EXHIBIT NO. 1

City of Alexandria, Virginia

14
11-27-01

MEMORANDUM

DATE: NOVEMBER 14, 2001

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER PS

SUBJECT: COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE FISCAL YEAR ENDED JUNE 30, 2001

ISSUE: Receipt of the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2001.

RECOMMENDATION: That City Council receive the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2001.

DISCUSSION: Virginia Code §15.2-2511 requires that all local governments have their books and records audited by an independent certified public accountant as of June 30 of each year. The State Code further requires the certified public accountant to present a written report to the local governing body at a public session by the following December 31.

Attached is a copy of the City's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2001, which meets the State requirement. This report, which follows a format prescribed by the national Governmental Accounting Standards Board (GASB), includes a description of the significant financial events of the fiscal year; the reports from KPMG LLP, the City's independent certified public accountants; the City's audited financial statements; and, selected financial and demographic information.

The following are highlights of the report:

- This is the second year the City has used new national accounting standards to prepare its financial statements. The City of Alexandria was the first local government in Virginia and among the first in the nation to issue its CAFR using the financial reporting model required by GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. That statement established a whole new financial reporting framework, or governmental financial reporting model. GASB Statement No. 34 mandated that by the end of Fiscal Year 2002, governments comparable to the City of Alexandria amend their financial reporting to provide additional information about their fiscal health, including information about the status of

public infrastructure. The "Report Format" section of this transmittal letter includes a detailed discussion of this new reporting starting on page 14 of the CAFR.

- On this entity-wide basis, the City government has recorded $264.8 million in net assets (CAFR, Exhibit I, page 37) with the investment in capital assets and capital project commitments comprising $181.3 million and $58.3 million, respectively, of the total.

- Under the new model, the City government's net assets decreased by $3.8 million in FY 2001 (CAFR, Exhibit II, page 39). The primary factor contributing to this decrease is the City's transfer in FY 2001 of $17.6 million to City Schools capital accounts, which is not considered an asset of the City government using GASB 34 criteria.

- As reported in the Monthly Financial Report to City Council for the Period Ending September 30, 2001, General Fund revenues totaled $337.0 million (CAFR, Exhibit IV, page 41). Final General Fund expenditures totaled $289.2 million and transfers to other City funds totaled $44.9 million (CAFR, Exhibit IV, page 41).

- Driven largely by an ongoing, expanding local economy, FY 2001 General Fund revenues exceeded budgeted revenues by 5.9% or $18.9 million (CAFR, Exhibit XIII, page 102). Most of these additional revenues were projected at the time the FY 2002 budget was approved, with some $17.5 million set aside for cash capital projects in FY 2002 and FY 2003. Real and personal property taxes including penalties and interest, exceeded budget by $5.7 million. Other Local Taxes, which exceeded budget by $7.9 million, included excess recordation taxes ($0.8 million), sales taxes ($0.6 million), consumer utility taxes ($1.5 million), business license taxes ($3.0 million) and meal taxes ($0.8 million). Permits, Fees and Licenses exceeded budget by $0.3 million, and Fines and Forfeitures were less than budget by $0.1 million (primarily due to decreased red light camera revenues). Interest earnings on the City's cash were $2.7 million higher than budget primarily because of increased interest rates in the beginning of the year and increased available cash balances available for investment. General Fund expenditures ended the year with approximately $6.2 million unexpended.

- After accounting for the allocation of projected excess revenues and underexpenditures, the City ended FY 2001 with some $1.8 million greater than what was projected at the time the FY 2002 budget was adopted.

- Undesignated General Fund balance of $22.5 million (page 139) as a percentage of the General Fund revenues was 6.6 percent at the end of FY 2001 (CAFR, page 12), which is greater than the adopted target for General Fund balance as a percentage of General Fund revenues of 5.5 percent. Undesignated General Fund balance is the accumulated total of all prior years actual General Fund revenues in excess of expenditures, less resources reserved for inventory and encumbrances and less resources designated for the FY 2002 operating budget, self-insurance, compensated absences, subsequent years' capital expenditures and ongoing projects (CAFR, page 58).

- Including the effects of a planned $27.6 million transfer to capital projects (CAFR, page 82) to fund the pay-as-you-go portion of the Capital Improvement Program, total Unreserved General Fund balance, which includes all designated and undesignated resources, was $55.8 million at the end of FY 2001 (CAFR, Exhibit III, page 40), which compares to the total Unreserved General Fund balance of $53.1 million at the end of FY 2000.

- The City continues to comply with all of the debt-related financial targets. (CAFR, page 12).

- The City's financial statements for the year ended June 30, 2001, have received a "clean opinion" from the auditors. The auditors found that the City's financial statements "present fairly" the City's financial position and results of operations (CAFR, page 21) and that the City has complied with applicable laws and regulations related to federal grants (CAFR, pages 146 and 147).

- There were no audit findings related to federal grants.

- Because they are financially dependent on the City, certain financial information for the Alexandria City Public Schools (ACPS), the City of Alexandria Library System, and the Alexandria Transit Company (which operates the DASH bus system) are included in the City's CAFR as component units.

Staff is confident that our FY 2001 CAFR will be awarded the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting. The City has received this award for the last 23 consecutive years.

The City also received a Certificate of Recognition for early implementation of GASB Statement No. 34 from GASB for our FY 2000 CAFR. GASB Chairman Tom Allen said "Statement 34 is the most significant change in the history of governmental accounting. It represents a dramatic shift in the way state and local governments present financial information to the public." Mr. Allen also said "We (GASB Board) are extremely pleased and impressed by your City's ability to prepare the new financial statements in such a timely fashion."

When Standard & Poor's (S&P) issued their report re-affirming the City's AAA bond rating this past June, they noted that the City had "consistently strong financial operations and planning that employ practices that are in the forefront of government management." This is among the most positive statements that many in the municipal finance sector have ever seen stated by a bond rating agency about a governmental entity's financial management. It appears that the combination of long-standing Council-adopted financial policy guidelines (the bond rating agencies are pressing other jurisdictions to adopt written debt policies) and the City's early implementation of new national accounting and reporting standards (GASB 34) triggered this very positive language. It should be noted that Alexandria implemented GASB 34 two years before it was required for local governments of our size, and in doing so, the City was the largest

unit of government in the nation to fully implement these new and complex accounting and reporting standards.

ATTACHMENT:
City of Alexandria Comprehensive Annual Financial Report for the Fiscal Year ending June 30, 2001

STAFF:
Mark Jinks, Assistant City Manager
D.A. Neckel, Director of Finance
Laura Triggs, Deputy Director of Finance/Comptroller

City of Alexandria, Virginia

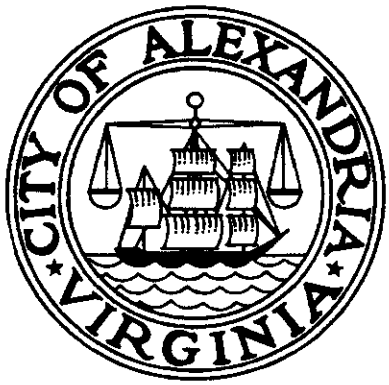
Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2001

Cover: This view along the 800-block of Duke Street in Old Town Alexandria is a quiet reminder of the tragic events of September 11, 2001.

Photograph by Anna Frame.

CITY OF ALEXANDRIA, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR
JULY 1, 2000 TO JUNE 30, 2001



Alexandria City Council
Kerry J. Donley, *Mayor*
William C. Cleveland, *Vice-Mayor*
Claire M. Eberwein
William D. Euille
Redella S. Pepper
David G. Speck
Joyce Woodson

City Manager ..... Philip Sunderland
Assistant City Manager for Fiscal and Financial Affairs ..... Mark B. Jinks
Director of Finance ..... Daniel A. Neckel, CPA
Director of Real Estate Assessments ..... Richard Sanderson
City Attorney ..... Ignacio B. Pessoa
City Clerk & Clerk of Council ..... Beverly Jett
Independent Auditors ..... KPMG LLP

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

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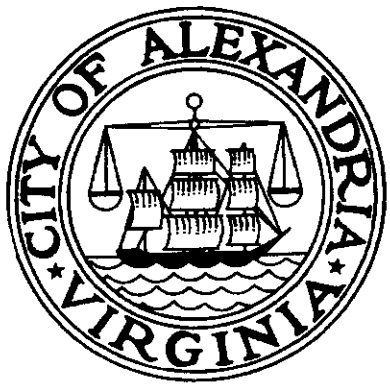
CITY OF ALEXANDRIA
VIRGINIA

CITY OF ALEXANDRIA, VIRGINIA
Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2001

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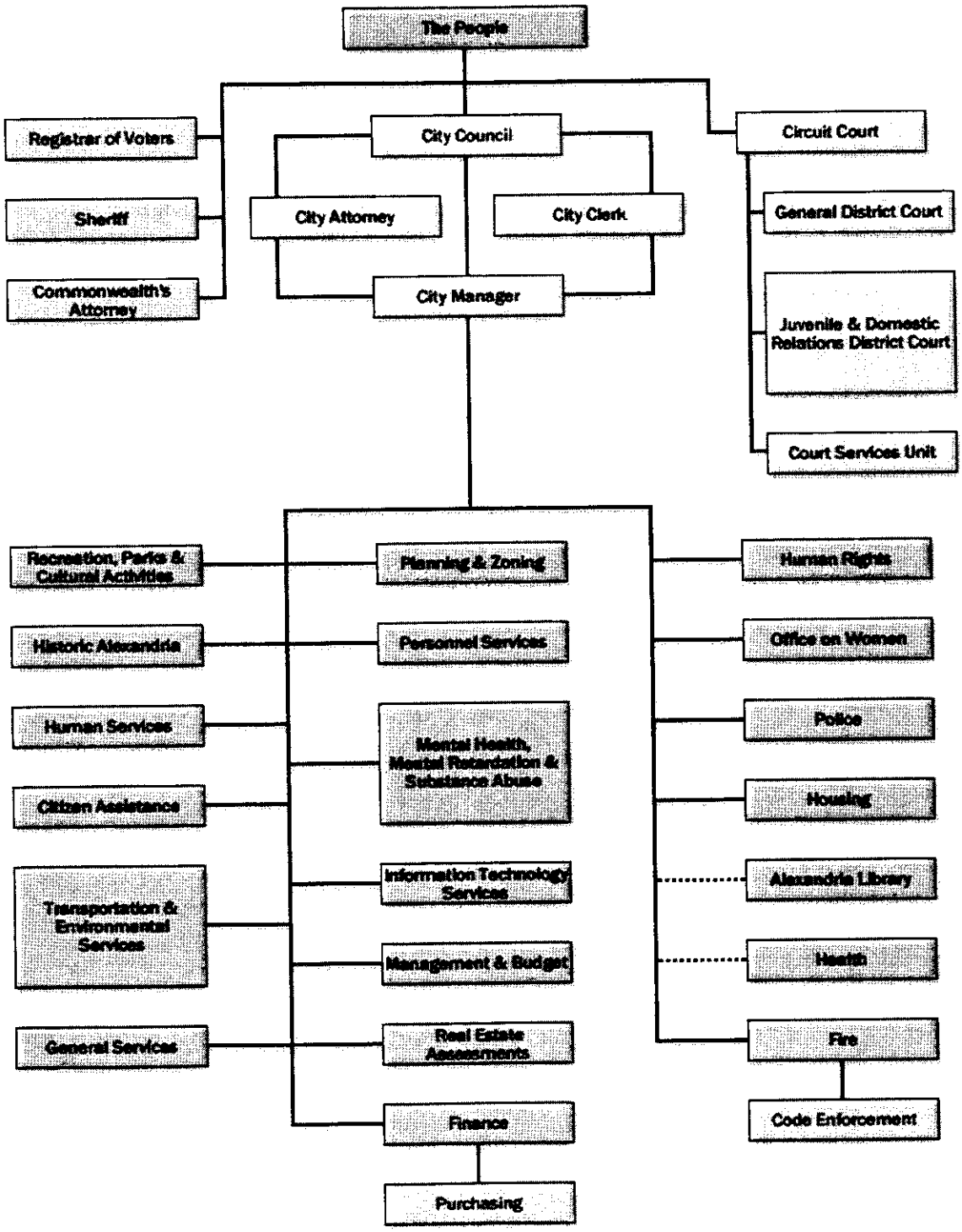
INTRODUCTORY SECTION

ALEXANDRIA CITY GOVERNMENT
ORGANIZATIONAL CHART



November 2, 2001

To the Honorable Mayor and Members of City Council,
the Citizens of the City of Alexandria, and
the Financial Community:

We are pleased to present the City of Alexandria's (the City) **Comprehensive Annual Financial Report** (the CAFR) for the fiscal year ended June 30, 2001. The report is designed to present fairly the financial position and results of financial operations of the City in all material respects and to demonstrate compliance with applicable finance-related legal and contractual provisions. The report adheres to the principle of full disclosure so that the reader may gain the maximum understanding of the City's financial affairs.

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

- Accounting principles generally accepted in the United States, which are uniform minimum standards and guidelines for financial accounting and reporting in the United States;
- Governmental accounting and financial reporting statements, interpretations and technical bulletins issued by the Governmental Accounting Standards Board (GASB), including GASB Statement No. 34 which the City fully implemented beginning with the FY 2000 CAFR and;
- Uniform financial reporting standards for counties, cities and towns issued by the Commonwealth of Virginia's Auditor of Public Accounts (APA).

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

THE CITY

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

Alexandria is an independent full-service city with sole local government taxing power within its boundaries. The City is autonomous from any county, town or other political subdivision of the Commonwealth of Virginia. Alexandria 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 provides a comprehensive range of municipal services including education, health, welfare, housing and human services programs, public safety and administration of justice, community development, recreation, library, cultural and historic activities, transportation, environmental services, and planning.

FINANCIAL REPORTING ENTITY

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

LOCAL ECONOMY

Over the last decade, Alexandria has emerged as a major job center in the Washington metropolitan area, with over 94,000 persons employed as of December 31, 2000 in a broad range of industries, including corporate headquarters, technology firms, and national trade and professional associations. During 2000 and 2001, the local economy had modest growth in real terms. Local jobless rates rose last year, from 1.8 to 2.9 percent as of June 30, 2001. Given the City's proximity to National Airport and the Pentagon, the events of September 11, 2001 had an immediate effect on the City's economy and tax revenues. However, the City projects that most of the negative impact will taper off by the end of FY 2002. The City Manager has directed departments to develop operating and capital budget contingency plans in order to keep the FY 2002 budget in balance.

The real estate market, which is the principal source of tax revenue for area local governments, has improved. Total real property assessments increased by 10.1 percent, or $1.3 billion. Of the total increase, 31.5 percent is the result of new growth, including $169.8 million in new residential growth and $251.6 million in new commercial growth. The reassessments of existing properties increased $895.7 million, reflecting the strong market demand for residential properties, as well as the healthy condition of income producing commercial properties. Some new residential and commercial development in Eisenhower Valley, Cameron Station, and Potomac Yard is expected to continue to contribute to some growth over the next decade and beyond. As these last few major undeveloped parcels are built out, however, fewer opportunities for this type of new development will become available.

MAJOR INITIATIVES

Strong fiscal management remains a hallmark of Alexandria's City government and has enabled the City to respond to priority needs, including public safety, public education, and modernization of heavily used recreation and library facilities. Alexandria is among an elite group of cities in the United States to hold the top AAA/Aaa bond ratings from both of Wall Street's major credit rating agencies. These top bond ratings were reconfirmed in June 2001.

During the past fiscal year, the City made progress in a number of important areas:

- In FY 2001, a newly renovated fire station and fire administrative headquarters was completed and re-opened to the public. In September 2000, the City opened the first new public school in the City in 30 years. Development continues in Cameron Station, one of the largest new residential developments in the City and the City completed and opened a new Cameron Station park.

- During the 2001 fiscal year, Alexandria continued to enjoy a strong economy, but signs of a slowdown have started. The City's office vacancy rate on June 30, 2001 was 7.6 percent, which is higher than last year, but still low. Retail sales grew by 4.7 percent, down from 6.7 percent in FY 2000. Unemployment and violent crime remain down and the City experienced continued growth in its population and an increase in its diversity as more families, single professionals and retirees discovered Alexandria's outstanding quality of life.

SERVICE EFFORTS AND ACCOMPLISHMENTS - ALEXANDRIA INFORMATION TECHNOLOGY SERVICES

In accordance with Government Accounting Standards Board (GASB) Concept Statement No. 1, Service Efforts and Accomplishments, each year the City selects a department to highlight for its efforts and accomplishments. In FY 2001, the Information Technology Services Department has been selected for its efforts and accomplishments.

The City provides modern information technology (IT) services which are delivered through microcomputer-based client/servers, through mainframe services leased from a neighboring jurisdiction and through Internet technologies such as web browsers. The City's IT services are locally interconnected through a fiber-optic institutional network (I-Net) provided as part of the local cable television service franchise agreement. This service connects all major schools, government buildings and libraries.

The City also embraces a robust planning process for ensuring that complex IT services are efficiently and effectively addressed. The City publishes an annual technology plan which is substantially incorporated as part of the City's capital improvement program document.

The Information Technology Services (ITS) department's goals are to:

- Provide information service to City departments that is reliable, credible and accessible in a timely manner, and assess satisfaction with services on an on-going basis.
- Ensure that the City's IT human resources are appropriately managed and trained.
- Provide timely response to requests for service.
- Improve City management and operational capabilities through the use of information systems by providing City management and legislative leadership with reliable, well-informed information about the cost-effective application of technology to the City's business processes.
- Safeguard the City's physical computer system hardware and to safeguard access to the City's electronically stored data.

These goals are addressed through a planning process which emphasizes active team-based participation by all stakeholders and through a project management process which places an emphasis on insuring that the proper resources are allocated at the appropriate time to help ensure that City information technology (IT) projects are, to the extent feasible, delivered on time and on budget.

The City's structure for governing IT planning and oversight is composed of the following elements:

- The Information Technologies Steering Committee (ITSC);
- Groups chartered by the ITSC to accomplish function specific planning and oversight tasks; and
- An ITSC Projects Management Board whose responsibilities include identifying IT projects for which highly structured planning and oversight are appropriate and for providing oversight for those projects.

The ITSC, composed of representatives from the City's top-level management and user agencies, was established in 1987 to advise the City Manager on the planning and prioritization of City information technology systems and services, and to coordinate all major computer hardware and software acquisitions. To direct its work, the ITSC is guided by the following strategic principles:

- Expand, where cost-effective, the use of interconnected networks, minimizing the use of leased mainframe computer resources;
- Give priority to addressing urgent public safety and public health needs; meeting legal requirements; maintaining vital financial processes; exploiting available non-City resources for funding; and attaining quantifiable returns on investment;
- Identify the cost of Information Technology Services (ITS) internal services to user departments and agencies in the budget document to reflect the cost of services provided;
- Use outside contractors to meet applications and maintenance needs where appropriate;
- Continue to exploit new communications technology to deliver services cost effectively and to improve public access to City services and information; and
- Reduce the need for training and facilitate rapid deployment of new systems by striving to employ integrated user interfaces for computer applications.

ITSC Chartered Groups

To ensure that key functional areas are appropriately planning and coordinating City IT efforts, the ITSC has created ITSC Chartered Groups to provide planning guidance, to identify budget priorities and, in some cases, to monitor budget implementation. These groups cover (a) Finance, (b) Permitting, (c) Geographic Information Services, (d) the City's Web Site, (e) the City's intranet - called CityNet, (f) Public Safety Systems, (g) Radio

Systems, (h) Telephone Systems, (i) Justice Systems, and (j) Human Resources Services. Ad hoc groups are formed to address standards issues such as desktop publishing, imaging services and desktop office software.

ITSC Projects Management Board

To ensure that the major IT projects that the City undertakes are appropriately planned, to include staffing resources, so that the City's investment in IT is properly used, the ITSC appointed a number of its members to review major IT project requests and, for those that it recommends approval, and which are approved and funded by City Council, provides periodic oversight of the implementation of these projects.

As part of this project, the City provides formal training in IT project management, through a joint arrangement with a neighboring jurisdiction, to ensure that staff appointed to manage these projects have the most up-to-date project management concepts and tools available to them. The work of these bodies is directed toward identifying key IT initiatives on which the City is to focus its efforts and to help ensure that those directions are addressed.

ITS Accomplishments in FY 2001

In FY 2001, the City, after successfully completing the transition to Year 2000 with virtually no impact on service delivery, began addressing projects that had been placed on hold while the last stages of Year 2000 preparation work took precedent. Some key accomplishments during FY 2001:

- The City has recently concluded a joint City government - school administration acquisition of replacement telephone services. These services are designed to grow with new technologies, improve the flexibility of the City's telephone services and reduce the annual cost of providing telephone services.

- The City implemented electronic payment of fines, taxes and fees through its web site to improve convenience for citizens and businesses. The City will continue to seek improved and less costly means of providing this service.

- The City continues to rapidly grow its award winning web site, now serving over 1.4 million pages of information and services per month. The City is developing a strategic plan for electronic government that includes the availability of an increasing array of services - not just information - to its citizens and businesses. These include electronic check payment of fines, taxes and fees; acquisition of simple building permits and the ability to register and pay for recreation services through the City's web site.

- The City has a strong commitment - for which it won Governor of Virginia and Washington Metropolitan Area Council of Governments awards for technological innovation - to providing for accountable government by making City Council, Planning Commission, Board of Zoning Appeals and Boards of Architectural Review dockets and docket materials available on-line through the City's web site in advance of the public meeting.

- To ensure that the City is delivering quality IT services to City departments and agencies, the City engaged staff of the Institute of Public Policy of George Mason University to conduct a customer satisfaction survey covering help desk, training and general ITS services. The survey was conducted confidentially by GMU staff, so that City staff are not able to learn the identities of any respondents, helping to ensure not only confidentiality, but assurance that the results are statistically valid and the outcome can be viewed with confidence. The survey result, which provides a baseline for future surveys, indicated that on a five point scale, ITS provided service that was, for the view of the average City employee, better than the mid-point of three, and can be characterized as above satisfactory. Staff will use the results of the survey to seek ways of improving ITS services and to adjust performance measures accordingly.

The City's web site, which received national recognition for its user-oriented design, continues to grow in use as the City provides additional information and services to citizens and businesses. During FY 2001 the average number of monthly web site pages accessed increased by about 1 million; from 0.4 million June 2000 to 1.4 million in June 2001, an increase of 250 percent in a single year. This increase is substantially attributable to availability of

real estate assessment data for individual properties and reflects the City's continuing commitment to providing accountable government to all citizens.

FINANCIAL CONDITION

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

The City will continue to experience budget pressure over the next several years. Keeping existing programs funded, salaries of public employees competitive, and addressing the budget and expanded program requests of citizens and community groups will continue to challenge the City. In addition, as the City grows, so will the services needed to support additional residents and new or expanded businesses. Debt service costs from the six-year capital improvement plan are expected to increase from $9 million to $20 million by the year FY 2005. In reference to public schools, the need for increased operating and capital support due to growing enrollment and educational initiatives of the schools remains as one of the City's major budget challenges. Over the next year, revenues are budgeted to grow by 3.0 percent over FY 2001 actual revenues. The City will also need to monitor revenues as the impact of fewer travelers at National Airport becomes known. The City believes, in general, that the overall state of its infrastructure of streets, bridges, and other public facilities is good, with the adopted $197.3 million capital improvement program aimed at maintaining and improving the City's infrastructure.

The amount of development in the City will also influence future expenditure and revenue levels with all major new developments projected to generate more tax revenues than expenditures. Cameron Station, one of the City's largest residential developments, continues to add housing units. The relocation of the federal Patent and Trademark Office (PTO) headquarters and its more than 7,100 employees to the Carlyle development area is also expected to have a major positive impact on the City's economic development. The PTO will include 2.5 million square feet of office and related space, housed in five buildings, with two parking garages containing 3,838 spaces. A multi-screen cinema with 4,150 stadium-style seats and retail space in the City opened this summer.

Over the last ten years, the City's property tax base has had modest growth while the pace of expenditures continued to increase. The City has been able to maintain its fiscal strength as the result of the City Council's adoption of, and subsequent adherence to, the series of financial policies listed on page 12. These policies are aimed at (1) limiting debt and annual debt service requirements and (2) maintaining an appropriate General Fund fund balance so as to retain the City's AAA/Aaa bond rating and to keep the City on firm financial footing. When City Council initially adopted the financial policies in 1987, the City's general obligation debt as a percentage of the tax base was 1.4 percent. Because the City continued to use "pay-as-you-go" financing for many capital projects over the last decade, the City reduced its outstanding debt ratios since 1987. At the end of FY 2001, the City's debt to tax base ratio was just 0.68 percent. The City's financial policies encourage the use of surplus General Fund Revenue to fund capital projects rather than to fund operating programs.

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

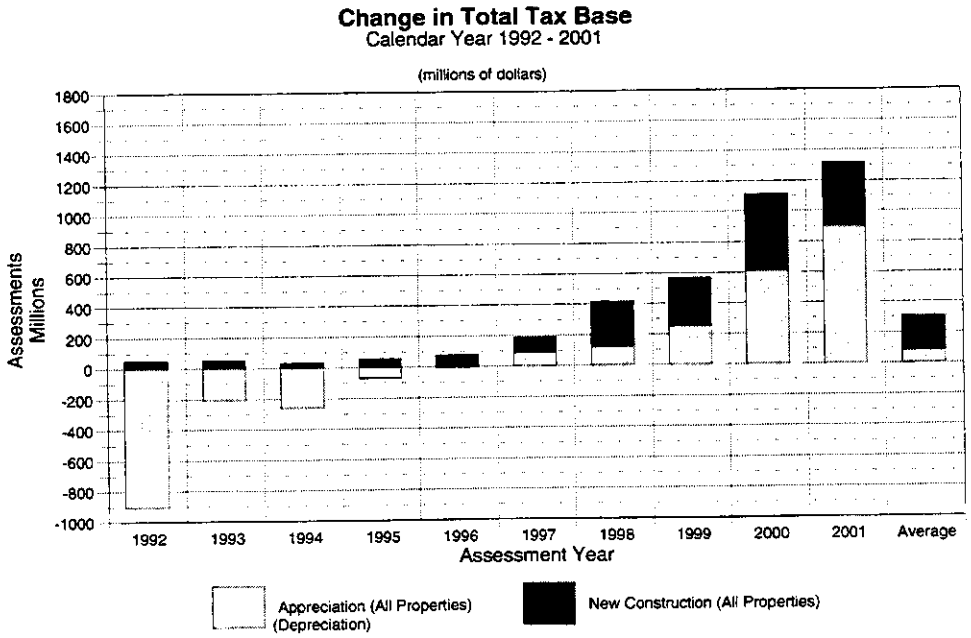
This is the seventh consecutive year that the overall assessed values of real property have increased. The following table shows that, after several years of decline, the overall real property assessed value has increased by $3.8 billion since 1994, including a $1.3 billion increase from 2000 to 2001. Real property taxes, which are based on assessments as of January 1 of each year, are due in two payments. The first half tax is due on June 15 and the second half tax is due on November 15.

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

Year	Residential Assessed Value	Residential % Increase (Decrease)	Commercial[1] Assessed Value	Commercial % Increase (Decrease)	Total Assessed Value	Total % Increase (Decrease)
1992	$ 5,402,012	(3.2)	$ 5,841,899	(11.0)	$ 11,243,911	(7.4)
1993	5,465,820	1.2	5,561,158	(4.8)	11,026,978	(1.9)
1994	5,462,996	(0.1)	5,355,328	(3.7)	10,818,324	(1.9)
1995	5,576,578	2.1	5,260,736	(1.8)	10,837,314	0.2
1996	5,658,106	1.5	5,284,168	0.4	10,942,274	1.0
1997	5,742,376	1.5	5,428,427	2.7	11,170,803	2.1
1998	5,882,796	2.4	5,728,246	6.2	11,611,042	3.9
1999	6,169,055	4.9	5,991,811	5.2	12,160,866	4.7
2000	6,716,942	8.9	6,577,311	9.2	13,294,253	9.3
2001	7,573,897	12.8	7,058,452	7.4	14,632,349	10.1

1. Includes apartment buildings.

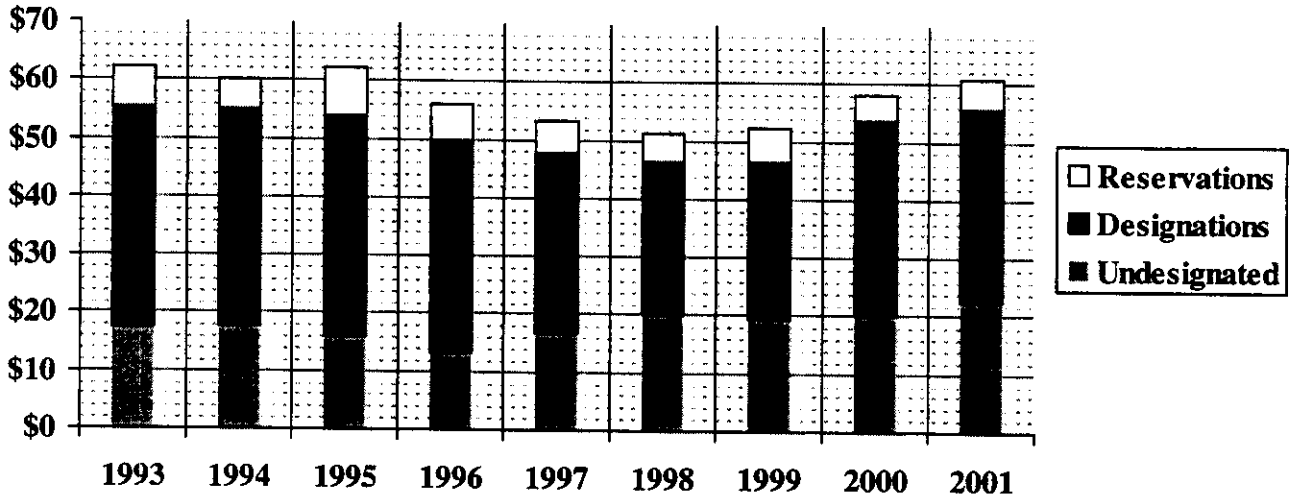
The next chart dissects the increases and decreases in assessed values since 1991 into appreciation and depreciation of existing properties and new properties (this chart is comprised of single year snapshots and is not cumulative).



Source: Department of Real Estate Assessments
Prepared by: Office of Management and Budget

The General Fund Unreserved Fund Balance financial policies are a keystone to the City's overall financial strength and stability. At the end of FY 2001, the City's General Fund fund balance was $60.8 million and included $16.7 million designated for future capital funding, as well as an undesignated portion of Fund Balance totaling $22.5 million (Exhibit XVIII), slightly higher than at FY 2000. At the end of FY 2001 the City's ending General Fund fund balance condition was consistent with the City's established financial policies, and somewhat above expectations. This positive outcome above expectations allowed the capital funding designation to be increased by $5.5 million from the planned $11.2 million to the previously cited $16.7 million.

City Of Alexandria General Fund - Fund Balance (amounts in millions)



CAPITAL FINANCING AND DEBT MANAGEMENT

In conjunction with the annual operating budget preparation, the City Manager annually prepares a six-year Capital Improvement Plan to provide for the financing of improvements to the City's public facilities. The first year of the program constitutes the capital budget for the current fiscal year; the remaining five years serve as a planning guide. The City accounts for capital improvement expenditures in the Capital Projects Fund and finances the projects from the General Fund (including appropriations of Designated Fund Balance), general obligation debt, the sale of surplus property, and intergovernmental grant revenues. The City's Capital Improvement Plan for FY 2002 through 2007 represents $197.3 million of City-funded public improvements to the City's schools, public buildings, parks, and transportation systems. In addition, state and federal grants and other sources will provide $99.6 million in capital funding for the FY 2002-FY 2007 time period.

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

	Ceiling	1995	1996	1997	1998	1999	2000	2001	Target
Debt as a Percentage of Fair Market Value	1.6%	0.48%	0.41%	0.34%	0.26%	0.54%	0.86%	0.74%	1.1%
Debt Per Capita as a Percentage of Per Capita Income	3.25%	1.1%	1.0%	0.7%	0.6%	1.1%	1.7%	1.6%	2.25%
Debt Service as a Percentage of General Governmental Expenditures[1]	10.0%	3.8%	3.2%	2.9%	2.5%	1.7%	2.3%	3.1%	8.0%
General Fund Balance as a Percentage of General Fund Revenue:									
Unreserved	10% (floor)	22.4%	20.6%	19.1%	17.6%	16.5%	17.3%	16.6%	---
Undesignated	4% (floor)	6.6%	5.5%	6.7%	7.6%	6.9%	6.4%	6.6%	5.5%

[1] Data includes School Board and Library component units.

The adopted financial policies include the following:

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

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

Moody's Investors Service	Standard & Poor's
Aaa	AAA

CASH MANAGEMENT

The primary objectives of the City's cash management and investment program are the safety and preservation of principal, liquidity, and yield.

The City takes full advantage of temporarily idle cash and the scheduling of vendor payments. To ensure the most competitive rates on investments, the cash resources of the individual funds (excluding Bond Proceeds in the Capital Projects Fund, certain cash with fiscal agents in the Fiduciary Funds, and certain cash accounts of discretely presented component units) are combined to form a pool of cash and investments. The investment pool's portfolio policy articulates that the portfolio should be composed of obligations of the U.S. Government and its agencies, repurchase agreements fully collateralized by obligations of the U.S. Government or its agencies, and highly rated commercial paper. The City maintains security over its investments in repurchase agreements through an agreement with its portfolio management services whereby the collateral on the City's investments is maintained in the City's name at the Bank of New York. The City's investments in obligations of the U.S. Government and its agencies are held by the Atlanta, Georgia Federal Reserve Bank in a pledge account in the City's name. All investments are stated at fair value.

For the cash and investment pool, the average daily investment portfolio in FY 2001 was $129.5 million. The City earned interest income during the year at an average rate of return of 5.62 percent.

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. Each department and agency prepares its own budget request for review and amendment by the Office of Management and Budget and the City Manager prior to inclusion in the City's general operating budget. The School Board prepares the Schools' budget and transmits it to the City Manager. The City Manager then submits his recommendation to City Council for consideration. The City's practice is to prepare and present a budget document that meets the Government Finance Officers Association (GFOA) criteria to receive the Distinguished Budget Presentation Award. According to GFOA, "in order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operation guide, as a financial plan, and as a communications device." Since the budget document for fiscal year 1990, the City has presented budgets every year that conformed to GFOA requirements (has received one GFOA Award) and the City plans to do so for future budget documents.

City Council establishes a time and place for public hearings on the budget. One of the hearings must be at least 60 days before the beginning of the next fiscal year. Except for the Schools' budget, which may only be increased or decreased by major category or as a whole, City Council may insert new items of expenditure or may increase, decrease or strike out items of expenditure (other than debt service or other legal requirements). 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 it had been adopted by Council. During FY 2001, as is customary, the City Council also approved supplemental budget amendments.

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 performed 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.

RISK MANAGEMENT PROGRAM

The City's risk management program is designed to protect against accidental losses that would significantly affect personnel, property, the budget, or the City's ability to fulfill its responsibility to the taxpayers and the public. To limit its exposure to the various risks of loss, the City carries several types of insurance, has joined several risk pools, and is self-insured for some of its workers' compensation liabilities and other liabilities. A total of $5 million of the unreserved General Fund fund balance has been designated to meet potential self-insurance losses as of June 30, 2001.

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

REPORT FORMAT

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

This **Comprehensive Annual Financial Report** is presented in four sections: introductory, financial, statistical, and single audit. The introductory section includes a list of principal officials, the City's organizational chart, and this transmittal letter. The financial section includes the management discussion and analysis (MDA), basic, fund, and component unit financial statements, notes to financial statements, budgetary comparison schedules, required supplementary information for public employee retirement systems, and other supplementary information, as well as the independent auditors' report. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The single audit section contains information on the City programs that are financed by federal grants. This information is required by the Single Audit Act Amendments of 1996, and by the Auditor of Public Accounts of the Commonwealth of Virginia.

INDEPENDENT AUDIT

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

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

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the City of Alexandria a Certificate of Achievement for Excellence in Financial Reporting for the City's **Comprehensive Annual Financial Report** for the 23rd consecutive year in 2000. 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 2001.

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

provide each nationally recognized municipal securities information repository and to any appropriate state information depositor, if any is hereafter created, certain financial information not later than 270 days after the end of each of its fiscal years, commencing with the fiscal year ended June 30, 1996. This CAFR provides the 15c2-12 general bond obligation bond information which includes the "Debt Statement" found in Note 10 of Notes to the Financial Statements, a "Five Year Summary of General Fund Revenues and Expenditures" found in Table XX, a Summary of Debt found in Table XXI, 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 David Ebersole for his many years of dedicated pursuit of excellence and leadership in financial reporting.

Respectfully submitted,

Mark B. Jinks
Assistant City Manager for
Fiscal and Financial Affairs

Daniel A. Neckel, CPA
Director of Finance

Laura B. Triggs, CPA
Deputy Director of Finance/
Comptroller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Alexandria, Virginia

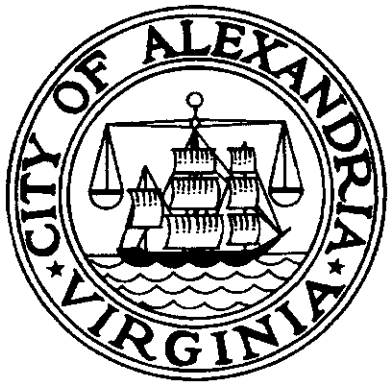
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2000

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

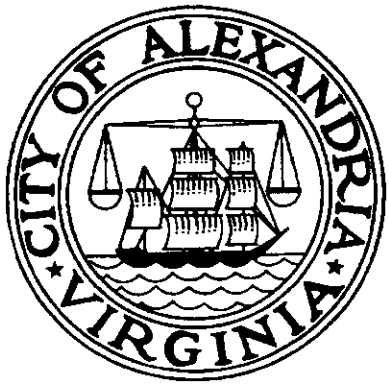
President

Executive Director

FINANCIAL SECTION


CITY OF ALEXANDRIA
VIRGINIA

INDEPENDENT AUDITORS' REPORT


CITY OF ALEXANDRIA
VIRGINIA

KPMG

2001 M Street, N.W.
Washington, D.C. 20036

Independent Auditors' Report

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

We have audited the accompanying basic financial statements and the combining and individual fund financial statements and schedules of the City of Alexandria, Virginia (the City) as of and for the year ended June 30, 2001, identified as Exhibits I through XII and Schedules 1 through 7 in the Financial Section of the accompanying table of contents. These financial statements and schedules are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the City as of June 30, 2001, and the results of its operations, cash flows of its proprietary funds, and changes in its fiduciary net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the combining and individual fund financial statements and schedules referred to above present fairly, in all material respects, the financial position of each of the individual funds of the City as of June 30, 2001, and the results of operations of such funds, cash flows of each of the proprietary funds, and changes in net assets of each of the fiduciary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 19 to the basic financial statements, the City adopted Governmental Accounting Standards Board Statements No. 37, *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus"* and No. 38, *"Certain Financial Statement Note Disclosures,"* effective July 1, 2000.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2001 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

KPMG LLP KPMG LLP, a U.S. limited liability partnership, is a member of KPMG International, a Swiss association.

Management's Discussion and Analysis on pages 23-33 and the budgetary comparison schedules and the schedules of funding progress and employer contributions identified as Exhibits XIII through XVI in the Financial Section of the accompanying table of contents are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

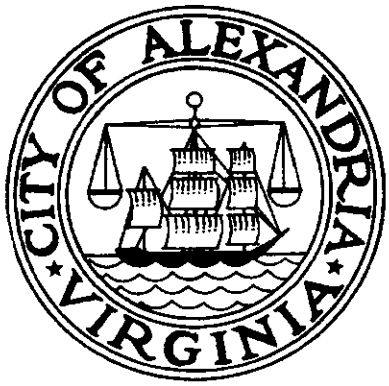
Our audit was made for the purpose of forming an opinion on the basic financial statements and on the combining and individual fund financial statements and schedules taken as a whole. The information identified as Schedules 8 through 10 in the Financial Section and Table IX in the Statistical Section of the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Introductory and Statistical Sections of the report are presented for the purposes of additional analysis and are not required parts of the financial statements of the City. Such additional information, except as to Table IX as described in the preceding paragraph, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

KPMG LLP

November 2, 2001

MANAGEMENT'S DISCUSSION AND ANALYSIS


CITY OF ALEXANDRIA
VIRGINIA

The following discussion and analysis of the City of Alexandria's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2001. 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 2001

The General Fund, on a current financial resource basis, reported revenues in excess of expenditures and other financing sources and uses by $2.8 million (Exhibit IV) after making a $27.4 million transfer to the capital projects fund.

On a government-wide basis for governmental activities, the City had expenses net of program revenue of $301.4 million, which were $3.5 million more than the general revenues of $297.9 million (Exhibit II).

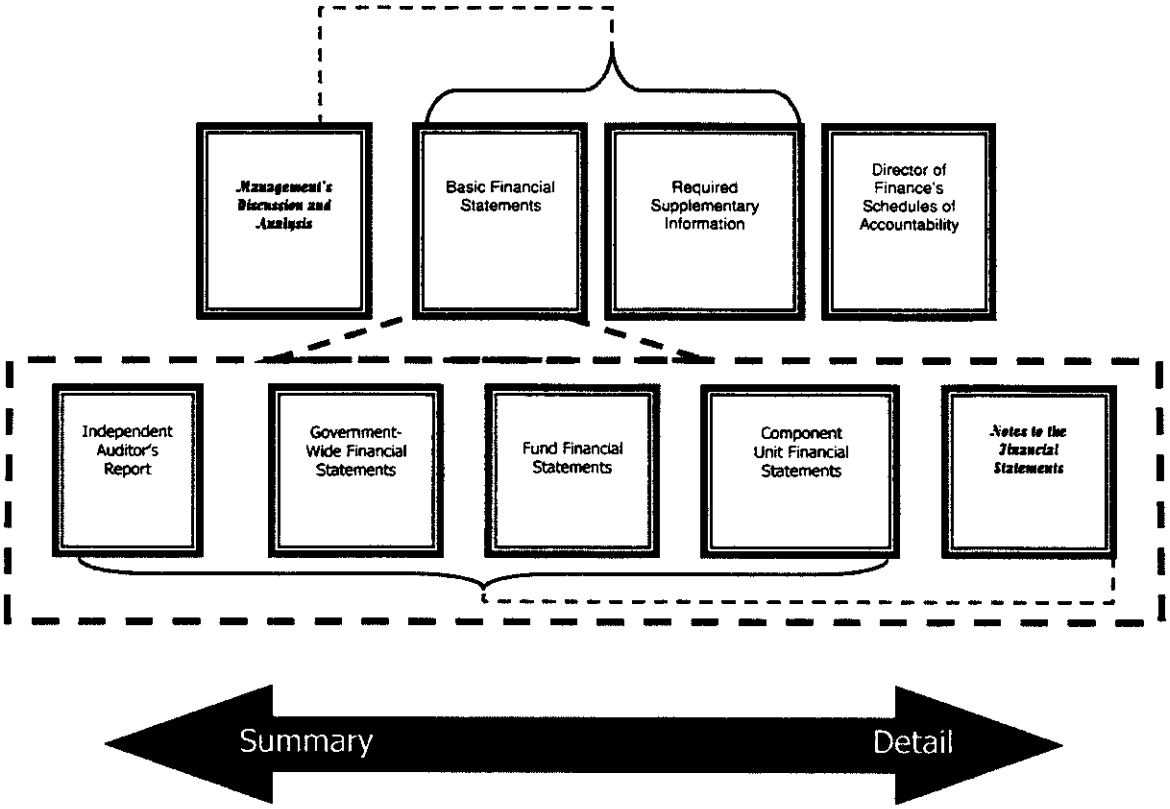
The City's total net assets excluding component units, on the government-wide basis, totaled $264.7 million at June 30, 2001. Of this amount, $25.1 million is unrestricted. (Exhibit I).

On July 11, 2001, the City sold $54.5 million in general obligation bonds at a true interest cost of 4.599 percent. The tax-exempt bonds, which will mature incrementally over the next 20 years, will be used to finance public improvements, including approximately 40 percent for School facilities.

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*, *required supplementary information* and the *Director of Finance's Schedules of Accountability*.

Components of the Financial Section



For the past 20 years, the primary focus of local government financial statements has been summarized fund type information on a current financial resource basis. This approach has been modified and the City's financial statements now present two kinds of statements each with a different snapshot of the City's finances. The new focus is on both the City as a whole (government-wide) and the fund financial statements. The government-wide financial statements, which are new, provide both long-term and short-term information about the City's overall financial status. The fund financial statements, which have been provided in the past, focus on the individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (year to year or government to government) and enhance the City's accountability.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which are the government-wide statements, report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, we divide the City into the following:

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

Business-type activities - The City's recycling program operations are reported here as the City charges a fee to customers to help it cover all or most of the cost of certain services it provides.

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

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the City's most significant funds. The fund financial statements provide more information about the City's most significant funds - not the City as a whole.

The City has three kinds of funds:

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

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

In fact, the City's enterprise fund (one type of propriety fund) is the same as its business-type activities, but the fund financial statements provide more detail and additional information, such as cash flow. The City's only enterprise fund accounts for the operation of the City's recycling program.

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Statement of Net Assets:

The following table reflects the condensed Statement of Net Assets:

Table 1
Summary of Statement of Net Assets
as of June 30, 2001 and 2000
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2001	2000	2001	2000	2001	2000	2001	2000
Current and other assets	$ 297	$ 314	$ 1	$ 2	$ 298	$ 316	$ 31	$ 30
Capital assets	244	234	--	--	244	234	31	27
Total assets	$ 541	$ 548	$ 1	$ 2	$ 542	$ 550	$ 62	$ 57
Other liabilities	161	159	--	--	161	159	--	--
Long-term liabilities	117	123	--	--	117	123	22	30
Total liabilities	$ 278	$ 282	$ --	$ --	$ 278	$ 282	$ 22	$ 30
Net assets:								
Invested in capital assets, net of related debt	$ 181	$ 173	$ --	--	$ 181	173	$ 31	$ 27
Restricted	58	39	--	--	58	39	--	--
Unrestricted	24	55	1	2	25	57	9	--
Total Net Assets	$ 263	$ 267	$ 1	$ 2	$ 264	$ 269	$ 40	$ 27

Amounts may not add due to rounding

The City's combined net assets (which is the City's bottom line) decreased to $264 million from $269 million as a result of a capital contribution to the Schools in the Statement of Activities (Exhibit II). This $18 million School contribution was offset by a $7 million in non property tax revenues, primarily including sales taxes ($0.9 million) utility taxes ($1.9 million), business license taxes ($1.7 million), bank franchise taxes ($0.4 million) recordation taxes ($0.3 million), transient lodging taxes ($0.6 million) and restaurant food taxes ($0.6 million) and the donation of a $6 million rail station to the City. The City's unrestricted net assets - the part of net assets that can be used to finance day-to-day operations - were $24 million (Exhibit I). The component units' net assets increased primarily because of the $18 million in capital contribution from the City. The component unit School Board completed construction of the new Samuel W. Tucker elementary school building. The City's capital assets increased $10 million, including the rail station and a $3 million increase in construction in progress (Note 5), primarily to fund improvements to the City's infrastructure and governmental buildings.

The net assets of business-type activities decreased to $1 million with funds being used to finance the operations of the fund. The City can use these net assets to finance the continuing operation of its recycling program. The annual cost for this program is approximately $0.6 million per year, and in future years, alternative funding for this program will be required.

Statement of Activities

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

Table 2
Changes in Net Assets
For the Fiscal Year Ended June 30, 2001 and 2000
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2001	2000	2001	2000	2001	2000	2001	2000
Revenues								
Program revenues:								
Charges for services	$ 25	$ 23	$ --	$ 1	$ 25	$ 24	$ 3	$ 4
Operating grants and contributions	48	52	--	--	48	52	29	29
Capital grant/contributions	2	7	--	--	2	7	--	--
General revenues:			--	--				
Property taxes	180	189	--	--	180	189	--	--
Other taxes	82	75	--	--	82	75	--	--
Other	36	27	--	--	36	27	--	--
Payment from City	--	--	--	--	--	--	126	101
Total revenues	$ 374	$ 374	$ --	$ 1	$ 374	$ 375	$ 158	$ 134
Expenses								
General government	$ 40	$ 40	$ --	$ --	$ 40	$ 40	$ --	$ --
Judicial administration	12	12	--	--	12	12	--	--
Public safety	74	68	--	--	74	68	--	--
Public works	33	31	--	--	33	31	--	--
Library	4	4	--	--	4	4	4	4
Health and welfare	62	62	--	--	62	62	--	--
Transit	7	5	--	--	7	5	6	6
Culture and recreation	14	13	--	--	14	13	--	--
Community development	9	9	--	--	9	9	--	--
Education	116	92	--	--	116	92	136	126
Recycling	--	--	1	1	1	1	--	--
Interest on long-term debt	6	3	--	--	6	3	--	--
Total expenses	$ 377	$ 340	$ 1	$ 1	$ 378	$ 341	$ 146	$ 136
Change in net assets	$ (3)	$ 34	$ (1)	$ --	$ (4)	$ 34	$ 12	$ (2)
Net Assets Beginning of Year	$ 266	$ 232	$ 2	$ 2	$ 268	$ 234	$ 25	$ 27
Net Assets End of Year	$ 263	$ 266	$ 1	$ 2	$ 264	$ 268	$ 40	$ 25

Amounts may not add due to rounding

REVENUES

For the fiscal year ended June 30, 2001, revenues from governmental activities totaled $374 million. Real Estate Tax Revenues, the City's largest revenue source, reflecting the accrual of the last half calendar year 2000 and the first half of calendar year 2001 real property tax billing, were $153 million. The City's assessed real property tax base for calendar year 2001 increased 10.1 percent.

In fiscal year 2001, the City accrued $25.0 million in personal property tax revenue on a full accrual basis, the City's second largest revenue source, and received reimbursement from the Commonwealth of $13.3 million for total

personal property tax related receipts of $38.3 million. Under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA), the State's share of the local personal property tax payment for calendar year 2000 (FY 2001) was 47.5 percent of most taxpayers' payments. The decrease in tax revenue on a government-wide basis reflects a write-off of prior year tax bills resulting from the City's policy of aggressively billing personal property taxes. This billing process had no impact on personal property tax revenues recorded in the governmental funds. See Table V for the history of the City's personal property billings and collections.

Grants and contributions not restricted to specific programs include revenues from the Commonwealth. These FY 2001 revenues included the $13.3 million for the City's PPTRA reimbursement as discussed above. The City also received $6.1 million in HB 599 law enforcement aid from the Commonwealth.

EXPENSES

For the fiscal year ended June 30, 2001, expenses for governmental activities totaled $377 million that includes increases for employee compensation, budgeted increases in payments for educational expenses to the School Board, and interest expenses.

With historically low unemployment levels and high demand for skilled employees in both the public and private sectors in this region, it is important that the City provide competitive compensation levels for our employees. The FY 2001 expenses included funding for merit in-step increases, which are awarded based on satisfactory performance, for both City and School Board employees, plus funding for a 2.0 percent general salary adjustment.

Education continues to be one of the City's highest priorities and commitments. The City's operating subsidy to the Schools for FY 2001 totaled $98.8 million. In addition, the City contributed $17.6 million to the Schools for capital project expenses.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

For the fiscal year ended June 30, 2001, the governmental funds reflect a combined fund balance of $137.8 million (Exhibit III). Included in this year's increase in fund balance (Exhibit IV) is $2.9 million in General Fund revenues in excess of expenditures and other financing sources and uses. The primary reason for the General Fund's increase in fund balance reflects the increases in tax collections discussed earlier. In addition, these other changes in fund balance should be noted:

- The General Fund contributed $27.4 million to pay-as-you-go financing of capital projects in FY 2001.
- The City contributed $116.4 million in operating and capital funds to finance the Schools operations and construction.
- The City paid $4 million in expenditures for public works in the City's General fund. This represents a change in the way highway maintenance founds are recorded. In the past these expenses were recorded in the Special Revenue fund. Beginning in FY 2001 these expenditures are reported in the General Fund.
- The City paid $1million less in FY 2001 for Health and Welfare activities in the Special Revenue and General funds primarily because of the positive impact of Welfare to Work legislation. In addition, decreased expenditures in the Special Revenue Fund for community development were attributable to a change in the timing of funding some of the City's housing priorities.
- The City spent $21.6 million in the Capital Projects Fund to fund infrastructure, technology and to renovate a fire station.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund

	FY 2001 (in millions)		
	Original Budget	Amended Budget	Actual
Revenues			
Taxes	$ 257.9	$ 257.9	$ 271.6
Intergovernmental	34.5	34.7	37.7
Other	24.7	25.5	27.7
Total	$ 317.1	$ 318.1	$ 337.0
Expenditures and Transfers			
Expenditures	$ 183.4	$ 189.0	$ 182.8
Transfers	136.6	153.6	151.3
Total	$ 320.0	$ 342.6	$ 334.1
Change in Fund Balance	$ (2.9)	$ (24.5)	$ 2.9

Amounts may not add due to rounding

Revenue and other financing sources exceeded expenditures and other financing uses by $2.9 million in the General Fund for FY 2001.

Actual General Fund revenues exceeded original budgeted revenues by $19.9 million during FY 2001. This increase is attributable in part to increased real estate assessments and other increased local tax revenues such as personal property, business license and transient lodging tax revenues. Revenue collections exceeded the amended budget by $18.9 million. Primarily due to supplemental appropriations, actual General Fund expenditures and transfers were greater than the original budget by $14.1 million, and were less than the amended budget by $8.4 million.

During the fiscal year 2001, 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, 2000 but not paid by that date. Encumbrances for General Fund obligations for purchase orders authorized and issued, but for which goods and services were not received or paid by June 30, 2000 totaled $4.4 million.

- To reappropriate grant, donation and other revenues authorized in Fiscal Year 2000 or earlier, but not expended or encumbered as of June 30, 2000.

- To appropriate grants, donations, and other donations accepted or adjusted in FY 2001.

- To appropriate the designated General Fund balance of $17.4 million to Capital Projects.

CAPITAL ASSETS

At the end of Fiscal Year 2001, the City's governmental funds (including internal service funds) had invested $243.7 million (see Note 5) in a variety of capital assets and infrastructure, as reflected in the following schedule, which represents a net decrease of $2.1 million, or less than one percent from the end of last fiscal year.

Table 3
Governmental Funds
Change in Capital Assets
(in Millions)

	Balance June 30, 2000	Net Additions/ Deletions	Balance June 30, 2001
Non-Depreciable Assets			
Land and Land Improvements	$ 39.6	$ 6.7	$ 46.3
Construction in Progress	19.7	3.0	22.7
Other Capital Assets			
Infrastructure	81.4	0.7	82.1
Buildings	158.3	6.5	164.8
Furniture and Other Equipment	30.5	2.5	33.0
Accumulated Depreciation on Other Capital Assets	(95.4)	(9.8)	(105.2)
Totals	$234.1	$ 9.6	$243.7

Amounts may not add due to rounding

The FY 2001 increase in construction in progress includes the work on the City's infrastructure and City buildings. The additions to land and buildings include the donation of Union Station, a historic rail station located within the City.

The City added $3.9 million, net, in infrastructure assets for fiscal year 2001, primarily for construction in progress. Infrastructure assets include roads, bridges and water and sewer systems. These assets, which are stationary and can be preserved for significantly longer than most capital assets, were included in the City's financial statements for the first time in fiscal year 2000.

The FY 2002-FY 2007 Approved Capital Improvement Program (CIP), which was approved by City Council during May 2001, and sets forth a six-year, $197.3 million City funded and $99.6 million largely state transportation aid funded program of public improvements for the City and the Alexandria City Public Schools, represents (in City funding) an increase of approximately $41.1 million, or 26.3 percent, over the FY 2001-2006 CIP. The increase in the six-year capital program reflects phased funding for critical public works infrastructure needs and infrastructure upgrades that will help ensure compliance with increasingly strict environmental requirements, and funding for facility improvements to serve a growing City population and increased student enrollment in the public schools. The CIP also provides an increased capital investment in recreational and leisure programs, including open space preservation and acquisition, to enhance the quality of life in Alexandria.

LONG-TERM DEBT

In July 2001, the City sold $54.5 million in general obligation bonds at a true interest cost of 4.599 percent. These tax-exempt bonds, which will mature incrementally over the next 20 years, will be used to finance public

improvements, including City and School facilities and infrastructure. At the end of fiscal year 2001, the City had $107.9 million in outstanding general obligation bonds, a decrease of $6.8 million, or 5.9 percent, from last year. With the issuance of the new debt the City will have $162.4 million, an increase of $47.7 million, or 41.6 percent, over that held at June 30, 2000. More detailed information about the City's long-term liabilities is presented in Note 10 to the financial statements.

During July 2001, Moody's Investors Services, Inc. and Standard & Poor's (S&P) credit rating agencies reaffirmed the City of Alexandria's triple-A bond ratings, in conjunction with the issuance of the $54.5 million in general obligation bonds. The City received its first triple-A rating from Moody's in 1986 and from S&P in 1992.

The state limits the amount of general obligation debt the City can issue to ten percent of the assessed value of real property within the City. The City's outstanding debt is significantly below this limit - which is currently $1.5 billion.

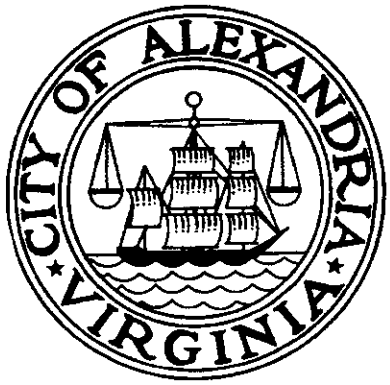
ECONOMIC FACTORS

In the last five years, over 6,000 jobs were created in the City, with total employment increasing to just over 94,000 by December 2000. Most of this gain was generated by the services sector (information technology, business services, health services, engineering and management and associations), and accounted for almost half of all jobs in the City. As of 1999 (the latest data available from the U.S. Bureau of Economic Analysis), the City's per capita income of $49,609 was one of the highest in the United States, and the second highest of any major jurisdiction in Virginia. The City's office vacancy rate rose to 7.6 percent by the end of 2001 indicating some slowing of the growth from previous years.

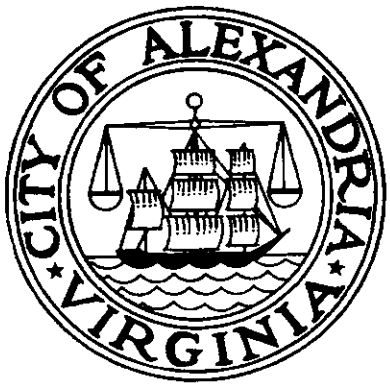
The events in Washington and New York on September 11, 2001 may affect the City's economy and revenue. Because of its proximity to National Airport and the Pentagon, the City derives some revenue, including transient lodging, sales and meals taxes that will be affected by these events. The City is monitoring its FY 2002 tax revenues closely, and the City Manager has directed departments to develop operating and capital budget contingency plans in order to keep the City's FY 2002 budget in balance.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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


CITY OF ALEXANDRIA
VIRGINIA

BASIC
FINANCIAL STATEMENTS


CITY OF ALEXANDRIA
VIRGINIA

CITY OF ALEXANDRIA, VIRGINIA
Statement of Net Assets
June 30, 2001

Exhibit I

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	$ 131,790,080	$ 1,214,440	$ 133,004,520	$ 20,773,035
Cash and Investments with Fiscal Agents	14,721,241	-	14,721,241	1,779,988
Receivables (Net)	117,016,943	28,925	117,045,868	117,037
Accrued Interest	668,052	-	668,052	1,094
Due From Component Units	1,585,638	-	1,585,638	-
Due From Other Governments	29,478,893	-	29,478,893	3,256,884
Inventory of Supplies	1,278,362	1,066	1,279,428	359,672
Prepaid and Other Assets	394,157	-	394,157	4,698,739
Capital Assets				
Land and Construction in Progress	68,976,993	-	68,976,993	5,241,259
Other Capital Assets, Net	174,709,331	114,347	174,823,678	25,504,727
Capital Assets, Net	$ 243,686,324	$ 114,347	$ 243,800,671	$ 30,745,986
Total Assets	$ 540,619,690	$ 1,358,778	$ 541,978,468	$ 61,732,435
LIABILITIES				
Accounts Payable	$ 12,045,254	$ 1,011	$ 12,046,265	$ 2,210,886
Matured Coupons Payable	61,923	-	61,923	-
Accrued Wages	2,841,161	-	2,841,161	-
Accrued Liabilities	3,057,779	7,982	3,065,761	14,207,637
Deferred Revenue	128,933,296	-	128,933,296	464,027
Due To Primary Government	-	-	-	1,585,638
Other Short-term Liabilities	328,499	45,150	373,649	397,256
Deposits	2,415,646	-	2,415,646	-
Long-term Liabilities Due Within One Year	10,393,366	-	10,393,366	-
Long-term Liabilities Due in More Than One Year	117,121,458	-	117,121,458	3,540,218
Total Liabilities	$ 277,198,382	$ 54,143	$ 277,252,525	$ 22,405,662
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	$ 181,228,633	$ 114,347	$ 181,342,980	$ 29,528,442
Restricted for:				
Capital Projects	58,278,866	-	58,278,866	-
Unrestricted Assets	23,913,809	1,190,288	25,104,097	9,798,331
TOTAL NET ASSETS	$ 263,421,308	$ 1,304,635	$ 264,725,943	$ 39,326,773

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Activities
For the Fiscal Year Ended June 30, 2001

Exhibit II

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants & Contributions
Primary Government:				
Governmental Activities:				
General Government	$ 40,296,302	$ 29,118	$ 1,022,423	$ -
Judicial Administration	11,485,164	1,183,156	3,869,197	1,759,851
Public Safety	73,639,315	8,297,236	9,713,453	316,852
Public Works	33,337,998	8,186,564	4,660,371	
Library	4,242,108	-	-	-
Health and Welfare	61,475,277	5,171,024	24,165,471	-
Transit	7,064,204	-	-	-
Culture and Recreation	14,064,351	1,770,252	449,951	215,701
Community Development	8,883,318	61,862	4,279,223	-
Education	116,433,395	-	-	-
Interest on Long-term Debt	5,594,242	-	-	-
Total Governmental Activities	$ 376,515,674	$ 24,699,212	$ 48,160,089	$ 2,292,404
Business-type activities				
Recycling	$ 612,196	$ 272,746	$ -	$ -
Total Primary Government	$ 377,127,870	$ 24,971,958	$ 48,160,089	$ 2,292,404
Component units:				
Alexandria Library	$ 4,744,941	$ 131,967	$ 335,543	$ -
Alexandria Transit Company	6,211,526	1,636,966	62,568	-
Alexandria Public Schools	136,355,246	2,052,026	28,356,947	-
Total Component Units	$ 147,311,713	$ 3,820,959	$ 28,755,058	$ -

General Revenues:

Taxes:

General Property Taxes - Real Estate and Personal Property

Other

Payment from City of Alexandria

Grants and Contributions Not Restricted to Specific Programs

Interest and Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Activities
For the Fiscal Year Ended June 30, 2001

Exhibit II
(Continued)

	Net (Expense) Revenue and Changes in Net Assets			
	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
	$ (39,244,761)	$ -	$ (39,244,761)	$ -
	(4,672,960)	-	(4,672,960)	-
	(55,311,774)	-	(55,311,774)	-
	(20,491,063)	-	(20,491,063)	-
	(4,242,108)	-	(4,242,108)	-
	(32,138,782)	-	(32,138,782)	-
	(7,064,204)	-	(7,064,204)	-
	(11,628,447)	-	(11,628,447)	-
	(4,542,233)	-	(4,542,233)	-
	(116,433,395)	-	(116,433,395)	-
	(5,594,242)	-	(5,594,242)	-
	$ (301,363,969)	$ -	$ (301,363,969)	$ -
	$ -	$ (339,450)	$ (339,450)	$ -
	$ (301,363,969)	$ (339,450)	$ (301,703,419)	$ -
	$ -	$ -	$ -	$ (4,277,431)
	-	-	-	(4,511,992)
	-	-	-	(105,946,273)
	$ -	$ -	$ -	$ (114,735,696)
	$ 180,385,114	$ -	$ 180,385,114	$ -
	81,726,772	-	81,726,772	-
	-	-	-	126,674,220
	26,923,035	-	26,923,035	-
	8,414,080	-	8,414,080	133,906
	464,686	-	464,686	72,202
	$ 297,913,687	$ -	$ 297,913,687	$ 126,880,328
	$ (3,450,282)	$ (339,450)	$ (3,789,732)	$ 12,144,632
	266,871,590	1,644,085	268,515,675	27,182,141
	$ 263,421,308	$ 1,304,635	$ 264,725,943	$ 39,326,773

CITY OF ALEXANDRIA, VIRGINIA
Balance Sheet
Governmental Funds
June 30, 2001

Exhibit III

	General	Special Revenue	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	$ 59,665,706	$ 12,588,847	$ 51,304,270	$ 123,558,823
Cash and Investments with Fiscal Agents	1,423,202	105,216	13,192,823	14,721,241
Receivables, Net	115,502,116	1,514,827	-	117,016,943
Accrued Interest	668,052	-	-	668,052
Due From Component Units	26,134	-	1,559,504	1,585,638
Due From Other Governments	26,101,771	3,377,122	-	29,478,893
Inventory of Supplies	1,278,362	-	-	1,278,362
Prepaid and Other Assets	309,994	84,163	-	394,157
Total Assets	$ 204,975,337	$ 17,670,175	$ 66,056,597	$ 288,702,109
LIABILITIES				
Accounts Payable	$ 8,971,482	$ 1,538,599	$ 1,385,785	$ 11,895,866
Matured Coupons Payable	61,923	-	-	61,923
Accrued Wages	2,284,965	556,196	-	2,841,161
Accrued Vacation	1,908,499	-	-	1,908,499
Other Liabilities	297,894	13,486	17,119	328,499
Deposits	2,415,646	-	-	2,415,646
Deferred Revenue	128,201,325	2,972,601	312,972	131,486,898
Total Liabilities	$ 144,141,734	$ 5,080,882	$ 1,715,876	$ 150,938,492
FUND BALANCES				
Reserved for:				
Capital projects	$ -	$ -	$ 49,528,043	$ 49,528,043
Notes Receivable	-	1,287,340	-	1,287,340
Inventory of Supplies	1,278,362	-	-	1,278,362
Encumbrances	3,729,754	-	8,750,823	12,480,577
Unreserved	55,825,487	11,301,953	6,061,855	73,189,295
Total Fund Balances	$ 60,833,603	$ 12,589,293	$ 64,340,721	$ 137,763,617
Total Liabilities and Fund Balances	$ 204,975,337	$ 17,670,175	$ 66,056,597	

Adjustments for the Statement of Net Assets:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds. (Note 5)	234,878,942
Other long-term assets are not available to pay for current period expenditures and therefore are offset by deferred revenue in the governmental funds. (Note 4)	2,553,602
Internal service funds are used by management to charge the costs of equipment replacement; and, therefore, the assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets. (Exhibit V)	16,889,251
Long-term liabilities, including bonds payable, are not reported as liabilities in the governmental funds. (Note 10)	(128,664,104)
Net Assets of Governmental Activities	$ 263,421,308

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2001

Exhibit IV

	General	Special Revenue	Capital Projects	Total Governmental Funds
REVENUES				
General Property Taxes	$ 189,775,677	$ -	$ -	$ 189,775,677
Other Local Taxes	81,726,772	-	-	81,726,772
Permits, Fees, and Licenses	4,065,880	-	-	4,065,880
Fines and Forfeitures	4,116,463	-	-	4,116,463
Use of Money & Property	10,418,646	429,164	362,044	11,209,854
Charges for Services	8,711,053	5,439,206	215,701	14,365,960
Intergovernmental Revenue	37,679,452	28,266,113	316,852	66,262,417
Miscellaneous	464,686	2,794,543	1,533,351	4,792,580
Total Revenues	$ 336,958,629	$ 36,929,026	$ 2,427,948	$ 376,315,603
EXPENDITURES				
Current Operating:				
General Government	$ 27,643,951	$ 346,620	$ -	$ 27,990,571
Judicial Administration	10,066,727	932,979	-	10,999,706
Public Safety	69,674,678	2,259,269	-	71,933,947
Public Works	27,418,389	-	-	27,418,389
Library Transfer	4,133,108	-	-	4,133,108
Health and Welfare	14,603,243	46,429,451	-	61,032,694
Transit and Transit Transfer	7,064,204	-	-	7,064,204
Culture and Recreation	12,143,260	466,862	-	12,610,122
Community Development	5,178,420	2,925,669	-	8,104,089
Education and Transfer to School	98,810,787	-	17,622,608	116,433,395
Debt Service:				
Principal	6,918,641	-	-	6,918,641
Interest and Other Charges	5,591,167	-	-	5,591,167
Capital Outlay	-	-	21,638,717	21,638,717
Total Expenditures	$ 289,246,575	$ 53,360,850	$ 39,261,325	$ 381,868,750
Excess (Deficiency) of Revenues over Expenditures	$ 47,712,054	$ (16,431,824)	$ (36,833,377)	$ (5,553,147)
OTHER FINANCING SOURCES (USES)				
Sale of Surplus Property	$ -	$ -	$ 226,500	$ 226,500
Transfers In	-	17,460,360	27,601,434	45,061,794
Transfers Out	(44,866,553)	(218,977)	-	(45,085,530)
Total Other Financing Sources and Uses	$ (44,866,553)	$ 17,241,383	$ 27,827,934	$ 202,764
Net Change in Fund Balance	$ 2,845,501	$ 809,559	$ (9,005,443)	$ (5,350,383)
Fund Balance at Beginning of Year	57,998,531	11,779,734	73,346,164	
Decrease in Reserve for Inventory	(10,429)	-	-	(10,429)
Fund Balance at End of Year	$ 60,833,603	$ 12,589,293	$ 64,340,721	

Adjustments for the Statement of Activities:	
Repayment of bond principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	$ 6,918,641
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)	6,887,548
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. (Note 4)	(9,390,563)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (Note 10)	(3,511,262)
Internal service funds are used by management to charge the costs of certain equipment to individual funds. The net revenue of the internal service fund (except depreciation which is reported in capital outlays above) is reported with governmental activities. (Exhibit VI)	1,006,166
Change in Net Assets of Governmental Activities	$ (3,450,282)

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Net Assets
Proprietary Funds
June 30, 2001

Exhibit V

	Business Type Activities-- Enterprise Fund	Governmental Activities
	Recycling Fund	Internal Service Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 1,214,440	$ 8,231,257
Receivables, Net	28,925	-
Prepaid and Other Assets	1,066	-
Total Current Assets	$ 1,244,431	$ 8,231,257
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		
Capital Assets:		
Buildings and Equipment	$ 960,431	$ 24,910,918
Less Accumulated Depreciation	(846,084)	(16,103,536)
Capital Assets, Net	$ 114,347	$ 8,807,382
Total Assets	$ 1,358,778	$ 17,038,639
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 1,011	$ 149,388
Accrued Liabilities	7,982	-
Other Liabilities	45,150	-
Total Current Liabilities	$ 54,143	$ 149,388
Total Liabilities	$ 54,143	$ 149,388
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	$ 114,347	$ 8,807,382
Unrestricted	1,190,288	8,081,869
Total Net Assets	$ 1,304,635	$ 16,889,251
Total Liabilities and Net Assets	$ 1,358,778	$ 17,038,639

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2001

Exhibit VI

	Business-Type Activities	Governmental Activities
	Recycling	Internal Service Fund
Operating Revenues:		
Charges for Services	$ 272,746	$ 2,343,001
Total Operating Revenues	$ 272,746	$ 2,343,001
Operating Expenses:		
Personal Services	$ 420,601	$ -
Contractual Services	10,465	-
Materials and Supplies	10,983	1,329,641
Other Charges	112,924	-
Depreciation	57,223	2,548,050
Total Operating Expenses	$ 612,196	$ 3,877,691
Operating Income (Loss)	$ (339,450)	$ (1,534,690)
Nonoperating Revenues (Expenses):		
Loss on Disposal of Fixed Assets	$ -	$ (30,930)
Total Nonoperating Expenses	$ -	$ (30,930)
Net Income (Loss) Before Transfers	$ (339,450)	$ (1,565,620)
Transfers In	-	23,736
Change in Net Assets	$ (339,450)	$ (1,541,884)
Total Net Assets at Beginning of Year	1,644,085	18,431,135
Total Net Assets at End of Year	$1,304,635	$ 16,889,251

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2001

Exhibit VII

	Business-Type Activities	Governmental Activities
	Recycling Fund	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts From Customers	$ 512,928	$ 2,343,001
Payments to Suppliers	(140,142)	(1,318,507)
Payments to Employees	(415,107)	-
Net Cash Provided (Used) by Operating Activities	$ (42,321)	$ 1,024,494
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Subsidies and Transfers from Other Funds	$ -	$ 23,736
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	$ -	$ (2,678,139)
Net Cash (Used) By Capital and Related Financing Activities	$ -	$ (2,678,139)
Net (Decrease) in Cash and Cash Equivalents	$ (42,321)	$ (1,629,909)
Cash and Cash Equivalents at Beginning of Year	1,256,761	9,861,166
Cash and Cash Equivalents at End of Year	$ 1,214,440	$ 8,231,257
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used) Operating Activities		
Operating Income (Loss)	$ (339,450)	$ (1,534,690)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	57,223	2,548,050
Change in Assets and Liabilities:		
Receivables, Net	240,182	-
Inventories	3,416	-
Prepaid and Other Assets	(1,066)	-
Accounts Payable	(8,120)	11,134
Accrued Liabilities	951	-
Other Liabilities	4,543	-
Net Cash Provided by (Used in) Operating Activities	$ (42,321)	$ 1,024,494

Noncash investing, capital and financing activities:
Capital assets with a net book value of $30,930 were retired in non-cash transactions during the year in the Internal Service Fund.

See Accompanying Notes to Financial Statements

City of Alexandria, Virginia
Statement of Fiduciary Net Assets
June 30, 2001

Exhibit VIII

	Employee Retirement Plans	Private-Purpose Trusts	Agency Funds
ASSETS			
Cash and Short-term Investments	$ -	$ 5,882	$ 24,412
Investments, at Fair Value:			
U.S. Government Obligations	6,324,610	-	98,356
Repurchase Agreements	-	-	6,815
Commercial Paper	-	-	403,392
Guaranteed Investment Accounts	102,208,076	-	-
Mutual Funds	31,209,333	-	-
Corporate Stocks	56,634,490	-	-
Other Investments	1,567,758	-	-
Total Investments	$ 197,944,267	$ -	$ 508,563
Total Assets	$ 197,944,267	$ 5,882	$ 532,975
LIABILITIES			
Refunds Payable and Other	$ -	$ -	$ 532,975
	$ -	$ -	$ 532,975
NET ASSETS			
Held in Trust for Pension Benefits and Other Purposes	$ 197,944,267	$ 5,882	

See Accompanying Notes to Financial Statements

City of Alexandria, Virginia
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2001

Exhibit IX

CHANGES IN NET ASSETS	Employee Retirement Plans	Private-Purpose Trusts
ADDITIONS		
Contributions:		
Employer	$ 7,943,754	$ -
Plan Members	1,954,342	-
Total Contributions	$ 9,898,096	$ -
Investment Earnings:		
Net Depreciation in Fair Value of Investments	$ (17,192,317)	$ -
Interest	8,100,843	354
Total Investment Earnings	$ (9,091,474)	$ 354
Less Investment Expense	204,758	
Net Investment Income	$ (9,296,232)	$ 354
Total Additions	$ 601,864	$ 354
DEDUCTIONS		
Benefits	$ 6,482,574	$ 500
Refunds of Contributions	2,774,354	-
Administrative Expenses	292,454	-
Total Deductions	$ 9,549,382	$ 500
Change in Net Assets	$ (8,947,518)	$ (146)
Net Assets at Beginning of Year	206,891,785	6,028
Net Assets at End of Year	$197,944,267	$ 5,882

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Net Assets
Component Units
June 30, 2001

Exhibit X

	School Board	Library	Transit	Total
ASSETS				
Cash and Cash Equivalents	$ 18,261,858	$ -	$ 2,511,177	$ 20,773,035
Cash and Investments with Fiscal Agents	-	1,779,988	-	1,779,988
Receivables, Net	-	-	4,363	4,363
Accrued Interest	-	1,094	-	1,094
Other Receivables	112,674	-	-	112,674
Due from Other Governments	3,201,669	-	55,215	3,256,884
Inventory of Supplies	103,919	-	255,753	359,672
Prepaid and Other Assets	4,686,053	6,917	5,769	4,698,739
Capital assets				
Land and Construction in Progress	4,023,715	-	1,217,544	5,241,259
Other Capital Assets, Net	17,291,045	-	8,213,682	25,504,727
Total Assets	$ 47,680,933	$ 1,787,999	$ 12,263,503	$ 61,732,435
LIABILITIES				
Accounts Payable	$ 1,943,911	$ 10,429	$ 256,546	$ 2,210,886
Accrued Wages	14,000,231	61,338	146,068	14,207,637
Deferred Revenue	462,498	1,529	-	464,027
Due to Primary Government	1,559,504	26,134	-	1,585,638
Other Short-term Liabilites	255,679	-	141,577	397,256
Long-term Liabilities Due in More Than One Year	3,540,218	-	-	3,540,218
Total Liabilities	$ 21,762,041	$ 99,430	$ 544,191	$ 22,405,662
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	$ 21,314,760	$ -	$ 8,213,682	$ 29,528,442
Unrestricted Assets	4,604,132	1,688,569	3,505,630	9,798,331
Total Net Assets	$ 25,918,892	$ 1,688,569	$ 11,719,312	$ 39,326,773

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statements of Activities
Component Units
For the Year Ended June 30, 2001

Exhibit XI

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	School Board	Library	Transit	Totals
School Board							
Instructional	$136,355,246	$ 2,052,026	$ 28,356,947	$ (105,946,273)	$ -	$ -	$(105,946,273)
Total School Board	$136,355,246	$ 2,052,026	$ 28,356,947	$ (105,946,273)	$ -	$ -	$(105,946,273)
Library	$ 4,744,941	$ 131,967	$ 335,543	-	$ (4,277,431)	$ -	$ (4,277,431)
Transit	6,211,526	1,636,966	62,568	-	-	(4,511,992)	(4,511,992)
Total Component Units	$147,311,713	$ 3,820,959	$ 28,755,058	$ -	$ (4,277,431)	$ (4,511,992)	$(114,735,696)
General Revenues:							
Payment From City				$ 98,797,770	$ 4,133,108	$ 3,548,210	$ 106,479,088
Capital Payment From City				17,622,608	-	-	17,622,608
Capital Contribution				-	-	2,572,524	2,572,524
Interest and Investment Earnings				-	133,906	-	133,906
Miscellaneous				18,458	53,624	120	72,202
Total General Revenues				$ 116,438,836	$ 4,320,638	$ 6,120,854	$ 126,880,328
Change in Net Assets				$ 10,492,563	$ 43,207	$ 1,608,862	$ 12,144,632
Net Assets Beginning of Year				15,426,329	1,645,362	10,110,450	27,182,141
Net Assets End of Year				$ 25,918,892	$ 1,688,569	$ 11,719,312	$ 39,326,773

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 128,283 and a land area of 15.75 square miles, Alexandria is the 7th largest city in the Commonwealth of Virginia and one of the most densely populated cities in the Commonwealth.

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

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

A. Financial Reporting Entity

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* This statement, known as the "Reporting Model" statement, affects the way the City prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

Management's Discussion and Analysis – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.

Government-wide financial statements – The reporting model includes 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 and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Statement of Program Activities – The new government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government'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).

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 a keen interest in following the actual financial progress of their governments over the course of the year. The City and many other governments revise their original budgets over the course of the year for a variety of reasons. Under the new reporting model, governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

As required by the accounting principles generally accepted in the United States, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The City has no component units that meet the requirements for blending. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. Each discretely presented component unit has a June 30 fiscal year-end.

Component Units:

City of Alexandria School Board

Since Fiscal Year 1995, the School Board has been elected. The School Board is substantially reliant upon the City because City Council approves the School Board's total annual budget appropriation, levies taxes, and issues debt on behalf of the School Board. The legal liability for the general obligation debt remains with the City. The City's primary transaction with the School Board is the City's annual General Fund revenue subsidy, which included $98.8 million for operations and $17.7 million for capital in FY 2001.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

City of Alexandria Library System

City Council appoints the Library Board and approves the budget. The City is responsible for issuing debt, and acquiring and maintaining all capital items on behalf of the Library. The legal liability for the general obligation debt remains with the City. The City's primary transaction with the Library is the City's annual subsidy, which was $4.1 million for FY 2001.

Alexandria Transit Company

The City Council, acting as sole shareholder, elects members of the Alexandria Transit Company's board of directors. City Council approves bus routes, fares, and budgets. The City funds deficits and may issue debt on behalf of the Alexandria Transit Company. The City's primary transactions with the Alexandria Transit Company are the City's annual subsidy, which was $3.5 million and a capital contribution, which was $2.6 million in FY 2001.

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

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

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

Excluded from Entity:

City Council is not financially accountable for the Alexandria Hospital, the Deferred Compensation Plan, Alexandria Economic Development Partnership, Alexandria Industrial Development Authority, Alexandria Redevelopment and Housing Authority, Alexandria Sanitation Authority, or Sheltered Homes of Alexandria. 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. While the previous reporting model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the City as a whole or major individual funds (within the fund financial statements). The focus is on both the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category) and the component units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information. The City generally first uses restricted assets 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items no properly included among program revenues are reported as general revenues. The City does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

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

The City's fiduciary funds (which have been redefined and narrowed in scope) are presented in the fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the City in FY 2001.

1. **Governmental Funds**

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

a. **General Fund**

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

b. **Special Revenue Fund**

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Capital Projects Fund

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

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, equities, revenues, expenses, and payments relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Operating revenues include charges for services. Operating expenses include costs of services as well as, materials, contracts, personnel, and depreciation. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, the City has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board, in accounting for proprietary funds.

a. Enterprise Fund or Business Funds

The Enterprise Fund accounts for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's Enterprise Fund accounts for the operations of the City's recycling program.

b. 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. The City established the Equipment Replacement Reserve Account, an internal service fund, for the purpose of providing for the accumulation of funds to replace capital equipment items used in City operations. This internal service fund derives its funding from periodic equipment rental charges assessed to the user departments in the governmental funds. This funding is then used to replace capital equipment when the need arises. The internal service fund is included in governmental activities for government-wide reporting purposes. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. The excess revenue 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, Pension Trust Funds, the Mental Health Client Account, the Human Services Special Welfare Account, the Human Services Dedicated Account, and the Industrial Development Authority Agency Funds. For accounting measurement purposes, the Private Purpose Trust Fund and the Pension Trust Funds are accounted for in essentially the same manner as proprietary funds. Private Purpose Trust Funds account for assets of which the principal may not be spent. The Pension Trust Funds account for the assets of the City's pension

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

plans. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation. Fiduciary funds are not included in the government-wide financial statements.

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 statements of net assets and statements of activities, all proprietary funds, and private purpose trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the statement of net assets or on the statement of fiduciary net assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

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

D. Budgets and Budgetary Accounting

The City Council annually adopts budgets for the General Fund and Special Revenue Fund of the primary government. All appropriations are legally controlled at the departmental level for the General Fund and Special Revenue Fund. The School Board appropriation is determined by the City Council and controlled in total by the primary government. On June 17, 2000, the City Council formally approved the original adopted budget and on June 26, 2001 approved the revised budget reflected in the financial statements. The School Board only legally adopts a budget for the School Operating Fund. 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 approved by City Council.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the General and Special Revenue Funds presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

Encumbrances

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

E. Equity in Pooled Cash and Investments

Cash resources of the individual funds, including imprest cash of $17,315 and excluding cash held with fiscal agents in the General Fund, Special Revenue Fund, Capital Projects Fund, Proprietary Funds, Fiduciary Funds, and discretely presented component units (School Board, Library, and Alexandria Transit Company), are combined to form a pool of cash and investments to maximize interest earnings. Investments in the pool consist of repurchase agreements, commercial paper, and obligations of the Federal Government and are recorded at fair value. Income from pooled investments is allocated only when contractually or legally required. All investment earnings not legally or contractually required to be credited to individual accounts or funds are credited to the General Fund.

The Library maintains separate cash and investment accounts consisting of cash and bank notes 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, the Private Purpose Trust Fund, and Alexandria Transit Company, 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; no investments are valued at cost. All investments in external investment pools are reported at fair value.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Allowance for Uncollectible Accounts

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance at June 30, 2001, is composed of the following:

GENERAL FUND:	
Taxes Receivable:	
Property	$ 824,076
Personal	27,419,500
Penalties and Interest	2,336,341
Total taxes	30,579,917
Accounts Receivable	21,869
Notes Receivable	9,000
	$ 30,610,786
SPECIAL REVENUE FUND:	
Notes Receivable	$ 1,998,960

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

G. Inventory of Supplies and Prepaid and Other Assets

Primary Government

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

Inventories in the Enterprise Fund are costed by methods that approximate average cost or market value, whichever is lower. These inventories consist primarily of operating materials held for consumption.

Component Units

Inventory for the School Board is comprised of food and commodities on hand pertaining to the National School Lunch program. Inventories of consumable supplies are recorded at cost (determined on a first in, first out basis). Inventories are recorded at fair market value when received and the costs are recorded as an expense or expenditure under the consumption method.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold of $5,000 is met. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively to 1980. Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

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

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

Leasehold Improvements	3-40 years
Equipment	3-20 years

All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. The City does not capitalize historical treasures or works of art. The City maintains many items and buildings of historical significance. The City does not require that the proceeds from the sale of historical treasures or works of art be used 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' 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 compensated absences (annual and sick leave benefits) when vested. The current portion of the compensated absences is recorded in the School Board Governmental Funds as accrued liabilities. The current and noncurrent portions are recorded in the School Board component unit government-wide financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Fund Balance

Reservations of Fund Balance

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

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

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

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

Approved Capital Projects - These monies are reserved for Capital Projects that City Council has already approved.

Designations

General Fund designations at June 30, 2001 consisted of the following:

Subsequent Fiscal Year's Operating Budget	$ 3,506,000
Subsequent Fiscal Years' Capital Program 2002 – 2007	16,700,000
Self-Insurance	5,000,000
Compensated Absences	7,208,635
Ongoing Projects	890,895
Total Designations	$ 33,305,530

Subsequent Year's Operating Budget - On June 16, 2001, City Council approved the Fiscal Year 2002 Appropriations Ordinance, which appropriated $3.5 million of General Fund Balance to meet anticipated expenditures.

Subsequent Years' Capital Program - These monies ($16.7 million) have been designated in the Approved Fiscal Year 2002 Budget (Annual Capital Improvement Program Funding Plan), or designated subsequent thereto, to fund that portion of the capital improvement program in FY 2002 and beyond.

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

Compensated Absences - These monies ($7.2 million) are designated to ensure the General Fund maintains a designated balance sufficient to help fund a portion of compensated absences earned by employees of the primary government and school component unit. This is

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

calculated at 50 percent of the FY 2000 long-term liability in accordance with the FY 2002 budget approved by City Council in May 2001.

Ongoing Projects – These monies ($0.9 million) have been set aside for projects approved in FY 2001 but not completed as of the end of the fiscal year.

NOTE 2. LEGAL COMPLIANCE – BUDGETS

After a public hearing and several work sessions, the City Council adopts an annual budget no later than June 27 for the succeeding fiscal year to commence July 1. Transfers of appropriations among departments or projects are made throughout the fiscal year by the City Council. The City Council may also approve supplemental appropriations. In fiscal year 2001, 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 fiscal year 2001, a number of intradepartmental transfers were made.

NOTE 3. DEPOSITS AND INVESTMENTS

The City maintains a pool of cash and investments in which each fund participates on a dollar equivalent and daily transaction basis. Interest is distributed monthly based on 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, 2001, the carrying value of the City's deposits was negative $95,754 and the bank balance was $3,248,131. The negative balance represents checks issued out of authorized appropriations but outstanding at June 30, 2001. 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 and thus are not categorized below.

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Component Units

The carrying value of deposits for the School Board was negative $1,905,160 and the bank balance was $391,806. The negative balance represents checks issued out of authorized appropriations but outstanding at June 30, 2001. The entire bank balance was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act as defined in the above paragraph.

At June 30, 2001, the carrying value of deposits and bank balance for the Library was $131,802. Only $54,221 of the bank balance was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act as defined above. The remaining balance, $77,581, was categorized as uninsured and uncollateralized in category three of credit risk.

B. Investments

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

At June 30, the City recognized an other than temporary impairment of $0.8 million in commercial paper issued by California Edison. This reduction is reflected in the government wide statement of activities in the interest and investment earnings category and fund statement of revenues, expenditures and changes in fund balance in the use of money and property category.

The City's investments during fiscal year 2001 were placed by a designated portfolio manager, Fiduciary Trust. The City has a contract with Fiduciary Trust which requires that, at the time funds are invested, collateral for repurchase agreements be held in the City's name by a custodial agent (Bank of New York) for the term of the agreement and investments in obligations of the United States or its agencies be held by the Federal Reserve in a pledge account in the City's name.

The City and its discretely presented component units maintain nine pension plans. Assets of the pension plans are invested by the pension carriers in accordance with provisions of the Code of the Commonwealth of Virginia.

The City's investments are categorized below to give an indication of the level of custodial credit risk assumed at June 30, 2001. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the City's name.

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Primary Government

Type of Investment	Category 1	Category 2	Category 3	Fair Value
Investments Controlled by City				
Repurchase Agreement	$ 25,845,758	$ ---	$ ---	$ 25,845,758
Commercial Paper	1,795,296	---	---	1,795,296
Obligations of U.S. Government and Agencies	105,973,665	---	---	105,973,665
Total Investments Controlled by City	$133,614,719	$ ---	$ ---	$ 133,614,719
Pension Plan Investments				
Obligations of U.S. Government and Agencies	$ ---	$ ---	$ 6,324,610	$ 6,324,610
Guaranteed Investment Account*	---	---	---	102,208,076
Mutual Funds*	---	---	---	31,209,333
Stocks	---	---	56,634,490	56,634,490
Short-Term Investment	---	---	1,567,758	1,567,758
Total Pension Plan Investments				$197,944,267
Education Fund*	---	---	105,216	$ 105,216
SNAP				$ 13,192,823
Total Investments				$ 344,857,025

* No risk categories have been specified for mutual funds, guaranteed investment accounts, and the Education Fund

Short term investments include corporate bonds and asset backed securities

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Component Units

At June 30, 2001, investment balances for component units were as follows:

Component Unit Schools

Type of Investment	Category 1	Category 2	Category 3	Fair Value
Investments Controlled by City				
Repurchase Agreement	$ 3,901,007	$ ---	$ ---	$ 3,901,007
Commercial Paper	270,964	---	---	270,964
Obligations of U.S. Government and Agencies	15,995,047	---	---	15,995,047
Total Investments Controlled by City	$ 20,167,018	$ ---	$ ---	$ 20,167,018
Pension Plan Investments				
Guaranteed Investment Account*	$ ---	$ ---	$ ---	$ 51,799,830
Total Pension Plan Investments				$ 51,799,830
Total Investments				$ 71,966,848

* No risk categories have been specified for guaranteed investment accounts.

Other Component Units

Type of Investment	Category 1	Category 2	Category 3	Fair Value
Investments Controlled by City				
Repurchase Agreement	$ 485,750	$ ---	$ ---	$ 485,750
Commercial paper	33,740	---	---	33,740
Obligations of U.S. Government and Agencies	1,991,687	---	---	1,991,687
Total Investments Controlled by City	$ 2,511,177	$ ---	$ ---	$ 2,511,177
Investments Controlled by Library				
Obligations of the U.S. Government	$ 736,670	$ ---	$ ---	$ 736,670
Corporate Obligations	287,378	---	---	287,378
Stocks	---	---	582,710	582,710
Miscellaneous Short-Term Investments	---	---	41,428	41,428
Total Investments Controlled by Library	$ 1,024,048	$ ---	$ 624,138	$ 1,648,186
Total Investments				$ 4,159,363

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Reconciliation of total deposits and investments to the government-wide financial statements at June 30, 2001:

	Governmental Activities	Business-type Activities	Fiduciary Responsibilities	Total
Primary Government				
Cash on Hand and In Banks	$ (95,754)	$ ---	$ ---	$ (95,754)
Cash and Investments	131,885,834	1,214,440	514,445	133,614,719
Cash and Investments with Fiscal Agents	1,361,279	---	197,944,267	199,305,546
Cash and Investments in Custody of Others	13,359,962	---	24,412	13,384,374
Total	$ 146,511,321	1,214,440	$ 198,483,124	$ 346,208,885
Component Unit Schools				
Cash on Hand and In Banks	$ (1,905,160)	$ ---	$ ---	$ (1,905,160)
Cash and Investments	20,167,018	---	---	20,167,018
Cash and Investments with Fiscal Agents	---	---	51,799,830	51,799,830
Cash and Investments in Custody of Others	---	---	391,807	391,807
Total	$ 18,261,858	$ ---	$ 52,191,637	$ 70,453,495
Other Component Units				
Cash on Hand and In Banks	$ 131,802	$ ---	$ ---	$ 131,802
Cash and Investments	---	2,511,177	---	2,511,177
Cash and Investments with Fiscal Agents	1,648,186	---	---	1,648,186
Total	$ 1,779,988	$ 2,511,177	$ ---	$ 4,291,165
				$ 420,953,545

Financial statements for the schools fiduciary assets are available from the School Board.

NOTE 4. RECEIVABLES

Receivables at June 30, 2001 consist of the following:

Primary Government

	Governmental Activities		Business-type	
	General	Special Revenue	Activities	Total
Interest	$ 668,052	$ ---	$ ---	$ 668,052
Taxes:				
Real property	84,659,373	---	---	84,659,373
Personal property	49,124,513	---	---	49,124,513
Penalties and interest	3,471,081	---	---	3,471,081
Other taxes	662,680	---	---	662,680
Total taxes	$ 137,917,647	$ ---	$ ---	$ 137,917,647
Accounts	8,186,255	141,686	28,925	8,356,866
Intergovernmental	26,101,771	3,377,122	---	29,478,893
Notes	9,000	3,372,101	---	3,381,101
Gross Receivables	$ 172,882,723	$ 6,890,909	$ 28,925	$ 179,802,559
Less: Allowances for Uncollectibles	30,610,786	1,998,960	---	32,609,746
Net Receivables	$ 142,271,939	$ 4,891,949	$ 28,925	$ 147,192,813

The taxes receivable account represents the current and past four years of uncollected tax levies for personal property taxes and the current and past nineteen years for uncollected tax levies on real property. The allowance for estimated uncollectible taxes receivable is 22.2 percent of the total taxes receivable at June 30, 2001 and is based on historical collection rates.

NOTE 4. RECEIVABLES (Continued)

Long-term assets on a government-wide basis include taxes receivable of $2.6 million that are not available to pay for current period expenditures and are therefore are offset by the deferred revenue for the governmental funds. Tax revenues and the corresponding deferred revenue reported on a government-wide basis were reduced by $9.4 million of taxes that did not use current financial resources, and therefore, are not required to be reported in the governmental funds.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental Funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of FY 2001 deferred revenue in the governmental funds consisted of the following:

	Unavailable	Unearned	Total
Delinquent property taxes, net of related allowances	$ 127,153,563	$ 1,047,762	$ 128,201,325
Grant proceeds received prior to completion of eligibility requirements	----	2,972,601	2,972,601
Developers Deposits	----	312,972	312,972
Total deferred/unearned revenue for governmental funds	$ 127,153,563	$ 4,333,335	$ 131,486,898

Component Units

Receivables at June 30, 2001 consist of following:

	School Board	Library	Alexandria Transit Co.	Total
Receivables				
Interest	$ ---	$ 1,094	$ ---	$ 1,094
Accounts	---	---	4,363	4,363
Other	112,674	---	---	112,674
Intergovernmental	3,201,669	---	55,215	3,256,884
Total Receivables	$3,314,343	$ 1,094	$ 59,578	$ 3,375,015

All of the Component Units' receivables are considered to be collectible.

All deferred revenue in the component units is unearned.

A. Property Taxes

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

NOTE 4. RECEIVABLES (Continued)

Real estate taxes are billed in equal semi-annual installments due June 15 and November 15. The taxes receivable balance at June 30, 2001 includes amounts not yet received from the January 1, 2001 levy (due June 15 and November 15, 2001), less an allowance for uncollectibles. The installment due on November 15, 2001 is included as deferred revenue since these taxes are restricted for use until FY 2002. Liens are placed on the property on the date real estate taxes are 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 $1.11 per $100 of assessed value during calendar year 2001 and 2000.

Personal property tax assessments on tangible business property and all motor vehicles are based on 100 percent of fair market value of the property as of January 1 of each year. For a vehicle, the tax may be prorated for the length of time the vehicle has situs in the City. Personal property taxes for the calendar year are due on October 5. Personal property taxes do not create a lien on property; however, City vehicle decals, which are required by law for all vehicles garaged in the City, may not be issued to any individual having outstanding personal property taxes. The taxes receivable balance at June 30, 2001 includes amounts not yet billed or received from the January 1, 2001 levy (due October 5, 2001). These taxes are included as deferred revenue since these taxes are restricted for use until FY 2002. The tax rates during calendar year 2000 and 2001 were $4.75 for motor vehicles and tangible property and $4.50 for machinery and tools per $100 of assessed value. In addition, any uncollected amounts from prior year levies are incorporated in the taxes receivable balance. Under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA), the City billed and collected from the State 47.5 percent of most taxpayers' payments in FY 2001 for the January 1, 2000 levy for the State's share of the local personal property tax payment with the remainder collected by the City. Deferred revenues include 70 percent of the January 1, 2001 levy of the state's share of the January 2001 levy.

B. Notes Receivable

The gross amount of notes receivable are primarily for the City's housing programs and consisted of the following at June 30, 2001:

Governmental Activities

General Fund	$ 9,000
Special Revenue Fund	3,372,101
Less Allowance for Uncollectible Accounts	(2,007,960)
Net	$ 1,373,141
Amounts due within one year	$ 85,801
Amounts due in more than one year	$ 1,287,340

NOTE 5. CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2001:

Governmental Activities

	Balance June 30, 2000	Increases	Decreases	Balance June 30, 2001
Capital Assets Not Being Depreciated:				
Land and Land Improvements	$ 39,643,598	$ 6,676,540	$ ---	$ 46,320,138
Construction in Progress	19,678,731	13,817,659	10,839,535	22,656,855
Total Capital Assets Not Being Depreciated	$ 59,322,329	$ 20,494,199	$ 10,839,535	$ 68,976,993
Other Capital Assets:				
Buildings	$ 158,294,197	$ 7,416,003	$ 888,652	$ 164,821,548
Infrastructure	81,378,896	719,759	---	82,098,655
Furniture and Other Equipment	30,468,132	3,479,489	969,834	32,977,787
Total Other Capital Assets	$ 270,141,225	$ 11,615,251	$ 1,858,486	$ 279,897,990
Less Accumulated Depreciation for:				
Buildings	$ 42,642,034	$ 4,080,099	$ 10,499	$ 46,711,634
Infrastructure	32,024,810	3,269,551	---	35,294,361
Furniture and Other Equipment	20,695,753	3,237,095	750,184	23,182,664
Total Accumulated Depreciation	$ 95,362,597	$ 10,586,745	$ 760,683	$ 105,188,659
Other Capital Assets, Net	$ 174,778,628	$ 1,028,506	$ 1,097,803	$ 174,709,331
TOTALS	$ 234,100,957	$ 21,522,705	$ 11,937,338	$ 243,686,324

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

Government activities capital assets net of accumulated depreciation at June 30, 2001 are comprised of the following:

General Capital Assets, Net	$ 234,878,942
Internal Service Fund Capital Assets, Net	8,807,382
TOTAL	$ 243,686,324

Depreciation was charged to governmental functions as follows:

General Government Administration	$ 1,146,690
Judicial Administration	485,458
Public Safety	1,588,402
Public Works	5,161,219
Health and Welfare	442,583
Parks and Recreation	1,016,667
Community Development	745,726
Total	$ 10,586,745

Note 5. CAPITAL ASSETS (Continued)

Component Unit - School Board

	Balance June 30, 2000	Increases	Decreases	Balance June 30, 2001
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 3,027,039	$ ---	$ ---	$ 3,027,039
Construction in Progress	8,247,594	8,321,193	15,572,111	996,676
Other Capital Assets				
Buildings	54,486,551	10,745,049	---	65,231,600
Furniture and Other Equipment	6,546,302	426,247	334,988	6,637,561
Sub-Total	$ 72,307,486	$ 19,492,489	$ 15,907,099	$ 75,892,876
Accumulated Depreciation	53,340,154	1,572,950	334,988	54,578,116
TOTALS	$ 18,967,332	$ 17,919,539	$ 15,572,111	$ 21,314,760

All depreciation was charged to education.

Component Unit – Alexandria Transit Company

	Balance June 30, 2000	Increases	Decreases	Balance June 30, 2001
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 1,166,186	$ 51,358	$ ---	$ 1,217,544
Other Capital Assets:				
Equipment	$ 10,514,917	$ 2,547,292	$ ---	$ 13,062,209
Accumulated Depreciation	4,007,435	841,092	---	4,848,527
Subtotal	$ 6,507,482	$ 1,706,200	$ ---	$ 8,213,682
TOTALS	$ 7,673,668	$ 1,757,558	$ ---	$ 9,431,226

All depreciation was charged to transit.

Note 5. CAPITAL ASSETS (Continued)

Primary Government

Construction in progress is composed of the following at June 30, 2001:

	Project Authorization	Expended Through June 30, 2001	Committed
Infrastructure	$ 8,796,015	$ 5,088,550	$ 1,161,715
Housing and Community Improvement	2,189,956	---	107,657
Parks and Recreation Facilities	3,710,946	1,702,242	325,007
Public Buildings	17,748,514	10,759,412	4,259,357
Public Safety Buildings	5,745,156	5,106,651	256,039
TOTALS	$ 38,190,587	$ 22,656,855	$ 6,109,775

In addition to the amount of $6,109,775 shown above as committed, $2,641,048 is encumbered for other non-capitalized projects, bringing total commitments to $8,750,823.

The following is a summary of changes in capital assets for business-type activities for the fiscal year ended June 30, 2001:

	Balance June 30, 2000	Increases	Decreases	Balance June 30, 2001
Business-type activities:				
Equipment	$ 992,073	$ ---	$ 31,642	$ 960,431
Less Accumulated Depreciation for:				
Equipment	820,503	57,223	31,642	846,084
TOTAL	$ 171,570	$ 57,223	$ ---	$ 114,347

All depreciation was charged to recycling.

Component Units

Construction in progress is composed of the following at June 30, 2001:

	Project Authorization	Expended Through June 30, 2001	Committed
School Board	$ 11,700,698	$ 996,696	$ ---

Note 5. CAPITAL ASSETS (Continued)

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 are summarized as follows:

Primary Government

Capital Outlay	$21,638,717
Donated Assets	5,924,281
Depreciation Expense	(10,586,745)
Capital Outlay not Capitalized	(10,088,705)
Total Adjustment	$ 6,887,548

Donated assets are comprised of infrastructure and a rail station with a fair market value of $5.8 million donated to the City.

Component Unit – School Board

Capital Outlay	$ 8,321,193
Depreciation Expense	(1,572,949)
Capital Outlay not Capitalized	(4,390,911)
Total Adjustment	$ 2,357,333

NOTE 6. RISK MANAGEMENT

The City is exposed to various losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the City to retain risks of losses in those areas where it believes it is more economical to manage its risks internally and account for any claims settlement in the General Fund. Exceptions to the self-insurance program are made when insurance coverage is available and when premiums are cost effective. The City is covered by property/casualty insurance policies on real and personal property (except vehicles) and the following liability insurance policies as of June 30, 2001: public entity and public officials excess liability, medical and dental malpractice liability, voting booths, special events, vacant buildings, volunteer liability, non-owned aircraft 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 $300,000, public officers, public entity, physical damage to vehicles, and vehicle general liability under $2 million and over $10 million.

The following Constitutional Officers and City employees are covered by surety bonds issued in the amounts shown below by Aetna Casualty and Surety as of June 30, 2001:

Director of Finance	$ 500,000
Treasury Division Chief	$ 300,000
Revenue Division Chief	$ 150,000
Clerk of the Circuit Court	$ 103,000*
Social Services Division Director	$ 25,000
Sheriff	$ 30,000*
All other City employees	$ 100,000
Alexandria Historic Restoration and Preservation Commissioners	$ 10,000

* Bond provided by Commonwealth of Virginia

Self-Insurance

The non-current portion of unpaid workers' compensation claims amounted to approximately $2.4 million as of June 30, 2001, and is reflected in the government-wide statements. The current portion is recorded as an accrued liability in the General Fund and the government-wide financial statements. Liabilities are reported when it is probable that losses have occurred and the amounts of the losses can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported to date. Liabilities are determined using a combination of actual claims experience and actuarially determined amounts and include incremental claim adjustment expense and estimated recoveries. An independent contractor processes public liability claims and the City records a provision and liability in the entity-wide statements and General Fund (current portion only) for an estimate of incurred but not reported claims.

Changes in the non-current portion of estimated claims payable for workers' compensation during the fiscal years ended June 30, 2001 and 2000 were as follows:

	FY 2001	FY 2000
Estimated claims payable at beginning of period	$ 2,086,960	$ 1,484,559
Current fiscal year claims and changes in estimates	1,542,549	1,327,530
Claim payments	(1,189,438)	(725,129)
Estimated claims payable at end of period	$ 2,440,071	$ 2,086,960

NOTE 6. RISK MANAGEMENT (Continued)

Insurance Reserve

In addition, the City has designated a General Fund fund balance self-insurance reserve of $5.0 million as of June 30, 2001.

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

Component Units

The School Board carries commercial insurance for all risks of loss, including property insurance, theft, auto liability, physical damage, and general liability insurance. The School Board is self-insured for workers compensation. School management has estimated their workers compensation liability is not significant, and therefore, a liability has not been recorded as of June 30, 2001 Settled claims resulting from these risks have not exceeded commercial insurance coverage. There were no material reductions in insurance coverage from coverage in the prior fiscal year nor did settlements exceed coverage for any of the past three fiscal years.

The Library carries commercial insurance with the St. Paul Insurance Company. The Library's Crime Bond is with Fidelity and Deposit Company of Maryland for risks of loss including property insurance, theft, auto liability, physical damage, and general liability insurances. There were no material reductions in insurance coverage from coverage in the prior fiscal year nor did settlements exceed coverage for any of the past three fiscal years.

On October 1, 1987, the Alexandria Transit Company joined the Virginia Transit Liability Pool. The Virginia Transit Liability Pool is serviced by commercial companies.

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

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

In Fiscal Year 2001, the Alexandria Transit Company paid an annual premium of $189,234 for participation in this pool.

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

NOTE 6. RISK MANAGEMENT (Continued)

workers' compensation coverage. VMGSIA is self-sustaining through member premiums and will reinsure for claims in excess of $5 million. Each member's premium is determined through an actuarial analysis based upon the individual district's past experience and number of employees. In Fiscal Year 2001, the Alexandria Transit Company paid an annual premium of $29,398 for participation in this pool.

NOTE 7. OPERATING LEASES

Rental Expenditures

The City and the School Board lease office space and equipment under various long-term operating lease agreements expiring at various dates through Fiscal Year 2006 and beyond. Certain leases contain provisions for possible future increased rentals based upon changes in the Consumer Price Index.

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

Fiscal Year	Primary Government	School Board Component Unit
2002	$ 2,612,898	$ 910,678
2003	2,143,906	921,177
2004	2,073,643	948,813
2005	1,990,813	977,277
2006	1,666,202	1,006,595
2007-2011	6,911,600	5,504,478
2012-2016	5,029,910	--

Total rental expenditures during Fiscal Year 2001 for operating leases were $2,280,911 for the Primary Government and $1,597,798 for the School Board.

Rental Revenues

The City also leases various City-owned properties and buildings under noncancellable long-term lease agreements through Fiscal Year 2006 and beyond. The carrying value of leased assets of $5.7 million (cost of $6.8 less accumulated deprecation of $1.2 million) are included in capital assets in the government-wide financial statements. Certain leases contain provisions for future increased revenues based upon changes in the Consumer Price Index.

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

Fiscal Year	Total Revenues
2002	$ 479,521
2003	366,448
2004	239,282
2005	153,397
2006	153,397
2007-2011	766,987

NOTE 8. CAPITAL LEASE

The City participates in a joint venture with the Counties of Arlington and Loudoun and the Cities of Fairfax, Falls Church, Manassas, and Manassas Park to provide training for sworn law enforcement and correctional officers to satisfy requirements mandated by the Commonwealth of Virginia. In Fiscal Year 1993, the City entered into a long-term lease with the other members to finance the costs of acquisition, renovation, furnishing and equipping of a training facility for the Northern Virginia Criminal Justice Academy. This lease provides for monthly payments in amounts sufficient to meet the annual debt service requirements on the Industrial Development Bonds issued to the Academy by the Industrial Development Authority of Loudoun County, Virginia.

Future minimum lease payments under the capital lease, which will be funded from the General Fund, is as follows:

Primary Government

Fiscal Year	Criminal Justice Academy
2002	$ 158,349
2003	158,479
2004	158,192
2005	157,353
2006	157,359
2007-2008	316,627
	$ 1,106,359
Less: Amount Representing Interest	207,365
Present Value of Future Minimum Lease Payments	$ 898,994

The gross amount recorded in capital assets for the asset associated with this lease is $1.5 million, including land of $0.2 million and building of $1.3 million.

NOTE 9. COMMITMENTS AND CONTINGENCIES

A. Washington Metropolitan Area Transit Authority

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

1. Capital Contributions - Rail Construction

The City and other participating jurisdictions have entered into a series of capital contributions agreements with WMATA to fund the local share of the cost of constructing the regional Metrorail transit system. The City has fulfilled all of its commitments for capital contributions except those commitments pursuant to the fifth Interim Capital Contributions Agreement (ICCA-V) that was adopted by the Council in January 1992. Pursuant to these agreements, the City and other participating jurisdictions pledged their best efforts and faithful cooperation to provide capital contributions to match federal grants funded from the federal authorizations. These agreements include a schedule for capital contributions required of the jurisdictions to match federal appropriations from the

NOTE 9. COMMITMENTS AND CONTINGENCIES (Continued)

respective authorizations. As of June 30, 2001, only $580,933 in City commitments under ICCA-V had not been billed.

The final 13.5 miles of the 103-mile adopted regional system for Metrorail are being funded under P.L. 101-551. While these final miles were completed in FY 2001, closing billings or closing credits (if no bill is due) are not anticipated to be completed until FY 2003. In approving ICCA-V, the jurisdictions agreed to provide local matching contributions totaling $780 million over the life of the authorization. The payment schedule that was included in the agreement calls for $21 million in matching funds to be provided by the City of Alexandria between Fiscal Years 1993 and 2002. The City's remaining contribution is anticipated to come from a combination of cash capital, credits available at Northern Virginia Transportation Commission (NVTC) and WMATA, and future state and/or local bonds. During Fiscal Year 2001, the City's ICCA-V obligation totaled $1,155,408, which was funded with $792,132 of City capital project funds and $363,276 in WMATA credits.

2. Capital contributions - Bus and Rail Replacement

Each fiscal year, the City is obligated to make payments or have payments made on its behalf for capital purchases for WMATA's bus system and to improve the reliability of rail capital equipment. The funding required for WMATA's annual capital program depends upon the availability of federal grants. During the fiscal year ended June 30, 2001, the total City obligation was $2,011,160 for the WMATA capital replacement/improvement. Of this total, $1,824,790 was funded with Commonwealth Transportation Bonds, $55,636 with State motor fuel sales tax revenues, and the remaining $130,734 from City capital project funds.

3. Operating subsidies - Bus and Rail Systems

During the fiscal year ended June 30, 2001, obligations for bus and rail subsidies amounted to $14,729,755. The City paid this obligation from the following sources:

City payments	$ 2,685,797
Credits available at WMATA and NVTC	1,481,961
State Aid and State Motor Fuel Sales Tax revenues	10,561,997
TOTAL	$14,729,755

Expected obligations for Fiscal Year 2002 are $16.1 million of which $2.0 million is expected to be paid from the City's General Fund.

4. WMATA Transit Revenue Bonds

WMATA issued almost $1 billion of federally guaranteed transit revenue bonds to fund part of the construction of the rail transit system. Operating revenues have been insufficient to retire this debt. The federal government and WMATA entered into an agreement whereby the federal government agreed to pay two-thirds of the debt service costs for these bonds and to advance part of the remaining one-third during the first three years of the agreement. The agreement requires that WMATA repay the federal advances, with interest, and one-third of the debt service on the bonds. WMATA allocated the cost of the advances and the one-third of the debt service cost among the participating jurisdictions. During FY 2001 the City paid $256,070 for debt service to NVTC for bonds issued in November 1999. The City has not agreed to any payments for the one-third allocation of debt service, but NVTC has paid, from state aid, all such costs allocated to Northern Virginia jurisdictions, of which $1,418,184 was the City's allocation during the fiscal year ended June 30, 2001. However, NVTC has not paid any of the allocations for federal advances. In July of 1985, the Alexandria City Council authorized NVTC to pay $4,263,087 to WMATA, including accrued interest from state aid on deposit to the credit of the City. This was the total amount

NOTE 9. COMMITMENTS AND CONTINGENCIES (Continued)

allocated to the City by WMATA for advances by the federal government, including accrued interest. The City has thus, with such authorization, satisfied all claims due WMATA for transit revenue bonds.

B. Litigation

The City is contingently liable with respect to lawsuits and other claims which 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 which may ultimately be incurred as a result of the suits and claims will not be material.

C. Waste-To-Energy Facility

The City has guaranteed annual tonnage of acceptable waste commitment to the Waste-to-Energy Facility, which is owned and operated by a private corporation. The commitment which is joint with Arlington County, is based on a percent of solid waste the City and Arlington County expects to collect together. The facility will charge a fee on each ton based on defined costs. Based on an engineering study, it is expected that the City and Arlington County will be able to meet their minimum requirement for annual tonnage of 225,000 tons per year. For fiscal year 2001, the City and Arlington County exceeded the minimum annual tonnage requirement. If the City would be required to augment this requirement, the financial effect on the City would be immaterial.

Federal law changes in the Clean Air Act and subsequent regulations required the City and Arlington County to invest in a retrofit for new equipment at the Waste-To Energy Facility. This investment was financed by $46.1 million in revenue bonds issued under the Arlington County Industrial Development Authority. Operating costs of the facility and the City's portion of debt service increased to $1.6 million per year now that the facility is fully upgraded and operational. The upgrade was substantially completed in November 2000.

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 2001 payment of $256,070 was made from the proceeds from the City's telecommunications tax received by the General Fund.

NOTE 10 LONG-TERM DEBT

General Obligation Bonds - The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

Exhibit XII
(Continued)

NOTE 10. LONG-TERM DEBT (Continued)

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. General obligation bonds outstanding as of June 30, 2001 are composed of the following individual issues:

	Amount Outstanding
$55,000,000 Public Improvement Bonds of 2000 installments ranging from $1,400,000 to $2,985,000 through 2020, bearing interest at rates ranging from 4.75 percent to 5.75 percent. The bonds maturing before June 15, 2011 are not subject to redemption before maturity. Beginning June 15, 2010, bonds maturing on or after June 15, 2011 are subject to redemption at the direction of the City, in whole or in part in installments of $5,000, at certain redemption prices that include a redemption premium plus accrued interest.....	$ 54,400,000
$40,000,000 Public Improvement Bonds of 1999 due in annual installments of $2,000,000 through 2019, bearing interest at rates ranging from 3.5 percent to 5.0 percent. The bonds are not subject to redemption prior to maturity	36,000,000
$22,655,000 Public Improvement and Refunding Bonds ($10,000,000 refunded) of 1994 due in annual installments ranging from $790,000 to $1,830,000 through 2009, bearing interest rates ranging from 4.5 percent to 5.1 percent. The bonds are not subject to redemption prior to maturity	11,275,000
$23,485,000 Public Improvement Refunding Bonds ($20,980,000 refunded) of 1992 due in annual installments ranging from $1,125,000 to $2,570,000 through 2003, bearing interest at rates ranging from 5.65 percent to 5.85 percent. The bonds are not subject to redemption prior to maturity	6,200,000
	$107,875,000

NOTE 10. LONG-TERM DEBT (Continued)

The bonds have been issued as follows:

CUSIP	2000 Issue	Rate
015302UB6	$1,400,000	5.00
015302UC4	2,300,000	5.25
015302UD2	2,985,000	5.25
015302UE0	2,985,000	5.00
015302UF7	2,985,000	4.75
015302UG5	2,985,000	5.00
015302UH3	2,985,000	5.00
015302UJ9	2,985,000	5.00
015302UK6	2,985,000	5.00
015302UL4	2,985,000	5.00
015302UM2	2,980,000	5.13
015302UN0	2,980,000	5.25
015302UP5	2,980,000	5.75
015302UQ3	2,980,000	5.25
015302UR1	2,980,000	5.38
015302US9	2,980,000	5.50
015302UT7	2,980,000	5.50
015302UU4	2,980,000	5.50
015302UV2	2,980,000	5.75
Total	$54,400,000	

NOTE 10. LONG-TERM DEBT (Continued)

CUSIP	1999 Issue	Rate
015302TG7	$2,000,000	3.50
015302TH5	2,000,000	3.50
015302TJ1	2,000,000	3.60
015302TK8	2,000,000	3.70
015302TL6	2,000,000	3.80
015302TM4	2,000,000	3.90
015302TN2	2,000,000	3.90
015302TP7	2,000,000	4.00
015302TQ5	2,000,000	5.00
015302TR3	2,000,000	4.25
015302TS1	2,000,000	4.25
015302TT9	2,000,000	5.00
015302TU6	2,000,000	5.00
015302TV4	2,000,000	4.50
015302TW2	2,000,000	5.00
015302TX0	2,000,000	5.00
015302TY8	2,000,000	5.00
015302TZ5	2,000,000	5.00
	$36,000,000	

CUSIP	1994 Issue	Rate
015302SW3	$1,830,000	4.500
015302SX1	1,805,000	4.625
015302SY9	1,785,000	4.700
015302SZ6	1,755,000	4.875
015302TA0	1,730,000	5.000
015302TB8	790,000	5.000
015302TC6	790,000	5.100
015302TD4	790,000	5.100
	$11,275,000	

CUSIP	1992 Issue	Rate
015302SL7	$2,570,000	5.65
015302SM5	2,505,000	5.75
015302SN3	1,125,000	5.85
	$6,200,000	

Exhibit XII
(Continued)

NOTE 10. LONG-TERM DEBT (Continued)

The requirements to amortize all long-term bonds as of June 30, 2001, including interest payments of $48,421,239 are summarized as follows:

Fiscal Year	Serial Bonds Principal	Interest
2002	$ 7,800,000	$ 5,227,266
2003	8,610,000	4,860,294
2004	7,895,000	4,481,137
2005	6,740,000	4,135,624
2006	6,715,000	3,826,818
2007-2011	27,295,000	14,954,700
2012-2016	24,900,000	8,666,600
2017-2020	17,920,000	2,268,800
	$ 107,875,000	$ 48,421,239

Debt service requirements for general obligation bonds are met by the General Fund. The City retains the liability for the portion of general obligation bonds issued to fund capital projects of the School Board.

Issuance of General Obligation Bonds - On July 11, 2001, the City issued $54.5 million in General Obligation Bonds with an true interest cost of 4.599 percent for the purpose of capital improvements in the City and the School Board. The proceeds will be used to fund projects in the City's approved FY 2002 – 2007 Capital Improvement Program.

Legal Debt Margin - The City has no overlapping debt with other jurisdictions. As of June 30, 2001, the City had a legal debt limit of $1,463,234,920 and a debt margin of $1,355,359,920:

Assessed Value of Real Property, January 1, 2001		$14,632,349,200
Debt Limit: 10 Percent of Assessed Value		$ 1,463,234,920
Amount of Debt Applicable to Debt Limit:		
General Obligation Bonds	$107,875,000	
Total General Obligation Debt		107,875,000
LEGAL DEBT MARGIN		$ 1,355,359,920

Unissued Bonds - Bond authorizations expire three years from the effective date of the respective bond ordinances. Authorization of bonds, bonds issued and expirations during the fiscal year ended June 30, 2001, are summarized below:

	Authorized and Unissued July 1, 2000	Authorized	Issued	Expired	Authorized and Unissued June 30, 2001
General Obligation Bonds	$20,000,000	$34,500,000	$ -	$ -	$ 54,500,000

Exhibit XII
(Continued)

NOTE 10. LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities - Changes in the total long-term liabilities during the fiscal year ended June 30, 2001 are summarized below. The Net Pension Obligation results from contributions to the City Supplemental Pension Plan and the Public Safety Pension Plan that were less than the required amount. In general the City uses the General Fund to liquidate long-term liabilities.

Primary Government – Governmental Activities

	Balance July 1, 2000	Additions	Reductions	Balance June 30, 2001	Amounts Due Within One Year
General Obligation Bonds	$ 114,690,000	$ ---	$ 6,815,000	$ 107,875,000	$ 7,800,000
Obligations Under Capital Lease	1,002,635	---	103,641	898,994	109,463
Workers' Compensation Claims	2,086,960	1,542,549	1,189,438	2,440,071	882,956
Accrued Compensated Absences	10,754,880	8,614,986	7,113,160	12,256,706	1,600,947
Net Pension Obligation	2,390,803	1,653,250	----	4,044,053	---
TOTALS	$130,925,278	$11,810,785	$15,221,239	$ 127,514,824	$10,393,366

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.
All liabilities – both current and long-term – are reported in the statement of net assets. The adjustment from modified accrual to full accrual is as follows:

Balances at June 30, 2001 were:	
Long-term liabilities (detail above)	$ 127,514,824
Accrued interest	1,149,280
Combined adjustment	$ 128,664,104

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 and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. This adjustment from modified accrual to full accrual is composed of the following items:

Compensated absences	$ 1,501,826
Workers' compensation	353,111
Pension obligation	1,653,250
Accrued interest on bonds	3,075
Combined adjustment	$ 3,511,262

Component Unit – School Board

	Balance July 1, 2000	Additions	Reductions	Balance June 30, 2001	Amounts Due Within One Year
Accrued Compensated Absences	$3,460,923	$6,386,713	$6,051,739	$ 3,795,897	$ 255,679
TOTALS	$3,460,923	$6,131,034	$6,051,739	$ 3,795,897	$ 255,679

NOTE 11. INTERFUND BALANCES AND TRANSACTIONS

Component Unit

Interfund receivable/payable consisted of the following at June 30, 2001:

Receivable Fund	Payable Fund	Amount
Primary Government – General Fund	Component Unit – Library	$ 26,134
Primary Government – Capital Projects Fund	Component Unit - School Capital Project Fund	$ 1,559,504

These balances represent timing differences related to routine advances from the City for library operations and other capital transactions. These amounts were repaid subsequent to year-end.

Interfund transfers and transactions for the year ended June 30, 2001 consisted of the following:

	Transfer from (Fund):			
Transfer to (Fund):	**General**	**Special Revenue**	**Capital Projects**	**Total**
Primary Government				
Special Revenue	$ 17,460,360	$ ---	$ ---	$ 17,460,360
Capital Projects	27,406,193	195,241	---	27,601,434
Internal Service	---	23,736	---	23,736
Total	$ 44,866,553	$ 218,977	$ ---	$ 45,085,530
Component Unit Transactions				
Schools	$ 98,797,770	$ ---	$ 17,622,608	$ 116,420,378
Library	4,133,108	---	---	4,133,108
Alexandria Transit	3,548,210	---	---	3,548,210
Total	$ 106,479,088	$ ---	$ 17,622,608	$ 124,101,696

Primary transfer activities include:

Transfers from the General Fund to the Special Revenue represent City fund required to match grant programs resources.

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 represents the City's budget pay-as-you go funding.

Transfers to the component units represent budgeted subsidies for the school operations and capital, library operations and transit operations. In addition, the City transferred capital assets totaling $2.5 million to Alexandria Transit.

NOTE 12. GRANTS

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

NOTE 13. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues for the City and its component units totaled $94,562,662 in Fiscal Year 2001. Sources of these revenues were as follows:

GOVERNMENTAL FUNDS	
Federal Government	$ 21,550,466
Commonwealth of Virginia	44,711,951
Total Primary Government	$ 66,262,417
COMPONENT UNITS	
Federal Government:	
School Board	$ 5,801,812
Commonwealth of Virginia:	
School Board	$ 22,102,322
Library	333,543
Alexandria Transit Company	62,568
Total Component Units Commonwealth of Virginia	$ 22,498,433
Total Component Units	$ 28,300,245
TOTAL CITY AND COMPONENT UNITS	
Total Federal Government	$ 27,352,278
Total Commonwealth of Virginia	67,210,384
Total Intergovernmental Revenue	$ 94,562,662

NOTE 14. DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units represents accrued revenue at June 30, 2001, consisting of the following:

Primary Government	
State	
General Fund	$ 25,702,704
Special Revenue Fund	1,203,940
Total State	$ 26,906,644
Federal	
General Fund	$ 399,067
Special Revenue Fund	2,173,182
Total Federal	$ 2,572,249
Total Primary Government	$ 29,478,893
Component Units	
State	
School Board	$ 1,236,389
Alexandria Transit Company	55,215
Total State	$ 1,291,604
Federal	
School Board	$ 1,965,280
Total Component Units	$ 3,256,884
Total	$ 32,735,777

NOTE 15. JOINT VENTURES

A. Northern Virginia Criminal Justice Academy

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

In addition, the City pays the Northern Virginia Criminal Justice Academy for operating costs based on the pro-rata share of officers trained. In Fiscal Year 2001, the City paid $262,004 for operating costs.

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

NOTE 15. JOINT VENTURES (Continued)

B. Northern Virginia Juvenile Detention Home

The City participates in a joint venture with Arlington County and the City of Falls Church to operate a regional juvenile detention home. In July 1993, the City agreed to fund 55.3 percent of the construction costs of a new facility. The final construction payments were made in Fiscal Year 1995. In addition, the City pays part of the Northern Virginia Detention Home's operating costs based on the number of beds utilized by Alexandria residents. These payments totaled $818,657 in Fiscal Year 2001.

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

C. Peumansend Creek Regional Jail Authority

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

The total project cost of $27 million, with 50 percent of the eligible construction cost ($23.8 million) to be reimbursed by the Commonwealth. The Authority issued $10.2 million in revenue bonds and $12 million of grant anticipation notes in March 1997. The City's total share of the project costs was $18.2 million, including approximately $3.2 million in capital and debt service costs and $15 million in operating costs over the 20-year period of debt (1997-2016). For Fiscal Year 2001, the City paid $438,590 for operating costs and $187,582 for debt service payments. The City does not maintain an equity interest in the jail.

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

D. Washington Metropolitan Area Transit Authority

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

NOTE 16. RELATED PARTY TRANSACTIONS

Sheltered Homes of Alexandria is a not-for-profit corporation formed to obtain and maintain group homes for mentally and physically disabled or impaired adults. The corporation's trustees also serve on the Alexandria Community Services Board, whose board members are appointed by City and whose financial activities are therefore included as part of the primary government. During Fiscal Year 2001 the City made rental payments to Sheltered Homes of Alexandria totaling $538,460.

NOTE 17. POST EMPLOYMENT BENEFITS

In 1989 City Council voted to establish three classes of post employment health care benefits to supplement the increasing health care burden for City retirees. The three classes are as follows: (a) City employees who are eligible to retire under the Virginia Retirement System and City Supplemental Pension plans who have attained age 55 with at least 5 years of service; (b) public safety employees who are eligible to retire under the public safety pension plan who have attained age 50 with at least 20 years of service; and (c) public safety employees who are eligible to retire under the public safety retirement income plan who have attained 20 years of service, regardless of age. Each fiscal year the City Council appropriates funds to pay for these health benefits. As of June 30, 2001, 429 retirees were both eligible and received benefits from all three classes of this plan. Eligibility is contingent upon the retiree providing proof of participation and payment to a health insurance plan. The City contributed on a "pay-as-you-go" basis at the rate of $106.83 per month for each retiree, for a total annual contribution of $498,412 for Fiscal Year 2001.

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS

Primary Government

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

Exhibit XII
(Continued)

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

	Combining Schedule of Assets Employee Retirement Funds					
	City Supplemental Retirement	Public Safety Pension	Public Safety Retirement Income	Disability Income	Sheriff Retirement Income	Total
ASSETS						
Investments, at Fair Value						
U.S.Government Obligations	$ -	$ -	$ -	$ 6,324,610	$ -	$ 6,324,610
Guaranteed Investment Accounts	21,618,803	40,331,376	35,285,373	-	4,972,524	102,208,076
Mutual funds	-	-	28,859,148	-	2,350,185	31,209,333
Stocks	18,968,367	-	31,925,207	3,364,367	2,376,549	56,634,490
Other Investments	-	-	-	1,567,758	-	1,567,758
Total Investments	$ 40,587,170	$ 40,331,376	$ 96,069,728	$ 11,256,735	$ 9,699,258	$ 197,944,267
Total Assets	$ 40,587,170	$ 40,331,376	$ 96,069,728	$ 11,256,735	$ 9,699,258	$ 197,944,267
NET ASSETS						
Held in Trust for Pension Benefits and Other Purposes	$ 40,587,170	$ 40,331,376	$ 96,069,728	$ 11,256,735	$ 9,699,258	$ 197,944,267

Exhibit XII
(Continued)

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Combining Schedule of Operations
Employee Retirement Funds

	City Supplemental Retirement	Public Safety Pension	Public Safety Retirement Income	Disability Income	Sheriff Retirement Income	Total
ADDITIONS						
Contributions:						
Employer	$ 849,024	$ 700,000	$ 4,509,296	$ 677,573	$ 1,207,861	$ 7,943,754
Plan Members	1,698,048	4,432	138,933	112,929	-	1,954,342
Total Contributions	$ 2,547,072	$ 704,432	$ 4,648,229	$ 790,502	$ 1,207,861	$ 9,898,096
Investment Income:						
Net Appreciation (Depreciation) in Fair Value of Investments	$ (2,469,302)	$ -	$ (13,830,863)	$ 101,653	$ (993,805)	$ (17,192,317)
Interest	2,501,386	2,939,705	1,895,640	496,036	268,076	8,100,843
Total Investment Income	$ 32,084	$ 2,939,705	$ (11,935,223)	$ 597,689	$ (725,729)	$ (9,091,474)
Less investment expense	204,758	-	-	-	-	204,758
Net Investment Income	$ (172,674)	$ 2,939,705	$ 11,935,223)	$ 597,689	$ (725,729)	$ (9,296,232)
Total Additions	$ 2,374,398	$ 3,644,137	$ (7,286,994)	$ 1,388,191	$ 482,132	$ 601,864
DEDUCTIONS						
Benefits	$ 1,073,328	$ 4,534,638	$ -	$ 874,608	$ -	$ 6,482,574
Refunds of Contributions	-	-	2,513,522	-	260,832	2,774,354
Administrative Expenses	85,652	52,767	94,442	51,466	8,127	292,454
Total Deductions	$ 1,158,980	$ 4,587,405	$ 2,607,964	$ 926,074	$ 268,959	$ 9,549,382
Net Increase (Decrease)	$ 1,215,418	$ (943,268)	$ (9,894,958)	$ 462,117	$ 213,173	$ (8,947,518)
Net Assets at Beginning of Year	39,371,752	41,274,644	105,964,686	10,794,618	9,486,085	206,891,785
Net Assets at End of Year	$ 40,587,170	$ 40,331,376	$ 96,069,728	$ 11,256,735	$ 9,699,258	$ 197,944,267

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

For the City Supplemental Pension Plan, the plan cost increased as a percent of payroll. From FY 2000 to FY 2001, the annual required contribution rate increased from 4.18% to 4.88% of payroll, with net increase of $511,319. This increase in plan cost is due to a sluggish equity market and demographic changes during FY 2001.

There were no changes in actuarial assumptions, benefit provisions, or funding method for the Public Safety Pension Plan.

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

PLAN DESCRIPTION

	1	2	3	4	5	6
	VRS					
	City	City Supplemental	Public Safety Pension	Public Safety Retirement Income	Disability Income	Sheriff Retirement Income
Administrator	State of Virginia	Cigna	Cigna	Cigna	SunTrust	Cigna
Employees Covered	General Body	General Body	Public Safety	Public Safety	Public Safety	Sheriff/ERT
Authority for Plan Provisions and Contributions	State Statute	City Ordinance	City Ordinance	City Ordinance	City Ordinance	City Ordinance
Plan Type	Agent Multi-Employer	Single-Employer	Single-Employer	Single-Employer	Single-Employer	Single-Employer
	Defined Benefit	Defined Benefit	Defined Benefit	Defined Contribution	Defined Contribution	Defined Contribution
Stand Alone Financial Report	Yes	No	No	No	No	No
Actuarial Valuation Date	06/30/2000	06/30/2001	07/01/2000	N/A	N/A	N/A

Exhibit XII
(Continued)

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

MEMBERSHIP AND PLAN PROVISIONS

As of:	6/00 (1) VRS City	6/01 (2) City Supplemental	7/00 (3) Public Safety Pension	6/01 (4) Public Safety Retirement Income	6/01 (5) Disability Income	6/01 (6) Sheriff Retirement Income
Active Participants	1,692	1,897	1	444	444	199
Retirees & Beneficiaries	467	80	187	0	44	0
Terminated Vested & Non-vested	464	395	-	49	N/A	13
Normal Retirement Benefits:						
Age	65 50 (30Yrs)	65 55 (30Yrs)	60 50 (20Yrs)	60	N/A	60
Benefits Vested	5	5	10	5	N/A	5
Disability & Death Benefits	Disability Death	Disability Death	Disability Death	N/A Death	Disability N/A	N/A Death
SIGNIFICANT ACTUARIAL ASSUMPTIONS						
Investment Earnings	8.0%	8.0%	8.0%	N/A	N/A	N/A
Projected Salary Increases Attributable to:						
Inflation	3.0%	4.0%	N/A	N/A	N/A	N/A
Seniority/Merit	1.25 – 3.10%	2.86%	N/A	N/A	N/A	N/A
Projected Postretirement Increases	3.0%	None	3.0%	N/A	N/A	N/A
Actuarial Cost Method	Entry Age Normal Cost	Aggregate Actuarial Cost	Projected Unit Credit With Zero Normal Cost	N/A	N/A	N/A
Amortization Method	Level Percentage	Level Percentage	Level dollar	N/A	N/A	N/A
Open/Closed	Closed	N/A	Closed			
Remaining Amortization Period	24	15	15	N/A	N/A	N/A
Asset Valuation Method	Modified Market	Market Value	Book Value	N/A	N/A	N/A

Exhibit XII
(Continued)

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

FUNDING POLICY AND ANNUAL PENSION COST

As of:	6/01 VRS City	6/01 City Supplemental	6/01 Public Safety Pension	6/01 Public Safety Retirement Income	6/01 Disability Income	6/01 Sheriff Retirement Income
PERCENTAGE OF COVERED PAYROLL CONTRIBUTED						
Employee %	5.0%	2.0%	8.0%	Voluntary	0.5%	--
Employer %	2.06%	1.0%	$700,000/Yr.	20.0%	3.0%	12.9%
AMOUNT CONTRIBUTED						
Employee	$ 3,516,001	* $ 1,698,048	* $ 4,432	$ 138,933	$ 112,929	$ -
Employer	1,447,935	849,024	700,000	4,509,296	677,573	1,207,861
Total Amount Contributed	$ 4,963,936	$ 2,547,072	$ 704,432	$ 4,648,229	$ 790,502	$ 1,207,861

* The City assumed the responsibility of payment of employees' share of contributions. Administrative costs of all the pension plans are financed through investment earnings except Public Safety Retirement and Sheriff Retirement plans, where the cost is assumed by the City.

The Contribution requirements for all pension plans (except VRS) are established and may be amended by City Ordinance. VRS requirements are established and may be amended by State statutes.

COVERED PAYROLL						
Dollar Amount	$ 70.3 million	$ 79.1 million	$ 55,400	$ 22.5 million	$ 22.5 million	$ 9.4 million
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						
Investments (other than those issued or guaranteed by the U.S. government) in any one organization that represent 5 percent or more of plan assets.						
CIGNA General Account (Long Term)	*	53%	100%	37%	-	51%
CIGNA Stock Index	*	47%	-	33%	-	30%
Fidelity Growth Opportunity	*	-	-	6%	-	6%
Warburg Emerging Growth	*	-	-	8%	-	-

* Investment information not available on an individual jurisdiction basis.

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Calculation of Net Pension Obligation

	City Supplemental	Public Safety Pension
Actuarially Required Contribution	$ 2,370,343	$ 929,905
Interest on Net Pension Obligation	164,371	26,893
ARC Adjustment	(246,685)	(42,553)
Annual Pension Cost	$ 2,288,029	$ 914,245
Actual Deposit	(849,024)	(700,000)
Change in NPO	$ 1,439,005	$ 214,245
NPO Beginning of Year	2,054,636	336,167
NPO End of Year (6/30/01)	$ 3,493,641	$ 550,412

THREE YEAR TREND INFORMATION

	Actuarial Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
City Supplemental	06/30/1999	$ 994,993	68.83%	$ 1,289,549
	06/30/2000	1,499,143	48.97%	2,054,636
	06/30/2001	2,288,029	37.11%	3,493,641
Public Safety Pension	06/30/1999	$ 844,660	82.87%	$ 295,849
	06/30/2000	740,318	94.05%	336,167
	06/30/2001	914,245	76.57%	550,412
Virginia Retirement System	06/30/1999	$ 3,734,259	100.00%	$ -
	06/30/2000	3,807,027	100.00%	-
	06/30/2001	1,447,935	100.00%	-

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

DESCRIPTION OF BENEFITS:

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

City Supplemental - City employees who retire at or after age 65 or after age 55 with 30 years credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to .80 percent of effective compensation multiplied by service on and after January 1, 1988, and 1.625 percent of effective compensation not to exceed $100 plus .25 percent of such compensation over $100 times years service provided subsequent to August 1, 1970, and prior to January 1, 1988, and 1.625 percent of past service compensation not to exceed $100, plus .25 percent of such compensation over $100 times years service provided subsequent to August 1, 1960, and prior to August 1, 1970. The pension benefit is reduced by 6 2/3 percent for each year up to five years and 3 1/3 percent for each year between five and ten years preceding normal retirement date. Benefit provisions are established and may be amended by City Ordinance.

Public Safety Pension - Employees who retire on or after age 60 are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2 percent of final average earnings multiplied by years of credited service, up to a maximum of 30 years. The plan also provides 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 provides early retirement on or after age 50 with 10 years of service with actuarially reduced benefit. Benefit provisions are established and may be amended by City Ordinance.

Public Safety Retirement Income - The employees are entitled to contributions made on their behalf after 100 percent vesting. Employee contribution is voluntary and they are allowed to withdraw from their gross voluntary dollars after two years of participation in the plan. They may also cancel their voluntary portion of account. However, if they cancel they will receive a full refund of all voluntary contributions and interest earned to that point and would subsequently be suspended from making any further voluntary contributions for a period of twenty-four months. Benefit provisions are established and may be amended by City Ordinance.

Disability Income - This plan is part of the Public Safety Retirement Income Plan. The benefits for service-connected total and permanent disability are 70 percent of final average earnings, 66 2/3 percent for non-service connected total and permanent disability and service-connected partial disability, and 50 percent for non-service connected partial disability. Disability benefits are limited by the assets of the trust fund. If the plan administrator, after consultation with the plan's actuary, foresees the plan becoming insolvent, the administrator may reduce all participants' benefits on a pro rata basis as of the first day of any month after giving each participant receiving benefits under the plan adequate written notice. Benefit provisions are established and may be amended by City Ordinance.

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

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Component Unit School Board

The Alexandria School Board participates in three public employee retirement systems (PERS). Two of these systems are handled by Virginia Retirement System (VRS), a cost-sharing multi-employer plan and an agent multi-employer plan which are administered by the Commonwealth of Virginia and are, therefore, not reflected as a School Board Pension Trust Fund. The third plan (School Supplemental) is a single-employer defined benefit plan, where a stated methodology for determining pension benefits is provided. This plan is part of the School Board Pension Trust Fund.

All full-time professional employees of the School Board participate in the cost sharing multi-employer plan. The Virginia Retirement system provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The VRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Virginia Retirement System, P.O. Box 2500, Richmond, Virginia 23218.

Plan members are required by State statute to contribute 5 percent of their covered payroll. However, the School Board has elected to assume this responsibility for the employees' share for both VRS plans. The School Board contributed at an actuarially determined rate of 7.54 percent of the annual covered payroll for the fiscal year 2001. The employer contribution rates for the fiscal years 2000 and 1999 were 9.04 percent and 8.49 percent, respectively. The contribution requirements of the plan members and School Board are established and may be amended by State statutes. The total payments by the School Board and plan members to VRS for this plan for the fiscal years ending June 30, 2001, 2000 and 1999 were $8,873,992, $9,331,275, and $8,499,888, respectively, equal to the required contributions for each fiscal year.

There were no changes in actuarial assumptions, benefits provisions, or funding methods for the VRS Non-Professional Employees Plan.

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

The following schedules reflect a description of the plan provisions and membership information, actuarial assumptions, accounting and funding policies, and contribution requirements. The actuarial valuations for all the defined benefit plans are performed annually with the exception of VRS, which is performed biennially; however, an actuarial update is performed in the interim year. Six-year schedules of funding progress and trend information for defined benefit pension plans are provided in Exhibit XV.

The financial statements for the School fiduciary assets are available from the School Board.

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

PLAN DESCRIPTION

	1 VRS	2
	School Maint/Prof.	**School Supplemental**
Administrator	State of Virginia	Principal Financial Group
Employees Covered	General Body	General Body
Authority	State Statute	City Ordinance
Plan Type	Agent Multi-Employer Defined Benefit	Single-Employer Defined Benefit
Stand Alone Financial Report	Yes	No
Actuarial Valuation Date	6/30/00	9/01/00

Exhibit XII
(Continued)

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

MEMBERSHIP AND PLAN PROVISIONS

As of:	6/00	9/00
	(1) VRS	
	School Maintenance	(2) School Supplemental
Active Participants	295	1,679
Retirees & Beneficiaries	154	641
Terminated Vested & Non-Vested	76	898
Normal Retirement Benefits:		
Age	65 50 (30Yrs)	65 55 (30Yrs)
Benefits Vested	5	5
Disability & Death Benefits	Disability Death	Disability Death
SIGNIFICANT ACTUARIAL ASSUMPTIONS		
Investment Earnings	8.0%	7.0%
Projected Salary Increases Attributable to:		
Inflation	3.0%	3.0%
Seniority/Merit	1.25% - 3.10%	2.38% - 5.60%
Projected Postretirement Increases	3.0%	None
Actuarial Cost Method	Entry Age Normal Cost	Aggregate Actuarial Cost
Amortization Method	Level Percentage	Level Percentage
Open/closed	Open	Open
Remaining Amortization Period	0	16
Asset Valuation method	Modified Market	Contractual Value

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

FUNDING POLICY AND ANNUAL PENSION COST

As of:	6/01	6/01
	VRS	
	School Maintenance	School Supplemental
PERCENTAGE OF COVERED PAYROLL CONTRIBUTED		
Employee %	5.00%	1.00%
Employer %	0.00%	1.25%
AMOUNT CONTRIBUTED		
Employee	$ 296,618	$ 732,579
Employer	--	915,725
Total Amount Contributed	$ 296,618	$ 1,648,304

The School Board has assumed responsibility of employee's share of the contributions for VRS and Supplemental pension plans. Administrative costs of all the pension plans are financed through the investment earnings.

COVERED PAYROLL		
Dollar Amount:	$5,932,352	$73,257,945
LEGALLY REQUIRED RESERVES	None	None
LONG TERM CONTRIBUTION CONTRACTS	None	None

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

Principal Financial Group		
Long Term Guaranteed Investment Account	*	100%

*Investment information not available on an individual jurisdiction basis.

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Calculation of Net Pension Obligation (Asset)

	School Supplemental
Actuarially Required Contribution	$ 618,733
Interest on Net Pension Obligation	(286,020)
ARC Adjustment	418,511
Annual Pension Cost	$ 751,224
Actual Deposit	(915,725)
Change in NPO	$ (164,501)
NPO Beginning of Year	(4,086,006)
NPO End of Year (6/30/01)	$ (4,250,507)

THREE YEAR TREND INFORMATION

	Actuarial Date	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation (Asset)
School Supplemental	09/01/1998	$ 822,703	107.4%	$ (3,911,002)
	09/01/1999	758,374	123.1%	(4,086,006)
	09/01/2000	751,224	121.9%	(4,250,507)
Virginia Retirement System	06/30/1999	$ 156,349	100.00%	$ ---
	06/30/2000	167,173	100.00%	---
	06/30/2001	--	N/A	---

The School Supplemental pension plan uses aggregate actuarial cost method which does not identify or separately amortize unfunded actuarial liabilities.

DESCRIPTION OF BENEFITS:

VRS

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

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

SCHOOL SUPPLEMENTAL

School Board employees who retire at or after age 65 or after age 55 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 .25 percent of the amount by which effective compensation exceeds $100 multiplied by credited future service before September 1, 1984, and 1.625 percent of past service compensation not in excess of $100 plus .25 percent of past service compensation in excess of $100 times credited past service.

NOTE 19. ACCOUNTING CHANGES

During fiscal year 2001 the City adopted GASB Statement 37 *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments: Omnibus,* and GASB Statement 38 *Certain Financial Statement Note Disclosures.* There is no impact on the financial statements.

NOTE 20. SUBSEQUENT EVENTS

On July 11, 2001, the City issued $54.5 million in general obligation bonds. These bonds will be used to finance school and City capital projects.

The City is located near National Airport and the Pentagon. The City is assessing the impact of the events of September 11, 2001 on certain revenue, including transient lodging, meals tax and sales tax.

REQUIRED SUPPLEMENTARY INFORMATION (unaudited)

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

CITY OF ALEXANDRIA, VIRGINIA
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2001
(See Accompanying Independent Auditors' Report)

EXHIBIT XIII

	Original Budget	Budget as Amended	Actual	Variance from Amended Positive (Negative)
Revenues:				
General Property Taxes	$ 184,095,000	$ 184,095,000	$ 189,775,677	$ 5,680,677
Other Local Taxes	73,789,000	73,789,000	81,726,772	7,937,772
Permits, Fees, and Licenses	3,760,000	3,760,000	4,065,880	305,880
Fines and Forfeitures	4,264,000	4,264,000	4,116,463	(147,537)
Use of Money and Property	7,005,000	7,759,950	10,418,646	2,658,696
Charges for Services	9,342,400	9,342,400	8,711,053	(631,347)
Intergovernmental Revenues	34,511,000	34,690,221	37,679,452	2,989,231
Miscellaneous	359,000	359,000	464,686	105,686
Total Revenues	$ 317,125,400	$ 318,059,571	$ 336,958,629	$ 18,899,058
Expenditures:				
City Council	$ 435,004	$ 435,004	$ 394,043	$ 40,961
City Manager	1,437,115	1,576,447	1,543,835	32,612
Office on Women	933,757	933,757	853,047	80,710
Citizens Assistance	567,517	593,255	453,693	139,562
Office of Management and Budget	885,347	965,347	725,211	240,136
18th Circuit Court	1,064,228	1,067,735	955,084	112,651
18th General District Court	111,447	121,947	85,928	36,019
Juvenile And Domestic Relations Court	30,780	40,321	30,199	10,122
Commonwealth's Attorney	1,809,934	1,883,107	1,721,139	161,968
Sheriff	15,948,398	15,987,024	15,752,491	234,533
Clerk of Courts	1,279,576	1,423,064	1,169,359	253,705
Other Correctional Activities	2,899,334	2,899,334	2,831,584	67,750
Court Services	526,431	538,174	431,978	106,196
Human Rights	296,271	296,271	259,498	36,773
Internal Audit	179,659	180,169	175,403	4,766
Information Technology Services	5,419,843	5,781,367	5,022,994	758,373
City Clerk and Clerk of Council	308,429	313,791	298,109	15,682
Finance	6,453,228	6,735,446	6,205,977	529,469
Real Estate Assessments	910,639	910,639	871,571	39,068
Personnel	1,828,361	1,896,859	1,818,061	78,798
Planning and Zoning	3,889,317	3,972,349	3,693,949	278,400
City Attorney	1,264,621	1,364,861	1,326,455	38,406
Registrar of Voters	612,934	830,896	798,036	32,860
General Services	8,553,672	8,795,826	8,655,812	140,014
Transportation and Environmental Services	18,972,754	20,416,412	19,092,867	1,323,545
Transit Subsidies	3,515,994	3,515,994	3,515,994	-
Fire	23,189,777	23,728,365	23,688,443	39,922
Police	32,527,763	32,980,915	32,298,846	682,069
Office of Housing	871,014	886,069	766,088	119,981
Mental Health/Mental Retardation and Substance Abuse	467,282	470,282	469,649	633
Health	5,866,699	5,943,736	5,931,196	12,540
Human Services	5,643,209	6,444,957	6,442,522	2,435
Human Services Contributions	850,000	850,350	850,000	350
Office of Historic Alexandria	1,955,778	2,027,074	1,951,488	75,586
Recreation and Cultural Activities	12,980,724	13,073,922	13,009,192	64,730
Other Educational Activities	13,017	13,017	13,017	-
Miscellaneous	18,910,680	19,087,371	18,664,729	422,642
Total Expenditures	$ 183,410,533	$ 188,981,454	$ 182,767,487	$ 6,213,967
Other Financing Uses:				
Operating Transfers Out	$ 29,876,373	$ 46,904,677	$ 44,866,553	$ 2,038,124
Transfers Out - Component Units	106,760,006	106,667,906	106,479,088	188,818
Total Other Financing Uses	$ 136,636,379	$ 153,572,583	$ 151,345,641	$ 2,226,942
Total Expenditures and Other Financing Uses	$ 320,046,912	$ 342,554,037	$ 334,113,128	$ 8,440,909
Revenue Over/(Under) Expenditures and Other Financing Uses	$ (2,921,512)	$ (24,494,466)	$ 2,845,501	$ 27,339,967
Fund Balances at Beginning of Year	57,998,531	57,998,531	57,998,531	-
Increase/(Decrease) in Reserve for Inventory	-	-	(10,429)	(10,429)
FUND BALANCES AT END OF YEAR	$ 55,077,019	$ 33,504,065	$ 60,833,603	$ 27,329,538

CITY OF ALEXANDRIA, VIRGINIA
Budgetary Comparison Schedule
Special Revenue Fund
For the Year Ended June 30, 2001
(See Accompanying Independent Auditors' Report)

EXHIBIT XIV

	Original Budget	Budget as Amended	Actual	Variance From Amended Positive (Negative)
Revenues:				
Use of Money and Property	$ 11,000	$ 346,751	$ 429,164	$ 82,413
Charges for Services	5,467,584	5,890,487	5,439,206	(451,281)
Intergovernmental Revenues	31,058,473	36,599,669	28,266,113	(8,333,556)
Miscellaneous	627,984	2,367,865	2,794,543	426,678
Total Revenues	$ 37,165,041	$ 45,204,772	$ 36,929,026	$ (8,275,746)
Other Financing Sources:				
Operating Transfers In	$ 20,030,373	$ 19,994,899	$ 17,460,360	$ 2,534,539
Total Other Financing Sources	$ 20,030,373	$ 19,994,899	$ 17,460,360	$ 2,534,539
Total Revenues and Other Financing Sources	$ 57,195,414	$ 65,199,671	$ 54,389,386	$ (5,741,207)
Expenditures:				
Human Relations	$ 312,826	$ 496,502	$ 360,003	$ 136,499
Citizens Assistance	5,000	27,000	26,826	174
Commonwealth's Attorney	305,333	468,821	236,247	232,574
Sheriff	316,777	650,083	512,734	137,349
Clerk of Courts	-	27,471	12,921	14,550
Law Library	113,421	118,421	117,210	1,211
Other Correctional and Judicial Activities	332,450	332,450	332,450	-
Human Rights	50,000	50,000	418	49,582
Court Services	228,037	235,518	234,150	1,368
Personnel	6,000	6,000	3,132	2,868
Transportation and Environmental Services	426,881	427,581	291,707	135,874
Fire	262,500	316,232	315,178	1,054
Police	262,090	1,439,325	1,431,357	7,968
Office of Housing	1,699,675	5,585,251	2,376,863	3,208,388
Mental Health/Mental Retardation and Substance Abus	19,934,000	20,548,114	18,352,212	2,195,902
Health	265,971	240,000	237,503	2,497
Human Services	32,387,711	33,548,104	28,076,764	5,471,340
Office of Historic Alexandria	136,408	492,862	256,636	236,226
Recreation and Cultural Activities	150,334	189,936	186,539	3,397
Total Expenditures	$ 57,195,414	$ 65,199,671	$ 53,360,850	$ 11,838,821
Other Financing Uses:				
Operating Transfers Out	$ -	$ -	$ 218,977	$ (218,977)
Total Other Financing Uses	$ -	$ -	$ 218,977	$ (218,977)
Total Expenditures and Other Financing Uses	$ 57,195,414	$ 65,199,671	$ 53,579,827	$ 11,619,844
Excess of Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses	$ -	$ -	$ 809,559	$ 809,559
Fund Balances at Beginning of Year	$ -	$ -	$ 11,779,734	$ 11,779,734
FUND BALANCES AT END OF YEAR	**$ -**	**$ -**	**$ 12,589,293**	**$ 12,589,293**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City Council annually adopts budgets for the General Fund and Special Revenue Fund of the primary government. All appropriations are legally controlled at the departmental level for the General Fund and Special Revenue Fund. On June 17, 2000, the City Council approved the original adopted budget and on June 26, 2001 approved the revised budget reflected in the financial statements.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedule for the General and Special Revenue Funds presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

(2) Material Violations

There were no material violations of the annual appropriated budget for the General and Special revenue Funds for the fiscal year ended June 30, 2001. In addition, there were no excesses of budgetary expenditures for the period.

CITY OF ALEXANDRIA, VIRGINIA
Public Employee Retirement Systems - Primary Government
Required Supplementary Information
(See Accompanying Independent Auditors' Report)

Exhibit XV

SCHEDULE OF FUNDING PROGRESS

	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2)-(1)	(4) Funded Ratio (1/2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll ((2-1)/5)
Public	06/30/1996	$ 44,721,282	$ 50,821,144	$ 6,099,862	88.00%	$ 311,662	1,957.20%
Pension	06/30/1997	43,976,577	50,938,165	6,961,588	86.33%	222,444	3,129.59%
	06/30/1998	43,107,239	49,769,673	6,662,434	86.61%	168,775	3,947.52%
	06/30/1999	42,281,816	47,790,867	5,509,051	88.47%	117,278	4,697.43%
	06/30/2000	41,274,644	47,687,399	6,412,755	86.55%	53,025	12,093.83%
	06/30/2001 *	40,331,376	46,447,553	6,116,177	86.83%	55,400	11,040.06%
Virginia	06/30/1996	$ 109,509,563	$ 117,312,587	$ 7,803,024	93.35%	$ 55,987,983	13.94%
Retirement	06/30/1998	152,771,352	146,673,945	(6,097,407)	104.16%	62,977,479	(9.68%)
System	06/30/1999	177,646,968	154,759,981	(22,886,987)	114.79%	62,796,400	(36.45%)
	06/30/2000 **	206,562,426	161,915,444	(44,646,982)	127.57%	65,735,935	(67.92%)

* Estimated

** Only four years of information was available. This schedule will be expanded when information becomes available.

A schedule of Funding Progress for City Supplemental pension plan is not required because it uses the aggregate actuarial cost method, where actuarial accrued liabilities are not identified or separately amortized. They are amortized through normal cost

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

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

SCHEDULES OF EMPLOYER CONTRIBUTIONS

	City Supplemental			Public Safety Pension		
	Actuarial Date	Annual Required Contribution	Percentage Contributed	Actuarial Date	Annual Required Contribution	Percentage Contributed
For Defined Benefit	06/30/1999 **	$ 1,028,867	66.60%	06/30/1996	$ 700,000	100.00%
Pension Plans	06/30/2000	1,546,936	47.50%	06/30/1997	700,000	100.00%
	06/30/2001	2,370,343	35.82%	6/30/1998	851,189	82.24%
				6/30/1999	850,227	82.33%
				6/30/2000	752,554	93.02%
				6/30/2001	929,905	75.28%
Virginia Retirement System	06/30/1996	$ 2,204,891	100.00%			
	06/30/1997	2,737,951	100.00%			
	06/30/1998	3,511,953	100.00%			
	06/30/1999	3,734,259	100.00%			
	06/30/2000	3,807,027	100.00%			
	6/030/2001	1,447,935	100.00%			

** Only three years of information was available for this plan. The schedule will be expanded when information becomes available.

CITY OF ALEXANDRIA, VIRGINIA
Public Employee Retirement Systems - Component Unit - School Board
Required Supplementary Information
(See Accompanying Independent Auditors' Report)

Exhibit XVI

SCHEDULE OF FUNDING PROGRESS

	Actuarial Valuation Date		(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2)-(1)	(4) Funded Ratio (1/2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered ((2-1)/5)
Virginia Retirement System	06/30/1996		$ 17,513,182	$ 16,599,988	$ (913,194)	105.50%	$ 5,094,566	-17.92%
	06/30/1998		23,436,499	19,873,126	(3,563,373)	117.93%	5,672,545	-62.82%
	06/30/1999		26,623,123	20,461,377	(6,161,746)	130.11%	5,667,657	-108.72%
	06/30/2000	*	30,400,117	20,695,631	(9,704,486)	146.89%	5,777,004	-167.98%

* Only four years of information was available. This schedule will be expanded when information becomes available.

A schedule of Funding Progress for School Supplemental pension plan is not required because it uses the aggregate actuarial cost method, where actuarial accrued liabilities are not identified or separately amortized. They are amortized through normal cost.

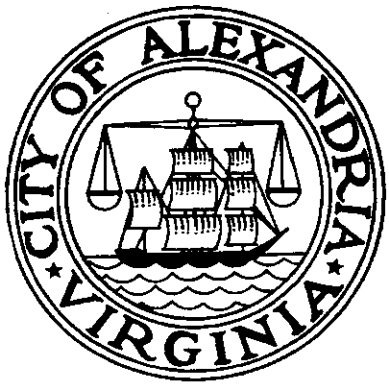
Analysis of dollar amounts of plan net assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing plan net assets as a percentage of the actuarial accrued liability provides one indication of each plan's funding status on a going concern basis. Analysis of this percentage over time indicates whether the plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation.

Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller the percentage, the stronger the plan.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

	Actuarial Date	Annual Required Contribution	Percentage Contributed
School Supplemental	09/01/1996	$ 667,451	115.9%
	09/01/1997	593,078	137.1%
	09/01/1998	733,454	117.8%
	09/01/1999	697,858	126.6%
	09/01/2000	618,133	151.0%
	09/01/2001	618,723	148.0%
Virginia Retirement System	06/30/1996	$ 139,499	100.0%
	06/30/1997	204,274	100.0%
	06/30/1998	232,003	100.0%
	06/30/1999	156,349	100.0%
	06/30/2000	167,173	100.0%
	08/30/2001	--	N/A

OTHER SUPPLEMENTARY INFORMATION


CITY OF ALEXANDRIA
VIRGINIA

FIDUCIARY ASSETS

The Statement of Fiduciary Net Assets includes the funds for the City's retirement funds:

City Supplemental Retirement Fund – This fund accounts for all resources of a pension plan to provide additional retirement benefits to full and part time employees of the City, excluding the police officers, firefighters and the component unit Schools.

Public Safety Pension Fund – This fund accounts for the resources of a closed pension plan comprised of one remaining active public safety participant.

Public Safety Retirement Income Fund – This fund accounts for the resources of a defined contribution plan for various sworn public safety employees.

Disability Income Fund – This fund accounts for the resources of a defined contribution plan for various sworn public safety employees.

Sheriff Retirement Income Fund - This fund accounts for the resources of a defined contribution plan for sworn sheriff's department employees and fire department emergency rescues employees.

CITY OF ALEXANDRIA, VIRGINIA
Combining Schedule of Fiduciary Net Assets
As of June 30, 2001

Schedule 1

	Employee Retirement Funds					
	City Supplemental Retirement	Public Safety Pension	Public Safety Retirement Income	Disability Income	Sheriff Retirement Income	Total
ASSETS						
Cash and Short-term Investments	$ -	$ -	$ -	$ -	$ -	$ -
Investments, at Fair Value						
U.S. Government Obligations	-	-	-	6,324,610	-	6,324,610
Guaranteed Investment Accounts	21,618,803	40,331,376	35,285,373	-	4,972,524	102,208,076
Repurchase Agreement	-	-	-	-	-	-
Mutual funds	-	-	28,859,148	-	2,350,185	31,209,333
Commercial Paper	-	-	-	-	-	-
Stocks	18,968,367	-	31,925,207	3,364,367	2,376,549	56,634,490
Other Investments	-	-	-	1,567,758	-	1,567,758
Total Investments	$ 40,587,170	$ 40,331,376	$ 96,069,728	$ 11,256,735	$9,699,258	$197,944,267
Total Assets	$ 40,587,170	$ 40,331,376	$ 96,069,728	$ 11,256,735	$9,699,258	$197,944,267
NET ASSETS						
Held in Trust for Pension Benefits and Other Purposes	$ 40,587,170	$ 40,331,376	$ 96,069,728	$ 11,256,735	$9,699,258	$197,944,267

City of Alexandria, Virginia
Schedule of Changes in Fiduciary Net Assets
As of June 30, 2001

Schedule 2

	Employee Retirement Funds					
	City Supplemental Retirement	Public Safety Pension	Public Safety Retirement Income	Disability Income	Sheriff Retirement Income	Total
ADDITIONS						
Contributions:						
Employer	$ 849,024	$ 700,000	$ 4,509,296	$ 677,573	$ 1,207,861	$ 7,943,754
Plan Members	1,698,048	4,432	138,933	112,929	-	1,954,342
Total Contributions	$ 2,547,072	$ 704,432	$ 4,648,229	$ 790,502	$ 1,207,861	$ 9,898,096
Investment Income:						
Net Appreciation (Depreciation) in Fair Value of Investments	$ (2,469,302)	$ -	$ (13,830,863)	$ 101,653	$ (993,805)	$ (17,192,317)
Interest	2,501,386	2,939,705	1,895,640	496,036	268,076	8,100,843
Total Investment Income	$ 32,084	$ 2,939,705	$ (11,935,223)	$ 597,689	$ (725,729)	$ (9,091,474)
Less investment expense	204,758	-	-	-	-	204,758
Net Investment Income	$ (172,674)	$ 2,939,705	$ (11,935,223)	$ 597,689	$ (725,729)	$ (9,296,232)
Total Additions	$ 2,374,398	$ 3,644,137	$ (7,286,994)	$ 1,388,191	$ 482,132	$ 601,864
DEDUCTIONS						
Benefits	$ 1,073,328	$ 4,534,638	$ -	$ 874,608	$ -	$ 6,482,574
Refunds of Contributions	-	-	2,513,522	-	260,832	2,774,354
Administrative Expenses	85,652	52,767	94,442	51,466	8,127	292,454
Total Deductions	$ 1,158,980	$ 4,587,405	$ 2,607,964	$ 926,074	$ 268,959	$ 9,549,382
Net Increase (Decrease)	$ 1,215,418	$ (943,268)	$ (9,894,958)	$ 462,117	$ 213,173	$ (8,947,518)
Net Assets at Beginning of Year	39,371,752	41,274,644	105,964,686	10,794,618	9,486,085	206,891,785
Net Assets at End of Year	$ 40,587,170	$ 40,331,376	$ 96,069,728	$ 11,256,735	$ 9,699,258	$ 197,944,267

Agency Funds

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

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

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

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

CITY OF ALEXANDRIA, VIRGINIA

Combining Schedule of Changes in Assets and Liabilites - Agency Funds
For the Fiscal Year Ended June 30, 2001

Schedule 3

	Balance July 1, 2000	Additions	Deductions	Balance June 30, 2001
HUMAN SERVICES SPECIAL WELFARE ACCOUNT				
Assets:				
Cash and Investments with Fiscal Agent	$ 26,682	$ 91,415	$ 98,921	$ 19,176
Liabilities:				
Other Liabilities	$ 26,682	$ 91,415	$ 98,921	$ 19,176
Total Liabilities	$ 26,682	$ 91,415	$ 98,921	$ 19,176
HUMAN SERVICES DEDICATED ACCOUNT				
Assets:				
Cash and Investments with Fiscal Agent	$ 5,207	$ 29	$ -	$ 5,236
Liabilities:				
Other Liabilities	$ 5,207	$ 29	$ -	$ 5,236
Total Liabilities	$ 5,207	$ 29	$ -	$ 5,236
INDUSTRIAL DEVELOPMENT AUTHORITY				
Assets:				
Equity in Pooled Cash and Investments	$ 564,467	$ 114,693	$ 170,597	$ 508,563
Liabilities:				
Other Liabilities	$ 564,467	$ 114,693	$ 170,597	$ 508,563
Total Liabilities	$ 564,467	$ 114,693	$ 170,597	$ 508,563
TOTAL ALL AGENCY FUNDS				
Assets:				
Equity in Pooled Cash and Investments	$ 564,467	$ 114,693	$ 170,597	$ 508,563
Cash and Investments with Fiscal Agent	31,889	91,444	98,921	24,412
Total Assets	$ 596,356	$ 206,137	$ 269,518	$ 532,975
Liabilities:				
Other Liabilities	$ 596,356	$ 206,137	$ 269,518	$ 532,975
Total Liabilities	$ 596,356	$ 206,137	$ 269,518	$ 532,975

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Cash Flows - Component Unit -
Alexandria Transit Company
For the Year Ended June 30, 2001

Schedule 4

Cash Flows from Operating Activities:		
Cash Received From Customers	$	1,639,727
Cash Payments to Suppliers for Goods and Services		(1,531,449)
Cash Payments to Employees for Services		(3,673,724)
Net Cash Used for Operating Activities	$	(3,565,446)
Cash Flows from Noncapital Financing Activities:		
Transfers-In from Primary Government	$	3,548,210
Cash Received from Nonoperating Grant		62,568
Net Cash Provided by Noncapital and Related Financing Activities	$	3,610,778
Cash Flows from Capital and Related Financing Activities:		
Acquisition of Capital Assets	$	(26,125)
Net Cash Used for Capital and Related Financing Activities	$	(26,125)
Net Increase in Cash and Cash Equivalents	$	19,207
Cash and Cash Equivalents at Beginning of Year		2,491,970
Cash and Cash Equivalents at End of Year	**$**	**2,511,177**

Reconciliation of Operating Loss to Cash Used for Operating Activities:		
Operating Loss	$	(4,574,440)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:		
Depreciation Expense	$	841,092
Changes in Assets and Liabilities:		
Decrease in Accounts Receivable		2,641
Decrease in Inventory of Supplies		18,834
(Increase) in Prepaid Expenses		(1,604)
Increase in Accounts Payable		95,480
Increase in Accrued Liabilities		20,095
Increase in Other Liabilities		32,456
Total Adjustments	$	1,008,994
Net Cash Used for Operating Activities	**$**	**(3,565,446)**

Noncash Capital and Related Financing Activities:
During Fiscal Year 2001, the City transferred capital assets totaling $2,572,524 to Alexandria Transit.

CITY OF ALEXANDRIA, VIRGINIA

Schedule of Capital Assets
By Function and Activity
June 30, 2001

Schedule 5

Function and Activity	Land	Building	Furniture and Other Equipment	Infrastructure	Total
General Government Administration					
Legislative	$ -	$ -	$ 57,094	$ -	$ 57,094
Commissioner of Revenue	-	-	157,819	-	157,819
Treasurer	-	-	173,205	-	173,205
Data Processing	-	-	809,355	-	809,355
Automotive/Motor Pool	183,447	6,419,563	120,626	-	6,723,636
Central Purchasing/Store	-	-	132,730	-	132,730
Print Shop	-	-	322,408	-	322,408
Other General and Financial Administration	12,517,279	33,435,169	1,626,806	-	47,579,254
Board of Elections	-	-	210,876	-	210,876
Total General Government Administration	**$ 12,700,726**	**$ 39,854,732**	**$ 3,610,919**	**$ -**	**$ 56,166,377**
Judicial Administration					
Clerk of the Circuit Court	$ -	$ -	$ 209,429	$ -	$ 209,429
Sheriff - Courts	-	-	95,614	-	95,614
Other Courts	238,500	14,170,780	269,620	-	14,678,900
Commonwealth's Attorney	-	-	27,514	-	27,514
Total Judicial Administration	**$ 238,500**	**$ 14,170,780**	**$ 602,177**	**$ -**	**$ 15,011,457**
Public Safety					
Other Law Enforcement and Traffic Control	$ 241,667	$ 1,669,441	$ 6,023,956	$ -	$ 7,935,064
Fire Rescue Services	245,854	1,823,197	6,618,979	-	8,688,030
Sheriff - Correction and Detention	1,067,000	-	747,244	-	1,814,244
Other Protection	143,000	176,029	21,461	-	340,490
Total Public Safety	**$ 1,697,521**	**$ 3,668,667**	**$ 13,411,640**	**$ -**	**$ 18,777,828**
Public Works					
Maintenance of Highways, Streets Bridges and Sidewalks	$ 4,372,310	$ -	$ 9,633,570	$ -	$ 14,005,880
Sanitation and Waste Removal	-	-	381,501	-	381,501
Infrastructure	-	-	-	82,098,655	82,098,655
Maintenance of General Buildings and Grounds	-	35,581,245	154,389	-	35,735,634
Total Public Works	**$ 4,372,310**	**$ 35,581,245**	**$ 10,169,460**	**$ 82,098,655**	**$ 132,221,670**
Health and Welfare					
Health	$ 47,000	$ 767,856	$ 182,207	$ -	$ 997,063
Mental Health and Mental Retardation	29,440	1,165,470	558,337	-	1,753,247
Other Welfare/Social Services	-	8,081,525	1,185,866	-	9,267,391
Total Health and Welfare	**$ 76,440**	**$ 10,014,851**	**$ 1,926,410**	**$ -**	**$ 12,017,701**
Parks - Recreation and Culture					
Parks and Recreation	$ 20,213,896	$ 33,692,930	$ 2,778,996	$ -	$ 56,685,822
Cultural Enrichment	782,662	4,447,606	90,397	-	5,320,665
Library	6,135,583	17,237,576	291,343	-	23,664,502
Total Parks - Recreation and Culture	**$ 27,132,141**	**$ 55,378,112**	**$ 3,160,736**	**$ -**	**$ 85,670,989**
Community Development					
Planning and Zoning	$ 102,500	$ 6,153,161	$ 83,133	$ -	$ 6,338,794
Environmental Management	-	-	13,312	-	13,312
Total Community Development	**$ 102,500**	**$ 6,153,161**	**$ 96,445**	**$ -**	**$ 6,352,106**
Total Allocation to Function	**$ 46,320,138**	**$ 164,821,548**	**$ 32,977,787**	**$ 82,098,655**	**$ 326,218,128**
Less Accumulated Depreciation	**$ -**	**$ (46,711,634)**	**$ (23,182,664)**	**$ (35,294,361)**	**$ (105,188,659)**
Total	**$ 46,320,138**	**$ 118,109,914**	**$ 9,795,123**	**$ 46,804,294**	**$ 221,029,469**
Construction in Progress					22,656,855
Total Capital Assets, Net					**$ 243,686,324**

Capital Assets includes fixed assets for the governmental activities

CITY OF ALEXANDRIA, VIRGINIA

Schedule of Changes in Capital Assets - Governmental Activities
By Function and Activity

Schedule 6

Function and Activity	Fixed Assets 6/30/00	Additions and Transfers	Deductions and Transfers	Fixed Assets 6/30/01
General Government Administration				
Legislative	$ 57,094	$ -	$ -	$ 57,094
Revenue Administration	170,792	39,527	52,500	157,819
Treasurer	170,492	7,757	5,044	173,205
Data Processing	614,616	194,739	-	809,355
Automotive/Motor Pool	6,723,636	-	-	6,723,636
Central Purchasing/Store	132,730	-	-	132,730
Print Shop	347,408	-	25,000	322,408
Other General and Financial Administration	41,702,682	5,882,567	5,995	47,579,254
Board of Elections	198,143	20,443	7,710	210,876
Total General Government Administration	**$ 50,117,593**	**$ 6,145,033**	**$ 96,249**	**$ 56,166,377**
Judicial Administration				
Clerk of the Circuit Court	$ 209,429	$ -	$ -	$ 209,429
Sheriff - Courts	95,614	-	-	95,614
Other Courts	14,644,592	52,349	18,041	14,678,900
Commonwealth's Attorney	35,271	-	7,757	27,514
Total Judicial Administration	**$ 14,984,906**	**$ 52,349**	**$ 25,798**	**$ 15,011,457**
Public Safety				
Other Law Enforcement and Traffic Control	$ 7,218,253	$ 849,579	$ 132,768	$ 7,935,064
Fire Rescue Services	8,544,461	417,208	273,639	8,688,030
Sheriff - Correction and Detention	1,698,594	154,965	39,315	1,814,244
Other Protection	340,490	-	-	340,490
Total Public Safety	**$ 17,801,798**	**$ 1,421,752**	**$ 445,722**	**$ 18,777,828**
Public Works				
Maintenance of Highways, Streets Bridges and Sidewalks	$ 12,738,037	$ 1,371,746	$ 103,903	$ 14,005,880
Sanitation and Waste Removal	400,869	-	19,368	381,501
Infrastructure	81,378,896	719,759	-	82,098,655
Maintenance of General Buildings and Grounds	36,340,386	-	604,752	35,735,634
Total Public Works	**$ 130,858,188**	**$ 2,091,505**	**$ 728,023**	**$ 132,221,670**
Health and Welfare				
Health	$ 997,063	$ -	$ -	$ 997,063
Mental Health and Mental Retardation	2,013,411	23,736	283,900	1,753,247
Other Welfare/Social Services	9,210,480	132,241	75,330	9,267,391
Total Health and Welfare	**$ 12,220,954**	**$ 155,977**	**$ 359,230**	**$ 12,017,701**
Parks - Recreation and Culture				
Parks and Recreation	$ 48,653,071	$ 8,183,791	$ 151,040	$ 56,685,822
Cultural Enrichment	5,318,765	1,900	-	5,320,665
Library	23,483,748	233,178	52,424	23,664,502
Total Parks - Recreation and Culture	**$ 77,455,584**	**$ 8,418,869**	**$ 203,464**	**$ 85,670,989**
Community Development				
Planning and Zoning	$ 6,332,488	$ 6,306	$ -	$ 6,338,794
Environmental Management	13,312	-	-	13,312
Total Community Development	**$ 6,345,800**	**$ 6,306**	**$ -**	**$ 6,352,106**
Total Capital Assets Allocation to Function	**$ 309,784,823**	**$ 18,291,791**	**$ 1,858,486**	**$ 326,218,128**
Construction in Progress	$ 19,678,731	$ 13,817,659	$ 10,839,535	$ 22,656,855
Total	**$ 329,463,554**	**$ 32,109,450**	**$ 12,698,021**	**$ 348,874,983**
Less Depreciation	$ (95,362,597)	$ (10,586,745)	$ (760,683)	$ (105,188,659)
Net Capital Assets	**$ 234,100,957**	**$ 21,522,705**	**$ 11,937,338**	**$ 243,686,324**

Capital assets includes fixed assets for the governmental activities

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Capital Assets by Sources
June 30, 2001

Schedule 7

Capital Assets		
Land and Land Improvements	$	46,320,138
Buildings		164,821,548
Furniture and Other Equipment		32,977,787
Construction in Progress		22,656,855
Infrastructure		82,098,655
Total Capital Assets	$	348,874,983
Less Accumulated Depreciation	$	105,188,659
Net Capital Assets	$	243,686,324
Investments in Capital Assets		
General Fund	$	97,242,998
Special Revenue Fund		3,059,126
Capital Projects Fund		190,783,045
Donations		32,878,896
Internal Service Fund		24,910,918
Total Investments in Capital Assets	$	348,874,983
Less Accumulated Depreciation	$	105,188,659
Net Capital Assets	$	243,686,324

CITY OF ALEXANDRIA, VIRGINIA
Schedule of the Director of Finance's Accountability
As of June 30, 2001

Schedule 8

Assets Held by the Director of Finance:				
Cash on Hand	$ 17,315			
Cash in Banks:				
Checking:				
SunTrust Bank Concentration and Controlled Disbursements:				
Primary Government	(413,069)			
Component Unit - School Board	(1,905,160)			
Savings:				
SunTrust Bank Deposit	300,000			
Total Cash on Hand and In Banks		$ (2,000,914)		
Investments:				
SunTrust - Repurchase Agreements:				
Primary Government	$ 25,845,758			
Component Unit - School Board	3,901,007			
Component Unit - Others	485,750			
SunTrust - Commercial Paper:				
Primary Government	1,795,296			
Component Unit - School Board	270,964			
Component Unit - Others	33,740			
Obligations of U.S. Government and Its Agencies:				
Primary Government	105,973,665			
Component Unit - School Board	15,995,047			
Component Unit - Others	1,991,687			
Total Investments		$ 156,292,914		
Total Cash and Investments			$ 154,292,000	
Cash With Fiscal Agents:				
Primary Government:				
SunTrust - Human Services, Welfare Account	$ 19,176			
SunTrust - Human Services, Dedicated Account	5,236			
Chase Manhattan - City Debt Service	61,923			
Virginia State Non-Arbitrage Program	13,192,823			
Component Unit - School Board:				
SunTrust - Student Activities Fund	391,807			
Total Cash With Fiscal Agents		$ 13,670,965		
Investments With Fiscal Agents:				
Primary Government:				
SunTrust - Education Trust	$ 105,216			
SunTrust - Disability Retirement	11,256,735			
Connecticut General Life Insurance Co. - Uniformed Personnel Retirement and City Supplemental	186,687,532			
Component Unit - School Board:				
The Principal Financial Group - Supplemental Retirement	51,799,830			
Total Investments With Fiscal Agents		$ 249,849,313		
Total Cash and Investments With Fiscal Agents			$ 263,520,278	
TOTAL ASSETS				**$ 417,812,278**
Liabilities of the Director of Finance:				
Balance of Primary Government Funds			$ 344,847,606	
Balance of Component Unit - School Board			70,453,495	
Balance of Component Unit - Alexandria Transit Company			2,511,177	
TOTAL LIABILITIES				**$ 417,812,278**

Reconciliation:	
Total Assets Held by the Director of Finance	$ 417,812,278
Cash and Investments Held in Escrow Account for Developer	1,361,279
Total Cash and Investments per Schedule 10	$ 419,173,557
Cash and Investments Held by Library	1,779,988
Total Cash and Investments (Footnote 3)	$ 420,953,545

CITY OF ALEXANDRIA, VIRGINIA
Schedule of the Director of Finance's Accountability to the Commonwealth
For the Fiscal Year Ended June 30, 2001

Schedule 9

	Balance July 1, 2000	Collections	Remittances	Balance June 30, 2001
Other Collections:				
Share of fees of sheriff and deputies	$ 196	$ 224,841	$ 224,765	$ 272
Total	**$ 196**	**$ 224,841**	**$ 224,765**	**$ 272**

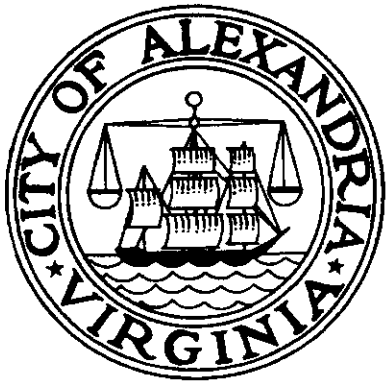
CITY OF ALEXANDRIA, VIRGINIA
Schedule of the Director of Finance's Accountability to the City
For the Fiscal Year Ended June 30, 2001

	Primary Government					
	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Private Purpose Pension Trust and Agency
Equity in Pooled Cash & Investments, and Cash & Investments With Fiscal Agents June 30, 2000	$ 57,752,798	$ 8,851,375	$ 9,922,596	$ 1,256,761	$ 9,861,166	$ 207,494,169
Receipts (Net)						
General Property Taxes	$ 209,594,008	$ -	$ -	$ -	$ -	$ -
Other Local Taxes	81,330,765	-	-	-	-	-
Permits, Fees and Licenses	4,065,880	-	-	-	-	-
Fines and Forfeitures	4,116,463	-	-	-	-	-
Use of Money and Property	10,140,807	429,164	362,044	-	-	(9,296,232)
Charges for Services	8,711,053	5,424,026	215,701	512,928	2,343,001	-
Intergovernmental Revenues	15,864,740	32,127,329	316,852	-	-	-
Miscellaneous	464,686	2,794,543	1,533,351	-	-	-
Proceeds from Indebtedness	-	-	54,639,520	-	-	-
Proceeds from Sale of Property	-	-	226,500	-	-	-
Contributions	-	-	-	-	-	9,834,715
Total Receipts	$ 334,288,402	$ 40,775,062	$ 57,293,968	$ 512,928	$ 2,343,001	$ 538,483
Total Receipts and Balance	$ 392,041,200	$ 49,626,437	$ 67,216,564	$ 1,769,689	$ 12,204,167	$ 208,032,652
Disbursements (Net):						
Warrants Issued	$ 167,098,099	$ 54,173,757	$ 22,342,237	$ 555,249	$ 3,996,646	$ 9,549,528
Retirement of Indebtedness	6,918,641	-	-	-	-	-
Interest and Other Debt Costs	5,591,167	-	-	-	-	-
Total Disbursements	$ 179,607,907	$ 54,173,757	$ 22,342,237	$ 555,249	$ 3,996,646	$ 9,549,528
Interfund Transfers:						
Transfers In - Primary Government	$ -	$ 17,460,360	$ 27,601,434	$ -	$ 23,736	$ -
Transfers In - Component Unit	1,256	-	9,643,940	-	-	-
Transfers Out - Primary Government	(44,866,553)	(218,977)	-	-	-	-
Transfers Out - Component Units	(102,345,980)	-	(17,622,608)	-	-	-
Transfers Out - Component Unit - Library	(4,133,108)	-	-	-	-	-
Equity in Pooled Cash & Investments, and Cash & Investments with Fiscal Agents June 30, 2001	**$ 61,088,908**	**$ 12,694,063**	**$ 64,497,093**	**$ 1,214,440**	**$ 8,231,257**	**$ 198,483,124**

CITY OF ALEXANDRIA, VIRGINIA
Schedule of the Director of Finance's Accountability to the City
For the Fiscal Year Ended June 30, 2001

Schedule 10

	Component Units			
	School Board	Library	Alexandria Transit Company	Total
	$ 67,561,266	$ -	$ 2,491,970	$ 365,192,101
	$ -	$ -	$ -	$ 209,594,008
	-	-	-	81,330,765
	-	-	-	4,065,880
	-	-	-	4,116,463
	3,411,730	-	-	5,047,513
	1,773,827	-	1,639,727	20,620,263
	27,165,482	-	62,568	75,536,971
	678,852	-	-	5,471,432
	-	-	-	54,639,520
	-	-	-	226,500
	1,790,929	-	-	11,625,644
	$ 34,820,820	$ -	$ 1,702,295	$ 472,274,959
	$ 102,382,086	$ -	$ 4,194,265	$ 837,467,060
	$ 138,705,029	$ 4,131,852	$ 5,231,298	$ 405,783,695
	-	-	-	6,918,641
	-	-	-	5,591,167
	$ 138,705,029	$ 4,131,852	$ 5,231,298	$ 418,293,503
	$ 116,420,378	$ 4,133,108	$ 3,548,210	$ 169,187,226
	-	-	-	9,645,196
	(9,643,940)	(1,256)	-	(54,730,726)
	-	-	-	(119,968,588)
	-	-	-	(4,133,108)
	$ 70,453,495	**$ -**	**$ 2,511,177**	**$ 419,173,557**


CITY OF ALEXANDRIA
VIRGINIA

STATISTICAL SECTION

CITY OF ALEXANDRIA, VIRGINIA
General Governmental Expenditures by Function
Last Ten Fiscal Years

TABLE I

Fiscal Year	General Government	Judicial Administration	Public Safety	Public Works	Health and Welfare	Parks Recreation & Culture	Community Development	Education	Capital Projects	Debt Service	Transit Subsidies	Total
1992	$ 19,030,485	$ 7,637,784	$ 51,867,539	$ 20,478,994	$ 36,444,753	$ 12,810,209	$ 6,103,373	$ 83,028,600	$ 11,545,259	$ 15,631,069	$ 2,886,170	$ 267,464,235
1993	20,526,295	7,793,401	51,118,778	20,603,919	39,154,503	12,960,682	5,602,574	84,635,709	10,480,583	15,013,892	3,513,777	271,404,113
1994	18,961,931	8,119,098	53,104,029	22,094,868	44,000,562	12,822,185	5,708,894	85,632,221	15,971,143	11,611,763	2,809,939	280,836,633
1995	20,059,127	8,633,141	54,605,853	21,686,397	47,110,961	13,143,050	6,296,470	88,224,325	14,962,695	12,310,320	3,727,824	290,760,163
1996	22,849,352	9,756,306	56,665,904	23,403,958	48,619,467	14,074,527	6,794,157	93,792,597	20,715,242	10,934,791	5,296,325	312,902,626
1997	22,649,041	10,151,461	59,353,935	23,461,350	53,631,151	13,772,882	7,218,123	102,462,593	18,944,011	9,996,413	4,607,952	326,248,912
1998	23,511,187	11,265,740	63,447,360	24,205,854	56,682,171	14,503,767	9,488,803	108,897,023	29,939,839	9,511,626	3,352,370	354,805,740
1999	24,449,390	11,675,184	64,995,148	24,374,398	60,466,818	14,921,155	8,436,783	114,123,738	42,985,188	11,695,250	2,613,857	380,736,909
2000	27,270,855	11,548,768	66,460,705	27,434,919	61,993,092	15,854,569	9,259,067	132,553,056	30,189,913	8,995,565	2,027,547	393,588,056
2001	27,990,571	10,999,706	71,933,947	27,418,389	61,032,694	17,355,063	8,104,089	139,056,243	21,638,717	12,509,808	3,515,994	401,555,221

Includes expenditures for the General Fund, Special Revenue Fund and Capital Projects Fund of the Primary Government and expenditures for the School Board and Library Component Units.

CITY OF ALEXANDRIA, VIRGINIA
General Governmental Revenues and Other Financing Sources
Last Ten Fiscal Years

TABLE II

Fiscal Year	General Property Taxes	Other Local Taxes	Permits Fees & Licenses	Fines & Forfeitures	Use of Money & Property	Charges for Services	Intergovern-mental Revenues	Sale of Surplus Property	Miscellaneous & Non-Revenue Receipts	Total
1992	$ 151,846,062	$ 48,916,306	$ 1,110,887	$ 1,832,126	$ 6,528,017	$ 10,587,854	$ 52,952,747	$ 346,607	$ 1,825,965	$ 275,946,571
1993	146,220,594	50,715,400	1,301,480	3,373,892	6,091,354	12,626,031	51,690,555	-	3,751,485	275,770,791
1994	149,469,407	54,129,241	1,741,711	3,944,289	5,818,863	13,713,094	54,807,261	380,878	4,175,396	288,180,140
1995	147,179,136 *	59,837,887 *	1,780,013	3,889,875	8,696,630	13,616,085 *	58,936,080	224,300	3,301,774	297,461,780
1996	150,796,382	57,367,755	1,999,200	3,649,423	9,009,110	14,855,462	64,996,772	46,047	3,151,484	305,871,635
1997	155,719,408	58,025,734	2,671,637	3,851,770	7,817,213	15,996,530	70,462,302	138,412	4,787,200	319,470,206
1998	163,481,396	63,160,242	3,189,511	4,237,384	8,027,212	15,934,922	71,871,924	1,482,702	4,397,332	335,782,625
1999	174,452,574	68,947,100	3,330,371	4,740,675	8,376,313	16,274,627	73,940,451	169,180	6,287,525	356,518,816
2000	183,296,264	75,040,938	4,380,592	4,237,420	7,631,426	16,335,524	95,628,230	27,441	8,076,198	394,654,033
2001	189,775,677	81,726,772	4,065,880	4,116,463	11,343,760	16,342,372	94,502,094	226,500	5,525,056	407,624,574

Includes revenues, proceeds from sale of surplus property and proceeds from capital leases for the General, Special Revenue and Capital Projects Funds of the Primary Government and the School Board and Library Component Units.

* Revenues include additional accruals as a result of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 22 during Fiscal Year 1995. These additional accruals are comprised of $11,612 in General Property Taxes (Penalties and Interest), $3,356,909 in other Local Taxes and $40,312 in Charges for Services.

CITY OF ALEXANDRIA, VIRGINIA
Tax Revenues by Source
Last Ten Fiscal Years

TABLE III

Fiscal Year	General Property Taxes			Other Local Taxes											Total
	Real Estate	Personal	Penalties and Interest	Local Sales	Utility	Business License	Cable TV Franchise License	Motor Vehicle License	Bank Franchise	Tobacco	Recordation	Transient Lodging	Restaurant Food	Other	
1992	$ 122,067,101	$ 27,846,656	$ 1,932,305	$ 12,753,711	$ 12,592,984	$ 11,804,762	$ 425,409	$ 1,950,773	$ 401,862	$ 1,155,689	$ 790,259	$ 2,842,366	$ 4,171,872	$ 26,619	$ 200,762,368
1993	116,259,446	27,907,087	2,054,061	13,209,472	12,835,378	12,118,296	462,500	1,951,107	427,863	1,421,275	966,698	2,973,228	4,290,626	58,957	196,935,994
1994	118,624,267 **	28,639,107	2,206,033	13,923,374	13,404,274	12,352,130	442,968	1,962,824	569,764	1,425,200	1,200,164	3,132,148	5,704,652	11,743	203,598,648
1995	114,249,561	30,920,789	2,008,786 *	16,751,141 *	14,738,248 *	14,118,651 *	483,174	2,000,917	627,938	1,414,079	875,202	2,766,156	6,011,871	50,510 *	207,017,023
1996	114,489,608	34,017,236	2,289,538	14,631,265	14,026,826	14,070,809	494,074	1,974,082	828,981	1,641,880	851,022	3,007,115	5,797,139	44,562	208,164,137
1997	116,260,580	37,159,733	2,299,095	15,543,633	13,875,737	14,093,577	491,671	1,147,403	811,909	1,769,440	1,026,652	3,325,672	5,897,370	42,670	213,745,142
1998	124,085,617	36,959,003	2,436,776	16,840,794	14,306,024	15,750,740	619,112	2,031,038	880,989	1,702,955	1,311,463	3,478,983	6,194,813	43,331	226,641,638
1999	131,094,190	41,093,457	2,264,927	18,552,625	14,426,824	16,707,988	791,691	2,040,226	1,110,481	1,649,055	2,022,539	4,129,594	7,057,069	459,008 ***	243,399,674
2000	142,401,311	38,435,852	2,459,101	19,802,533	15,034,992	19,022,675	836,041	2,173,654	991,609	1,647,047	1,710,477	5,228,467	7,911,895	681,548 ***	258,337,202
2001	152,560,694	35,222,613	1,992,370	20,730,807	16,937,315	20,762,586	901,777	2,247,172	1,403,375	1,607,292	2,028,522	5,827,803	8,466,964	813,159 ***	271,502,449

* Revenues include additional accruals as a result of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 22 during Fiscal Year 1995. These additional accruals are comprised of $11,612 in Penalties and Interest; $1,334,532 in Local Sales Taxes; $1,223,950 in Consumer Utility Taxes and $23,327 in Emergency-911 tax (Combined in the Utility category); $766,348 in Business License Taxes; and $8,752 in Other Local Taxes.

** This amount includes the receipt of real estate taxes from railroad tax settlements.

*** Other Revenues include $762,172 in Fiscal Year 2001, $655,212 in Fiscal Year 2000 and $422,874 in Fiscal Year 1999 for Telecommunication Tax.

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

TABLE IV

Calendar Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections and Adjustments	Total Tax Collections and Adjustments	Collections as Percent of Current Levy	Outstanding Delinquent Taxes	Delinquent Taxes as Percent of Current Levy
1991	$ 126,764,307	$ 120,082,658	94.71	$ 2,640,790	$ 122,703,448	96.80	$ 6,086,183	4.79
1992	117,446,840	113,374,714	96.53	2,533,184	115,907,898	98.69	7,300,184	6.22
1993	116,783,957	114,453,443	98.00	4,623,451	119,076,894	101.96	2,695,005	2.31
1994	116,123,123	112,288,685	96.70	6,297,109	118,585,794	102.12	2,215,618	1.91
1995	116,010,479	113,117,609	97.51	2,291,608	115,409,217	99.48	4,046,956	3.49
1996	117,048,707	114,138,753	97.51	2,151,712	116,290,465	99.35	4,081,238	3.49
1997	119,250,138	116,723,834	97.88	2,086,986	118,810,820	99.63	4,234,760	3.55
1998	128,737,116	126,282,191	98.17	3,061,208	129,323,399	100.46	3,450,061	2.68
1999	135,147,210	133,102,406	98.49	2,322,594	135,400,000	100.19	3,270,759	2.42
2000	147,341,076	144,741,182	98.24	2,245,096	146,986,278	99.76	3,459,128	2.35

CITY OF ALEXANDRIA, VIRGINIA
Personal Property Tax Levies and Collections
Last Ten Calendar Years

TABLE V

Calendar Year	Total Tax Levy	Commonwealth Reimbursement Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections and Adjustments	Total Tax Collections and Adjustments	Total Collections as Percent of Current Levy	Outstanding Delinquent Taxes*	Outstanding Delinquent Taxes as Percent of Current Levy
1991	$ 32,396,182	$	$ 27,758,549	85.68	$ 2,271,700	$ 30,030,249	92.70	$ 8,321,333	25.69
1992	32,293,317		27,690,662	85.72	1,219,780	28,900,442	89.49	10,594,523	32.81
1993	33,515,189		28,223,436	84.21	1,013,530	29,236,966	87.23	12,356,308	36.87
1994	37,649,972		30,634,086	81.37	1,559,914	32,194,000	85.51	14,530,938	38.59
1995	42,737,731		33,773,610	79.03	3,835,485	37,609,095	88.00	18,393,641	43.04
1996	46,981,439		36,462,056	77.61	4,595,984	41,058,040	87.39	22,153,260	47.15
1997	53,130,876		36,972,491	69.59	16,209,512 *	53,182,003	100.10	18,820,013	35.42
1998	52,119,625		39,528,946	75.84	4,218,925	43,747,871	83.94	14,601,085	28.01
1999	52,177,876	6,886,615	41,507,247	79.55	1,776,937	43,284,184	82.97	20,896,294	40.02
2000	56,590,687	13,348,837	44,710,787	79.01	3,244,734	47,955,521	84.74	20,238,171	35.76

*Delinquent personal property taxes are charged off by authority of existing ordinance.

The City of Alexandria aggressively levies a personal property tax even where individuals and businesses have failed to file. For example, if a business is licensed in the City and fails to file a business personal property tax return, that business is automatically billed on the basis of an assumed $75,000 in personal property. If a business filed a personal property tax return last year and fails to file a return this year, that business is automatically billed 115 percent of last year's tax levy. If an individual registered his or her automobile last year and fails to register this year, he or she is billed based on last year's registration. If an individual registers his or her vehicle with the department of motor vehicles and fails to register with the City, he or she is automatically billed based on the DMV description of the vehicle. In most cases these personal property tax bills are ultimately reduced or relieved; as of June 30, 2000, approximately 90% of the outstanding tax bills from business were not based on actual filings. Because the validity of these billings cannot be known at the time personal propert taxes are levied, they are included in the total tax levy and artificially reduce the City's collection rate.

*In FY 1998 additional adjustments, in the amount of $14,785,478, were made to reflect the deletion of certain statutorily assessed non-filer accounts for tax years 1993-1997. The criteria for deletion of these accounts was that they were statutorily assessed for more than three years, no decal has been purchased for more than three years, and there is no move-out or disposal date on the account.

CITY OF ALEXANDRIA, VIRGINIA
Assessed and Estimated Actual Value of Taxable Property
Last Ten Calendar Years

TABLE VI

Tax Year	Real Property		Personal Property		Total		
	Assessed Value ($000)	Estimated Actual Value ($000)	Assessed Value ($000)	Estimated Actual Value ($000)	Assessed Value ($000)	Estimated Actual Value ($000)	Ratio of Total Assessed to Total Estimated Actual Value
1992	$11,243,911	$11,243,911	$752,647	$752,647	$11,996,558	$11,996,558	100%
1993	11,026,978	11,026,978	763,252	763,252	11,790,230	11,790,230	100
1994	10,818,324	10,818,324	794,045	794,045	11,612,369	11,612,369	100
1995	10,837,314	10,837,314	880,238	880,238	11,717,552	11,717,552	100
1996	10,942,274	10,942,274	992,840	992,840	11,935,114	11,935,114	100
1997	11,170,803	11,170,803	1,106,514	1,106,514	12,277,316	12,277,316	100
1998	11,611,042	11,611,042	1,156,066	1,156,066	12,767,108	12,767,108	100
1999	12,160,866	12,160,866	1,206,755	1,206,755	13,367,621	13,367,621	100
2000	13,294,253	13,294,253	1,260,473	1,260,473	14,554,726	14,554,726	100
2001	14,632,349	14,632,349	1,265,914	1,265,914	15,898,263	15,898,263	100

CITY OF ALEXANDRIA, VIRGINIA
General Property Tax Rates per $100 of Assessed Value
Last Ten Calendar Years

TABLE VII

	Real Property	Personal Property	
Tax Year	Real Estate	Motor Vehicles And Tangibles	Machine and Tools
1992	$1.04	$4.75	$4.50
1993	1.07	4.75	4.50
1994	1.07	4.75	4.50
1995	1.07	4.75	4.50
1996	1.07	4.75	4.50
1997	1.07	4.75	4.50
1998	1.11	4.75	4.50
1999	1.11	4.75	4.50
2000	1.11	4.75	4.50
2001	1.11	4.75	4.50

The City is autonomous from any city, town or other political subdivision of the Commonwealth of Virginia, and there is no overlapping taxing power with other political subdivisions.

CITY OF ALEXANDRIA, VIRGINIA
2001 Tax Rates for Major Revenue Sources

TABLE VIII

Real Estate Tax	$1.11 per $100 assessed value
Personal Property Tax	$4.50 per $100 assessed value (machinery and tools)
	$4.75 per $100 assessed value (tangible personal property)
	$3.55 per $100 assessed value (handicap vehicles)
Utility Tax (for residential users)	15% of water service charge
	25% of local service charge for telephone
	$1.12 plus $0.012075 of each kWh ($2.40 maximum)
	$1.28 plus $0.124444 of each CCF of gas delivered ($2.40 maximum)
	$1.28 plus $0.050909 of each CCF of gas delivered to group meter consumers ($2.40 maximum per dwelling unit)
	$1.28 plus 0.023267 of each CCF of gas delivered to group meter interruptible consumers ($2.40 maximum per dwelling unit)
Utility Tax (for commercial users)	15% of first $150 of water service charge
	25% of first $150 of local service charges for telephone
	$0.97 plus $0.004610 of each kWh delivered to commercial consumer
	$0.97 plus $0.003755 of each kWh delivered to industrial consumer
	$1.42 plus $0.05213 of each CCF of gas delivered to commercial or industrial consumer
	$4.50 plus $0.003670 of each CCF of gas delivered to non-residential gas consumers)
Business and Professional Licenses	
Alcoholic Beverages	$5 - $1,500
Gross receipts of greater than $10,000 and less than $100,000	
Any business	$50
Gross receipts of $100,000 or more	
Amusement and Entertainment	$0.36 per $100 gross receipts
Professional	$0.58 per $100 gross receipts
Renting of Residential Property	$0.50 per $100 gross receipts
Renting of Commercial Property	$0.35 per $100 gross receipts
Financial Services	$0.35 per $100 gross receipts
Personal, Business and Repair Service	$0.35 per $100 gross receipts
Retail Merchants	$0.20 per $100 gross receipts
Restaurants	$0.20 per $100 gross receipts
Contractors	$0.16 per $100 gross receipts
Wholesale Merchants	$0.05 per $100 total purchases
Public Utilities	
Telephone Co.	$1.03 per $100 gross receipts
Telegraph Co.	$2.00 per $100 gross receipts
Water, heat, electric and gas companies	$0.50 per $100 gross receipts
E-911 Tax	$0.50 per line per month
Public Rights-of-Way Use Fee	$0.63 per line per month
Local Sales Tax	1% added to the rate of the state retail tax imposed
Daily Rental Tax	1% on the gross proceeds
Cigarette Tax	$0.30 on each package of twenty cigarettes
Transient Lodging Tax	5.5% of total amount paid for room rental plus
	$1 per night lodging fee
Restaurant Meal Tax	3% on all food and drink
Recordation Tax	
Deed of Bargain and Sale	
Grantor	$0.50 per $1,000 of sales price
Grantee	$0.50 per $1,000 of sales price
Deed of Trust	$0.50 per $1,000 of value

SOURCE: Department of Finance, Revenue Administration

CITY OF ALEXANDRIA, VIRGINIA
Computation of Legal Debt Margin
as of June 30, 2001

TABLE IX

Assessed Value of Real Property, January 1, 2001		$ 14,632,349,200
Debt Limit: 10 Percent of Assessed Value		$ 1,463,234,920
Amount of Debt Applicable to Debt Limit:		
General Obligation Bonds	$107,875,000	
Total General Obligation Debt		107,875,000
LEGAL DEBT MARGIN		$ 1,355,359,920

Limitations on the Incurrence of General Obligation Debt:

There is no requirement in the Virginia Constitution, the Virginia Statutes, or in the Charter of the City of Alexandria that the issuance of general obligation bonds of the City be subject to approval of the electors of the City at referendum.

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

The only constitutional limitation on the issuance of general obligation bonds is contained in Article VII, Section 10 of the Virginia Constitution, which states that:

No city or town shall issue any bonds or other interest-bearing obligations which, including existing indebtedness, shall at any time exceed ten per cent 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 X

Year	Population (2)	Assessed Value ($000)	Outstanding Debt	Outstanding Debt as a Percentage of Assessed Value	Outstanding Debt Per Capita	Debt Per Capita as a Percentage of Per Capita Income (3)
1992	115,000	$ 11,996,558	$ 64,550,000	0.538	$ 561	1.61
1993	116,000	11,790,230	54,875,000	0.465	473	1.31
1994	116,400	11,612,369	60,380,000	0.520	519	1.34
1995	117,000	11,717,552	52,255,000	0.446	447	1.13
1996	117,300	11,935,114	44,725,000	0.375	381	0.91
1997	117,600	12,277,316	37,610,000	0.306	320	0.73
1998	119,500	12,761,356	30,585,000	0.240	256	0.55
1999	121,700	13,394,275	65,710,000	0.491	540	1.09
2000	123,200	14,555,781	114,690,000	0.788	931	1.72
2001	128,283	15,898,263	107,875,000	0.679	841	1.63

(1) Net General Debt includes general obligation bonds and term notes.
(2) SOURCE: Alexandria Department of Planning and Zoning
(3) Per capita income represents data from the United States Department of Commerce, as revised ,that is generally two years old.

CITY OF ALEXANDRIA, VIRGINIA
Overlapping Debt & Debt History
June 30, 2001

TABLE XI

The City of Alexandria is autonomous from any county, town, or other political subdivisions of the Commonwealth of Virginia. There is no overlapping general obligation debt or taxing powers. The water system and the sewage treatment plant within the City are operated by a private company and an independent authority, respectively, for which the City has no debt obligations.

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

Credit Ratings

Moody's Investors Service	Aaa
Standard and Poor's Corporation.....	AAA

Paying Agents

The City's coupon bonds and interest coupons are payable at the Chase Manhattan Bank, N.A., New York, New York, or SunTrust Bank in Richmond, Virginia. Registered bonds and interest are payable at the principal corporate trust office of the Chase Manhattan Bank, N.A., New York, New York, or Depository Trust Company, New York, New York, which are the Registrars for bonds of the City of Alexandria.

CITY OF ALEXANDRIA, VIRGINIA
Ratio of Annual Debt Service Expenditures for Net General Debt[1] to Total General Expenditures
Last Ten Fiscal Years

TABLE XII

Year	Principal	Interest and Other Costs	Total Debt Service	General Expenditures [2]	Ratio of Debt Service to General Governmental Expenditures
1992	$ 9,925,000	$ 4,248,013	$ 14,173,013	$ 267,381,588	5.30%
1993	9,675,000	3,965,181	13,640,181	271,404,113	5.03
1994	7,160,000	3,123,070	10,283,070	280,836,633	3.66
1995	8,125,000	2,925,739	11,050,739	290,760,163	3.80
1996	7,530,000	11,935,114	10,112,095	312,902,626	3.23
1997	7,115,000	2,174,745	9,289,745	326,248,912	2.85
1998	7,025,000	1,802,610	8,827,610	354,805,740	2.49
1999	4,875,000	1,475,549	6,350,549	380,736,909	1.67
2000	6,020,000	2,846,071	8,866,071	393,588,056	2.25
2001	6,815,000	5,567,314	12,382,314	401,555,221	3.08

(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, 2001

TABLE XIII

Population

Calendar Year	Population
1950	61,787
1960	91,023
1970	110,938
1980	103,217
1990	111,183
2001 Estimate	128,283

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

POPULATION INDICATORS
PER CAPITA INCOME*

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Alexandria	$31,034	$31,789	$33,024	$34,862	$36,108	$38,822	$39,706	$41,982	$43,843	$46,858	$49,609
Arlington	$30,409	$31,789	$32,828	$34,792	$36,226	$37,671	$39,606	$41,549	$43,665	$47,062	$50,118
Fairfax (includes Fairfax City and Falls Church)	$29,474	$31,244	$32,397	$33,611	$35,250	$36,689	$38,055	$39,531	$41,591	$44,679	$47,241
Washington PMSA	$25,580	$26,809	$27,586	$28,693	$29,863	$30,965	$31,789	$32,896	$34,384	$36,390	$38,403

***These numbers have been revised by the BEA.**

SOURCE: U.S. Bureau of Economic Analysis

CITY OF ALEXANDRIA, VIRGINIA
Property Value, Construction and Bank Deposits
Last Ten Calendar Years
(in thousands)

TABLE XIV

	Commercial Construction(1)		Residential Construction(1)			Property Value(3)		
Tax Year	Number of Units	Value ($000)	Number of Units	Value ($000)	Number Bank Deposits(2)	Commercial	Residential	Total
1991	4	$30,223	184	$19,255	$1551,605	$6,563,270	$5,578,662	$12,141,932
1992	8	12,840	110	22,994	1,583,215	5,841,899	5,402,012	11,243,911
1993	5	8,488	232	26,916	1,630,814	5,561,158	5,465,820	11,026,978
1994	12	6,207	244	27,629	1,512,697	5,355,328	5,462,996	10,818,324
1995	13	14,254	360	38,432	1,593,160	5,260,736	5,576,578	10,837,314
1996	22	41,355	658	39,611	1,683,956	5,284,168	5,658,106	10,942,274
1997	23	59,865	388	48,401	1,733,243	5,428,427	5,742,376	11,170,803
1998	24	62,707	1,839	142,081	1,965,394	5,728,246	5,882,796	11,611,042
1999	23	43,773	1,300	94,153	1,551,353	5,991,811	6,169,055	12,160,866
2000	6	24,886	1,546	123,374	1,612,925	6,577,311	6,716,942	13,294,253

SOURCE: (1) City of Alexandria Fire Department, Code Enforcement Bureau, as reported by applicants for fiscal year
(2) Department of Finance, Revenue Division
(3) Department of Real Estate Assessments, as adjusted

CITY OF ALEXANDRIA, VIRGINIA
Principal Taxpayers
June 30, 2001

TABLE XV

Private Property

Owner's Name	Property	2001 Assessed Value (in millions)	Percentage of Total Assessed Valuation
1. Carlyle Development	Vacant Land/Office Building	$ 159.30	1.09%
2. AIMCO Foxchase LP	Foxchase Apartments	122.45	0.84
3. Southern Towers LLC	Southern Towers Apartments	109.63	0.75
4. Potomac Yard Retail, Inc.	Retail Shopping Center	106.42	0.73
5. SAP II-III/Stellar Housing.	Oakwood Apartments	97.29	0.66
6. Commonwealth Atlantic	Vacant Land/Warehouses	93.20	0.64
7. Landmark Mall LLC	Landmark Mall	74.60	0.51
8. Laszlo N. Tauber & Associates LP	Office Building	69.00	0.47
9. Hoffman Buildings LP	Office Building	63.98	0.47
10. Avalon Properties, Inc.	Avalon Apartments	59.50	0.41

Public Service Companies

Owner's Name	2001 Assessed Value (in millions)	Percentage of Total Assessed Valuation
1. Virginia Electric Power Company	$ 109.36	0.75%
2. Bell Atlantic Virginia, Inc.	86.48	0.59
3. Norfolk Southern Railway Company	54.25	0.37
4. Richmond, Fredericksburg & Potomac Railway Co	45.62	0.31
5. Virginia American Water Company.	29.34	0.20
6. Potomac Electric Power Company	27.83	0.19
7. Washington Gas Light Company	26.37	0.18
8. Jones Telecommunications of Virginia, Inc.	21.99	0.15
9. Washington DC SMSA Limited Partnership	6.22	0.04
10. American Telephone & Telegraph Co. of Virginia, Inc.	2.63	0.02

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

TABLE XVI

Fiscal Year	Total Enrollment[1]	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
1997	10,156	5,189	1,288	1,850	552	515
1998	10,488	5,556	1,187	1,794	617	475
1999	10,788	5,537	1,395	1,841	678	474
2000	11,245	5,763	1,611	1,918	507	452
2001	11,345	5,567	1,809	1,927	574	447

[1] As of September 30

SOURCE: City of Alexandria Public School System

CITY OF ALEXANDRIA, VIRGINIA
General Fund
City Departments' Expenditures Detail by Function
For the Fiscal Year Ended June 30, 2001

TABLE XVII

	General Government	Judicial Administration	Public Safety	Public Works	Health and Welfare	Parks Recreation & Culture	Community Development	Education	Transit Subsidies	Debt Service	Total
Expenditures:											
City Council	$ 394,043	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 394,043
City Manager	1,543,835	-	-	-	-	-	-	-	-	-	1,543,835
Office On Women	853,047	-	-	-	-	-	-	-	-	-	853,047
Citizens Assistance	-	-	453,693	-	-	-	-	-	-	-	453,693
Office of Management and Budget	725,211	-	-	-	-	-	-	-	-	-	725,211
18th Circuit Court	-	955,084	-	-	-	-	-	-	-	-	955,084
18th General District Court	-	85,928	-	-	-	-	-	-	-	-	85,928
Juvenile and Domestic Relations Courts	-	30,199	-	-	-	-	-	-	-	-	30,199
Commonwealth's Attorney	-	1,721,139	-	-	-	-	-	-	-	-	1,721,139
Sheriff	-	3,655,771	12,096,720	-	-	-	-	-	-	-	15,752,491
Clerk of Courts	-	1,169,359	-	-	-	-	-	-	-	-	1,169,359
Other Correctional Activities	-	2,017,269	686,821	-	-	-	-	-	-	127,494	2,831,584
Court Services	-	431,978	-	-	-	-	-	-	-	-	431,978
Human Rights	259,498	-	-	-	-	-	-	-	-	-	259,498
Internal Audit	175,403	-	-	-	-	-	-	-	-	-	175,403
Information Technology Services	5,022,994	-	-	-	-	-	-	-	-	-	5,022,994
City Clerk and Clerk of Council	298,109	-	-	-	-	-	-	-	-	-	298,109
Finance	6,205,977	-	-	-	-	-	-	-	-	-	6,205,977
Real Estate Assessments	871,571	-	-	-	-	-	-	-	-	-	871,571
Personnel	1,818,061	-	-	-	-	-	-	-	-	-	1,818,061
Planning and Zoning	-	-	-	-	-	-	3,693,949	-	-	-	3,693,949
City Attorney	1,326,455	-	-	-	-	-	-	-	-	-	1,326,455
Registrar	798,036	-	-	-	-	-	-	-	-	-	798,036
General Services	2,631,149	-	-	6,024,663	-	-	-	-	-	-	8,655,812
Transportation and Environmental Services	-	-	-	18,470,370	-	-	622,497	-	-	-	19,092,867
Transit Subsidies	-	-	-	-	-	-	-	-	3,515,994	-	3,515,994
Fire	-	-	23,688,443	-	-	-	-	-	-	-	23,688,443
Police	-	-	32,298,846	-	-	-	-	-	-	-	32,298,846
Office of Housing	-	-	-	-	-	-	766,088	-	-	-	766,088
Mental Health/Mental Retardation and Substance Abuse	-	-	-	-	469,649	-	-	-	-	-	469,649
Health	-	-	-	-	5,861,244	-	69,952	-	-	-	5,931,196
Human Services	-	-	-	-	6,442,522	-	-	-	-	-	6,442,522
Human Services Contributions	-	-	-	-	850,000	-	-	-	-	-	850,000
Office of Historic Alexandria	-	-	-	-	-	1,951,488	-	-	-	-	1,951,488
Recreation and Cultural Activities	-	-	-	2,923,356	-	10,085,836	-	-	-	-	13,009,192
Other Educational Activities	-	-	-	-	-	-	-	13,017	-	-	13,017
Miscellaneous	4,720,562	-	450,155	-	979,828	105,936	25,934	-	-	12,382,314	18,664,729
Total Expenditures	$ 27,643,951	$ 10,066,727	$ 69,674,678	$ 27,418,389	$ 14,603,243	$ 12,143,260	$ 5,178,420	$ 13,017	$ 3,515,994	$ 12,509,808	$ 182,767,487

CITY OF ALEXANDRIA, VIRGINIA
General Fund
Revenues, Expenditures, Encumbrances, Transfers and Changes in Undesignated Fund Balance
For the Fiscal Year Ended June 30, 2001

TABLE XVIII

	Revenues/ Expenditures	Encumbrances	Transfers Out and Other Financing Uses	Total
Revenues:				
General Property Taxes	$ 189,775,677	$ -	$ -	$ 189,775,677
Other Local Taxes	81,726,772	-	-	81,726,772
Permits, Fees and Licenses	4,065,880	-	-	4,065,880
Fines and Forfeitures	4,116,463	-	-	4,116,463
Use of Money and Property	10,418,646	-	-	10,418,646
Charges for Services	8,711,053	-	-	8,711,053
Intergovernmental Revenues	37,679,452	-	-	37,679,452
Miscellaneous	464,686	-	-	464,686
Total Revenues	$ 336,958,629	$ -	$ -	$ 336,958,629
Primary Government Expenditures:				
City Council	$ 394,043	$ -	$ -	$ 394,043
City Manager	1,543,835	25,000	-	1,568,835
Office on Women	853,047	4,541	-	857,588
Citizens Assistance	453,693	85,738	-	539,431
Management and Budget	725,211	12,188	-	737,399
18th Circuit Court	955,084	2,222	-	957,306
18th General District Court	85,928	4,474	-	90,402
Juvenile and Domestic Relations Courts	30,199	10,045	-	40,244
Commonwealth's Attorney	1,721,139	-	-	1,721,139
Sheriff	15,752,491	36,809	-	15,789,300
Clerk of Courts	1,169,359	142,612	-	1,311,971
Law Library	-	-	57,921	57,921
Other Correctional Activities	2,831,584	-	-	2,831,584
Court Services	431,978	-	20,187	452,165
Human Rights	259,498	-	-	259,498
Internal Audit	175,403	-	-	175,403
Information and Technology Services	5,022,994	752,972	-	5,775,966
Finance	6,205,977	457,290	-	6,663,267
Real Estate Assessments	871,571	-	-	871,571
City Clerk and Clerk of Council	298,109	2,200	-	300,309
Personnel	1,818,061	33,570	-	1,851,631
Planning and Zoning	3,693,949	276,111	-	3,970,060
City Attorney	1,326,455	700	-	1,327,155
Registrar	798,036	17,439	-	815,475
General Services	8,655,812	126,602	-	8,782,414
Transportation and Environmental Services	19,092,867	657,228	171,369	19,921,464
Transit Subsidies	3,515,994	-	-	3,515,994
Fire	23,688,443	16,443	-	23,704,886
Police	32,298,846	362,586	235,199	32,896,631
Office of Housing	766,088	-	58,035	824,123
Mental Health/Mental Retardation/Substance Abuse	469,649	-	8,277,412	8,747,061
Health	5,931,196	12,286	150,000	6,093,482
Human Services	6,442,522	191,060	8,490,237	15,123,819
Human Services Contributions	850,000	350	-	850,350
Office of Historic Alexandria	1,951,488	59,910	-	2,011,398
Recreation and Cultural Activities	13,009,192	55,197		13,064,389
Library	-	-	109,000	109,000
Other Educational Activities	13,017	-	-	13,017
Miscellaneous	18,664,729	384,181	-	19,048,910
Capital Projects	-	-	27,297,193	27,297,193
Total Primary Government Expenditures, Encumbrances and Transfers Out	$ 182,767,487	$ 3,729,754	$ 44,866,553	$ 231,363,794
Transfers Out to Component Units:				
Library	$ -	$ -	$ 4,133,108	$ 4,133,108
Schools	-	-	98,797,770	98,797,770
Transit Subsidies (Alexandria Transit Company)	-	-	3,548,210	3,548,210
Total Transfers Out to Component Units	$ -	$ -	$ 106,479,088	$ 106,479,088
Total Expenditures, Encumbrances, Transfers Out - Primary Government and Component Units	$ 182,767,487	$ 3,729,754	$ 151,345,641	$ 337,842,882
Expenditures, Encumbrances, Transfers Out & Other Financing Uses in Excess of Revenues				$ (884,253)
FY 2000 Encumbrances Paid in FY 2001				3,207,099
Other Changes in Reserved Fund Balance				
Undesignated Fund Balance at Beginning of Year				20,006,639
(Increases) Decreases in Designated Fund Balance:		**FY 2000**	**FY 2001**	
Subsequent Year's Budget		$ 2,921,512	$ 3,506,000	(584,488)
Compensated Absences		7,208,635	7,208,635	-
Subsequent Year's Capital Expenditures		17,451,193	16,700,000	751,193
Self-insurance		5,000,000	5,000,000	-
Incomplete Projects		914,662	890,895	23,767
Undesignated Fund Balance at End of Year				$ 22,519,957

CITY OF ALEXANDRIA, VIRGINIA
Miscellaneous Statistical Data
As of June 30, 2001

TABLE XIX

Date of Incorporation	1779
Date of City Charter	1922
Form of Government	Council-Manager
Number of Full-Time City Positions (Other than Schools)	2,173
Number of Full-Time Equivalent School Positions	2,008

Land Area

15.75 Square Miles

Elevation

30 Feet Above Sea Level

Climate

Average January Temperature 34.6°
Average July Temperature 80°

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.

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

2001 Resident Population	128,283
Number of Households - 2001Estimate	62,535
Household Size (2000 U.S. Census)	2.04 Persons Per Unit
2000 Population by Race:	
White	59.8%
Black	22.5%
Native American	0.3%
Asian and Pacific Islanders	5.8%
Multi-Racial	4.2%
Hispanic	14.7%
Other	7.4%
1990 Population by Age:	
(1-19)	23,376
(20-34)	42,490
(35-64)	50,812
(65 +)	11,605
Registered Voters June 2001	82,695
Temporary Assistance to Needy Families (Cases) - Monthly Average, 2001	520
Food Stamps (Cases) - Monthly Average, 2001	1,169
Medicaid (Cases) - Monthly Average, 2001	4,193

Economy

Employed Residents, June 2001	80,947
Unemployed Residents, June 2001	1,900
Unemployed Rate, June 2001	2.3%
Persons Employed at Job Sites in Alexandria, Quarterly Average, December, 2000 per Virginia Employment Commission	94,195
Washington PMSA Inflation Rate, based on Consumer Price Index, for FY 2001	3.1%

CITY OF ALEXANDRIA, VIRGINIA

Miscellaneous Statistical Data

As of June 30, 2001

TABLE XIX

(Continued)

Housing	2001	2000
Total Housing Units	66,082	64,849
Type of Single-Family Housing		
Detached	9,078	9,062
Semi-Detached	5,134	4,986
Rowhouse	5,862	5,629
Condo Townhouse	920	920
Total Single-Family	20,994	20,597
Condominium Units	15,068	14,232
Rental Apartments	30,020	30,020
Public and Publicly Assisted Units	1,150	1,150
Average Assessed Value of Single Family Homes	$290,436	$257,265
Average Assessed Value of Condominiums	$115,721	$ 102,229
Average Market Rents		
Efficiency	$ 782	$ 738
1 Bedroom Apartment	$ 933	$ 878
2 Bedroom Apartment	$ 1,176	$ 1,070
3 Bedroom Apartment	$ 1,341	$ 1,176

Communications

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

Miles of Streets, Sidewalks and Alleys

Streets:	
Paved - Lane Miles	508.0
Unpaved	0.17
Sidewalks	319.5
Alleys, Paved	20.46

Utilities

Telephone	Verizon
Electric	Dominion Virginia Power
Gas	Washington Gas
Water	Virginia - American Water Company
Sewer	Alexandria Sanitation Authority

Public Recreation

Acreage	944.2
Facilities:	
Playground Areas	45
Swimming Pools	7
Gymnasiums	16
Basketball Courts (outdoor)	31
Tennis Courts	37
Playing Fields	66

Medical Facilities

Hospitals:	Beds
INOVA Alexandria Hospital	339
Nursing Homes:	
Goodwin House	80

Medical Facilities (Continued)	Beds
Hermitage Retirement Community	121
Woodbine Rehabilitation & Healthcare Center	307
Washington House	220
Integrated Health Services of Northern Virginia	111

Libraries	Number
Central Library	1
Full service branches	2
(Above provide books and other materials for home use as well as electronic and print reference service)	
Local History – Special Collections I	1
Talking book service	1

Education

Public Schools:	Number
Elementary	13
Middle	2
Ninth Grade Center	1
High School	1
Secondary Training Educational Program	1
Parochial and Private Schools	11

Higher Education:
Located within the City are the Alexandria campus of Northern Virginia-Community College, Regent University, and the Episcopal Theological Seminary. Nearby institutions include George Mason, George Washington, American, Catholic, Georgetown, and Howard Universities.

Financial Institutions

Commercial Banks	12
Credit Unions	10

Hotels and Motels

	Rooms
Econo Lodge	40
Holiday Inn Eisenhower	197
Holiday Inn Select	227
Holiday Inn Hotel & Suites	178
Best Western Old Colony Inn	151
Hilton Alexandria Mark Center	500
Ramada Plaza Pentagon	193
Radisson Old Town	253
Days Inn	200
Morrison House	45
Comfort Inn Landmark	148
Towne Motel	26
Courtyard by Marriot	177
Bragg Towers	98
Executive Club Suites	78
Hawthorn Suites Hotel	170
Sheraton Suites Old Town Alexandria	247
Embassy Suites	268
Washington Suites	225
Extended Stay America	104
Homestead Village	130
Execustay by Marriott	21
Hilton Alexandria Old Town	241
Total	3,917

CITY OF ALEXANDRIA, VIRGINIA
Five Year Summary of General Fund Revenues and Expenditures

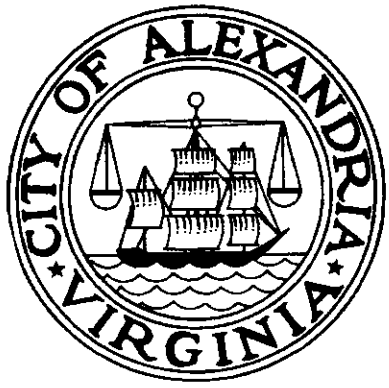
Table XX

	1997	1998	1999	2000	2001
Revenues:					
General Property Taxes	$ 155,719,408	$ 163,481,396	$ 174,452,574	$ 183,296,264	$ 189,775,677
Other Local Taxes	58,025,734	63,160,242	68,947,100	75,040,938	81,726,772
Permits, Fees, and Licenses	2,671,637	3,189,511	3,330,371	4,380,592	4,065,880
Fines and Forfeitures	3,851,770	4,237,384	4,740,675	4,237,420	4,116,463
Use of Money and Property	6,939,937	7,476,395	7,852,531	7,078,467	10,418,646
Charges for Services	8,460,184	8,312,984	8,602,357	8,684,519	8,711,053
Intergovernmental Revenues	13,872,777	14,467,426	14,175,904	25,606,354	37,679,452
Miscellaneous	404,520	435,238	701,804	705,468	464,686
Total Revenues	$ 249,945,967	$ 264,760,576	$ 282,803,316	$ 309,030,022	$ 336,958,629
Other Financing Sources:					
Proceeds from Capital Lease	$ 21,458	$ 23,992	$ -	$ -	$ -
Total Other Financing Sources	$ 21,458	$ 23,992	$ -	$ -	$ -
Total Revenues and Other Financing Sources	$ 249,967,425	$ 264,784,568	$ 282,803,316	$ 309,030,022	$ 336,958,629
Expenditures:					
Current:					
General Government	$ 22,428,847	$ 23,240,974	$ 24,156,017	$ 26,962,818	$ 27,643,951
Judicial Administration	9,456,628	10,224,495	10,929,840	10,604,624	10,066,727
Public Safety	57,775,883	61,867,825	63,691,872	64,776,874	69,674,678
Public Works	19,343,126	20,009,677	20,037,788	22,627,379	27,418,389
Health and Welfare	12,226,489	12,123,755	12,071,463	12,241,432	14,603,243
Parks, Recreation and Culture	9,638,308	10,243,646	10,442,357	11,078,547	12,143,260
Community Development	3,628,980	3,880,492	4,214,297	4,633,017	5,178,420
Education	13,578	13,476	13,064	13,120	13,017
Transit Subsidies	4,607,952	3,352,370	2,613,857	2,027,547	3,515,994
Debt Service:					
Principal Retired	7,191,277	7,101,879	8,438,268	6,134,298	6,918,641
Interest and Fiscal Charges	2,787,201	2,409,747	1,577,606	2,861,267	5,591,167
Total Expenditures	$ 149,098,269	$ 154,468,336	$ 158,186,429	$ 163,960,923	$ 182,767,487
Other Financing Uses:					
Operating Transfers Out	$ 18,840,243	$ 20,304,675	$ 28,306,506	$ 40,287,613	$ 44,866,553
Transfers Out - Component Units	85,195,911	91,996,620	95,133,228	99,232,856	106,479,088
Total Other Financing Uses	$ 104,036,154	$ 112,301,295	$ 123,439,734	$ 139,520,469	$ 151,345,641
Total Expenditures and Other Financing Uses	$ 253,134,423	$ 266,769,631	$ 281,626,163	$ 303,481,392	$ 334,113,128
Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses	$ (3,166,998)	$ (1,985,063)	$ 1,177,153	$ 5,548,630	$ 2,845,501
Fund Balances at Beginning of Year	56,241,970	53,179,808	51,039,266	52,226,469	57,998,531
Increase/(Decrease) in Reserve For Inventory	104,836	(155,479)	10,050	223,432	(10,429)
FUND BALANCES AT END OF YEAR	**$ 53,179,808**	**$ 51,039,266**	**$ 52,226,469**	**$ 57,998,531**	**$ 60,833,603**

CIty of Alexandria, Virginia
Summary of Debt Service
2002-2020

Table XXI

Fiscal Year	Principal	Interest	Total
2002	$ 7,800,000	$ 5,227,266	$ 13,027,266
2003	8,610,000	4,860,294	13,470,294
2004	7,895,000	4,481,137	12,376,137
2005	6,740,000	4,135,624	10,875,624
2006	6,715,000	3,826,818	10,541,818
2007	5,775,000	3,522,530	9,297,530
2008	5,775,000	3,255,780	9,030,780
2009	5,775,000	2,988,240	8,763,240
2010	4,985,000	2,718,700	7,703,700
2011	4,985,000	2,469,450	7,454,450
2012	4,980,000	2,235,200	7,215,200
2013	4,980,000	1,997,475	6,977,475
2014	4,980,000	1,741,025	6,721,025
2015	4,980,000	1,469,675	6,449,675
2016	4,980,000	1,223,225	6,203,225
2017	4,980,000	963,050	5,943,050
2018	4,980,000	699,150	5,679,150
2019	4,980,000	435,250	5,415,250
2020	2,980,000	171,350	3,151,350
Total	$ 107,875,000	$ 48,421,239	$ 156,296,239


CITY OF ALEXANDRIA
VIRGINIA

SINGLE

AUDIT

2001 M Street, N.W.
Washington, D.C. 20036

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

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

We have audited the accompanying basic financial statements of the City of Alexandria, Virginia (the City) as of and for the year ended June 30, 2001, and have issued our report thereon dated November 2, 2001. As described in note 19 to the basic financial statements, the City adopted Governmental Accounting Standards Board Statement No. 37, *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus"* and No. 38, *"Certain Financial Statement Note Disclosures,"* effective July 1, 2000. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The Auditor of Public Accounts of the Commonwealth of Virginia requires us to test the City's compliance with certain matters specified in the Code of Virginia including: budget and appropriation laws; cash and investment laws; conflicts of interest; debt provisions; procurement laws; local retirement systems; unclaimed property; and State Agency requirements for education, Comprehensive Services Act for at-risk youth and families, highway maintenance, social services, and personal property tax relief. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* or the *Specifications for Audits of Counties, Cities and Towns*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

KPMG LLP

November 2, 2001

KPMG LLP KPMG LLP a U.S. limited liability partnership, is

2001 M Street, N.W.
Washington, D.C. 20036

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of the City of Alexandria, Virginia (the City) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2001. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

KPMG LLP. KPMG LLP, a U.S. limited liability partnership, is a member of KPMG International, a Swiss association.

Schedule of Expenditures of Federal Awards

We have audited the accompanying basic financial statements of the City of Alexandria, Virginia (the City) as of and for the year ended June 30, 2001, and have issued our report thereon dated November 2, 2001. As described in Note 19 to the basic financial statements, the City adopted Governmental Accounting Standards Board Statement No. 37, *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus,"* and No. 38, *"Certain Financial Statement Note Disclosures"* effective July 1, 2000. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

KPMG LLP

November 2, 2001

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Federal Awards
Year Ended June 30, 2001

Federal Grantor/Recipient State Agency/Program Title	Federal Catalog Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
Pass Through Payments:		
Department of Agriculture and Consumer Services		
Commodity Food Distribution	10.550	$ 10,378
Commodity Food Distribution	10.555	218,131
Ending Balance		(46,403)
Department of Education		
Breakfast Program	10.553	366,934
Lunch Program	10.555	1,534,262
Child Care	10.561	1,255,179
Summer Food Program	10.559	121,067
TOTAL U.S. DEPARTMENT OF AGRICULTURE		$ 3,459,548
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Direct Payments:		
Administration for Children, Youth and Families		
Head Start	93.600	$ 1,323,102
Total Direct Payments		$ 1,323,102
Pass Through Payments:		
Department of Health:		
Rape Crisis Treatment and Prevention Grant	93.991	$ 119,484
Department of Mental Health and Mental Retardation		
Block Grant for Community Mental Health Services	93.958	417,105
Comprehensive Services to Children and Adolescents with Severe Emotional Disturbances	93.104	48,193
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118	41,142
Projects for Assisstance in Transition from Homelessness	93.150	25,402
Child Care Block Grant	93.575	1,906,425
Prevention and Treatment of Substance Abuse	93.959	1,204,340
Department for the Aging		
Title IIIB - Supportive Services and Senior Programs	93.044	102,307
Special Programs for the Aging Title III - Disease Prevention	93.043	1,138
Special Programs for the Aging Title IIIG - Prevention of Abuse	93.041	1,240
Special Programs for the Aging Title IIIC - Nutritional Services	93.045	134,263
Department of Social Services		
Family Preservation and Support Services	93.556	46,690
Temporary Assistance for Needy Families	93.558	1,015,958
Low Income Energy Assistance	93.568	15,852
Social Services Block Grant	93.667	1,714,022
Refugee Resettlement	93.566	245,049
Refugee and Entrant Assistance	93.576	9,124
Child Care Mandatory and Matching Funds	93.596	2,077,784
Foster Care Title IV - E	93.658	1,385,802
Adoption Assistance	93.659	228,060
Independent Living	93.674	12,432
State Childrens Insurnce Program	93.767	15,649
Medical Assistance Program	93.778	829,212
Domestic Violence Program	93.051	124,515
Total Pass Through Payments		$ 11,721,188
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		$ 13,044,290

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Federal Awards
Year Ended June 30, 2001

Federal Grantor/Recipient State Agency/Program Title	Federal Catalog Number	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Direct Payments:		
Community Development Block Grant Program, Entitlement Grants	14.218	$ 1,179,819
Total Direct Payments		$ 1,179,819
Pass Through Payments:		
Regional and Community Development and Planning	14.235	$ 109,130
Emergency Shelter Grants for the Homeless	14.231	80,183
Affordable Housing	14.239	316,886
Total Pass Through Payments		$ 506,199
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		$ 1,686,018
U.S. DEPARTMENT OF JUSTICE		
Office of Community Oriented Policing Services		
COPS Grants	16.710	$ 160,006
Total Direct Payments		$ 160,006
Pass Through Payments:		
Department of Criminal Justice Services		
Asset Forfeiture Report	16.000	$ 64,471
Police Vest Partnership Program	16.607	5,011
Community Prosecution	16.609	7,060
Juvenile Accountability Incentive Block Grant	16.523	50,043
Juvenile Justice and Deliquency Prevention	16.540	35,698
Violence Against Women Formula Grants	16.588	404,990
Crime Victim Assistance	16.575	59,522
Law Enforcement Block Grant	16.592	212,705
Total Pass Through Payments		$ 839,500
TOTAL U.S. DEPARTMENT OF JUSTICE		$ 999,506
U.S. DEPARTMENT OF LABOR		
Pass Through Payments:		
Economic Dislocation and Worker Adjustment Assistance Act		
Virginia Employment Commission	17.246	$ 96,019
Welfare to Work	17.253	61,811
School-to-Work Opportunities Act of 1994	17.000	102,681
Governor's Employment and Training Council		
Adult and Youth Employment Program Title 2A, 2C	17.250	48,433
Department for the Aging		
Senior Community Service Employment Program	17.235	20,148
TOTAL U.S. DEPARTMENT OF LABOR		$ 329,092
U.S. DEPARTMENT OF TRANSPORTATION		
Pass Through Payments:		
Department of Transportation		
National Recreational Trails Funding Program	20.219	$ 18,351
Total Pass Through Payments		$ 18,351
TOTAL U.S. DEPARTMENT OF TRANSPORTATION		$ 18,351

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Federal Awards
Year Ended June 30, 2001

Federal Grantor/Recipient State Agency/Program Title	Federal Catalog Number	Expenditures
U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION		
Direct Payments:		
Title 7, New Charges, Age Discrimination Employment Act	30.002	$ 3,065
TOTAL U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION		$ 3,065
U.S. INSTITUTE OF MUSEUM SERVICES		
Direct Payments:		
Museum Conservation	45.301	$ 53,560
TOTAL U.S. INSTITUTE OF MUSEUM SERVICES		$ 53,560
U.S. ENVIRONMENTAL PROTECTION AGENCY		
Pass Through Payments:		
State Air Pollution Control Board		
Air Pollution Control Program Grants	66.001	$ 43,730
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY		$ 43,730
U.S. DEPARTMENT OF EDUCATION		
Pass Through Payments:		
Department of Education		
Chapter I		
Financial Assistance to Meet Special Education Needs of Disadvantaged Children-Programs Operated By Local Education Agencies	84.010	$ 1,221,537
Title VI-B		
Education of Handicapped Children	84.027	647,676
Handicapped Preschool Incentive Program	84.137	84,374
Emergency Immigration Assistance	84.162	167,199
Special Education Block Grant	84.151	103,045
Title II EESA	84.164	43,862
Drug-Free Schools	84.186	128,792
Goals 2000	84.276	33,545
Technology Literacy Challenge Fund	84.318	83,027
Class Size Reduction	84.340	210,700
Vocational Education		
Vocational Education Management System	84.048	201,649
Department of Mental Health and Mental Retardation		
Early Intervention - Part H	84.181	128,842
TOTAL U.S. DEPARTMENT OF EDUCATION		$ 3,054,248
U.S DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT ASSISTANCE		
Pass Through Payments:		
Department of Emergency Services		
Emergency Management Assistance	83.503	$ 37,277
TOTAL U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT ASSISTANCE		$ 37,277

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Federal Awards
Year Ended June 30, 2001

Federal Grantor/Recipient State Agency/Program Title	Federal Catalog Number	Expenditures
OTHER FEDERAL AID		
High Intensity Drug Trafficking Area	93.000	$ 60,058
Nursing Home Screening	93.000	5,261
Statewide Fraud Program	93.000	34,085
TOTAL OTHER FEDERAL		$ 99,404
TOTAL FEDERAL ASSISTANCE		$ 22,828,089

CITY OF ALEXANDRIA, VIRGINIA
Notes to Schedule of Expenditures of Federal Awards
June 30, 2001

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 fiscal year 2001. The City's reporting entity is defined in Note 1 of the City's Basic Financial Statements. Federal awards are received directly, as well as passed through other governmental agencies.

This schedule has been prepared on the modified accrual basis of accounting. Expenditures are recorded when the liability is incurred.

RECONCILIATION OF NOTES TO FINANCIAL STATEMENTS TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The City receives and expends federal revenues that are non-grant related and therefore not reportable under the Schedule of Expenditures of Federal Awards. A reconciliation of the Schedule of Expenditures of Federal Awards to Note 13 in the Notes to the Financial Statements, Intergovernmental Revenues, is provided below.

Total Federal Expenditures per Schedule	$ 22,828,089
Non-Reportable Federal Revenue	4,286,360
Commodities Distribution	(182,106)
Total Federal Revenue per Note 13	$ 26,932,343

FEDERAL COGNIZANT AGENCY

The Federal Cognizant Agency for the City of Alexandria, Virginia is the United States Department of Health and Human Services.

FOOD STAMPS NON-CASH EXPENDITURES

The City has $3,508,700 of non-cash expenditures for food stamps issued.

SUBGRANTEES

The City provided the following amounts to subrecipients during FY 2001:

Program Title	CFDA	Amount
Headstart	93.600	$ 1,323,102
CDBG	14.218	465,078
HOME	14.235	109,130
Aging Title IIIC	93.045	22,245
Aging Title IIIB	93.044	23,094

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2001

Summary of Auditors' Results:

Financial Statements

The type of report issued on the financial statements: Unqualified

Internal control over financial reporting

- Material weaknesses identified: None
- Reportable conditions identified that are not considered to be material weaknesses: None reported

Noncompliance material to the financial statements noted: None

Federal Awards

Internal control over major programs

- Material weaknesses identified: None
- Reportable conditions identified that are not considered to be material weaknesses: None reported

The type of report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133: No

Major programs:

- Community Development Block Grant (CFDA 14.218)
- Head Start (CFDA 93.600)
- Child Care Cluster (CFDA 93.575)
- Block Grants for Prevention and Treatment of Substance Abuse (CFDA 93.959)
- Medicaid Cluster (93.778)

Dollar threshold used to distinguish between Type A and Type B programs: $790,104

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

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2001

Findings relating to the Financial Statement Reported in Accordance with Government Auditing Standards:

None

Findings and Questioned Costs relating to Federal Awards:

None

CITY OF ALEXANDRIA, VIRGINIA
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2001

No findings reported in the prior year.

CITY OF ALEXANDRIA, VIRGINIA
FINANCE DEPARTMENT
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