-2018 City of Alexandria, Department of Planning Zoning

**POPULATION INDICATORS
PER CAPITA INCOME***

	<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>	<u>2016</u>
Alexandria.....	\$70,632	\$72,220	\$70,846	\$76,362	\$78,383	\$81,896	\$77,419	\$80,506	\$82,253	\$83,167
Arlington.....	\$68,270	\$72,317	\$69,241	\$79,967	\$82,491	\$83,925	\$79,295	\$83,316	\$86,141	\$87,986
Fairfax (include.....	\$67,969	\$69,885	\$69,241	\$66,679	\$69,008	\$72,257	\$69,817	\$72,552	\$75,081	\$75,978
Fairfax City and Falls Church)										
Washington MS.....	\$62,484	\$56,510	\$56,984	\$57,343	\$59,345	\$62,496	\$60,814	\$62,546	\$65,155	\$66,733

*The BEA has revised these numbers.

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

**UNEMPLOYMENT RATE
LAST TEN YEARS**

	<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>	<u>2018</u>
Unemployment Rate	2.8%	4.8%	4.8%	4.6%	4.7%	4.6%	3.5%	2.9%	2.9%	2.4%

SOURCE: Virginia Employment Commission. Updated as of June 2018.

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

TABLE XV

Private Property

<u>Owner's Name</u>	<u>Property</u>	2018 Assessed Value (in millions)	Percentage of Total Assessed Valuation
1. LCOR Alexandria, L.L.C.	Office Buildings	\$976.2	2.17%
2. Paradigm Companies	Apartments Buildings	695.2	1.54%
3. Equity Residential	Apartments Buildings	671.4	1.49%
4. Morgan Properties	Apartments	449.6	1.00%
5. UDR	Apartments	410.6	0.91%
6. AIMCO	Apartments	369.0	0.82%
7. Washington REIT	Apartments, Office, Retail	333.8	0.74%
8. Southern Towers, L.L.C.	Southern Towers	301.1	0.67%
9. JBG Properties	Apartments and Land	237.6	0.53%
10. CIM Group	EOS 21 Apartments	198.9	0.44%

SOURCE: City of Alexandria, Department of Finance, Real Estate Assessment Division

<u>Owner's Name</u>	<u>Property</u>	2009 Assessed Value (in millions)	Percentage of Total Assessed Valuation
1. LCOR Alexandria LLC	Office Buildings	\$1,077.4	3.13%
2. AIMCO Foxchase L.P.	Foxchase Apartments	293.7	0.85%
3. Washington Real Estate Investment Trust	Portfolio	272.9	0.79%
4. Southern Towers L.L.C.	Southern Towers Apartments	238.1	0.69%
5. Hoffman Buildings LP	Hoffman Office Buildings	230.5	0.67%
6. Lafayette Buildings LLC	Mark Center Office Buildings	225.9	0.66%
7. TC Duke Street L.L.C.	Office Buildings	192.4	0.56%
8. CPYR Inc	Potomac Yard Retail	176.1	0.51%
9. Canal Center L.P.	Canal Center	173.0	0.50%
10. Tishman Speyer Archstone Smith Newport	Newport Village Apartment	166.8	0.49%

SOURCE: City of Alexandria, Department of Finance, Real Estate Assessment Division

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

TABLE XV
(Cont.)

Public Service Companies

Owner's Name	2018 Assessed Value (in millions)	Percentage of Total Assessed Valuation
1. Virginia Electric & Power Company	\$240.0	60.15%
2. Norfolk Southern Railway Company	74.7	18.72%
3. Virginia-American Water Co.	66.6	16.69%
4. CSX Transportation	64.1	16.07%
5. Washington Gas Light Company	47.3	11.86%
6. Potomac Electric Power Company	42.3	10.60%
7. Verizon Virginia LLC	41.7	10.45%
8. Covanta Alexandria/Arlington, Inc.	30.5	7.64%
9. Cello	10.7	2.68%
10. New Cingular Wireless, PCS, LLC	9.1	2.28%

SOURCE: Virginia State Corporation Commission

Owner's Name	2009 Assessed Value (in millions)	Percentage of Total Assessed Valuation
1. Mirant Potomac River, LLC	\$271.3	30.7%
2. Virginia Electric Power Company	164.8	18.7%
3. Covanta Alexandria/Arlington, Inc.	87.7	9.9%
4. Norfolk Southern Railway Company Richmond Fredericksburg & Potomac	72.6	8.2%
5. Railway Co.	68.9	7.8%
6. Verizon Virginia Inc.	61.7	7.0%
7. Virginia-American Water Co.	48.9	5.5%
8. Potomac Electric Power Company	36.1	4.1%
9. Washington Gas Light Company	32.6	3.7%
10. APC PCS a/ka/ American Personal Communications Inc.	6.1	0.7%

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
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
2018	15,540	9,106	4,791	1,731	1,045	663

SOURCE: City of Alexandria Public School System

**General Fund
City Departments Expenditures Detail by Function
For the Fiscal Year Ended June 30, 2018**

TABLE XVII

Expenditures	General Government	Judicial Administration	Public Safety	Public Works	Health and Welfare	Recreation & Culture	Community Development	Education	Library	Transit Subsidies	Debt Services	Total
City Council.....	\$ 583,572	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 583,572
City Manager.....	2,060,606	-	-	-	-	-	-	-	-	-	-	2,060,606
Office of Management and Budget.....	1,091,328	-	-	-	-	-	-	-	-	-	-	1,091,328
18th Circuit Court.....	-	1,538,452	-	-	-	-	-	-	-	-	-	1,538,452
18th General District Court.....	-	146,200	-	-	-	-	-	-	-	-	-	146,200
Juvenile and Domestic Relations Courts.....	-	66,556	-	-	-	-	-	-	-	-	-	66,556
Commonwealth's Attorney.....	-	2,955,911	-	-	-	-	-	-	-	-	-	2,955,911
Sheriff.....	-	7,723,903	22,016,503	-	-	-	-	-	-	-	-	29,740,406
Clerk of Courts.....	-	1,553,878	-	-	-	-	-	-	-	-	-	1,553,878
Other Correctional Activities.....	-	3,607,966	4,620	-	-	-	-	-	-	-	-	3,612,586
Court Services.....	-	1,487,966	-	-	-	-	-	-	-	-	-	1,487,966
Human Rights.....	850,948	-	-	-	-	-	-	-	-	-	-	850,948
Internal Audit.....	315,868	-	-	-	-	-	-	-	-	-	-	315,868
Information Technology Services.....	9,135,226	-	-	-	-	-	1,524,740	-	-	-	-	10,659,966
Office of Communications.....	-	-	-	-	-	-	1,320,386	-	-	-	-	1,320,386
City Clerk and Clerk of Council.....	383,089	-	-	-	-	-	-	-	-	-	-	383,089
Finance.....	11,916,147	-	-	-	-	-	-	-	-	-	-	11,916,147
Human Resources.....	3,918,700	-	-	-	-	-	-	-	-	-	-	3,918,700
Planning and Zoning.....	-	-	-	-	-	-	5,684,561	-	-	-	-	5,684,561
Economic Development Activities.....	-	-	-	-	-	-	5,418,653	-	-	-	-	5,418,653
City Attorney.....	3,007,656	-	-	-	-	-	-	-	-	-	-	3,007,656
Registrar.....	1,165,618	-	-	-	-	-	-	-	-	-	-	1,165,618
General Services.....	2,803,007	-	1,100,129	9,391,543	-	-	-	-	-	-	-	13,294,679
Project Implementation Office.....	-	-	-	-	-	-	1,358,553	-	-	-	-	1,358,553
Performance and Accountability.....	487,002	-	-	-	-	-	-	-	-	-	-	487,002
Transportation and Environmental Services.....	-	-	-	25,149,348	-	-	1,715,150	-	-	-	-	26,864,498
Transit Subsidies.....	-	-	-	-	-	-	-	-	-	15,340,916	-	15,340,916
Fire.....	-	-	50,056,857	-	-	-	-	-	-	-	-	50,056,857
Police.....	-	-	61,929,167	-	-	-	-	-	-	-	-	61,929,167
Emergency Communications.....	-	-	7,075,790	-	-	-	-	-	-	-	-	7,075,790
Code Administration.....	-	-	5,417	-	-	-	-	-	-	-	-	5,417
Housing.....	-	-	-	-	-	-	1,774,994	-	-	-	-	1,774,994
Community and Human Services.....	1,296,970	-	-	-	11,914,400	-	-	-	-	-	-	13,211,370
Other Health Services.....	-	-	1,120	-	1,763,147	-	-	-	-	-	-	1,764,267
Health.....	-	-	-	-	6,491,939	-	67,955	-	-	-	-	6,559,894
Office of Historic Alexandria.....	-	-	-	-	-	2,983,904	-	-	-	-	-	2,983,904
Recreation and Cultural Activities.....	-	-	-	-	-	21,876,414	-	-	-	-	-	21,876,414
Other Educational Activities.....	-	-	-	-	-	-	-	214,073,749	-	-	-	214,073,749
Miscellaneous.....	11,984,819	-	11,280	1,124,943	-	-	302,656	-	6,935,201	-	66,200,713	86,559,612
Total Expenditures.....	\$ 51,000,556	\$ 19,080,832	\$ 142,200,883	\$ 35,665,834	\$ 20,169,486	\$ 24,860,318	\$ 19,167,648	\$ 214,073,749	\$ 6,935,201	\$ 15,340,916	\$ 66,200,713	\$ 614,696,136

220

CITY OF ALEXANDRIA
Government Employees by Function
Last Ten Fiscal Years

TABLE XVIII

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government	273	269	259	270	302	321	323	317	317	318
Judicial Administration	120	123	123	123	290	286	286	287	281	280
Public Safety	937	930	934	973	805	803	801	809	810	816
Public Works	231	232	240	238	220	212	212	223	222	212
Library	56	55	54	55	54	71	71.5	70	70	69
Health and Welfare	511	510	530	532	526	579	589	586	586	599
Culture and Recreation	155	152	144	145	147	183	183	175	175	179
Community Development	59	57	57	62	65	83	82	85	91	92
Education	2,015	2,098	2,115	2,181	2,230	2,285	2,268	2,426	2,489	2,519
TOTAL	4,357	4,426	4,456	4,579	4,639	4,823	4,816	4,978	5,041	5,084

Source: City of Alexandria Adopted Budget

Principal Employers
Current Year (as of July 1, 2018 and Nine Years Ago)

TABLE XIX

<u>Current Year</u>	<u>Percentage of Total City</u>		<u>Nine Years Ago</u>	<u>Percentage of Total City</u>	
	<u>Employees⁽¹⁾</u>	<u>Employment⁽²⁾</u>		<u>Employees⁽¹⁾</u>	<u>Employment⁽²⁾</u>
LARGEST PUBLIC EMPLOYERS					
U.S. Department of Commerce	10,000-14,999	14.20%	U.S. Patent Trademark Office	9,000	8.88%
U.S. Department of Defense	5,000-9,999	7.65%	U.S. Department of Defense	7,500	7.40%
Alexandria Public Schools	1,000-4,999	3.28%	City of Alexandria	2,500	2.50%
City of Alexandria	1,000-4,999	3.28%	Alexandria Public Schools	1,900	1.90%
WMATA	500-999	0.82%	WMATA	1,400	1.40%
U.S. Department of Agriculture	500-999	0.82%	Northern Virginia Community College	800	0.80%
Northern Virginia Community College	500-999	0.82%	U.S. Postal Service	400	0.40%
		30.87%			23.28%
LARGEST PRIVATE EMPLOYERS					
Vision Technologies Systems	1,000-4,999	3.28%	INOVA Alexandria Hospital	1,800	1.80%
Crs Facility Svc LLC	1,000-4,999	3.28%	American Building Maintenance Co	1,000	1.00%
INOVA Alexandria Hospital	1,000-4,999	3.28%	Institute of Denfense Analysis	900	0.90%
National Science Foundation	1,000-4,999	3.28%	United Postal Services (UPS)	750	0.70%
Institute For Defense Analysis	500-999	0.82%	Gail Services Corporation	750	0.70%
US Food & Nutrition Svc	500-999	0.82%	Grant Thornton LLP	750	0.70%
Integrated Systems Analysis	500-999	0.82%	Oblon Spivak McClelland	750	0.70%
		15.58%			6.50%

SOURCE: Virginia Employment Commission

⁽¹⁾ Employment ranges are given to ensure confidentiality.

⁽²⁾ Current year percentages are based on the midpoint of the employment range.

CITY OF ALEXANDRIA
Operating Indicators By Function
Last Ten Fiscal Years

TABLE XX

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Judicial Administration										
Civil and criminal cases processed by Clerk of Courts	5,700	5,666	6,700	6,950	6,650	6,000	6,000	5,377	5,734	5,985
Public Safety										
Number of Homicides	5	2	1	0	5	4	4	7	**	**
Response Time (minutes) from turnout to arrival met b 90% of responses to Fire Emergency Incidents	N/A	N/A	N/A	N/A	N/A	N/A	7:26	7:13	7:26	6:41
Response Time (minutes) from turnout to arrival met b 90% of responses to Medical Emergency Incidents	N/A	N/A	N/A	N/A	N/A	N/A	7:01	7:03	6:09	5:45
Public Works										
Tons of Waste Disposed Annually*	24,264	24,084	22,935	22,207	21,732	20,689	20,975	21,199	21,033	10,864
Lane Miles Repaired	N/A	N/A	N/A	44	N/A	43	45	66	72	45
Acres of Impervious Surface within City	1,160	1,224	1,244	1,267	1,327	1,355	1,444	1,519	1,523	1,536
City-Wide Recycling Rate	29	41	48	49	49	49	49	49	50	**
Library										
Total number of material circulated	1,302,633	1,215,000	1,105,000	1,060,000	1,132,500	1,335,000	1,339,000	1,304,000	1,595,528	1,607,718
Number of Library Visitors and Web Users	N/A	N/A	1,149,837	1,145,267	1,233,203	1,219,936	1,288,629	1,247,355	1,303,209	1,851,039
Health and Welfare										
Number of immunizations given to the public	N/A	N/A	N/A	N/A	14,757	15,930	14,618	10,234	12,844	9,553
Average number of active participants in Women, Infants, and Children program per month	N/A	N/A	N/A	N/A	3,080	2,511	2,828	2,754	2,801	3,003
Pharmacy and Teen Wellness Center	N/A	N/A	N/A	N/A	3,055	3,495	3,440	3,167	3,800	3,720
Transit										
Annual Ridership of Bus & Trolley	4,006,825	3,880,000	3,741,499	3,882,022	4,265,417	4,244,588	4,275,682	4,108,706	3,939,351	3,892,685
Number of Metro Rail Riders Originating in Alexandria	6,013,842	5,704,169	5,680,184	5,788,874	5,454,752	5,403,671	5,364,129	5,034,745	4,306,919	4,426,213
Miles of service	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	1,851,653
Culture and Recreation										
Number of Registered Users in Recreation Centers and Recreation Activities***	N/A	N/A	N/A	N/A	7,000	7,000	13,745	23,806	26,423	26,403
Number of Public Special Events	N/A	N/A	N/A	148	163	170	197	211	136	137
Community Development										
Number of Affordable Housing Units	3,759	3,768	3,776	3,782	3,782	3,782	3,724	3,955	3,955	4,075
Assessed Value Average Residential Property	471,415	444,204	446,567	455,016	466,774	486,456	505,740	516,280	522,800	542,202
Education										
Cost per pupil	19,078	18,003	18,169	18,516	17,024	17,249	17,041	16,896	17,216	17,193
Graduation Rate	78	79	79	82	86	84	80	82	83	**

In FY2018 all performance measures underwent a thoughtful consideration for relevance and measurability and many new, improved performance measures are now reported.

* Tons of Waste Disposed Annually is on a calendar year. 2018 represents 6 months only.

** Lag in reporting. Virginia DOE On-Time Graduation Rate by school district has one-year lag. Virginia DEQ Recycling Rate has one-year lag. CityData.com Homicides has a two-year lag.

*** Number of Registered User in Recreation centers and Recreation Activities for FY 2013 & 2014 are estimated numbers.

CITY OF ALEXANDRIA
Capital Indicators By Function
Last Ten Fiscal Years

TABLE XX (cont.)

	<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>	<u>2018</u>
Judicial Administration										
Number of foster care homes	91	60	60	53	50	50	46	46	39	47
Public Safety										
Fire vehicles	130	137	139	138	138	143	143	143	143	144
Public Works										
Paved streets	514	514	514	556	560	560	560	560	561	561
Sidewalks	321	321	321	319	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	62	63	63	77	79	79	74	85	85	85
Culture and Recreation										
Playgrounds	46	46	45	36	36	37	36	40	41	41
Athletic fields available for games	50	56	48	49	49		49	53	53	59
Acreage of park and open space	964	964	965	722	958	974	1,000	1,036	1,042	1,042
Total number of facilities maintained	235	237	237	181	181	181	181	181	130	126
Community Development										
Public housing and public housing replacement u	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	16	16	16	16

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

** - Indicator no longer maintained

CITY OF ALEXANDRIA, VIRGINIA
Miscellaneous Statistical Data
As of June 30, 2018

TABLE XXI

Date of Incorporation.....	1779
Date of City Charter.....	1922
Form of Government.....	Council-Manager
Number of Full-Time City Positions (Other than Schools)	2,565
Number of Full-Time Equivalent School Positions	2,519

Land Area

15.75 Square Miles

Elevation

0 to 287 ft above sea level

Location

38.8210 N
 77.0861 W

Climate

Average January Temperature 34.9°
 Average July Temperature 79.2°

Transportation

Major Highways:

- Capital Beltway (I-95)
- I-395 (Shirley Highway)
- U.S. Route 1
- George Washington Memorial Parkway

Rail:

The City is served by the north-south routes of Amtrak. The Virginia Railway Express provides commuter service between Alexandria, Washington, D.C., Fredericksburg, and Manassas, Virginia. Freight lines entering the City are Conrail, CSX Transportation, and Norfolk Southern Company.

Washington Metropolitan Area Transit Authority (WMATA) provides rail transit to the Washington Metro area. Four of the systems stations are located in Alexandria.

Air:

Ronald Reagan Washington National Airport is only minutes away from any location within the City.

Dulles International Airport provides international and longer domestic travel.

Ground:

The City is served by local bus service provided by the Alexandria Transit Company.

The City is served by the local and express buses of the Washington Metropolitan Area Transit Authority (METRO) and the Fairfax Connector.

Individualized service is available through privately owned taxicab fleets.

Port Facilities:

The port of Alexandria has two docks for ocean-going freighters and two major public docks. The 24-foot deep Potomac River channel runs the length of the Alexandria waterfront.

Population

2018 Resident Population (Estimate).....	154,500
Number of Households – (2012-2016)	68,063
Household Size (2012-2016)	2.2 Persons Per Unit
2016 Population by Race (2017 U.S. Census Estimate):	
White	62.7%
Black.....	21.6%
Native American.....	0.2%
Asian and Pacific Islanders.....	6.5%
Multi-Racial.....	4.9%
Hispanic (All Races).....	16.7%

2016 Population by Age (U.S. Census Bureau Estimate):

(1-14)	15.9%
(15-24)	8.1%
(25-64)	65.9%
(65 +)	10%

Registered Voters

June 2018..... 105,312

Temporary Assistance to Needy Families

(Cases) - Monthly Average,
 2018.....472

Food Stamps (Cases) - Monthly Average, 2018..... 4,709

Medicaid (Cases) - Monthly Average,
 2018.....9,560

Economy

Employed Residents, June 2018 98,980

Unemployed Residents, June 2018..... 2,447

Unemployed Rate, June 2018 2.4%

Washington PMSA Inflation Rate, based
 on Consumer Price Index, for FY 2018 2.5%

CITY OF ALEXANDRIA, VIRGINIA
Miscellaneous Statistical Data
As of June 30, 2018

TABLE XXI
(Continued)

Housing	2018	2017	Medical Facilities	Beds
Total Housing Units	79,477	77,099	Hospital:	
Type of Single-Family			INOVA Alexandria Hospital.....	318
Housing Detached	9,144	9,141	Nursing Homes:	
Semi-Detached	5,820	5,800	Goodwin House.....	80
Rowhouse	6,684	6,630	Manorcare Health Services.....	96
Condo Townhouse	1,477	1,419	Hermitage Retirement Community.....	200
Total Single-Family	21,648	21,571	Woodbine Rehabilitation & Healthcare Center.....	307
Condominium Units	18,636	18,624	Washington House.....	68
Rental Apartments	36,406	33,845	Envoy of Alexandria.....	111
Public Housing and Public				
Housing Replacement Units	1,150	1,150	Libraries	Number
Average Assessed Value of			Central Library.....	1
Single Family Homes	752,585	730,449	Full service branches.....	3
Average Assessed Value of			(Books and other materials for home use as well as electronic	
Condominiums	324,024	310,990	and print reference service)	
Average Market Rents			Local History – Special Collections I.....	1
Efficiency	1,369	1,319	Talking book service.....	1
1 Bedroom Apartment	1,708	1,641	Education	
2 Bedroom Apartment	2,106	2,016	Public Schools:	Number
3 Bedroom Apartment	2,272	2,082	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.	
			(*) One additional elementary school opened Fall 2018.	
Communications				
Television:				
All major networks plus cable				
Local Newspapers:				
Alexandria Gazette Packet (weekly)				
Regional Newspapers:				
Washington Post				
Washington Times				
Washington Examiner				
Radio:				
50 major and minor radio stations in metropolitan area				
Miles of Streets, Sidewalks and Alleys				
Streets:				
Paved - Lane Miles.....		561.0		
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.....		1042		
Facilities:				
Playground Areas.....		41		
Swimming Pools.....		4		
Gymnasiums.....		16		
Basketball Courts (outdoor).....		21		
Tennis Courts.....		35		
Multi-Use Courts.....		3		
Playing Fields.....		59		
			Financial Institutions	
			Commercial Banks.....	15
			Credit Unions.....	11
			Lodging	
			(FY2017)	
			Alexandria Available Hotel	
			Rooms.....	4,430
			Alexandria Hotel	
			Occupancy.....	72.5%
			National Hotel	
			Occupancy.....	66.2%
			Alexandria Average Daily Rate.....	\$153
			National Average Daily Rate.....	\$128
			SOURCE: Visit Alexandria	

CITY OF ALEXANDRIA, VIRGINIA
Five-Year Summary of General Fund Revenues and Expenditures
As of June 30, 2018

Table XXII

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Revenues					
General Property Taxes	\$ 403,229,553	\$ 414,740,999	\$ 428,938,197	\$ 460,874,188	\$ 490,205,197
Other Local Taxes	121,053,810	127,652,883	129,377,852	131,900,663	133,448,905
Permits, Fees, and Licenses	2,380,825	2,455,001	2,544,080	2,713,962	2,235,428
Fines and Forfeitures	5,187,003	4,916,607	4,964,339	4,907,527	5,024,337
Use of Money and Property	4,815,192	4,870,007	5,422,935	5,515,144	7,307,650
Charges for Services	16,844,363	18,557,721	19,896,356	19,419,892	21,272,076
Intergovernmental Revenues	56,334,737	55,401,515	56,080,138	56,444,434	56,587,411
Miscellaneous	1,569,959	1,781,031	2,171,682	1,874,317	1,646,321
Total Revenues	611,415,442	630,375,764	649,395,579	683,650,127	717,727,325
Other Financing Sources					
Operating Transfers In	3,044,329	3,206,574	6,973,897	10,414,477	10,705,736
Refunding Bonds	18,635,000	33,995,000	10,595,000	34,168,000	165,711,747
Bond Premium (Discount)	-	-	50,678	-	-
Sale of Land	-	5,328,843	-	-	-
Total Other Financing Sources	21,679,329	42,530,417	17,619,575	44,582,477	176,417,483
Total Revenues and Other Financing Sources	633,094,771	672,906,181	667,015,154	728,232,604	894,144,808
Expenditures					
Current					
General Government	44,591,188	44,429,060	45,099,841	49,333,658	51,000,556
Judicial Administration	18,952,110	18,897,717	18,582,543	19,228,767	19,080,832
Public Safety	126,256,389	125,936,874	134,138,428	138,831,088	142,200,883
Public Works	36,104,660	35,375,711	35,595,460	34,554,827	35,665,834
Library	6,598,290	6,468,697	6,737,614	6,863,312	6,935,201
Health and Welfare	20,663,159	19,749,292	19,308,575	20,444,776	20,169,486
Transit	8,767,748	7,040,044	10,908,182	8,450,237	15,340,916
Culture and Recreation	24,062,336	23,377,440	24,086,422	24,326,744	24,860,318
Community Development	16,043,648	18,096,016	18,715,795	18,891,892	19,167,648
Education	185,623,257	191,823,349	198,823,443	204,032,628	214,073,749
Debt Services					
Principal Retired	33,476,070	38,645,000	41,595,000	43,300,000	44,404,949
Interest and Fiscal Charges	23,835,653	22,614,198	21,766,140	21,490,252	21,795,764
Total Expenditures	544,974,508	552,453,398	575,357,443	589,748,181	614,696,136
Other Financing Uses					
Payment to Refunded Bonds					
Escrow Agent	18,531,679	33,858,404	10,749,293	34,017,394	166,600,582
Operating Transfers Out	73,439,890	74,508,779	64,029,633	79,136,615	103,984,281
Total Other Financing Uses	91,971,569	108,367,183	74,778,926	113,154,009	270,584,863
Total Expenditures and Other Financing Uses	636,946,077	660,820,581	650,136,369	702,902,190	885,280,998
Revenues and Other Financing Sources					
Over/(Under) Expenditures and Other Financing					
Uses	(3,851,306)	12,085,600	16,878,785	25,330,414	8,863,809
Fund Balances at Beginning of Year	69,513,182	65,252,268	77,781,815	94,525,932	120,006,283
Increase (Decrease) in Reserve for Inventory	(409,608)	443,947	(134,668)	149,937	88,251
FUND BALANCES					
AT END OF YEAR	\$ 65,252,268	\$ 77,781,815	\$ 94,525,932	\$ 120,006,283	\$ 128,958,343

CITY OF ALEXANDRIA, VIRGINIA
Summary of Total
General Obligation Bonds
Debt Service
As of June 30, 2018

Table XXIII

Fiscal Year	Total Principal	Total Interest	Total
2019	\$ 45,989,000	\$ 23,516,205	\$ 69,505,205
2020	45,376,000	21,339,549	66,715,549
2021	46,029,000	19,072,929	65,101,929
2022	42,896,000	16,994,262	59,890,262
2023	43,059,000	15,032,243	58,091,243
2024	39,972,000	13,114,120	53,086,120
2025	39,899,000	11,440,435	51,339,435
2026	37,886,000	9,828,862	47,714,862
2027	34,787,000	8,333,255	43,120,255
2028	34,784,000	6,836,943	41,620,943
2029	34,679,000	5,449,025	40,128,025
2030	31,632,000	4,293,083	35,925,083
2031	27,024,000	3,352,880	30,376,880
2032	22,869,000	2,548,362	25,417,362
2033	19,175,000	1,913,399	21,088,399
2034	12,160,000	1,363,924	13,523,924
2035	12,150,000	996,609	13,146,609
2036	10,270,000	620,064	10,890,064
2037	9,190,000	313,611	9,503,611
2038	5,195,000	84,580	5,279,580
Total	\$ 595,021,000	\$ 166,444,340	\$ 761,465,340



SINGLE AUDIT

DRAFT

DRAFT

DRAFT

DRAFT

DRAFT

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Recipient State Agency/Program or Cluster Title	Federal Catalog Number	Pass-through Number	Pass-through Subrecipients
U.S. DEPARTMENT OF AGRICULTURE			
Pass Through Payments:			
Department of Agriculture and Consumer Services (301 535-06):			
Food Insecurity Nutrition Incentive	10.331	n/a	\$ 3,304
Child Nutrition Cluster:			
Virginia State Department of Education (197 457-07)			
School Breakfast Program	10.553	n/a	1,530,045
School Lunch Program	10.555	n/a	4,428,715
Department of Agriculture and Consumer Services (301 535-06):			
National School Lunch Program	10.555	n/a	576,589
Commodity Food Distribution	10.555	n/a	6,065
Commodity Food Distribution	10.555	n/a	369,075
Summer Food Service Program for Children	10.559	n/a	96,011
Total Child Nutrition Cluster			<u>7,006,500</u>
SNAP Cluster:			
State Administrative Matching for Supplemental Nutrition Assistance Program	10.561	n/a	2,950,454
Total SNAP Cluster			
Virginia State Department of Education (197 457-07)			
Child and Adult Care Food Program	10.558	n/a	312,823
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u><u>10,273,081</u></u>
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	1,422
Affordable Care Act (ACA) Personal	93.092	N/A	220,513
Head Start	93.600	N/A	1,810,079
Total Direct Payments			<u>2,032,014</u>
Pass Through Payments: State of Virginia			
Department of Health:			
Centers for Disease Control and Prevention- Investigations and Technical Assistance	93.283	State Allocation	471
Injury Prevention and Control Research and State and Community Based	93.136	State Allocation	41,988
Department of Mental Health and Mental Retardation			
Substance Abuse and Mental Health Services _ Projects of Regional and National Significance	93.243	State Allocation	44,504
State Health Insurance Assistance Program	93.324	State Allocation	15,180
Block Grant for Community Mental Health Services	93.958	Various	936,993
Projects for Assistance in Transition from Homelessness	93.150	State Allocation	97,019
Block Grant for Prevention and Treatment of Substance Abuse	93.959	Various	691,820
Drug Free Communities Support Program Grants	93.276	State Allocation	81,000
Department for the Aging:			
Aging Cluster:			
Special Programs for the Aging- Title III Part B Supportive Svces and Senior Centers	93.044	State Allocation	110,393
Special Programs for the Aging Title IIC - Nutritional Services	93.045	State Allocation	138,534
Total Aging Cluster:			<u>248,927</u>
Department of Social Services:			
Special Programs for the Aging- Title III Part D _Disease Prevention and Health Promotion Services	93.043	State Allocation	636
Promoting Safe and Stable Families	93.556	Various	33,695
Temporary Assistance for Needy Families	93.558	Various	1,243,179
Family Support Payments to States _Assistance Payments	93.667	State Allocation	1,553,363
Child Welfare Services State Grant	93.645	Various	3,124
Refugee and Entrant Assistance- State Administered Programs	93.566	Various	106,839
Community Services Block Grant	93.569	Various	130,787
Low Income Home Energy Assistance	93.568	Various	123,170
Child Care Cluster:			
Child Care Mandatory and Matching Funds of the Childcare and Development Fund	93.596	Various	177,106
Child Care and Development Block Grant	93.575	Various	103,969
Total Child Care Cluster:			<u>281,075</u>
Chafee Education and Training Vouchers Program	93.599	Various	7,154
Foster Care Title IV - E	93.658	Various	1,909,889
Adoption Assistance	93.659	Various	1,232,276
Chafee Foster Care Independence Program	93.674	Various	9,945
Children's Health Insurance Program	93.767	Various	110,899
Medicaid Cluster:			
Medical Assistance Program	93.778	Various	3,006,982
Opioid STR	93.788	Various	46,729
Total Medicaid Cluster:			<u>3,053,711</u>
Total Pass Through Payments			<u>11,957,644</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN			<u>\$ 13,989,658</u>

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Recipient State Agency/Program or Cluster Title	Federal Catalog Number	Pass-through Number	Pass-through Subrecipients
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct Payments:			
Continuum of Care Program	14.267	N/A	\$ 77,864
Community Development Block Grant Program-Entitlement Grants (CDBG) Cluster			
Community Development Block Grant Program, Entitlement Grants	14.218	N/A	<u>1,050,295</u>
Total Direct Payments			<u>1,128,159</u>
Pass Through Payments:			
Supportive Housing Program	14.235	State Allocation	176,154
Home Investment Partnerships Program	14.239	Various	19,146
Total Pass Through Payments			<u>195,300</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u><u>1,323,459</u></u>
DEPARTMENT OF HOMELAND SECURITY			
Pass Through Payments			
Emergency Management Performance Grants	97.042	State Allocation	63,426
Assistance to Firefighters Grant	97.044	State Allocation	20,741
Port Security Grant Program	97.056	State Allocation	14,758
Homeland Security Grant Program	97.067	State Allocation	592,441
Total Pass Through Payments			<u>691,366</u>
TOTAL DEPARTMENT OF HOMELAND SECURITY			<u><u>691,366</u></u>
U.S. DEPARTMENT OF JUSTICE			
Pass Through Payments:			
Department of Criminal Justice Services (140-390-01)			
Asset Forfeiture Report	16.000	Various	299,354
Sexual Assault Services Formula Program	16.017	State Allocation	14,484
Missing Children's Assistance	16.543	State Allocation	11,280
Crime Victim Assistance	16.575	State Allocation	597,211
Violence Against Women Formula Grants	16.588	State Allocation	104,583
Edward Byrne Memorial JAG grant	16.738	State Allocation	16,923
Equitable Sharing Program	16.922	State Allocation	21,223
Total Pass Through Payments			<u>1,065,058</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u><u>1,065,058</u></u>
U.S. DEPARTMENT OF LABOR			
Pass Through Payments:			
Economic Dislocation and Worker Adjustment Assistance Act			
Workforce Investment Act Cluster:			
WIA Adult Program	17.258	LWA 12-09	109,411
WIA Youth Activities	17.259	LWA 12-09	59,862
WIA Employment Training Administration	17.278	LWA 12-09	109,068
Total Workforce Investment Act Cluster:			<u>278,341</u>
WIA Workforce Innovation Fund	17.283	LWA 12-15	9,693
Total Pass Through Payments			<u>288,034</u>
TOTAL U.S. DEPARTMENT OF LABOR			<u><u>288,034</u></u>
U.S. DEPARTMENT OF TRANSPORTATION			
Pass Through Payments:			
Virginia Department of Transportation			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	Various	4,096,647
Safe Routes to School Funds	20.205	State Allocation	51,830
Total Highway Planning and Construction Cluster:			<u>4,148,477</u>
Alcohol Open Container Requirements	20.607	State Allocation	24,719
Federal Transit_Capital Investment Grants	20.500	Various	422,683
New Freedom Program	20.521	Various	212,276
Total Pass through payments			<u>4,808,155</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u><u>4,808,155</u></u>
U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION			
Direct Payments:			
Employment Discrimination_State and Local Fair Employment Practices Agency (30.002	N/A	50,451
Total Direct Payments			<u>50,451</u>
TOTAL U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION			<u><u>\$ 50,451</u></u>

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Recipient State Agency/Program or Cluster Title	Federal Catalog Number	Pass-through Number	Pass-through Subrecipients	
U.S. DEPARTMENT OF EDUCATION				
Pass Through Payments:				
Department of Education:				
Title I Cluster:				
Title I Grants to Local Educational Agencies	84.010	State Allocation	\$	3,947,690
Title I State Agency Program for Neglected and Delinquent Children	84.013	State Allocation		136,186
Special Education Cluster:				
Special Education Grants to States	84.027	State Allocation		3,187,074
Special Education Preschool Grants	84.173	State Allocation		96,840
Total Special Education Cluster:				<u>3,283,914</u>
Adult Literacy Services - Federal	84.002	State Allocation		153,015
Career and Technical Education-- Basic Grants to States	84.048	State Allocation		218,333
Education for Homeless Children and Youth	84.196	State Allocation		10,967
Twenty-First Century Community Learning Centers	84.287	State Allocation		136,672
English Language Acquisition Grants	84.365	State Allocation		443,742
Improving Teacher Quality State Grants	84.367	State Allocation		601,208
Student Support and Academic Enrichment Grants	84.424	State Allocation		1,566
Total Pass through payments				<u>8,933,293</u>
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>8,933,293</u>
OTHER FEDERAL AID				
Direct Payments:				
High Intensity Drug Trafficking Assessment/Evaluation	99.997	N/A		40,561
High Intensity Drug Trafficking Area	98.473	N/A		93,726
Total Direct Payments				<u>134,287</u>
TOTAL OTHER FEDERAL				<u>134,287</u>
TOTAL FEDERAL ASSISTANCE				<u>\$ 41,556,842</u>

DRAFT

CITY OF ALEXANDRIA, VIRGINIA
Notes to Schedule of Expenditures of Federal Awards
June 30, 2018

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 2018. 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 Expenditure per schedule	\$ 41,556,842
Non-Reportable Federal Revenue	9,627,565
Commodities Distribution	<u>(6,065)</u>
Total Federal Revenue per Note 12	<u>\$ 51,178,342</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, 2018

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	___	X	No
Significant deficiency(s) identified that are not considered to be material weaknesses?	___	Yes	___	X	None Reported
Noncompliance material to financial statements noted?	___	Yes	___	X	No

Federal Awards

Internal control over major programs:

Material weakness (es) identified?	___	Yes	___	X	No
Significant deficiency (ies) identified that are not considered to be material weaknesses?	___	Yes	___	X	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	___	X	No
---	-----	-----	-----	---	----

Identification of Major Programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.205	Highway Planning and Construction Cluster
93.600	Head Start
93.658	Foster Care, Title IV-E
93.667	Social Service Block Grant

Dollar threshold used to distinguish between type A and type B programs		<u>\$1,246,705</u>		
---	--	--------------------	--	--

Auditee qualified as low-risk auditee?	___	X	Yes	___	No
--	-----	---	-----	-----	----

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

II Financial Statement Findings

None

III Federal Award Findings and Questioned Costs

None

DRAFT

CITY OF ALEXANDRIA, VIRGINIA
Summary Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2018

None noted.

DRAFT

DRAFT

DRAFT



City of Alexandria, Virginia
Finance Department
P.O. Box 178
Alexandria, Virginia 22313
alexandriava.gov/finance