EXHIBIT NO. 1

City of Alexandria, Virginia

13
11-26-02

MEMORANDUM

DATE: NOVEMBER 11, 2002

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, 2002

ISSUE: Receipt of the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2002.

RECOMMENDATION: That City Council receives the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2002.

DISCUSSION: Virginia Code §15.2-2511 requires all local governments to 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, 2002, which meets all State requirements. This report, which follows a format prescribed by the national Governmental Accounting Standards Board (GASB), includes: (1) a description of the significant financial events of the fiscal year; (2) reports from KPMG LLP, the City's independent certified public accountants; (3) the City's audited financial statements; and (4) selected financial and demographic information.

The following are highlights of the report:

- This is the third 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 this new and significantly restructured GASB financial reporting model (GASB 34). Most Virginia jurisdictions will implement this GASB 34 standard for the first time this year.

- On this entity-wide basis the City government has recorded $293 million in net assets (CAFR, Exhibit I, page 37) with the investment in capital assets and capital project commitments comprising $119 million and $70 million, respectively, of the total.

- The City's net assets increased by $14.0 million to $293.4 million in FY 2002 (CAFR, Exhibit II, page 39). The primary factor contributing to this increase is the $7.2 million net revenue from the General Fund and the addition of road projects completed by the State.

- The City's long-term liabilities as of the end of FY 2002 had increased to $176.3 million, largely as a result of the issuance during FY 2002 of $54.5 million in general obligation bonds (CAFR, note 10, page 84).

- Consistent with the data reported in the Monthly Financial Report to City Council for the period ending September 30, 2002, General Fund revenues totaled $361 million (CAFR, Exhibit IV, page 41). Final General Fund expenditures totaled $314 million and transfers to other City funds totaled $40 million (CAFR, Exhibit IV, page 41).

- Driven largely by property taxes, FY 2002 General Fund revenues exceeded budgeted revenues by 4.3% or $14.7 million (CAFR, Exhibit XIII, page 106). Real and personal property taxes, including penalties and interest, exceeded budget by $9.9 million due to higher real property assessments than budgeted, as well as the results of a one-time change in State law related to taxation of independent power plants. Other Local Taxes exceeded budget by $2.8 million, primarily due to higher recordation tax revenues ($2.5 million). Interest earnings on the City's cash was $2.7 million lower than budget primarily because of decreased market interest rates. General Fund expenditures ended the year with approximately $6.8 million in budget authority unexpended as part of the City Manager's mandated budget savings plan.

- Undesignated General Fund balance of $24.5 million (CAFR, Table XVIII, page 139) as a percentage of the General Fund revenues was 6.8 percent at the end of FY 2002 (CAFR, page 11), 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 operating and capital budgets, self-insurance, compensated absences and ongoing projects. (CAFR, page 58).

- The City finished FY 2002 some $3.4 million ahead of that projected in May 2002, with those funds subsequently designated for use in helping to finance the City's FY 2004 budget.

- Including the effects of a planned $19.9 million transfer to capital projects (CAFR, page 85) 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 $64 million at the end of FY 2002, (CAFR, Exhibit III, page 40), which compares to the total Unreserved General Fund balance of $61 million at the end of FY 2001.

- The City continues to comply with all of the debt-related financial targets. (CAFR, page 11).

- The City's financial statements for the year ended June 30, 2002, has 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 through 148).

- There were no audit findings related to $31.5 million in federal grants and related revenue (CAFR, pages 154 through 155).

- Because they are financially dependent (as defined by GASB) 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 transit system) are included in the City's CAFR as component units.

- As now permitted by State law, School capital assets financed by City general obligation bond debt are now consolidated together so as not to distort and artificially decrease the City's net assets measurement (CAFR, note 5, page 69).

Staff is confident that our FY 2002 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 24 consecutive years (CAFR, page 13).

ATTACHMENT: City of Alexandria Comprehensive Annual Financial Report for the Fiscal Year ending June 30, 2002.

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

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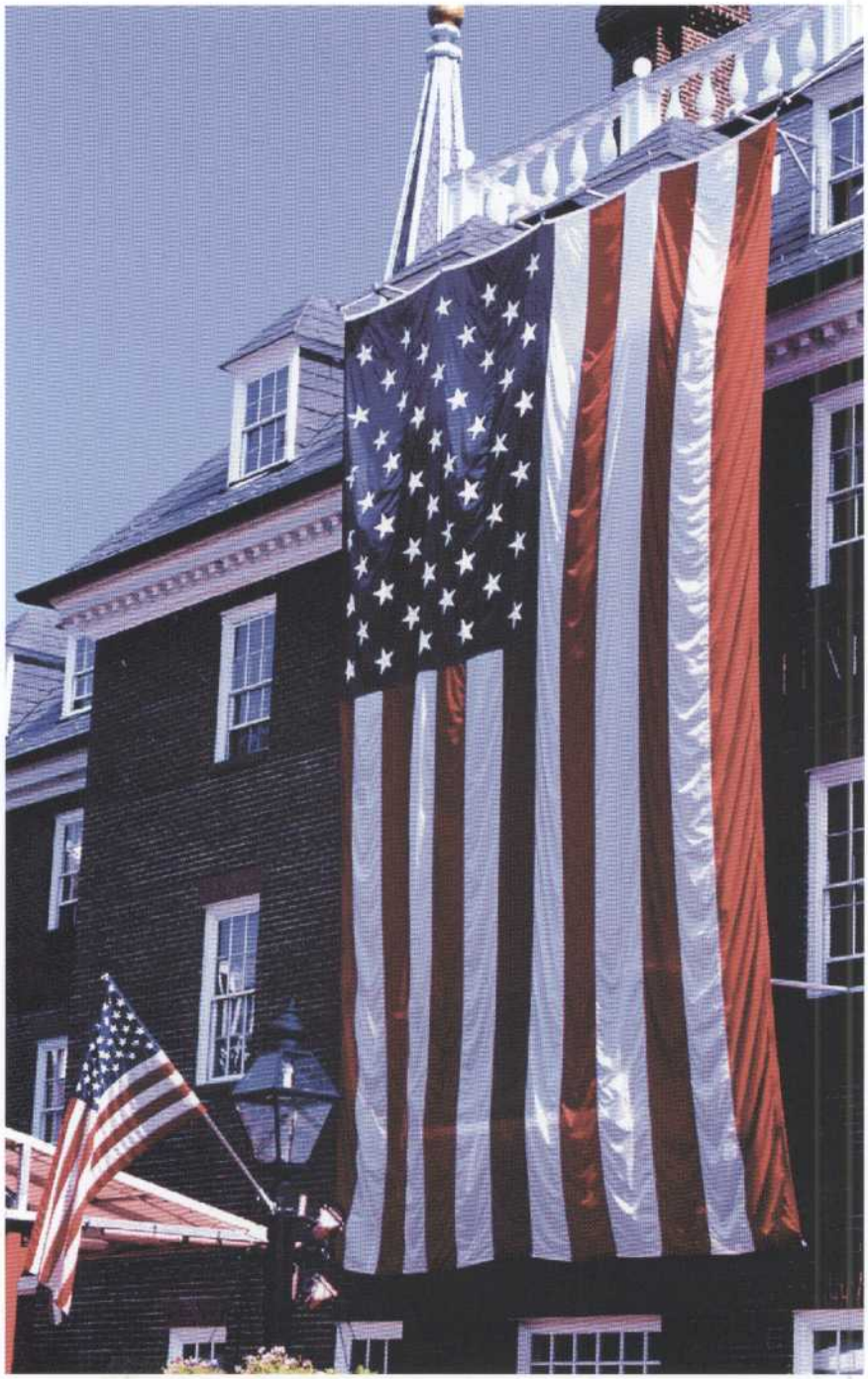
11-26-02

City of Alexandria, Virginia

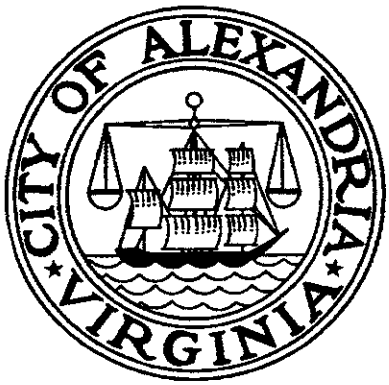


Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2002

Photograph by Anna Frame.

CITY OF ALEXANDRIA, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR
JULY 1, 2001 TO JUNE 30, 2002



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 ..... Cindy Smith-Page
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

ci.alexandria.va.us

CITY OF ALEXANDRIA
VIRGINIA

CITY OF ALEXANDRIA, VIRGINIA
Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2002

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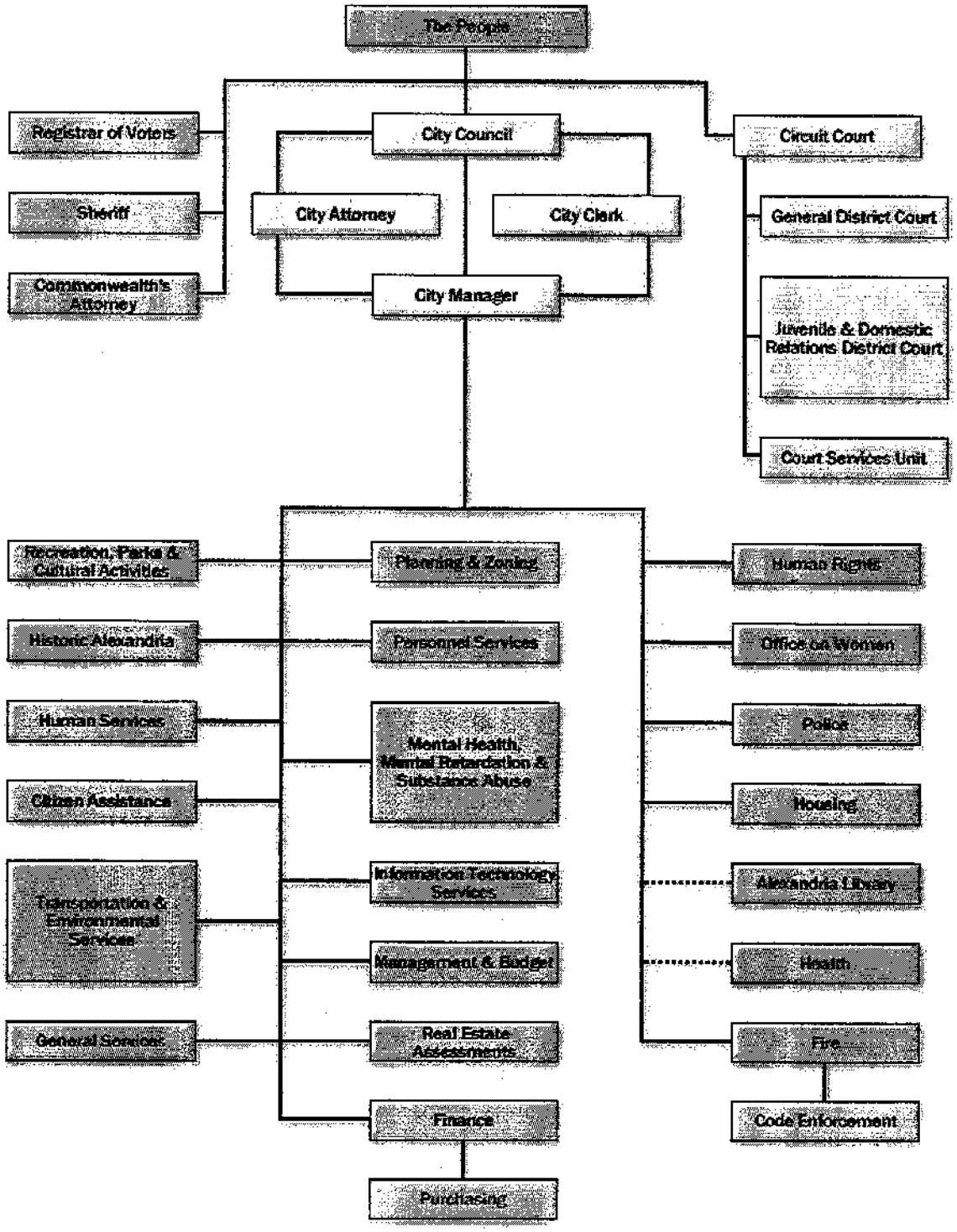
INTRODUCTORY SECTION

ALEXANDRIA CITY GOVERNMENT
ORGANIZATIONAL CHART



October 30, 2002

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, 2002. The report is designed to present fairly the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City in all material respects and to demonstrate compliance with applicable finance-related legal and contractual provisions. The report adheres to the principle of full disclosure so that the reader may gain the maximum understanding of the City's financial affairs.

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

- Accounting principles generally accepted in the United States, which are uniform minimum standards and guidelines for financial accounting and reporting in the United States;
- Governmental accounting and financial reporting statements, interpretations and technical bulletins issued by the Governmental Accounting Standards Board (GASB), 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 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

While Alexandria continues to be a major job center in the Washington metropolitan area, the events of September 11, 2001, the City's proximity to National Airport and the City's resultant dependence on tourism and business travel, and the declining regional economy all have had a short-term impact on the number of persons employed here. As of December 31, 2001 just over 92,000 persons, 2,000 persons less than the same time last year, were employed in the City. The largest decrease occurred in the service industry, including hotels and restaurant employees. Local jobless rates rose last year, from 2.9 to 3.5 percent and the events of September 11, 2001 had an immediate effect on the City's economy and tax revenues.

The real estate market, which is the principal source of tax revenue for the City, continued to improve. Total real property assessments increased by 11.2 percent, or $1.6 billion. Of the total increase, 19 percent was the result of new growth, including $105.5 million in new residential growth and $209.8 million in new commercial growth. The reassessments of existing properties increased $1.3 billion, reflecting the strong market demand for residential properties, as well as the improved condition of most income producing commercial properties.

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 reaffirmed in conjunction with the City's July 2001 bond issuance.

During the past fiscal year, the City made progress in a number of important areas, including major renovations to one of the City's two middle schools and the opening of a new animal shelter. Development continued in Cameron Station, one of the largest new residential developments in the City.

SERVICE EFFORTS AND ACCOMPLISHMENTS

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 2002, the City chose to highlight the City of Alexandria's efforts after September 11. City staff involved in public safety, mental health, human services and economic development all contributed to the City's response to the events of September 11.

On September 11 and in the weeks that followed, dozens of the City's public safety employees assisted their counterparts in neighboring Arlington, providing fire suppression, other mutual aid and perimeter security at the Pentagon. Employees in public safety, economic development and social service agencies began reaching out to communities that might be at risk after the attacks, including loss of jobs, targets of hate crimes, and personal loss. Since September 11, the City has taken additional steps to ensure the safety of our citizens including:

- Establishing the Office of Intelligence and Internal Security in the Police Department to ensure that critical information is properly evaluated, disseminated and acted upon when necessary.
- Improving external security at the public safety center
- Increasing security at public events

The City's Hazardous Materials Team is the regional response team for hazardous materials incidents and therefore is the primary team that responds to the Pentagon and other federal institutions in Alexandria and Arlington. The City's Technical Rescue Team assisted Arlington and the Federal Urban Search and Rescue teams in shoring up the Pentagon allowing the team to search for and remove bodies.

The City took numerous steps to encourage residents and visitors to shop and dine in Alexandria in response to the reduced level of patronage in local businesses since the September 11 terrorist attacks and the temporary closing of Ronald Reagan Washington National Airport. These efforts included running a shuttle from Dulles Airport to Old Town while National Airport remained closed, having parking meters, City garages and parking lots free after 5 p.m. on weekdays and free on Saturdays and Sundays, and free bus rides on DASH Buses, operated by the Alexandria Transit Authority. This was in addition to the already free DASH About (free weekend shuttle on King Street) bus service. The Alexandria Convention and Visitors Association put together several media campaigns to get area residents and those out-of-state residents within driving distance of the City to visit the City and patronize City businesses. The Alexandria Small Business Development Center assisted City businesses with SBA loans.

The City assisted in job fairs and assisted the Virginia Employment Commission and related groups in getting needed funds to citizens who lost jobs when National Airport closed. City Mental Health staff provided crisis counseling services to assist disaster survivors and citizens touched by the disaster to understand what happened, their current situation and reactions, and to perform outreach to first responders to the crisis. Human Services Job Link staff hosted job fairs, and facilitated providing funding as needed for emergency assistance and training.

The response to September 11 involved hundreds of employees in many City departments to ensure that citizens had the information they needed to make decisions in the weeks and months after this tragic terrorism act.

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.

As the economy has slowed, 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 needs of the community in a slowing economy will require careful budgeting. Capital investment and the resulting debt service costs will continue to grow. The need for increased operating and capital support at the schools to fund expanded schools and educational initiatives remains as one of the City's major budget challenges. Over the next year, revenues are budgeted to grow by 2 percent over FY 2002 actual revenues reflecting in part a 3 cent decrease in the City's real estate tax rate (from $1.11 to $1.08). The City believes, in general, that the overall state of its infrastructure of streets, bridges, and many public facilities is good, with the increased 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 some major new developments projected to generate some additional tax revenues. The relocation of the federal Patent and Trademark Office (PTO) headquarters and its more than 7,100 employees to the Carlyle development area will 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.

Over the last ten years, the City's property tax base has grown an average of 3.9 per cent per year while the pace of expenditures also 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 11. 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 2002, the City's debt to tax base ratio was just 0.95 percent. The City's financial policies encourage the use of surplus General Fund revenue and resources deriving from underexpenditures 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.

GENERAL GOVERNMENT FUNCTIONS

This is the eighth consecutive year that the overall assessed values of real property have increased. The following table shows that the overall real property assessed value has increased by $5.5 billion since 1994, including an 11.2 percent increase from 2001 to 2002. Real property taxes, which are based on assessments as of January 1 of each year, are due in two payments. The first half of the real estate tax is due on June 15 and the second half of the tax is due on November 15

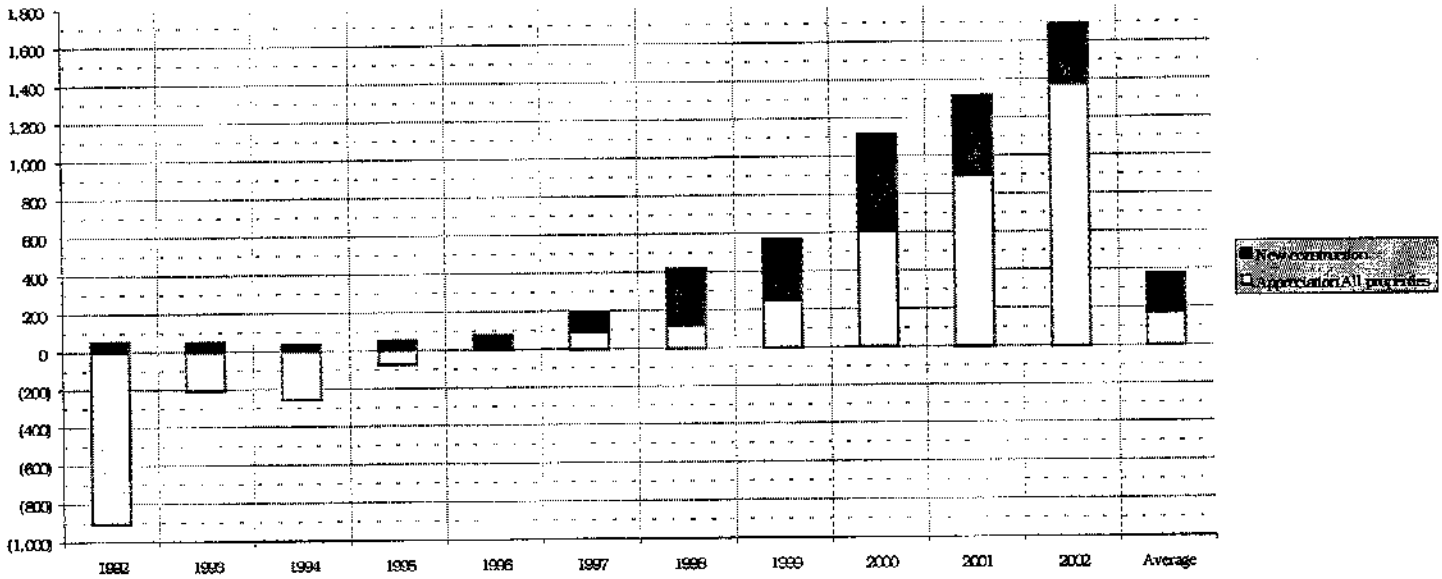
CHANGE IN ASSESSED VALUE OF REAL PROPERTY
(Amounts in thousands of dollars)

Year	Residential Assessed Value	Residential % Increase (Decrease)	Commercial[1] Assessed Value	Commercial % Increase (Decrease)	Total Assessed Value	Total % Increase (Decrease)
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	5,722,494	5.4	11,605,290	3.9
1999	6,169,055	4.9	6,018,465	5.2	12,187,520	4.8
2000	6,716,942	8.9	6,578,366	9.3	13,295,308	9.1
2001	7,573,897	12.8	7,058,452	7.4	14,632,349	10.1
2002	8,893,563	17.4	7,379,117	4.5	16,272,680	11.2

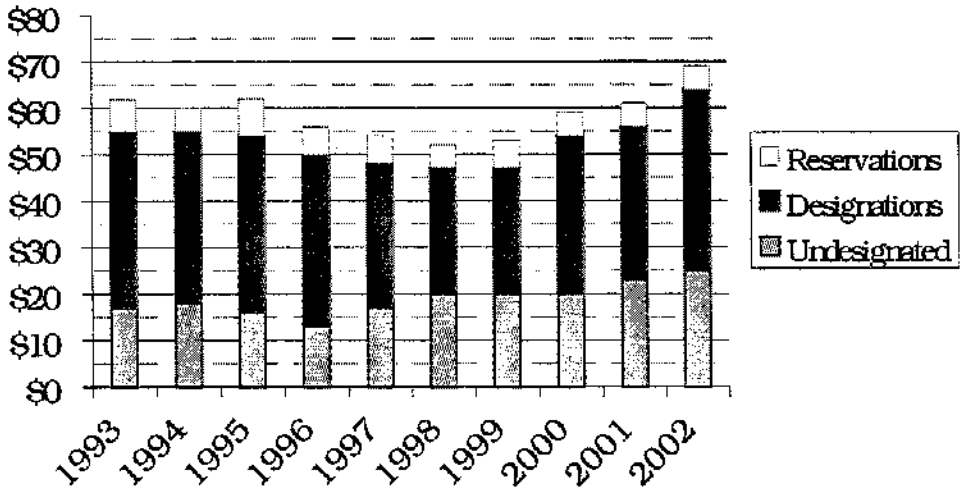
1. Includes apartment buildings.

The next chart dissects the increases and decreases in assessed values since 1992 into appreciation and depreciation of existing properties and new properties (this chart is comprised of single year snapshots and is not cumulative).

Change in Total Tax Base



City of Alexandria General Fund - Fund Balance
(in millions)



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 2002, the City's General Fund fund balance was $68 million and included $15.6 million designated for future capital funding, as well as an undesignated portion of Fund Balance totaling $25 million (Table XVIII), slightly higher than at the end of FY 2001. At the end of FY 2002 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 $6.4 million from the planned $9.2 million to cited $15.6 million.

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 2003 through 2008 represents $183.6 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 $123.3 million in additional capital funding for the FY 2003-FY 2008 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	1996	1997	1998	1999	2000	2001	2002	Target
Debt as a Percentage of Fair Market Value	1.6%	0.41%	0.34%	0.26%	0.54%	0.86%	0.74%	0.95%	1.1%
Debt Per Capita as a Percentage of Per Capita Income	3.25%	1.0%	0.7%	0.6%	1.1%	1.7%	1.6%	2.11%	2.25%
Debt Service as a Percentage of General Governmental Expenditures[1]	10.0%	3.2%	2.9%	2.5%	1.7%	2.3%	3.1%	3.5%	8.0%
General Fund Balance as a Percentage of General Fund Revenue:									
Unreserved	10% (floor)	20.6%	19.1%	17.6%	16.5%	17.3%	16.6%	17.6%	---
Undesignated	4% (floor)	5.5%	6.7%	7.6%	6.9%	6.4%	6.6%	6.8%	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. All investments are stated at fair value.

For the cash and investment pool, the average daily investment portfolio in FY 2002 was $141.1 million. The City earned interest income during the year at an average rate of return of 2.4 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 and has received the GFOA Award. 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. On May 6, 2002 City Council approved the overall budget for FY 2003. During FY 2002, 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, 2002.

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 and pass 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 the funds of the City in accordance with auditing standards generally accepted in the United States of America and the standards set forth in the 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 24th consecutive year in 2001. 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 2002.

REPORTING REQUIREMENTS

As required by the U.S. Securities and Exchange Commission Rule 15c2-12, the City has agreed for the benefit of the owners of City general obligation bonds and joint enterprise waste-to-energy-revenue bonds, to provide each nationally recognized municipal securities information repository and to any appropriate state information depositor, if any is hereafter created, certain financial information not later than 270 days after the end of each of its fiscal years, commencing with the fiscal year ended June 30, 1996. 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 the Accounting Division of the Department of Finance for their 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, 2001

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

INDEPENDENT AUDITORS' REPORT

2001 M Street, NW
Washington, DC 20036

Telephone 202 533 3000
Fax 202 533 8500

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Alexandria, Virginia (the City), as of and for the year ended June 30, 2002, which collectively comprise the City's basic financial statements identified as Exhibits I through XII in the Financial Section of the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and *Specifications for Audits of Cities, Counties 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Alexandria, Virginia, as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 5 to the financial statements, the City restated the capital asset balances as of July 1, 2001 to move certain assets from the aggregate discretely presented component units to the governmental activities in accordance with a change in Virginia State law.

In accordance with *Government Auditing Standards,* we have also issued our report dated October 30, 2002 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.

The Management's Discussion and Analysis, the budgetary comparison schedules, and the schedules of funding progress and employer contributions on pages 23 through 33, 106 through 108, and 109 through 110, respectively, are not a required part of the basic financial statements but is 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The information identified as schedules 1 through 7 in the Financial Section in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

KPMG LLP

October 30, 2002

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the City of Alexandria's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2002. 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 2002

The General Fund, on a current financial resource basis, reported revenues in excess of expenditures and other financing sources and uses by $7.2 million (Exhibit IV) after making a $19.9 million transfer to the capital projects fund and a $20.5 million transfer to the special revenue fund.

On a government-wide basis for governmental activities, the City's general revenues of $324 million were $14 million more than the $310 million of expenses net of program revenue on (Exhibit II).

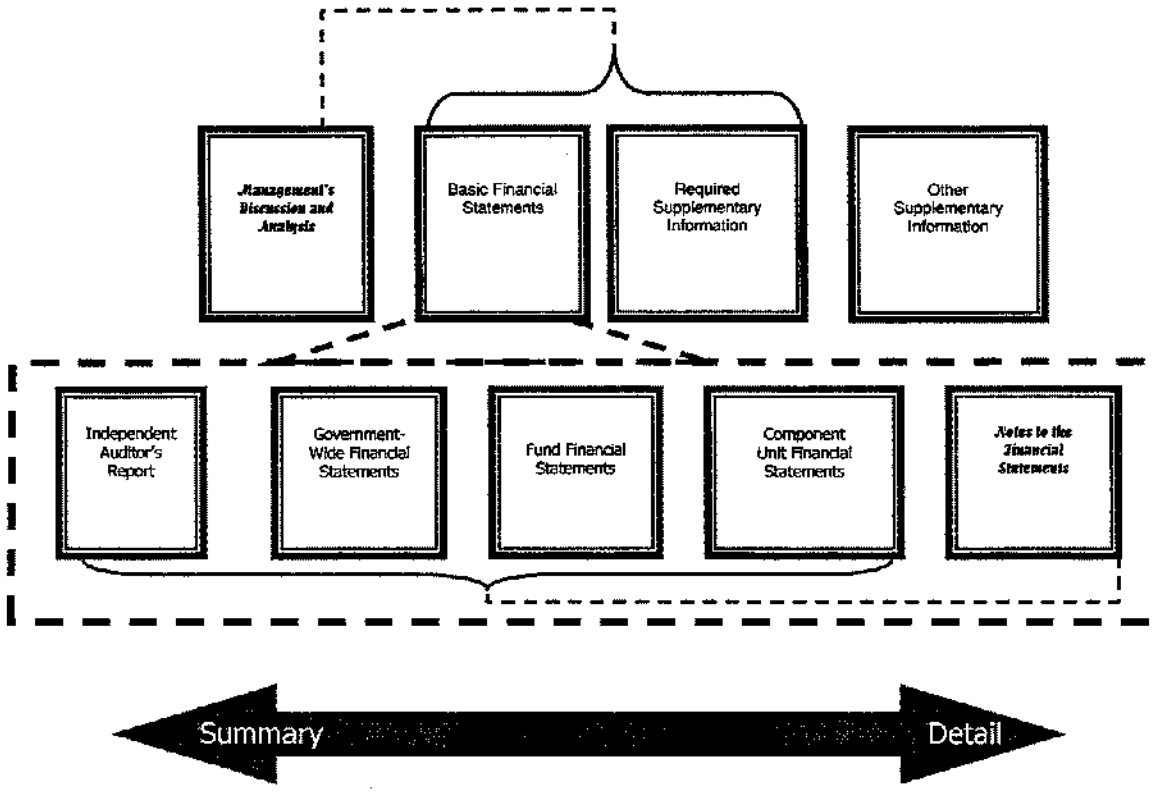
The City's total net assets, excluding component units, on the government-wide basis, totaled $293 million at June 30, 2002. Of this amount, $104 million is unrestricted. (Exhibit I).

On July 11, 2001, the City sold $54.5 million in general obligation bonds rated AAA/Aaa 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 with approximately 40 percent of the proceeds planned for School capital projects.

USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

Components of the Financial Section



GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. 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

The fund financial statements provide more information about the City's most significant funds - not the City as a whole. The fund financial statements focus on the individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

The City has three kinds of funds:

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

Proprietary funds - Services for which the City charges customers 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 flows. 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 presents the condensed Statement of Net Assets:

Table 1
Summary of Statement of Net Assets
as of June 30, 2002 and 2001
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2002	2001 (Restated)	2002	2001	2002	2001 (Restated)	2002	2001 (Restated)
Current and other assets	$ 338	$ 297	$ 1	$ 1	$ 339	$ 298	$ 32	$ 31
Capital assets	287	258	-	-	287	258	17	17
Total assets	$ 625	$ 555	$ 1	$ 1	$ 626	$ 556	$ 49	$ 48
Other liabilities	169	161	-	-	169	161	21	18
Long-term liabilities	164	117	-	-	164	117	4	4
Total liabilities	$ 333	$ 278	$ -	$ -	$ 333	$ 278	$ 25	$ 22
Net assets:								
Invested in capital assets, net of related debt	$ 119	$ 170	$ -	-	$ 119	170	$ 17	$ 17
Restricted	70	58	-	-	70	58	-	-
Unrestricted	103	49	1	1	104	50	7	8
Total Net Assets	$ 292	$ 278	$ 1	$ 1	$ 293	$ 279	$ 24	$ 25

Amounts may not add due to rounding

The City's combined net assets (which is the City's bottom line) increased by six per cent, or $14 million, to $293 million from $279 million primarily as a result of donated capital additions for infrastructure (Exhibit II). In addition, because of a change in state law aimed at matching governmental assets and liabilities, $15 million in School assets previously accounted for by the Alexandria City Public Schools and purchased with City general obligation debt were transferred for accounting purposes to the City (Note 5). These assets are reflected in the governmental activities portion of the statement of net assets of June 30, 2001. These assets will be transferred back to the Schools upon full repayment of the related general obligation debt. The City's short term assets, capital assets and long-term liabilities increased primarily as the result of the issuance of $54.5 million in general obligation debt (Note 10) and the capital assets purchased with that debt (Note 5). The decrease in component units' net assets is primarily attributable to costs accumulated for the long term costs of accrued employee leave and for and deprecation on fixed assets. The City's capital assets increased $29 million, including new roads and the purchase of a building for health services. Also included is a $6 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 by $0.3 million, with funds being used to finance the operations of the fund. The City uses 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 financing for this program will be required.

Statement of Activities

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

Table 2
Changes in Net Assets
For the Fiscal Years Ended June 30, 2002 and 2001
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2002	2001 (Restated)	2002	2001	2002	2001 (Restated)	2002	2001 (Restated)
Revenues								
Program revenues:								
Charges for services	$ 25	$ 25	$ --	$ --	$ 25	$ 25	$ 4	$ 3
Operating grants and contributions	53	48	--	--	53	48	29	29
Capital grant/contributions	12	2	--	--	12	2	--	--
General revenues:			--	--				
Property taxes	202	180	--	--	202	180	--	--
Other taxes	86	82	--	--	86	82	--	--
Other	37	36	--	--	37	36	--	--
Payment from City	--	--	--	--	--	--	121	118
Total revenues	$ 415	$ 374	$ --	$ --	$ 415	$ 374	$ 154	$ 150
Expenses								
General government	$ 45	$ 40	$ --	$ --	$ 45	$ 40	$ --	$ --
Judicial administration	12	12	--	--	12	12	--	--
Public safety	83	74	--	--	83	74	--	--
Public works	33	33	--	--	33	33	--	--
Library	5	4	--	--	5	4	5	4
Health and welfare	67	62	--	--	67	62	--	--
Transit	7	7	--	--	7	7	7	6
Culture and recreation	17	14	--	--	17	14	--	--
Community development	12	9	--	--	12	9	--	--
Education	111	101	--	--	111	101	143	129
Recycling	--	--	--	1	--	1	--	--
Interest on long-term debt	8	6	--	--	8	6	--	--
Total expenses	$ 401	$ 362	$ --	$ 1	$ 401	$ 363	$ 155	$ 139
Change in net assets	$ 14	$ 12	$ --	$ (1)	$ 14	$ 11	$ (1)	$ 11
Net Assets Beginning of Year	$ 278	$ 266	$ 1	$ 2	$ 279	$ 268	$ 25	$ 14
Net Assets End of Year	$ 292	$ 278	$ 1	$ 1	$ 293	$ 279	$ 24	$ 25

Amounts may not add due to rounding

REVENUES

For the fiscal year ended June 30, 2002, revenues from governmental activities totaled $415 million. Real Estate Tax Revenues, the City's largest revenue source, reflecting the accrual of the last half calendar year 2001 and the first half of calendar year 2002 real property tax billing, were $164 million. The increase in tax revenues is primarily attributable to an increase in the City's assessed real property tax base, which increased 11.2 percent for calendar year 2002.

- Operating grants included increased funding for day cares services in the City for low-income families.

- Capital grants and contributions are primarily comprised of City road projects managed and paid for by the Commonwealth of Virginia and turned over to the City for maintenance. The increase relates to the timing of completed projects as determined by the Commonwealth. (Footnote 5)

Component units' nets assets decreased primarily as a result of long-term costs for accumulating costs associated with employee leave.

EXPENSES

For the fiscal year ended June 30, 2002, expenses for governmental activities totaled $401 million that includes increases for employee compensation, budgeted increases in payments for educational expenses to the School Board, and interest expenses.

For FY 2002 the City increased resources in the following areas:

- Emergency medical services to address increased calls for service

- Increased funding for child care and foster care programs

- Increased funding for land use planning activities

- Increased library staffing at the Burke and Beatley facilities

- Increased funding to the City's public School System

Education continues to be one of the City's highest priorities and commitments. The City's operating subsidy to the Schools for FY 2002 totaled $107 million. In addition, the City spent $19 million for Schools' capital projects.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

For the fiscal year ended June 30, 2002, the governmental funds reflect a combined fund balance of $174 million (Exhibit III). Included in this year's increase in fund balance (Exhibit IV) is $7 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 property taxes discussed earlier. In addition, these other changes in fund balance should be noted:

- The General Fund contributed $20 million to pay-as-you-go financing of capital projects in FY 2002.

- The City' General Fund contributed $107 million to the schools for operations and the Capital Projects fund spent $19 million to finance the School capital projects.

- The City spent $6 million more in FY 2002 for Health and Welfare activities in the Special Revenue and General funds. A substantial part of these funds were for budgeted childcare and at risk youth, including state mandates in these areas. In addition, increased 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 $50 million in the Capital Projects Fund to fund infrastructure, information technology, a new animal shelter, a new health department and school renovations and expansion.

- The City spent $78 million on public safety, with increased costs for security needs after September 11.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund

	FY 2002 (in millions)		
	Original Budget	Amended Budget	Actual
Revenues			
Taxes	$ 276.3	$ 276.3	$ 289.1
Intergovernmental	43.5	43.5	46.6
Other	26.1	26.9	25.7
Total	$ 345.9	$ 346.7	$ 361.4
Expenditures and Transfers			
Expenditures	$ 199.3	$ 204.4	$ 197.6
Transfers	150.1	157.9	156.6
Total	$ 349.4	$ 362.3	$ 354.2
Change in Fund Balance	$ (3.5)	$ (15.6)	$ 7.2

Amounts may not add due to rounding

Revenue and other financing sources exceeded expenditures and other financing uses by $7.2 million in the General Fund for FY 2002.

Actual General Fund revenues exceeded original budgeted revenues by $15.5 million during FY 2002. This increase is primarily due to increased real estate tax revenues due to higher assessments, a one-time change in the state-required method of taxation for independent power producers, offset somewhat by decreased collections for meals and transient lodging taxes. Revenue collections exceeded the amended budget by $14.7 million. Primarily due to supplemental appropriation for encumbrances and cash capital transfers, actual General Fund expenditures and transfers were greater than the original budget by $4.8 million, but were less than the amended budget by $8.1 million.

During the fiscal year 2002, 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, 2001 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, 2001 totaled $3.7 million.

- To reappropriate grant, donation and other revenues authorized in Fiscal Year 2001 or earlier, but not expended or encumbered as of June 30, 2001.

- To appropriate grants, donations, and other donations accepted or adjusted in FY 2002.

- To appropriate the designated General Fund balance of $7.5 million to Capital Projects.

CAPITAL ASSETS

At the end of Fiscal Year 2002, the City's governmental activities had invested $287 million (see Note 5) in a variety of capital assets and infrastructure, as reflected in the following schedule, which represents a net increase of $28.5 million.

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

	Balance June 30, 2001 Restated	Net Additions/ Deletions	Balance June 30, 2002
Non-Depreciable Assets			
Land and Land Improvements	$ 48.3	$ 0.7	$ 49.0
Construction in Progress	23.7	5.7	29.4
Other Capital Assets			
Infrastructure	82.1	16.8	98.9
Buildings	175.6	11.4	187.0
Furniture and Other Equipment	33.8	4.7	38.5
Accumulated Depreciation on Other Capital Assets	(105.2)	(10.8)	(116.0)
Totals	$258.3	$ 28.5	$286.8

Amounts may not add due to rounding

The FY 2002 increase in construction in progress includes the work on the City's infrastructure and school buildings. The additions to land and buildings include the purchase of two buildings for City use.

The City added $13.2 million, net, in infrastructure assets for fiscal year 2002, primarily for roads completed by the State and turned over to the City. 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 2003-FY 2008 Approved Capital Improvement Program (CIP), which was approved by City Council during May 2002, and sets forth a six-year, $183.6 million City funded and $123.3 million partially 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 $13.7 million, or 7 percent, over the FY 2002-2007 CIP. The general downturn of the economy in late 2001 fueled by the events of September 11, 2001 had a tempering impact on the CIP process. Projects in information technology, a nature center and a library project were deferred to later years. 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 2002, the City had

$153.9 million in outstanding general obligation bonds, an increase of $46 million, or 43 percent, over last year. 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 Commonwealth limits the amount of general obligation debt the City can issue to ten percent of the assessed value of real property within the City. The City's outstanding debt is significantly below or about one-tenth of this limit - which is currently $1.5 billion.

ECONOMIC FACTORS

Job growth in the City has slowed in FY 2002, with total employment decreasing to just over 92,000 by December 2001. The effects of September 11 and the City's proximity to National Airport and the terrorist attack on the Pentagon, as well as general business slowdowns has affected the City. The events at the Pentagon and in New York on September 11, 2001 had some effect the City's economy and revenue. Because of its proximity to National Airport and the Pentagon, the City derives some of its revenue, including transient lodging, sales and meals taxes from business activities that were impacted by the terrorist attack. Transient lodging taxes decreased below its FY 2000 levels while monthly sales and meals taxes recovered most of its pre-September collection levels by the end of FY 2002. As discussed above, the City took several steps to encourage citizens to support City businesses, including offering free parking starting in the fall and continuing into the holiday season. The City Manager also directed departments to develop operating and capital budget contingency plans in order to keep the City's FY 2002 budget in balance.

As of 2000 (the latest data available from the U.S. Bureau of Economic Analysis), the City's per capita income of $49,395 remains 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 12.1 percent by the end of FY 2002 reflecting the slowing of the economy.

In July 2002 the City received approval for $8 million in one-time Federal grant monies to support public safety efforts. These funds are being used to support the Police, Fire and Sheriff departments.

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.

BASIC
FINANCIAL STATEMENTS

CITY OF ALEXANDRIA, VIRGINIA
Statement of Net Assets
June 30, 2002

Exhibit I

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and Cash Equivalents	$ 124,288,927	$ 908,105	$ 125,197,032	$ 21,251,453
Cash and Investments with Fiscal Agents	55,663,730	-	55,663,730	1,764,173
Receivables, Net	120,879,032	21,158	120,900,190	239,772
Accrued Interest	357,029	-	357,029	4,343
Due From Component Units	1,963,276	-	1,963,276	-
Due From Other Governments	33,425,029	-	33,425,029	2,894,366
Inventory of Supplies	1,480,169	-	1,480,169	486,615
Prepaid and Other Assets	468,353	-	468,353	4,932,567
Capital Assets				
Land and Construction in Progress	78,487,775	-	78,487,775	4,149,581
Other Capital Assets, Net	208,348,340	61,906	208,410,246	12,756,714
Capital Assets, Net	$ 286,836,115	$ 61,906	$ 286,898,021	$ 16,906,295
Total Assets	$ 625,361,660	$ 991,169	$ 626,352,829	$ 48,479,584
LIABILITIES				
Accounts Payable	$ 10,887,974	$ 3,083	$ 10,891,057	$ 3,289,148
Matured Coupons Payable	61,923	-	61,923	-
Accrued Wages	3,075,445	-	3,075,445	14,843,145
Accrued Liabilities	3,237,858	5,990	3,243,848	-
Deferred Revenue	136,706,415	-	136,706,415	588,116
Due To Primary Government	-	-	-	1,963,276
Other Short-term Liabilities	306,420	26,589	333,009	187,474
Deposits	2,371,664	-	2,371,664	-
Long-term Liabilities Due Within One Year	12,340,154	-	12,340,154	340,796
Long-term Liabilities Due in More Than One Year	163,970,138	-	163,970,138	3,760,116
Total Liabilities	$ 332,957,991	$ 35,662	$ 332,993,653	$ 24,972,071
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	$ 118,522,879	$ 61,906	$ 118,584,785	$ 16,906,295
Restricted for:				
Capital Projects	70,128,321	-	70,128,321	-
Unrestricted Assets	103,752,469	893,601	104,646,070	6,601,218
TOTAL NET ASSETS	$ 292,403,669	$ 955,507	$ 293,359,176	$ 23,507,513

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Activities
For the Fiscal Year Ended June 30, 2002

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	$ 45,073,104	$ 21,332	$ 1,130,936	$ 829,457
Judicial Administration	12,504,545	1,395,165	3,787,963	-
Public Safety	83,167,309	8,195,177	10,911,488	-
Public Works	33,450,637	8,206,513	5,159,012	11,571,115
Library	4,798,030	-	-	-
Health and Welfare	66,814,195	4,886,862	27,507,168	-
Transit	6,838,495	-	-	-
Culture and Recreation	17,243,763	1,914,103	513,938	34,736
Community Development	11,945,267	80,142	3,824,744	-
Education	110,699,623	-	-	-
Interest on Long-term Debt	7,588,167	-	-	-
Total Governmental Activities	$ 400,123,135	$ 24,699,294	$ 52,835,249	$ 12,435,308
Business-type activities:				
Recycling	$ 486,926	$ 137,798	$ -	$ -
Total Primary Government	$ 400,610,061	$ 24,837,092	$ 52,835,249	$ 12,435,308
Component units:				
Alexandria Library	$ 5,409,812	$ 172,625	$ 288,736	$ -
Alexandria Transit Company	6,754,555	1,714,248	77,355	-
Alexandria Public Schools	143,377,210	2,056,097	28,777,484	-
Total Component Units	$ 155,541,577	$ 3,942,970	$ 29,143,575	$ -

General Revenues:

Taxes:

General Property Taxes:

Real Estate

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, Restated

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, 2002

Exhibit II

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (43,091,379)	$ -	$ (43,091,379)	$ -
(7,321,417)	-	(7,321,417)	-
(64,060,644)	-	(64,060,644)	-
(8,513,997)	-	(8,513,997)	-
(4,798,030)	-	(4,798,030)	-
(34,420,165)	-	(34,420,165)	-
(6,838,495)	-	(6,838,495)	-
(14,780,986)	-	(14,780,986)	-
(8,040,381)	-	(8,040,381)	-
(110,699,623)	-	(110,699,623)	-
(7,588,167)	-	(7,588,167)	-
$ (310,153,284)	$ -	$ (310,153,284)	$ -
$ -	$ (349,128)	$ (349,128)	$ -
$ (310,153,284)	$ (349,128)	$ (310,502,412)	$ -
$ -	$ -	$ -	$ (4,948,451)
-	-	-	(4,962,952)
-	-	-	(112,543,629)
$ -	$ -	$ -	$ (122,455,032)
$ 163,465,653	$ -	$ 163,465,653	$ -
38,509,785	-	38,509,785	-
85,814,609	-	85,814,609	-
-	-	-	120,884,510
28,882,201	-	28,882,201	-
7,294,238	-	7,294,238	50,574
538,278	-	538,278	68,031
$ 324,504,764	$ -	$ 324,504,764	$ 121,003,115
$ 14,351,480	$ (349,128)	$ 14,002,352	$ (1,451,917)
278,052,189	1,304,635	279,356,824	24,959,430
$ 292,403,669	$ 955,507	$ 293,359,176	$ 23,507,513

CITY OF ALEXANDRIA, VIRGINIA
Balance Sheet
Governmental Funds
June 30, 2002

Exhibit III

	General	Special Revenue	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	$ 65,781,061	$ 13,354,982	$ 37,358,667	$ 116,494,710
Cash and Investments with Fiscal Agents	1,447,947	104,423	54,111,360	55,663,730
Receivables, Net	119,001,707	1,877,325	-	120,879,032
Accrued Interest	357,029	-	-	357,029
Due From Component Units	10,669	-	1,952,607	1,963,276
Due From Other Governments	28,163,652	5,261,377	-	33,425,029
Inventory of Supplies	1,480,169	-	-	1,480,169
Prepaid and Other Assets	359,502	106,680	-	466,182
Total Assets	$ 216,601,736	$ 20,704,787	$ 93,422,634	$ 330,729,157
LIABILITIES				
Accounts Payable	$ 7,084,714	$ 2,349,930	$ 1,245,997	$ 10,680,641
Matured Coupons Payable	61,923	-	-	61,923
Accrued Wages	2,454,239	621,206	-	3,075,445
Accrued Vacation	2,077,824	-	-	2,077,824
Other Liabilities	289,301	-	17,119	306,420
Deposits	2,371,664	-	-	2,371,664
Deferred Revenue	134,033,412	3,911,181	-	137,944,593
Total Liabilities	$ 148,373,077	$ 6,882,317	$ 1,263,116	$ 156,518,510
FUND BALANCES				
Reserved for:				
Capital projects	$ -	$ -	$ 61,806,602	$ 61,806,602
Notes Receivable	-	1,558,984	-	1,558,984
Inventory of Supplies	1,480,168	-	-	1,480,168
Encumbrances	3,117,566	-	8,321,719	11,439,285
Unreserved	63,630,925	12,263,486	22,031,197	97,925,608
Total Fund Balances	$ 68,228,659	$ 13,822,470	$ 92,159,518	$ 174,210,647
Total Liabilities and Fund Balances	$ 216,601,736	$ 20,704,787	$ 93,422,634	

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)	276,892,557
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)	1,238,178
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)	17,532,613
Long-term liabilities, including bonds payable, are not reported as liabilities in the governmental funds. (Note 10)	(177,470,326)
Net Assets of Governmental Activities	$ 292,403,669

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, 2002

Exhibit IV

	General	Special Revenue	Capital Projects	Total Governmental Funds
REVENUES				
General Property Taxes	$ 205,145,697	$ -	$ -	$ 205,145,697
Other Local Taxes	83,959,774	-	-	83,959,774
Permits, Fees, and Licenses	3,501,475	718,938	-	4,220,413
Fines and Forfeitures	3,931,596	-	-	3,931,596
Use of Money & Property	8,769,357	177,975	910,860	9,858,192
Charges for Services	8,954,310	5,198,421	8,575	14,161,306
Intergovernmental Revenue	46,601,917	32,229,946	282,337	79,114,200
Miscellaneous	538,278	2,505,805	1,824,668	4,868,751
Total Revenues	$ 361,402,404	$ 40,831,085	$ 3,026,440	$ 405,259,929
EXPENDITURES				
Current Operating:				
General Government	$ 29,704,416	$ 451,626	$ -	$ 30,156,042
Judicial Administration	10,779,223	1,236,332	-	12,015,555
Public Safety	75,925,565	2,242,594	-	78,168,159
Public Works	27,174,195	283,287	-	27,457,482
Library Transfer	4,798,030	-	-	4,798,030
Health and Welfare	14,310,933	52,089,239	-	66,400,172
Transit and Transit Transfer	6,838,495	-	-	6,838,495
Culture and Recreation	14,554,083	410,546	-	14,964,629
Community Development	6,253,013	3,288,637	-	9,541,650
Education and Transfer to School	107,282,112	-	2,801,805	110,083,917
Debt Service:				
Principal	8,559,463	-	-	8,559,463
Interest and Other Charges	7,577,413	-	-	7,577,413
Capital Outlay	-	-	46,905,888	46,905,888
Total Expenditures	$ 313,756,941	$ 60,002,261	$ 49,707,693	$ 423,466,895
Excess (Deficiency) of Revenues over (Under) Expenditures	$ 47,645,463	$ (19,171,176)	$ (46,681,253)	$ (18,206,966)
OTHER FINANCING SOURCES (USES)				
Sale of Surplus Property	$ -	$ -	$ 30,050	$ 30,050
Bond Proceeds	-	-	54,500,000	54,500,000
Transfers In	-	20,532,214	19,970,000	40,502,214
Transfers Out	(40,452,214)	(127,861)	-	(40,580,075)
Total Other Financing Sources and Uses	$ (40,452,214)	$ 20,404,353	$ 74,500,050	$ 54,452,189
Net Change in Fund Balance	$ 7,193,249	$ 1,233,177	$ 27,818,797	$ 36,245,223
Fund Balance at Beginning of Year	60,833,603	12,589,293	64,340,721	
Decrease in Reserve for Inventory	201,807	-	-	201,807
Fund Balance at End of Year	$ 68,228,659	$ 13,822,470	$ 92,159,518	

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.	$ 8,559,463
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)	25,170,639
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. (Note 4)	(1,315,424)
Bond proceeds provide current financial resources to goevernmental funds, but issuing debt increases long term liabilities in the Statement of Net Assets (Note 10)	(54,500,000)
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)	(2,865,685)
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)	2,855,457
Change in Net Assets of Governmental Activities	$ 14,351,480

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Net Assets
Proprietary Funds
June 30, 2002

Exhibit V

	Business Type Activities--Enterprise Fund	Governmental Activities
	Recycling Fund	Internal Service Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 908,105	$ 7,794,217
Receivables	21,158	-
Prepaid and Other Assets	-	2,171
Total Current Assets	$ 929,263	$ 7,796,388
Noncurrent Assets:		
Capital Assets:		
Buildings and Equipment	$ 960,431	$ 27,800,386
Less Accumulated Depreciation	(898,525)	(17,856,828)
Capital Assets, Net	$ 61,906	$ 9,943,558
Total Assets	$ 991,169	$ 17,739,946
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 3,083	$ 207,333
Accrued Liabilities	5,990	-
Other Liabilities	26,589	-
Total Current Liabilities	$ 35,662	$ 207,333
Total Liabilities	$ 35,662	$ 207,333
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	$ 61,906	$ 9,943,558
Unrestricted	893,601	7,589,055
Total Net Assets	$ 955,507	$ 17,532,613
Total Liabilities and Net Assets	$ 991,169	$ 17,739,946

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, 2002

Exhibit VI

	Business-Type Activities	Governmental Activities
	Recycling	Internal Service Fund
Operating Revenues:		
Charges for Services	$ 137,798	$ 4,066,980
Total Operating Revenues	$ 137,798	$ 4,066,980
Operating Expenses:		
Personal Services	$ 311,378	$ -
Contractual Services	6,556	-
Materials and Supplies	17,732	1,285,634
Other Charges	98,819	-
Depreciation	52,441	2,212,095
Total Operating Expenses	$ 486,926	$ 3,497,729
Operating Income (Loss)	$ (349,128)	$ 569,251
Nonoperating Revenues (Expenses):		
Loss on Disposal of Fixed Assets	$ -	$ (3,750)
Total Nonoperating Expenses	$ -	$ (3,750)
Net Income (Loss) Before Transfers	$ (349,128)	$ 565,501
Transfers In	-	77,861
Change in Net Assets	$ (349,128)	$ 643,362
Total Net Assets at Beginning of Year	1,304,635	16,889,251
Total Net Assets at End of Year	$ 955,507	$ 17,532,613

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2002

Exhibit VII

	Business-Type Activities	Governmental Activities
	Recycling Fund	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts From Customers	$ 145,565	$ 4,066,980
Payments to Suppliers	(119,969)	(1,188,338)
Payments to Employees	(331,931)	-
Net Cash Provided (Used) by Operating Activities	$ (306,335)	$ 2,878,642
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Subsidies and Transfers from Other Funds	$ -	$ 77,861
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets	$ -	$ (3,393,543)
Net Cash (Used) By Capital and Related Financing Activities	$ -	$ (3,393,543)
Net (Decrease) in Cash and Cash Equivalents	$ (306,335)	$ (437,040)
Cash and Cash Equivalents at Beginning of Year	1,214,440	8,231,257
Cash and Cash Equivalents at End of Year	$ 908,105	$ 7,794,217
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used) Operating Activities		
Operating Income (Loss)	$ (349,128)	$ 569,251
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	52,441	2,212,095
Change in Assets and Liabilities:		
Receivables	7,767	-
Prepaid and Other Assets	1,066	2,171
Accounts Payable	2,072	99,467
Accrued Liabilities	(1,992)	-
Other Liabilities	(18,561)	-
Net Cash Provided by (Used in) Operating Activities	$ (306,335)	$ 2,882,984

Noncash investing, capital and financing activities:
Capital assets with a net book value of $3,750 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, 2002

Exhibit VIII

	Employee Retirement Plans	Private-Purpose Trusts	Agency Funds
ASSETS			
Cash and Short-term Investments	$ -	$ 6,023	$ 22,214
Investments, at Fair Value:			
U.S. Government Obligations	6,342,828	-	441,375
Repurchase Agreements	-	-	66,537
Mutual Funds	53,981,943	-	-
Corporate Stocks	24,993,062	-	-
Guaranteed Investment Accounts	105,613,392	-	-
Other Investments	1,950,617	-	-
Total Investments	$ 192,881,842	$ -	$ 507,912
Total Assets	$ 192,881,842	$ 6,023	$ 530,126
LIABILITIES			
Refunds Payable and Other	$ -	$ 500	$ 530,126
	$ -	$ 500	$ 530,126
NET ASSETS			
Held in Trust for Pension Benefits and Other Purposes	$ 192,881,842	$ 5,523	

See Accompanying Notes to Financial Statements

City of Alexandria, Virginia
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2002

Exhibit IX

CHANGES IN NET ASSETS	Employee Retirement Plans	Private-Purpose Trusts
ADDITIONS		
Contributions:		
Employer	$ 8,511,071	$ -
Plan Members	1,987,038	-
Total Contributions	$ 10,498,109	$ -
Investment Earnings:		
Net Depreciation in Fair Value of Investments	$ (14,636,148)	$ -
Proceeds from demutualization	$ 2,522,249	
Interest	7,090,404	141
Total Investment Earnings	$ (5,023,495)	$ 141
Less Investment Expense	93,113	
Net Investment Income (Loss)	$ (5,116,608)	$ 141
Total Additions	$ 5,381,501	$ 141
DEDUCTIONS		
Benefits	$ 6,837,515	$ 500
Refunds of Contributions	3,452,431	-
Administrative Expenses	153,980	-
Total Deductions	$ 10,443,926	$ 500
Change in Net Assets	$ (5,062,425)	$ (359)
Net Assets at Beginning of Year	197,944,267	5,882
Net Assets at End of Year	$192,881,842	$ 5,523

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Net Assets
Component Units
June 30, 2002

Exhibit X

	School Board	Library	Transit	Total
ASSETS				
Cash and Cash Equivalents	$ 18,927,049	$ -	$ 2,324,404	$ 21,251,453
Cash and Investments with Fiscal Agents	-	1,764,173	-	1,764,173
Receivables	171,141	-	68,631	239,772
Accrued Interest	-	4,343	-	4,343
Due from Other Governments	2,772,588	-	121,778	2,894,366
Inventory of Supplies	190,147	-	296,468	486,615
Prepaid and Other Assets	4,914,376	16,877	1,314	4,932,567
Capital assets				
Land and Construction in Progress	999,381	-	3,150,200	4,149,581
Other Capital Assets, Net	5,362,219	-	7,394,495	12,756,714
Capital Assets, Net	6,361,600	-	10,544,695	16,906,295
Total Assets	$ 33,336,901	$ 1,785,393	$ 13,357,290	$ 48,479,584
LIABILITIES				
Accounts Payable	$ 2,992,108	$ 71,516	$ 225,524	$ 3,289,148
Accrued Wages	14,612,151	75,768	155,226	14,843,145
Deferred Revenue	588,116	-	-	588,116
Due to Primary Government	1,952,607	10,669	-	1,963,276
Other Short-term Liabilities	-	-	187,474	187,474
Long-term Liabilities Due Within One Year	340,796			340,796
Long-term Liabilities Due in More Than One Year	3,760,116	-	-	3,760,116
Total Liabilities	$ 24,245,894	$ 157,953	$ 568,224	$ 24,972,071
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	$ 6,361,600	$ -	$ 10,544,695	$ 16,906,295
Unrestricted Assets	2,729,407	1,627,440	2,244,371	6,601,218
Total Net Assets	$ 9,091,007	$ 1,627,440	$ 12,789,066	$ 23,507,513

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statements of Activities
Component Units
For the Year Ended June 30, 2002

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	$143,377,210	$ 2,056,097	$ 28,777,484	$ (112,543,629)	$ -	$ -	$(112,543,629)
Total School Board	$143,377,210	$ 2,056,097	$ 28,777,484	$ (112,543,629)	$ -	$ -	$(112,543,629)
Library	$ 5,409,812	$ 172,625	$ 288,736	$ -	$ (4,948,451)	$ -	$ (4,948,451)
Transit	6,754,555	1,714,248	77,355	-	-	(4,962,952)	(4,962,952)
Total Component Units	$155,541,577	$ 3,942,970	$ 29,143,575	$ -	$ (4,948,451)	$ (4,962,952)	$(122,455,032)
General Revenues:							
Payment From City				$ 107,269,189	$ 4,798,030	$ 4,082,830	$ 116,150,049
Capital Payment From City				2,801,805	-	-	2,801,805
Capital Contribution				-	-	1,932,656	1,932,656
Interest and Investment Earnings				-	50,574	-	50,574
Miscellaneous				12,093	38,718	17,220	68,031
Total General Revenues				$ 110,083,087	$ 4,887,322	$ 6,032,706	$ 121,003,115
Change in Net Assets				$ (2,460,542)	$ (61,129)	$ 1,069,754	$ (1,451,917)
Net Assets Beginning of Year				11,551,549	1,688,569	11,719,312	24,959,430
Net Assets End of Year				$ 9,091,007	$ 1,627,440	$ 12,789,066	$ 23,507,513

See Accompanying Notes to Financial Statements

Exhibit XII

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Narrative Profile

The City of Alexandria, located in northern Virginia and bordered by the District of Columbia (Potomac River) and Arlington and Fairfax Counties, was founded in 1749 and incorporated in 1779. With a population of 134,000 and a land area of 15.75 square miles, Alexandria is the 7th largest city in the Commonwealth of Virginia and one of the most densely populated cities in the Commonwealth.

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

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

A. Financial Reporting Entity

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

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

Government-wide financial statements – These include financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets 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. The government-wide statements include the Statement of Net Assets and the Statement of Program Activities.

Statement of Net Assets – The Statement of Net Assets displays 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 are broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Program Activities – The 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).

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

As required by accounting principles generally accepted in the United States of America, 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 for school projects. The legal liability for the general obligation debt issued for school capital assets remains with the City. The City's primary transaction with the School Board is the City's annual General Fund revenue subsidy, which included $107 million for operations and $3 million for equipment in FY 2002.

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

City of Alexandria Library System

City Council appoints the Library Board 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 issued on behalf of the Library remains with the City. The City's primary transaction with the Library is the City's annual subsidy, which was $4.8 million for FY 2002.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Alexandria Transit Company

The City Council, acting as sole shareholder, elects members of the Alexandria Transit Company's board of directors. City Council approves bus routes, fares, and budgets. The City funds deficits and may issue debt on behalf of the Alexandria Transit Company. The City's primary transactions with the Alexandria Transit Company are the City's annual subsidy, which was $4.1 million and a capital contribution, which was $1.9 million in FY 2002.

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

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 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.

The City adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units,* during the fiscal year ended June 30, 2002. The adoption of Statement No. 39 is not material to the basic financial statements.

B. Government-wide and Fund Financial Statements

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

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

safety, public works, health and welfare, etc.) or a business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The City does not allocate indirect expenses. The operating grants and contributions column includes operating-specific and discretionary (either operating or capital) grants while the capital grants and contributions column reflects capital-specific grants.

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

The City's fiduciary funds are presented in the fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. The following is a brief description of the specific funds used by the City in FY 2002.

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 to the extent these standards do not conflict with or contradict guidance of the GASB.

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 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

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

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

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

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

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 15, 2001, the City Council formally approved the original adopted budget and on June 25, 2002 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 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year. There were no material violations of the annual appropriated budget for the General and Special Revenue funds for the fiscal year ended June 30, 02002.

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 $17,915 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, 2002, is comprised of the following:

GENERAL FUND:	
Taxes Receivable:	
Property	$ 939,590
Personal	27,051,431
Penalties and Interest	2,829,898
Total taxes	$ 30,820,919
Accounts Receivable	$ 25,221
Notes Receivable	9,000
	$ 30,855,140
SPECIAL REVENUE FUND:	
Notes Receivable	$ 1,999,019

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 consists of expendable supplies held for consumption. The costs are recorded as expenditures under the purchase method. Reported inventories in the General Fund are equally offset by a reservation of fund balance. Purchases of non-inventory items are recorded as expenses or expenditures under the purchase method, resulting in prepaid expenditures. Prepaid expenditures in reimbursable grants are offset by deferred revenues until expenses or 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. 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
Infrastructure	25 years
Furniture and Other Equipment	3-20 years

To the extent the City's capitalization threshold of $5,000 is met, capital outlays of the 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.

Exhibit XII

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, 2002 consisted of the following:

Subsequent Fiscal Year's Operating Budgets	
– 2003	$ 9,816,624
– 2004	3,384,096
Subsequent Fiscal Years' Capital Program	
2003 – 2008	12,300,000
Self-Insurance	5,000,000
Compensated Absences	7,208,635
Ongoing Projects	1,375,987
Total Designations	$ 39,085,342

Subsequent Year's Operating Budget - On June 15, 2002, City Council approved the Fiscal Year 2003 Appropriations Ordinance, which appropriated $9.8 million of General Fund Balance to meet anticipated expenditures. $3.4 million is the amount designated for FY 2004.

Subsequent Years' Capital Program - These monies ($12.3 million) have been designated in the Approved Fiscal Year 2003 Budget (Annual Capital Improvement Program Funding Plan), or designated subsequent thereto, to fund that portion of the capital improvement program in FY 2003 and beyond.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 calculated at 50 percent of the FY 2000 long-term liability in accordance with the FY 2003 budget approved by City Council in May 2002.

Ongoing Projects – These monies ($1.4 million) have been set aside for projects approved by the City Council in FY 2002 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 2002, 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 2002, 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, 2002, the carrying value of the City's deposits was negative $5,867,021 and the bank balance was negative $1,303,168. The negative balance represents authorized outstanding checks at June 30, 2002. 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.

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Component Units

The carrying value of deposits for the School Board was negative $3,664,968 and the bank balance was $387,427. The negative balance represents authorized checks issued but outstanding at June 30, 2002. The entire bank balance was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act as defined above.

At June 30, 2002, the carrying value of deposits and bank balance for the Library was $134,907. Only $63,350 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, $71,557, was categorized as uninsured and uncollateralized in category three of credit risk.

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

B. Investments

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

A designated portfolio manager placed the City's investments during fiscal year 2002. The City has a contract with the portfolio manager which requires that, at the time funds are invested, collateral for repurchase agreements be held in the City's name by a custodial agent for the term of the agreement and investments in obligations of the United States or its agencies be held by the Federal Reserve in a custodial account.

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

The City's and its discretely presented component units' investments are categorized below to give an indication of the level of custodial credit risk assumed at June 30, 2002. 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	$ 17,216,071	$ ---	$ ---	$ 17,216,071
Obligations of U.S. Government and Agencies	114,361,917	---	---	114,361,917
Total Investments Controlled by City	$131,577,988	$ ---	$ ---	$ 131,577,988
Pension Plan Investments				
Obligations of U.S. Government and Agencies	$ ---	$ ---	$ 6,342,828	$ 6,342,828
Guaranteed Investment Account*	---	---	---	105,613,392
Mutual Funds*	---	---	---	53,981,943
Stocks	---	---	24,993,062	24,993,062
Short-Term Investment	---	---	1,950,617	1,950,617
Total Pension Plan Investments				$192,881,842
Education Fund:				
Mutual Funds	---	---	96,966	$ 96,966
Money market Funds	---	---	7,457	7,457
Total Education Fund				$ 104,423
Virginia State Non Arbitrage Program			54,111,360	$ 54,111,360
Total Investments				$ 378,675,613

* No risk categories have been specified for mutual funds and guaranteed investment accounts

Short-term investment includes corporate bonds and asset backed securities

Reconciliation to Cash and Investments:

Cash and Investments	$ 378,675,613
Cash on Hand and in Banks	(5,867,021)
Cash With Fiscal Agents	1,470,161
Total Deposits and Investments	$ 374,278,753

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Component Units

At June 30, 2002, 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	$ 2,956,018	$ ---	$ ---	$ 2,956,018
Obligations of U.S. Government and Agencies	19,635,999	---	---	19,635,999
Total Investments Controlled by City	$ 22,592,017	$ ---	$ ---	$ 22,592,017
Pension Plan Investments				
Guaranteed Investment Account*	$ ---	$ ---	$ ---	$ 59,234,044
Total Pension Plan Investments				$ 59,234,044
Total Investments				$ 81,826,061

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

Reconciliation to Cash and Investments:

Cash and Investments	$ 81,826,061
Cash on Hand and in Banks	(3,664,968)
Cash With Fiscal Agents	387,202
Total Deposits and Investments	$ 78,548,295

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

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Other Component Units

Type of Investment	Category 1	Category 2	Category 3	Fair Value
Investments Controlled by City				
Repurchase Agreement	$ 304,122	$ ---	$ ---	$ 304,122
Obligations of U.S. Government and Agencies	2,020,282	---	---	2,020,282
Total Investments Controlled by City	$ 2,324,404	$ ---	$ ---	$ 2,324,404
Investments Controlled by Library				
Obligations of the U.S. Government	$ 607,786	$ ---	$ ---	$ 607,786
Corporate Obligations	421,273	---	---	421,273
Stocks	---	---	523,249	523,249
Miscellaneous Short-Term Investments	---	---	76,958	76,958
Total Investments Controlled by Library	$ 1,029,059	$ ---	$ 600,207	$ 1,629,266
Total Investments				$ 3,953,670

Reconciliation to Cash and Investments:

Cash and Investments	$3,953,670
Cash on Hand and in Banks	134,907
Total Deposits and Investments	$4,088,577

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Reconciliation of total deposits and investments to the government-wide financial statements at June 30, 2002:

	Governmental Activities	Business-type Activities	Fiduciary Responsibilities	Total
Primary Government				
Cash on Hand and In Banks	$ (5,867,021)	$ ---	$ ---	$ (5,867,021)
Cash and Investments	130,155,948	908,105	513,935	131,577,988
Cash and Investments with Fiscal Agents	1,386,024	---	192,881,842	194,267,866
Cash and Investments in Custody of Others	54,277,706	---	22,214	54,299,920
Total	$ 179,952,657	908,105	$ 193,417,991	$ 374,278,753
Component Unit Schools				
Cash on Hand and In Banks	$ (3,664,968)	$ ---	$ ---	$ (3,664,968)
Cash and Investments	22,592,017	---	---	22,592,017
Cash and Investments with Fiscal Agents	---	---	59,234,044	59,234,044
Cash and Investments in Custody of Others	---	---	387,202	387,202
Total	$ 18,927,049	$ ---	$ 59,621,246	$ 78,548,295
Other Component Units				
Cash on Hand and In Banks	$ 134,907	$ ---	$ ---	$ 134,907
Cash and Investments	---	2,324,404	---	2,324,404
Cash and Investments with Fiscal Agents	1,629,266	---	---	1,629,266
Total	$ 1,764,173	$ 2,324,404	$ ---	$ 4,088,577
Grand Total				$ 456,915,625

Exhibit XII
(Continued)

NOTE 4. RECEIVABLES

Receivables at June 30, 2002 consist of the following:

Primary Government

	Governmental Activities		Business-type Activities	Total
	General	Special Revenue	Recycling Fund	
Interest	$ 357,029	$ —	$ —	$ 357,029
Taxes				
Real Property	88,696,620	---	---	88,696,620
Personal Property	48,253,563	---	---	48,253,563
Penalties and interest	4,037,569	---	—	4,037,569
Other taxes	709,622	---		709,622
Total Taxes	$ 141,697,374	$ ---	$ ---	$ 141,697,374
Accounts	8,150,473	263,642	21,158	8,435,273
Intergovernmental	28,163,652	5,261,377	---	33,425,029
Notes	9,000	3,612,702	---	3,621,702
Gross receivables	$ 178,377,528	$ 9,137,721	$ 21,158	$ 187,536,407
Less: Allowance for Uncollectibles	30,855,140	1,999,019	---	32,854,159
Net Receivables	$ 147,522,388	$ 7,138,702	$ 21,158	$ 154,682,248

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 21.8 percent of the total taxes receivable at June 30, 2002 and is based on historical collection rates.

Long-term assets on a government-wide basis include taxes receivable of $1.2 million that are not available to pay for current period expenditures and, 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 $1.3 million of taxes that did not use current financial resources, and therefore, are not required to be reported in the governmental funds.

Exhibit XII
(Continued)

NOTE 4. RECEIVABLES (Continued)

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 2002 deferred revenue in the governmental funds consisted of the following:

	Unavailable	Unearned	Total
Delinquent property taxes, net of related allowances	$ 133,228,605	$ 804,807	$ 134,033,412
Grant proceeds received prior to completion of eligibility requirements	---	3,911,181	3,911,181
Total deferred revenue for governmental funds	$ 133,228,605	$ 4,715,988	$ 137,944,593

Component Units

Receivables at June 30, 2002 consist of following:

	School Board	Library	Transit	Total
Receivables:				
Interest	$ ---	$ 4,343	$ ---	$ 4,343
Accounts	---	---	68,631	68,631
Intergovernmental	2,772,588	---	121,778	2,894,366
Other	171,141	---	---	171,141
Total Receivables	$ 2,943,729	$ 4,343	$ 190,409	$ 3,138,481

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

All deferred revenue in the component units is unearned.

A. Property Taxes

The City levies real estate taxes on all real property on a calendar year basis, at a rate enacted by the City Council on the assessed value of property (except public utility property) as determined by the Director of Real Estate Assessments of the City. The Commonwealth assesses public utility property. Neither the City nor the Commonwealth 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.

Real estate taxes are billed in equal semi-annual installments due June 15 and November 15. The taxes receivable balance at June 30, 2002 includes amounts not yet received from the January 1, 2002 levy (due June 15 and November 15, 2002), less an allowance for uncollectibles. The installment due on November 15, 2002 is included as deferred revenue since these taxes are restricted for use until FY 2003. 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

Exhibit XII
(Continued)

NOTE 4. RECEIVABLES (Continued)

addition, any uncollected amounts from previous years' levies are incorporated in the taxes receivable balance. The tax rate was $1.08 and $1.11 per $100 of assessed value during calendar year 2002 and 2001, respectively.

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, 2002 includes amounts not yet billed or received from the January 1, 2002 levy (due October 7, 2002). These taxes are included as deferred revenue since these taxes are restricted for use until FY 2003. The tax rates during calendar year 2002 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 70 percent of most taxpayers' payments in FY 2002 for the January 1, 2001 levy for the State's share of the local personal property tax payment with the remainder collected by the City. Deferred revenues include the 70 percent state share of the January 1, 2002 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, 2002:

Governmental Activities

General Fund	$ 9,000
Special Revenue Fund	3,612,702
Less Allowance for Uncollectible Accounts	(2,008,019)
Net	$ 1,613,683
Amounts due within one year	$ 54,699
Amounts due in more than one year	$ 1,558,984

Exhibit XII
(Continued)

NOTE 5. CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2002:

Governmental Activities

	Restated Balance June 30, 2001	Increases	Decreases	Balance June 30, 2002
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 48,347,796	$ 736,500	$ 43,053	$ 49,041,243
Construction in Progress	23,653,531	30,876,086	25,083,085	29,446,532
Total Capital Assets Not Being Depreciated	$ 72,001,327	$ 31,612,586	$ 25,126,138	$ 78,487,775
Other Capital Assets:				
Buildings	$ 175,566,597	$ 11,464,928	$ --	$ 187,031,525
Infrastructure	82,098,655	16,772,463	--	98,871,118
Furniture and Other Equipment	33,839,285	5,397,292	746,332	38,490,245
Total Other Capital Assets	$ 291,504,537	$ 33,634,683	$ 746,332	$ 324,392,888
Less Accumulated Depreciation for:				
Buildings	$ 46,711,634	$ 4,489,082	$ --	$ 51,200,716
Infrastructure	35,294,361	3,619,395	--	38,913,756
Furniture and Other Equipment	23,182,664	3,282,756	535,344	25,930,076
Total Accumulated Depreciation	$ 105,188,659	$ 11,391,233	$ 535,344	$ 116,044,548
Other Capital Assets, Net	$ 186,315,878	$ 22,243,450	$ 210,988	$ 208,348,340
TOTALS	$ 258,317,205	$ 53,856,036	$ 25,337,126	$ 286,836,115

Note 5. CAPITAL ASSETS (Continued)

Exhibit XII (Continued)

In FY 2002 the Virginia Assembly passed a general law to respond to GASB Statement No. 34 that establishes local option of creating for financial reporting purposes, a tenancy in common with the local school board when a city or county issues bonds. The sole purpose of the law is to allow cities and counties the ability to record together school assets and related debt liabilities. As a result, certain assets purchased with the City's general obligation bonds are now recorded as part of the primary government. According to the law, the tenancy in common ends when the associated obligation is repaid, therefore the assets will revert to the Alexandria School Board when the bonds are repaid. Nothing in the law alters the authority or responsibility of the local school board or control of the assets. As a result of this change, the City has restated its property, plant and equipment balances as of June 30, 2001 as follows:

Governmental Activities	Balance June 30, 2001	Restatement	Restated Balance June 30, 2001
Capital Assets Not Being Depreciated			
Land and Land Improvements	$ 46,320,138	$ 2,027,658	$ 48,347,796
Construction in Progress	22,656,855	996,676	23,653,531
Total Capital Assets Not Being Depreciated	$ 68,976,993	$ 3,024,334	$ 72,001,327
Other Capital Assets:			
Buildings	$ 164,821,548	$ 10,745,049	$ 175,566,597
Infrastructure	82,098,655	-	82,098,655
Furniture and Other Equipment	32,977,787	861,498	33,839,285
Total Other Capital Assets	$ 279,897,990	$ 11,606,547	$ 291,504,537
Less Accumulated Depreciation for:			
Buildings	$ 46,711,634	$ -	$ 46,711,634
Infrastructure	35,294,361	-	35,294,361
Furniture and Other Equipment	23,182,664	-	23,182,664
Total Accumulated Depreciation	$ 105,188,659	$ -	$ 105,188,659
Other Capital Assets, Net	$ 174,709,331	$ 11,606,547	$ 186,315,878
TOTALS	$ 243,686,324	$ 14,630,881	$ 258,317,205

As a result of the change in state law, $16.0 million and $14.6 million in school assets purchased with bonds were added to the governmental activities for FY 2002 and FY 2001, respectively for a total of $30.6 million in School assets included in the governmental activities as of June 30, 2002. The difference between school and City net fixed assets restated reflects a difference in depreciation policies.

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

Governmental activities capital assets net of accumulated depreciation at June 30, 2002 are comprised of the following:

General Capital Assets, Net	$ 276,892,557
Internal Service Fund Capital Assets, Net	9,943,558
TOTAL	$ 286,836,115

Note 5. CAPITAL ASSETS (Continued)

Exhibit XII (Continued)

Depreciation was charged to governmental functions as follows:

General Government	$ 1,273,529
Judicial Administration	488,990
Public Safety	1,287,507
Public Works	5,448,560
Health and Welfare	414,023
Culture and Recreation	1,694,420
Education	615,706
Community Development	168,498
Total	$ 11,391,233

Component Unit - School Board

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2002:

	Restated Balance June 30, 2001	Increases	Decreases	Balance June 30, 2002
Capital Assets Not Being Depreciated:				
Land and Land Improvements	$ 999,381	$ --	$ --	$ 999,381
Total Capital Assets Not Being Depreciated	$ 999,381	$ --	$ --	$ 999,381
Other Capital Assets:				
Buildings	$ 54,486,551	$ --	$ --	$ 54,486,551
Furniture and Other Equipment	5,776,063	251,511	259,419	5,768,155
Total Other Capital Assets	$ 60,262,614	$ 251,511	$ 259,419	$ 60,254,706
Less Accumulated Depreciation	$ 54,314,578	837,328	259,419	54,892,487
Other Capital Assets, Net	$ 5,948,036	$ (585,817)	$ --	$ 5,362,219
TOTALS	$ 6,947,417	$ (585,817)	$ --	$ 6,361,600

All depreciation was charged to education.

School assets were restated as of June 30, 2001 to reflect the change in Virginia State Code as discussed above.

Exhibit XII
(Continued)

Note 5. CAPITAL ASSETS (Continued)

	Balance June 30, 2001	Restatement	Restated Balance June 30, 2001
Capital Assets Not Being Depreciated			
Land and Land Improvements	$ 3,027,039	$ (2,027,658)	$ 999,381
Construction in Progress	996,676	(996,676)	-
Total Capital Assets Not Being Depreciated	$ 4,023,715	$ (3,024,334)	999,381
Other Capital Assets:			
Buildings	$ 65,231,600	$ (10,745,049)	$ 54,486,551
Furniture and Other Equipment	6,637,561	(861,498)	5,776,063
Total Other Capital Assets	$ 71,869,161	$ (11,606,547)	$ 60,262,614
Accumulated Depreciation	$ 54,578,116	$ (263,538)	$ 54,314,578
Other Capital Assets, Net	$ 17,291,045	$ (11,343,009)	$ 5,948,036
TOTALS	$ 21,314,760	$ (14,367,343)	$ 6,947,417

Component Unit – Alexandria Transit Company

	Balance June 30, 2001	Increases	Decreases	Balance June 30, 2002
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 1,217,544	$ 1,932,656	$ ---	$ 3,150,200
Other Capital Assets:				
Equipment	$ 13,062,209	$ 116,352	$ 346,988	$ 12,831,573
Accumulated Depreciation	4,848,527	934,628	346,077	5,437,078
Subtotal	$ 8,213,682	$ (818,276)	$ 911	$ 7,394,495
TOTALS	$ 9,431,226	$ 1,114,380	$ 911	$ 10,544,695

All depreciation was charged to transit.

Exhibit XII
(Continued)

Note 5. CAPITAL ASSETS (Continued)

Primary Government

Construction in progress is composed of the following at June 30, 2002:

	Project Authorization	Expended Through June 30, 2002	Committed
School Capital Projects	$ 22,652,573	$ 14,243,065	$ —
Infrastructure	9,536,139	530,950	3,276,326
Housing and Community Improvement	2,204,890	48,099	99,027
Parks and Recreation Facilities	4,856,513	1,082,715	236,725
Public Buildings	13,482,015	11,143,045	1,275,798
Public Safety Buildings	3,241,996	2,398,658	603,959
TOTALS	$ 55,974,126	$ 29,446,532	$ 5,491,835

In addition to the amount of $5.5 million shown above as committed, $2.8 million is encumbered for other non-capitalized projects, bringing total commitments to $8.3 million.

Business-Type Activities

The following is a summary of changes in capital assets for business-type activities for the fiscal year ended June 30, 2002:

	Balance June 30, 2001	Increases	Decreases	Balance June 30, 2002
Business-type activities:				
Equipment	$ 960,431	$ —	$ —	$ 960,431
Less Accumulated Depreciation for:				
Equipment	846,084	52,441	—	898,525
TOTAL	$ 114,347	$ (52,441)	$ —	$ 61,906

All depreciation was charged to recycling.

Component Units

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

Exhibit XII
(Continued)

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	$46,905,888
Donated Assets	10,298,253
Depreciation Expense	(11,391,233)
Capital Outlay not Capitalized	(20,642,269)
Total Adjustment	$ 25,170,639

Donated assets are comprised of the cost of infrastructure constructed by the state on City property and turned over to the City for maintenance.

Component Unit – School Board

Capital Outlay	$ 4,491,615
Depreciation Expense	(837,328)
Capital Outlay not Capitalized	(4,240,104)
Total Adjustment for Schools	$ (585,817)

Exhibit XII
(Continued)

NOTE 6. RISK MANAGEMENT

The City is exposed to various losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the City to retain risks of losses in those areas where it believes it is more economical to manage its risks internally and account for any claims settlement in the General Fund. Exceptions to the self-insurance program are made when insurance coverage is available and when premiums are cost effective. The City is covered by property/casualty insurance policies on real and personal property (except vehicles) and the following liability insurance policies as of June 30, 2002: 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, 2002:

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 $2.5 million as of June 30, 2002, 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, 2002 and 2001 were as follows:

	FY 2002	FY 2001
Estimated claims payable at beginning of period	$ 2,440,071	$2,086,960
Current fiscal year claims and changes in estimates	1,103,663	1,542,549
Claim payments	(1,042,210)	(1,189,438)
Estimated claims payable at end of period	$ 2,501,524	$2,440,071

Exhibit XII
(Continued)

NOTE 6. RISK MANAGEMENT (Continued)

Insurance Reserve

In addition, the City has designated a General Fund fund balance self-insurance reserve of $5 million as of June 30, 2002.

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 insurance for all risks of loss, including property insurance, theft, auto liability, physical damage, and general liability insurance through the Virginia Municipal League. The School Board is self-insured for workers compensation. School management has estimated their workers compensation liability is not significant, and therefore, a liability has not been recorded as of June 30, 2002. Settled claims resulting from these risks have not exceeded commercial insurance coverage. There were no material reductions in insurance coverage from coverage in the prior fiscal year nor did settlements exceed coverage for any of the past three fiscal years.

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

On October 1, 1987, the Alexandria Transit Company joined the Virginia Transit Liability Pool. 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 2002, the Alexandria Transit Company paid an annual premium of $209,920 for participation in this pool.

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

Exhibit XII
(Continued)

NOTE 6. RISK MANAGEMENT (Continued)

workers' compensation coverage. VMGSIA is self-sustaining through member premiums and will reinsure for claims in excess of $5 million. Each member's premium is determined through an actuarial analysis based upon the individual district's past experience and number of employees. In Fiscal Year 2002, the Alexandria Transit Company paid an annual premium of $36,398 for participation in this pool.

NOTE 7. OPERATING LEASES

Rental Costs

The City and the School Board lease office space and equipment under various long-term operating lease agreements expiring at various dates through Fiscal Year 2017. 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
2003	$ 2,934,872	$ 941,946
2004	2,213,117	970,204
2005	2,056,064	999,311
2006	1,692,576	1,029,290
2007	1,587,201	1,060,169
2008-2012	7,085,711	5,797,442
2013-2017	3,444,625	--

Total rental costs during Fiscal Year 2002 for operating leases were $2,685,709 for the Primary Government and $1,748,697 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 2012. The net book value of leased assets of $5.7 million (cost of $6.8 million less accumulated deprecation of $1.2 million) is included in capital assets in the government-wide financial statements. Certain leases contain provisions for future increased revenues based upon changes in the Consumer Price Index.

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

Fiscal Year	Total Revenues
2003	$ 266,284
2004	218,762
2005	156,159
2006	156,159
2007	156,159
2008-2012	780,793

Exhibit XII
(Continued)

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
2003	$ 158,479
2004	158,192
2005	157,353
2006	157,359
2007	158,145
2008	158,483
	$ 948,011
Less: Amount Representing Interest	158,480
Present Value of Future Minimum Lease Payments	$ 789,531

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

Exhibit XII
(Continued)

NOTE 9. COMMITMENTS AND CONTINGENCIES (Continued)

include a schedule for capital contributions required of the jurisdictions to match federal appropriations from the respective authorizations. As of June 30, 2002, only $0.6 million in City commitments under ICCA-V had not been contributed.

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 2004. 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 called 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 came from credits available at WMATA.

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, 2002, the total City obligation was $2.4 million for the WMATA capital replacement/improvement. Of this total, $1.0 million was funded with Commonwealth Transportation Bonds, $1.0 million from City capital project funds, $0.3 million in WMATA credits, and the remaining $0.1 million with State motor fuel sales tax revenues and other state aid.

3. Operating subsidies - Bus and Rail Systems

During the fiscal year ended June 30, 2002, obligations for bus and rail subsidies amounted to $16.1 million. The City paid this obligation from the following sources:

City payments	$ 1,889,260
Credits available at WMATA and NVTC	1,131,291
State Aid and State Motor Fuel Sales Tax revenues	13,055,033
TOTAL	$16,075,584

Expected obligations for Fiscal Year 2003 are $15.9 million of which $2.7 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 2002 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, 2002. 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 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.

Exhibit XII
(Continued)

NOTE 9. COMMITMENTS AND CONTINGENCIES (Continued)

B. Litigation

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

C. Waste-To-Energy Facility

The City has guaranteed annual tonnage of acceptable waste commitment to the Waste-to-Energy Facility, which is owned and operated by a private corporation. The commitment, which is joint with Arlington County, is based on a percent of solid waste the City and Arlington County expects to collect together. The facility 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 2002, 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 are paid for primarily through tipping fees. The City paid $1,661,630 in tipping fees in FY 2002. The City is not responsible for the repayment of the bonds.

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 2002 payment of $256,070 was made from the proceeds from the City's telecommunications tax received by the General Fund. The City is not liable for repayment of the bonds.

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. The City currently has no outstanding arbitrage obligation. General obligation bonds outstanding as of June 30, 2002 are composed of the following individual issues:

	Amount Outstanding
$54,500,000 Public Improvement Bonds of 2001 installments ranging from $1,700,000 to $2,900,000 through 2021, bearing interest at rates ranging from 3.25 percent to 4.875 percent. The bonds maturing before June 15, 2012 are not subject to redemption before maturity. Beginning June 15, 2011, bonds maturing on or after June 15, 2012 are subject to redemption at the direction of the City, in whole or in part in installments of $5,000, at certain redemption prices that include a redemption premium plus accrued interest.....	$ 53,850,000
$55,000,000 Public Improvement Bonds of 2000 installments ranging from $2,300,000 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.....	53,000,000
$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.....	34,000,000
$22,655,000 Public Improvement and Refunding Bonds ($10,000,000 refunded) of 1994 due in annual installments ranging from $790,000 to $1,805,000 through 2009, bearing interest rates ranging from 4.625 percent to 5.1 percent. The bonds are not subject to redemption prior to maturity	9,445,000
$23,485,000 Public Improvement Refunding Bonds ($20,980,000 refunded) of 1992 due in annual installments ranging from $1,125,000 to $2,505,000 through 2003, bearing interest at rates ranging from 5.75 percent to 5.85 percent. The bonds are not subject to redemption prior to maturity	3,630,000
	$153,925,000

Exhibit XII
(Continued)

NOTE 10. LONG-TERM DEBT (Continued)

The outstanding bonds have been issued as follows:

Public Improvement Bonds of 2001

CUSIP	Issue	Rate	Maturity Date June 15,
015302UX8	$ 1,700,000	3.25	2003
015302UY6	2,900,000	3.25	2004
015302UZ3	2,900,000	4.00	2005
015302VA7	2,900,000	3.60	2006
015302VB5	2,900,000	3.80	2007
015302VC3	2,900,000	4.00	2008
015302VD1	2,900,000	4.00	2009
015302VE9	2,900,000	4.13	2010
015302VF6	2,900,000	4.25	2011
015302VG4	2,895,000	4.40	2012
015302VH2	2,895,000	4.50	2013
015302VJ8	2,895,000	4.50	2014
015302VK5	2,895,000	4.63	2015
015302VL3	2,895,000	5.25	2016
015302VM1	2,895,000	4.75	2017
015302VN9	2,895,000	4.75	2018
015302VP4	2,895,000	4.88	2019
015302VQ2	2,895,000	4.88	2020
015302VR0	2,895,000	4.88	2021
Total	$ 53,850,000		

Public Improvement Bonds of 2000

CUSIP	2000 Issue	Rate	Maturity Date June 15,
015302UC4	$ 2,300,000	5.25	2003
015302UD2	2,985,000	5.25	2004
015302UE0	2,985,000	5.00	2005
015302UF7	2,985,000	4.75	2006
015302UG5	2,985,000	5.00	2007
015302UH3	2,985,000	5.00	2008
015302UJ9	2,985,000	5.00	2009
015302UK6	2,985,000	5.00	2010
015302UL4	2,985,000	5.00	2011
015302UM2	2,980,000	5.13	2012
015302UN0	2,980,000	5.25	2013
015302UP5	2,980,000	5.75	2014
015302UQ3	2,980,000	5.25	2015
015302UR1	2,980,000	5.38	2016
015302US9	2,980,000	5.50	2017
015302UT7	2,980,000	5.50	2018
015302UU4	2,980,000	5.50	2019
015302UV2	2,980,000	5.75	2020
Total	$ 53,000,000		

Exhibit XII
(Continued)

NOTE 10. LONG-TERM DEBT (Continued)

Public Improvement Bonds of 1999

CUSIP	Issue	Rate	Maturity Date January 1,
015302TH5	$ 2,000,000	3.50	2003
015302TJ1	2,000,000	3.60	2004
015302TK8	2,000,000	3.70	2005
015302TL6	2,000,000	3.80	2006
015302TM4	2,000,000	3.90	2007
015302TN2	2,000,000	3.90	2008
015302TP7	2,000,000	4.00	2009
015302TQ5	2,000,000	5.00	2010
015302TR3	2,000,000	4.25	2011
015302TS1	2,000,000	4.25	2012
015302TT9	2,000,000	5.00	2013
015302TU6	2,000,000	5.00	2014
015302TV4	2,000,000	4.50	2015
015302TW2	2,000,000	5.00	2016
015302TX0	2,000,000	5.00	2017
015302TY8	2,000,000	5.00	2018
015302TZ5	2,000,000	5.00	2019
Total	$ 34,000,000		

Public Improvement and Refunding Bonds of 1994

CUSIP	Issue	Rate	Maturity Date February 1,
015302SX1	$ 1,805,000	4.625	2003
015302SY9	1,785,000	4.700	2004
015302SZ6	1,755,000	4.875	2005
015302TA0	1,730,000	5.000	2006
015302TB8	790,000	5.000	2007
015302TC6	790,000	5.100	2008
015302TD4	790,000	5.100	2009
Total	$ 9,445,000		

Public Improvement Refunding Bonds of 1992

CUSIP	1992 Issue	Rate	Maturity Date December 1,
015302SM5	$ 2,505,000	5.75	2002
015302SN3	1,125,000	5.85	2003
Total	$ 3,630,000		

Exhibit XII
(Continued)

NOTE 10. LONG-TERM DEBT (Continued)

The requirements to amortize all long-term bonds as of June 30, 2002, including interest payments of $68,148,467 are summarized as follows:

Fiscal Year	Serial Bonds Principal	Interest
2003	$ 10,310,000	$ 7,173,024
2004	10,795,000	6,738,617
2005	9,640,000	6,298,854
2006	9,615,000	5,874,048
2007	8,675,000	5,465,360
2008-2012	40,995,000	21,656,020
2013-2017	39,375,000	12,229,100
2018-2021	24,520,000	2,713,444
	$ 153,925,000	$ 68,148,467

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, 2002, the City had a legal debt limit of $1.6 billion and a debt margin of $1.5 billion:

Assessed Value of Real Property, January 1, 2002		$16,272,679,700
Debt Limit: 10 Percent of Assessed Value		$ 1,627,267,970
Amount of Debt Applicable to Debt Limit:		
General Obligation Bonds	$153,925,000	
Total General Obligation Debt		153,925,000
LEGAL DEBT MARGIN		$ 1,473,342,970

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, 2002, are summarized below:

	Authorized and Unissued July 1, 2001	Authorized	Issued	Expired	Authorized and Unissued June 30, 2002
General Obligation Bonds	$54,500,000	$ -	$ 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, 2002 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, 2001	Additions	Reductions	Balance June 30, 2002	Amounts Due Within One Year
General Obligation Bonds	$ 107,875,000	$ 54,500,000	$ 8,450,000	$ 153,925,000	$10,310,000
Obligations Under Capital Lease	898,994	---	109,463	789,531	115,286
Workers' Compensation Claims	2,440,071	1,103,663	1,042,210	2,501,524	1,030,052
Accrued Compensated Absences	12,256,706	8,831,966	7,968,731	13,119,941	884,816
Net Pension Obligation	4,044,053	1,930,243	---	5,974,296	---
TOTALS	$127,514,824	$ 66,365,872	$17,570,404	$ 176,310,292	$12,340,154

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, 2002:	
Long-term liabilities (detail above)	$ 176,310,292
Accrued interest	1,160,034
Combined adjustment	$ 177,470,326

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	$ 863,235
Workers' compensation	61,453
Pension obligation	1,930,243
Accrued interest on bonds	10,754
Combined adjustment	$ 2,865,685

Component Unit – School Board

	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002	Amounts Due Within One Year
Accrued Compensated Absences	$3,795,897	$6,820,135	$6,515,120	$ 4,100,912	$ 340,796
TOTALS	$3,795,897	$6,820,135	$6,515,120	$ 4,100,912	$ 340,796

Exhibit XII
(Continued)

NOTE 11. INTERFUND BALANCES AND TRANSACTIONS

Component Unit

Interfund receivable/payable consisted of the following at June 30, 2002:

Receivable Fund	Payable Fund	Amount
Primary Government – General Fund	Component Unit – Library	$ 10,669
Primary Government – Capital Projects Fund	Component Unit - School Capital Project Fund	$ 1,952,607

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, 2002 consisted of the following:

	Transfer from (Fund):			
Transfer to (Fund):	General	Special Revenue	Capital Projects	Total
Primary Government Transactions				
Special Revenue	$ 20,532,214	$ ---	$ ---	$ 20,532,214
Capital Projects	19,920,000	50,000	—	19,970,000
Internal Service	---	77,861	—	77,861
Total	$ 40,452,214	$ 127,861	$ ---	$ 40,580,075
Component Unit Transactions				
Schools	$ 107,269,189	$ ---	$ 2,801,805	$ 110,070,994
Library	4,798,030	---	---	4,798,030
Alexandria Transit	4,082,830	---	---	4,082,830
Total	$ 116,150,049	$ ---	$ 2,801,805	$ 118,951,854

Primary transfer activities include:

Transfers from the General Fund to the Special Revenue Fund represent City funds 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 projects, library operations and transit operations. In addition, the City transferred capital assets totaling $1.9 million to Alexandria Transit.

Exhibit XII
(Continued)

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 $107,764,657 in Fiscal Year 2002. Sources of these revenues were as follows:

GOVERNMENTAL FUNDS	
Federal Government	$ 24,945,264
Commonwealth of Virginia	54,168,936
Total Primary Government	$ 79,114,200
COMPONENT UNITS	
Federal Government:	
School Board	$ 6,538,051
Commonwealth of Virginia:	
School Board	$ 21,746,315
Library	288,736
Alexandria Transit Company	77,355
Total Component Units Commonwealth of Virginia	$ 22,112,406
Total Component Units	$ 28,650,457
TOTAL CITY AND COMPONENT UNITS	
Total Federal Government	$ 31,483,315
Total Commonwealth of Virginia	76,281,342
Total Intergovernmental Revenue	$ 107,764,657

Exhibit XII
(Continued)

NOTE 14. DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units represents accrued revenue at June 30, 2002, consisting of the following:

Primary Government	
State	
General Fund	$27,776,889
Special Revenue Fund	1,644,457
Total State	$29,421,346
Federal	
General Fund	$ 386,763
Special Revenue Fund	3,616,920
Total Federal	$ 4,003,683
Total Primary Government	$33,425,029
Component Units	
State	
School Board	$ 715,331
Alexandria Transit Company	121,778
Total State	$ 837,109
Federal	
School Board	$ 2,057,257
Total Component Units	$ 2,894,366
Total	$36,319,395

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 2002, the City paid $275,096 for operating costs.

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

Exhibit XII
(Continued)

NOTE 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 $825,620 in Fiscal Year 2002.

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

C. Peumansend Creek Regional Jail Authority

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

The total project cost of $27 million, with 50 percent of the eligible construction cost ($23.8 million) is expected to be reimbursed by the Commonwealth. The Regional Jail Authority issued $10.2 million in revenue bonds and $12 million of grant anticipation notes in March 1997. The City's total share 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 2002, the City paid $479,533 for operating costs and $188,549 for debt service payments. The City does not maintain an equity interest in the jail and is not responsible for repayment of the debt.

Complete financial statements can be obtained by writing to the 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 the City and whose financial activities are therefore included as part of the primary government. During fiscal year 2002 the City made rental payments to Sheltered Homes of Alexandria totaling $344,962.

Exhibit XII
(Continued)

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) fire and police employees who are eligible to retire under the pension plan for fire and police who have attained age 50 with at least 20 years of service; and (c) fire and police employees who are eligible to retire under the retirement income plan for fire and police who have attained 20 years of service, regardless of age. Each fiscal year the City Council appropriates funds to pay for these health benefits. As of June 30, 2002, 495 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 $170.00 per month for each retiree, for a total annual contribution of $860,813 for fiscal year 2002.

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 Plan for Fire and Police Pension), where a stated methodology for determining benefits is provided, and three are single-employer defined contribution plans (Retirement Income for Fire and Police, Fire and Police Disability Income, and Retirement Income for Sheriff and Emergency Rescue Technicians), 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	Pension for Fire and Police	Retirement Income for Fire and Police	Fire and Police Disability Income	Retirement Income for Sheriff and ERT	Total
ASSETS						
Investments, at Fair Value						
U.S. Government Obligations	$ -	$ -	$ -	$ 6,342,828	$ -	$ 6,342,828
Mutual funds	-	-	49,406,390	-	4,575,553	53,981,943
Stocks	21,736,997	-	-	3,256,065	-	24,993,062
Guaranteed Investment Accounts	19,888,212	39,116,353	40,888,839	-	5,719,988	105,613,392
Other Investments	-	-	-	1,950,617	-	1,950,617
Total Investments	$ 41,625,209	$ 39,116,353	$ 90,295,229	$ 11,549,510	$ 10,295,541	$ 192,881,842
Total Assets	$ 41,625,209	$ 39,116,353	$ 90,295,229	$ 11,549,510	$ 10,295,541	$ 192,881,842
NET ASSETS						
Held in Trust for Pension Benefits and Other Purposes	$ 41,625,209	$ 39,116,353	$ 90,295,229	$ $11,549,510	$ 10,295,541	$ 192,881,842

Exhibit XII
(Continued)

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Combining Schedule of Operations
Employee Retirement Funds

	City Supplemental Retirement	Pension for Fire and Police	Retirement Income for Fire and Police	Fire and Police Disability Income	Retirement Income for Sheriff And ERT	Total
ADDITIONS						
Contributions:						
Employer	$ 856,703	$ 700,000	$ 4,804,725	$ 721,409	$ 1,428,234	$ 8,511,071
Plan Members	1,713,406	4,255	149,143	120,234	-	1,987,038
Total Contributions	$ 2,570,109	$ 704,255	$ 4,953,868	$ 841,643	$ 1,428,234	$ 10,498,109
Investment Income:						
Net Depreciation in Fair Value of Investments	$ (3,982,299)	$ -	$ (9,623,675)	$ (180,051)	$ (850,123)	$ (14,636,148)
Proceeds from demutualization	2,522,249	-	-	-	-	2,522,249
Interest	1,318,292	2,878,254	2,088,099	527,947	277,812	7,090,404
Total Investment Income	$ (141,758)	$ 2,878,254	$ (7,535,576)	$ 347,896	$ (572,311)	$ (5,023,495)
Less investment expense	93,113	-	-	-	-	93,113
Net Investment Income	$ (234,871)	$ 2,878,254	$ (7,535,576)	$ 347,896	$ (572,311)	$ (5,116,608)
Total Additions	$ 2,335,238	$ 3,582,509	$ (2,581,708)	$ 1,189,539	$ 855,923	$ 5,381,501
DEDUCTIONS						
Benefits	$ 1,246,473	$ 4,746,906	$ -	$ 844,136	$ -	$ 6,837,515
Refunds of Contributions	-	-	3,192,791	-	259,640	3,452,431
Administrative Expenses	50,726	50,626	-	52,628	-	153,980
Total Deductions	$ 1,297,199	$ 4,797,532	$ 3,192,791	$ 896,764	$ 259,640	$ 10,443,926
Net Increase (Decrease)	$ 1,038,039	$ (1,215,023)	$ (5,774,499)	$ 292,775	$ 596,283	$ (5,062,425)
Net Assets at Beginning of Year	40,587,170	40,331,376	96,069,728	11,256,735	9,699,258	197,944,267
Net Assets at End of Year	$ 41,625,209	$ 39,116,353	$ 90,295,229	$ 11,549,510	$ 10,295,541	$ 192,881,842

Exhibit XII
(Continued)

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.

The City's Supplemental plan for FY 2002 reflects a one-time payment of $2.5 million as a result of the demutualization of an insurance company holding plan assets.

There were no changes in actuarial assumptions, benefit provisions, or funding method for the Pension Plan for Fire Fighters and Police Officers.

Exhibit XII
(Continued)

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

PLAN DESCRIPTION

	1 VRS City	2 City Supplemental Retirement	3 Pension for Fire and Police	4 Retirement Income for Fire and Police	5 Fire and Police Disability Income	6 Retirement Income for Sheriff and ERT
Administrator	Commonwealth of Virginia	CIGNA	CIGNA	CIGNA	SunTrust	CIGNA
Employees Covered	General Body	General Body	Fire and Police	Fire and Police	Fire and Police	Sheriff/ERT
Authority for Plan Provisions and Contributions	State Statute	City Ordinance	City Ordinance	City Ordinance	City Ordinance	City Ordinance
Plan Type	Agent Multi-Employer Defined Benefit	Single-Employer Defined Benefit	Single-Employer Defined Benefit	Single-Employer Defined Contribution	Single-Employer Defined Contribution	Single-Employer Defined Contribution
Stand Alone Financial Report	Yes	No	No	No	No	No
Actuarial Valuation Date	06/30/2001	06/30/2002	07/01/2001	Not applicable	Not applicable	Not applicable

Exhibit XII (Continued)

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

MEMBERSHIP AND PLAN PROVISIONS

As of:	6/01 (1) VRS City	6/02 (2) City Supplemental Retirement	7/01 (3) Pension for Fire and Police	6/02 (4) Retirement Income For Fire and Police	6/02 (5) Fire and Police Disability Income	6/02 (6) Retirement Income For Sheriff And ERT
Active Participants	1,764	1,948	1	452	452	215
Retirees & Beneficiaries	478	92	183	0	42	0
Terminated Vested & Non-vested	486	511	-	48	N/A	16
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%	Not applicable	Not applicable	Not applicable
Projected Salary Increases Attributable to:						
Inflation	3.0%	4.0%	N/A	Not applicable	Not applicable	Not applicable
Seniority/Merit	1.25 – 3.10%	2.86%	N/A	Not applicable	Not applicable	Not applicable
Projected Postretirement Increases	3.0%	None	3.0%	Not applicable	Not applicable	Not applicable
Actuarial Cost Method	Entry Age Normal Cost	Aggregate Actuarial Cost	Projected Unit Credit With Zero Normal Cost	Not applicable	Not applicable	Not applicable
Amortization Method	Level Percentage	Level Percentage	Level dollar	Not applicable	Not applicable	Not applicable
Open/Closed	Closed	N/A	Closed			
Remaining Amortization Period	22	15	15	Not applicable	Not applicable	Not applicable
Asset Valuation Method	Modified Market	Market Value	Book Value	Not applicable	Not applicable	Not applicable

Exhibit XII
(Continued)

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

FUNDING POLICY AND ANNUAL PENSION COST

As of:	6/02	6/02	6/02	6/02	6/02	6/02
	VRS					
	City	City Supplemental Retirement	Pension for Fire and Police	Retirement Income for Fire and Police	Fire and Police Disability Income	Retirement Income for Sheriff and ERT
PERCENTAGE OF COVERED PAYROLL CONTRIBUTED						
Employee %	5.0%	2.0%	8.0%	Voluntary	0.5%	--
Employer %	1.0%	1.0%	$700,000/Yr.	20.0%	3.0%	14.0%
AMOUNT CONTRIBUTED						
Employee	$ 3,918,013	* $ 1,713,406	* $ 4,255	$ 149,143	$ 120,234	$ -
Employer	765,204	856,703	700,000	4,804,725	721,409	1,428,234
Total Amount Contributed	$ 4,683,217	$ 2,570,109	$ 704,255	$ 4,953,868	$ 841,643	$ 1,428,234

* 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 Pension for Fire and Police and Sheriff /ERT plans, where the City assumes the cost.

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

COVERED PAYROLL						
Dollar Amount	$ 76.5 million	$ 85.7 million	$ 53,188	$ 24.0 million	$ 24.0 million	$ 10.2 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%	45%	-	56%
CIGNA Stock Index	*	-	-	55%	-	44%
State Street Global Russell 3000	*	47%	-	-	-	-

* Investment information not available on an individual jurisdiction basis.

Exhibit XII
(Continued)

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Calculation of Net Pension Obligation

	City Supplemental Retirement	Pension Plan for Fire and Police
Actuarially Required Contribution	$ 2,579,707	$ 1,088,844
Interest on Net Pension Obligation	279,491	44,033
ARC Adjustment	(432,130)	(72,999)
Annual Pension Cost	$ 2,427,068	$ 1,059,878
Actual Deposit	(856,703)	(700,000)
Change in NPO	$ (1,570,365)	$ (359,878)
NPO Beginning of Year	3,493,641	550,412
NPO End of Year (6/30/02)	$ 5,064,006	$ 910,290

THREE YEAR TREND INFORMATION

	Actuarial Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
City Supplemental Retirement	06/30/2000	$ 1,499,143	48.97%	$ 2,054,636
	06/30/2001	2,288,029	37.11%	3,493,641
	06/30/2002	2,427,068	35.29%	5,064,006
Pension for Fire and Police	06/30/2000	$ 740,318	94.05%	$ 336,167
	06/30/2001	914,245	76.57%	550,412
	06/30/2002	1,059,878	66.05%	910,290
Virginia Retirement System	06/30/2000	$ 3,807,027	100.00%	$ -
	06/30/2001	1,447,935	100.00%	-
	06/30/2002	765,204	100.00%	-

The City Supplemental plan uses an aggregate actuarial cost method that does not separately identify or amortize unfunded actuarial liabilities.

Exhibit XII
(Continued)

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 Retirement Plan- 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.

Pension Plan for Fire Fighters and Police Officers - Employees who retire on or after age 60 are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5 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.

Retirement Income Plan for Fire Fighters and Police Officers - 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.

Fire Fighters and Police Officers Disability Income Plan- This provides disability benefits to members of the Retirement Income Plan for Firefighters and Police Officers. The benefits for service-connected total and permanent disability are 70 percent of final average earnings, 66 2/3 percent for non-service connected total and permanent disability and service-connected partial disability, and 50 percent for non-service connected partial disability. 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.

Retirement Income Plan for Deputy Sheriffs and Emergency Rescue Technicians - This plan provides for benefits to be distributed in the case of termination, retirement, death, or disability to deputy sheriffs 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.

Exhibit XII
(Continued)

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 that 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 statutes 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 9.24 percent of the annual covered payroll for the first nine months and 8.7 percent for the last three months of the fiscal year 2002. The employer contribution rates for the fiscal years 2001 and 2000 were 7.54 percent and 9.04 percent, respectively. The contribution requirements of the plan members and the 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, 2002, 2001 and 2000 were $6,641,973, $8,873,992, and $9,331,275, 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.

Exhibit XII
(Continued)

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	Single-Employer
	Defined Benefit	Defined Benefit
Stand Alone Financial Report	Yes	No
Actuarial Valuation Date	6/30/01	9/01/01

Exhibit XII
(Continued)

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

MEMBERSHIP AND PLAN PROVISIONS

As of:	6/01	9/01
	(1) VRS	
	School Maintenance	(2) School Supplemental
Active Participants	294	1,797
Retirees & Beneficiaries	166	705
Terminated Vested & Non-Vested	75	587
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

Exhibit XII
(Continued)

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

FUNDING POLICY AND ANNUAL PENSION COST

As of:	6/02	6/02
	VRS	
	School Maintenance	School Supplemental
PERCENTAGE OF COVERED PAYROLL CONTRIBUTED		
Employee %	5.00%	1.00%
Employer %	0.00%	1.25%
AMOUNT CONTRIBUTED		
Employee	$ 312,040	$ 850,828
Employer	--	1,063,534
Total Amount Contributed	$ 312,040	$ $1,914,362

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:	$6,246,663	$85,082,738
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.

Exhibit XII
(Continued)

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Calculation of Net Pension Obligation (NPO) (Asset)

		School Supplemental
Actuarially Required Contribution	$	750,985
Interest on Net Pension Obligation		(297,535)
ARC Adjustment		435,360
Annual Pension Cost	$	888,810
Actual Deposit		(1,063,534)
Change in NPO	$	(174,724)
NPO Beginning of Year		(4,250,507)
NPO End of Year (6/30/02)	$	(4,425,231)

THREE YEAR TREND INFORMATION

	Actuarial Date		Annual Pension Cost (APC)	Percentage Of APC Contributed		Net Pension Obligation (Asset)
School Supplemental	09/01/1999	$	758,374	123.1%	$	(4,086,006)
	09/01/2000		751,224	121.9%		(4,250,507)
	09/01/2001		888,810	119.7%		(4,425,231)
Virginia Retirement System	06/30/2000	$	167,173	100.00%	$	---
	06/30/2001		--	N/A		---
	06/30/2002		--	N/A		---

The School Supplemental pension plan uses aggregate actuarial cost method that 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.

Exhibit XII
(Continued)

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.

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, 2002
(See Accompanying Independent Auditors' Report)

EXHIBIT XIII

	Original Budget	Budget as Amended	Actual	Variance from Amended Positive (Negative)
Revenues:				
General Property Taxes	$ 195,217,220	$ 195,217,220	$ 205,145,697	$ 9,928,477
Other Local Taxes	81,128,000	81,128,000	83,959,774	2,831,774
Permits, Fees, and Licenses	3,800,000	3,800,000	3,501,475	(298,525)
Fines and Forfeitures	4,376,000	4,376,000	3,931,596	(444,404)
Use of Money and Property	8,395,000	9,208,730	8,769,357	(439,373)
Charges for Services	9,068,600	9,068,600	8,954,310	(114,290)
Intergovernmental Revenues	43,508,000	43,508,000	46,601,917	3,093,917
Miscellaneous	359,000	359,000	538,278	179,278
Total Revenues	$ 345,851,820	$ 346,665,550	$ 361,402,404	$ 14,736,854
Expenditures:				
City Council	$ 450,344	$ 450,344	$ 414,865	$ 35,479
City Manager	1,642,481	1,667,481	1,551,792	115,689
Office on Women	925,697	930,238	853,658	76,580
Citizens Assistance	628,695	774,433	532,625	241,808
Office of Management and Budget	894,337	906,525	644,124	262,401
18th Circuit Court	1,112,317	1,114,539	992,057	122,482
18th General District Court	91,343	95,817	72,600	23,217
Juvenile And Domestic Relations Court	34,024	44,069	44,064	5
Commonwealth's Attorney	1,866,958	1,926,436	1,898,014	28,422
Sheriff	16,551,369	16,994,349	16,644,162	350,187
Clerk of Courts	1,295,195	1,437,807	1,189,242	248,565
Other Correctional Activities	2,956,200	2,987,346	2,983,209	4,137
Court Services	558,199	520,827	520,570	257
Human Rights	292,649	292,649	276,383	16,266
Internal Audit	189,899	189,899	154,007	35,892
Information Technology Services	5,711,401	6,464,373	5,773,477	690,896
City Clerk and Clerk of Council	321,994	328,151	322,341	5,810
Finance	6,703,739	7,161,029	6,517,296	643,733
Real Estate Assessments	947,458	947,458	905,087	42,371
Personnel	1,969,229	2,002,799	1,992,022	10,777
Planning and Zoning	4,858,231	5,216,042	4,756,855	459,187
City Attorney	1,339,873	1,740,573	1,688,804	51,769
Registrar of Voters	738,422	755,861	733,683	22,178
General Services	8,852,844	9,089,446	9,041,965	47,481
Transportation and Environmental Services	19,775,113	20,962,341	19,431,737	1,530,604
Transit Subsidies	2,923,687	2,911,187	2,755,665	155,522
Fire	25,388,689	25,485,132	25,389,883	95,249
Police	35,151,151	35,619,737	35,342,224	277,513
Office of Housing	931,628	890,252	796,504	93,748
Mental Health/Mental Retardation and Substance Abuse	551,906	551,906	547,627	4,279
Health	6,409,445	6,621,731	6,315,669	306,062
Human Services	5,940,683	6,584,396	6,579,992	4,404
Human Services Contributions	875,500	875,850	875,500	350
Office of Historic Alexandria	2,047,651	2,070,035	2,015,455	54,580
Recreation and Cultural Activities	13,989,771	14,294,968	14,279,010	15,958
Other Educational Activities	12,923	12,923	12,923	-
Non Departmental (including debt service)	24,301,577	23,505,058	22,761,801	743,257
Total Expenditures	$ 199,232,622	$ 204,424,007	$ 197,606,892	$ 6,817,115
Other Financing Uses:				
Operating Transfers Out	$ 33,740,305	$ 41,499,730	$ 40,452,214	$ 1,047,516
Transfers Out - Component Units	116,384,893	116,384,893	116,150,049	234,844
Total Other Financing Uses	$ 150,125,198	$ 157,884,623	$ 156,602,263	$ 1,282,360
Total Expenditures and Other Financing Uses	$ 349,357,820	$ 362,308,630	$ 354,209,155	$ 8,099,475
Revenue Over/(Under) Expenditures and Other Financing Uses	$ (3,506,000)	$ (15,643,080)	$ 7,193,249	$ 22,836,329
Fund Balances at Beginning of Year	60,833,603	60,833,603	60,833,603	-
Increase/(Decrease) in Reserve for Inventory	-	-	201,807	201,807
FUND BALANCES AT END OF YEAR	$ 57,327,603	$ 45,190,523	$ 68,228,659	$ 23,038,136

CITY OF ALEXANDRIA, VIRGINIA
Budgetary Comparison Schedule
Special Revenue Fund
For the Year Ended June 30, 2002
(See Accompanying Independent Auditors' Report)

EXHIBIT XIV

	Original Budget	Budget as Amended	Actual	Variance From Amended Positive (Negative)
Revenues:				
Use of Money and Property	$ 6,000	$ 637,702	$ 177,975	$ (459,727)
Charges for Services	5,670,378	5,521,628	5,198,421	(323,207)
Permits, Fees and Licenses	-	317,017	718,938	401,921
Intergovernmental Revenues	34,523,764	39,591,122	32,229,946	(7,361,176)
Miscellaneous	471,024	2,467,156	2,505,805	38,649
Total Revenues	$ 40,671,166	$ 48,534,625	$ 40,831,085	$ (7,703,540)
Other Financing Sources:				
Operating Transfers In	$ 21,720,305	$ 22,270,907	$ 20,532,214	$ 1,738,693
Total Other Financing Sources	$ 21,720,305	$ 22,270,907	$ 20,532,214	$ 1,738,693
Total Revenues and Other Financing Sources	$ 62,391,471	$ 70,805,532	$ 61,363,299	$ (9,442,233)
Expenditures:				
City Manager	$ -	$ 400,000	$ -	$ 400,000
Office of Women	340,449	417,451	416,505	946
Citizens Assistance	5,000	6,500	6,377	123
Commonwealth's Attorney	325,709	381,115	380,358	757
Sheriff	673,882	720,872	709,883	10,989
Law Library	116,592	121,592	121,408	184
Other Correctional and Judicial Activities	332,450	332,450	332,450	-
Human Rights	35,000	54,000	53,839	161
Court Services	277,373	432,621	402,116	30,505
Personnel	6,000	6,000	2,088	3,912
General Services	-	500,000	264,762	235,238
Transportation and Environmental Services	428,517	530,149	527,430	2,719
Fire	263,500	834,159	648,758	185,401
Police	269,323	885,772	883,954	1,818
Office of Housing	1,868,809	4,933,921	2,580,704	2,353,217
Mental Health/Mental Retardation and Substance Abuse	20,972,309	22,631,857	20,283,860	2,347,997
Health	214,656	85,000	36,635	48,365
Human Services	35,938,272	36,977,781	31,946,664	5,031,117
Office of Historic Alexandria	145,211	239,000	237,657	1,343
Recreation and Cultural Activities	178,419	187,431	166,813	20,618
Total Expenditures	$ 62,391,471	$ 70,677,671	$ 60,002,261	$ 10,675,410
Other Financing Uses:				
Operating Transfers Out	$ -	$ 127,861	$ 127,861	$ -
Total Other Financing Uses	$ -	$ 127,861	$ 127,861	$ -
Total Expenditures and Other Financing Uses	$ 62,391,471	$ 70,805,532	$ 60,130,122	$ 10,675,410
Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses	$ -	$ -	$ 1,233,177	$ 1,233,177
Fund Balances at Beginning of Year	$ -	$ -	$ 12,589,293	$ 12,589,293
FUND BALANCES AT END OF YEAR	**$ -**	**$ -**	**$ 13,822,470**	**$ 13,822,470**

(1) SUMMARY OF SIGNIFICANT BUDGET POLICIES

The City Council annually adopts budgets for the General Fund and Special Revenue Fund of the primary government. All appropriations are legally controlled at the departmental level for the General Fund and Special Revenue Fund. On June 15, 2001, the City Council approved the original adopted budget and on June 25, 2002 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, 2002. 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)
Pension Plan	06/30/1997	$ 43,924,787	$ 50,938,165	$ 7,013,378	86.2%	$ 259,810	2,699%
For Fire	06/30/1998	43,099,029	49,769,673	6,670,644	86.6%	223,081	2,990%
And Police	06/30/1999	42,250,482	47,790,867	5,540,385	88.4%	117,276	4,724%
	06/30/2000	41,280,800	47,687,399	6,406,599	86.6%	54,818	11,687%
	06/30/2001	40,324,903	47,257,982	6,933,079	85.5%	55,594	12,471%
	06/30/2002 *	39,116,353	45,974,695	6,858,342	85.1%	53,188	12,895% ***
Virginia	06/30/1996	$ 109,509,563	$ 117,312,587	$ 7,803,024	93.35%	$ 55,987,983	14%
Retirement	06/30/1998	152,771,352	146,673,945	(6,097,407)	104.16%	62,977,479	(10%)
System	06/30/1999	177,646,967	161,557,398	(16,089,569)	110.00%	62,796,400	(26%)
	06/30/2000	206,562,426	161,915,444	(44,646,982)	127.57%	65,735,935	(68%)
	06/30/2001 **	227,576,669	178,701,974	(48,874,695)	127.35%	71,829,945	(68%)

* Estimated

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

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

A schedule of Funding Progress for City Supplemental Retirement 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			Pension Plan for Police and Fire		
	Actuarial Date	Annual Required Contribution	Percentage Contributed	Actuarial Date	Annual Required Contribution	Percentage Contributed
For Defined Benefit Pension Plans	06/30/1999 **	$ 1,028,867	66.60%	06/30/1997	$ 700,000	100.00%
	06/30/2000	1,546,936	47.50%	06/30/1998	851,189	82.24%
	06/30/2001	2,370,343	35.82%	06/30/1999	850,227	82.33%
	06/30/2002	2,579,707	33.20%	06/30/2000	752,554	93.02%
				06/30/2001	929,905	75.28%
				06/30/2002	1,088,844	64.29%

Virginia Retirement System		
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%
06/30/2001	1,447,935	100.00%
06/30/2002	765,204	100.00%

** Only four 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)	106%	$ 5,094,566	-18%
	06/30/1998	23,436,499	19,873,126	(3,563,373)	118%	5,672,545	-63%
	06/30/1999	26,623,123	20,461,377	(6,161,746)	130%	5,667,657	-109%
	06/30/2000	30,400,117	20,695,631	(9,704,486)	147%	5,777,004	-168%
	06/30/2001 *	32,946,019	22,243,351	(10,702,668)	148%	5,904,380	-181%

* Only five 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	09/01/1997	$ 593,078	137%
	09/01/1998	733,454	118%
	09/01/1999	697,858	127%
	09/01/2000	618,133	151%
	09/01/2001	618,723	148%
	09/01/2002	750,985	142%
Virginia Retirement System	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%
	06/30/2001	--	N/A
	08/30/2002	--	N/A

OTHER SUPPLEMENTARY INFORMATION

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.

Pension Plan for Fire Fighters and Police Officers Fund – This fund accounts for the resources of a closed pension plan comprised of one remaining active public safety participant.

Retirement Income Plan for Firefighters and Police Officers Fund – This fund accounts for the resources of a defined contribution plan for various sworn public safety employees.

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

Retirement Income Plan for Deputy Sheriffs and Emergency Rescue Technicians 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, 2002

Schedule 1

	Employee Retirement Funds					
	City Supplemental Retirement	Pension for Fire and Police	Retirement Income for Fire and Police	Fire and Police Disability Income	Retirement Income for Sheriff and ERT	Total
ASSETS						
Investments, at Fair Value						
U.S. Government Obligations	$ -	$ -	$ -	$ 6,342,828	$ -	$ 6,342,828
Mutual funds	-	-	49,406,390	-	4,575,553	53,981,943
Stocks	21,736,997	-	-	3,256,065	-	24,993,062
Guaranteed Investment Accounts	19,888,212	39,116,353	40,888,839	-	5,719,988	105,613,392
Other Investments	-	-	-	1,950,617	-	1,950,617
Total Investments	$ 41,625,209	$ 39,116,353	$ 90,295,229	$ 11,549,510	$ 10,295,541	$ 192,881,842
Total Assets	$ 41,625,209	$ 39,116,353	$ 90,295,229	$ 11,549,510	$ 10,295,541	$ 192,881,842
NET ASSETS						
Held in Trust for Pension Benefits and Other Purposes	$ 41,625,209	$ 39,116,353	$ 90,295,229	$ 11,549,510	$ 10,295,541	$ 192,881,842

City of Alexandria, Virginia
Schedule of Changes in Fiduciary Net Assets
For the Fiscal Year Ended June 30, 2002

Schedule 2

	Employee Retirement Funds					
	City Supplemental Retirement	Pension for Fire and Police	Retirement Income for Fire and Police	Fire and Police Disability Income	Retirement Income for Sheriff and ERT	Total
ADDITIONS						
Contributions:						
Employer	$ 856,703	$ 700,000	$ 4,804,725	$ 721,409	$ 1,428,234	$ 8,511,071
Plan Members	1,713,406	4,255	149,143	120,234	-	1,987,038
Total Contributions	$ 2,570,109	$ 704,255	$ 4,953,868	$ 841,643	$ 1,428,234	$ 10,498,109
Investment Income (expense):						
Net Appreciation						
in Fair Value of Investments	$ (3,982,298)	$ -	$ (9,623,675)	$ (180,051)	$ (850,123)	$ (14,636,148)
Proceeds from Demutualization	2,522,249	-	-	-	-	2,522,249
Interest	1,318,292	2,878,254	2,088,099	527,947	277,812	7,090,404
Total Investment Income	$ (141,758)	$ 2,878,254	$ (7,535,576)	$ 347,896	$ (572,311)	$ (5,023,495)
Less investment expense	93,113	-	-	-	-	93,113
Net Investment Expense	$ (234,871)	$ 2,878,254	$ (7,535,576)	$ 347,896	$ (572,311)	$ (5,116,608)
Total Additions	$ 2,335,238	$ 3,582,509	$ (2,581,708)	$ 1,189,539	$ 855,923	$ 5,381,501
DEDUCTIONS						
Benefits	$ 1,246,473	$ 4,746,906	$ -	$ 844,136	$ -	$ 6,837,515
Refunds of Contributions	-	-	3,192,791	-	259,640	3,452,431
Administrative Expenses	50,726	50,626	-	52,628	-	153,980
Total Deductions	$ 1,297,199	$ 4,797,532	$ 3,192,791	$ 896,764	$ 259,640	$ 10,443,926
Net Increase (Decrease)	$ 1,038,039	$ (1,215,023)	$ (5,774,499)	$ 292,775	$ 596,283	$ (5,062,425)
Net Assets at Beginning of Year	40,587,170	40,331,376	96,069,728	11,256,735	9,699,258	197,944,267
Net Assets at End of Year	$ 41,625,209	$ 39,116,353	$ 90,295,229	$ 11,549,510	$ 10,295,541	$ 192,881,842

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, 2002

Schedule 3

	Balance July 1, 2001	Additions	Deductions	Balance June 30, 2002
HUMAN SERVICES SPECIAL WELFARE ACCOUNT				
Assets:				
Cash and Investments with Fiscal Agent	$ 19,176	$ 82,648	$ 87,592	$ 14,232
Liabilities:				
Other Liabilities	$ 19,176	$ 82,648	$ 87,592	$ 14,232
Total Liabilities	$ 19,176	$ 82,648	$ 87,592	$ 14,232
HUMAN SERVICES DEDICATED ACCOUNT				
Assets:				
Cash and Investments with Fiscal Agent	$ 5,236	$ 2,746	$ -	$ 7,982
Liabilities:				
Other Liabilities	$ 5,236	$ 2,746	$ -	$ 7,982
Total Liabilities	$ 5,236	$ 2,746	$ -	$ 7,982
INDUSTRIAL DEVELOPMENT AUTHORITY				
Assets:				
Equity in Pooled Cash and Investments	$ 508,563	$ 166,238	$ 166,889	$ 507,912
Liabilities:				
Other Liabilities	$ 508,563	$ 166,238	$ 166,889	$ 507,912
Total Liabilities	$ 508,563	$ 166,238	$ 166,889	$ 507,912
TOTAL ALL AGENCY FUNDS				
Assets:				
Equity in Pooled Cash and Investments	$ 508,563	$ 166,238	$ 166,889	$ 507,912
Cash and Investments with Fiscal Agent	24,412	85,394	87,592	22,214
Total Assets	$ 532,975	$ 251,632	$ 254,481	$ 530,126
Liabilities:				
Other Liabilities	$ 532,975	$ 251,632	$ 254,481	$ 530,126
Total Liabilities	$ 532,975	$ 251,632	$ 254,481	$ 530,126

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Cash Flows - Component Unit -
Alexandria Transit Company
For the Year Ended June 30, 2002

Schedule 4

Cash Flows from Operating Activities:		
Cash Received From Customers	$	1,585,917
Cash Payments to Suppliers for Goods and Services		(1,578,740)
Cash Payments to Employees for Services		(4,253,414)
Net Cash Used for Operating Activities	$	(4,246,237)
Cash Flows from Noncapital Financing Activities:		
Transfers-In from Primary Government	$	4,082,830
Cash Received from Nonoperating Grant		77,355
Net Cash Provided by Noncapital and Related Financing Activities	$	4,160,185
Cash Flows from Capital and Related Financing Activities:		
Acquisition of Capital Assets, Net	$	(100,721)
Net Cash Used for Capital and Related Financing Activities	$	(100,721)
Net Decrease in Cash and Cash Equivalents	$	(186,773)
Cash and Cash Equivalents at Beginning of Year		2,511,177
Cash and Cash Equivalents at End of Year	**$**	**2,324,404**

Reconciliation of Operating Loss to Cash Used for Operating Activities:		
Operating Loss	$	(5,037,807)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:		
Depreciation Expense	$	934,628
Changes in Assets and Liabilities:		
(Increase) in Accounts Receivable		(130,831)
(Increase) in Inventory of Supplies		(40,715)
Decrease in Prepaid Expenses		4,455
(Decrease) in Accounts Payable		(31,022)
Increase in Accrued Liabilities		9,158
Increase in Other Liabilities		45,897
Total Adjustments	$	791,570
Net Cash Used for Operating Activities	**$**	**(4,246,237)**

Noncash Capital and Related Financing Activities:
During Fiscal Year 2002, the City transferred capital assets totaling $1,932,656 to Alexandria Transit.

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Capital Assets
By Function and Activity
June 30, 2002

Schedule 5

Function and Activity	Land	Building	Furniture and Other Equipment	Infrastructure	Total
General Government Administration					
Legislative	$ -	$ -	$ 75,014	$ -	$ 75,014
Commissioner of Revenue	-	-	157,819	-	157,819
Treasurer	-	-	173,205	-	173,205
Data Processing	-	-	1,678,139	-	1,678,139
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	10,555,679	29,596,169	1,728,711	-	41,880,559
Board of Elections	-	-	210,876	-	210,876
Total General Government Administration	**$ 10,739,126**	**$ 36,015,732**	**$ 4,599,528**	**$ -**	**$ 51,354,386**
Judicial Administration					
Clerk of the Circuit Court	$ -	$ -	$ 209,429	$ -	$ 209,429
Sheriff - Courts	-	-	165,703	-	165,703
Other Courts	238,500	14,170,780	233,798	-	14,643,078
Commonwealth's Attorney	-	-	27,514	-	27,514
Total Judicial Administration	**$ 238,500**	**$ 14,170,780**	**$ 636,444**	**$ -**	**$ 15,045,724**
Public Safety					
Other Law Enforcement and Traffic Control	$ 241,667	$ 1,669,441	$ 6,103,669	$ -	$ 8,014,777
Fire Rescue Services	245,854	1,823,197	7,838,298	-	9,907,349
Sheriff - Correction and Detention	1,067,000	-	690,484	-	1,757,484
Other Protection	143,000	176,029	67,048	-	386,077
Total Public Safety	**$ 1,697,521**	**$ 3,668,667**	**$ 14,699,499**	**$ -**	**$ 20,065,687**
Public Works					
Maintenance of Highways, Streets Bridges and Sidewalks	$ 4,372,310	$ -	$ 10,808,792	$ -	$ 15,181,102
Sanitation and Waste Removal	-	-	381,501	-	381,501
Infrastructure	-	-	-	98,871,118	98,871,118
Maintenance of General Buildings and Grounds	2,698,100	46,833,745	198,836	-	49,730,681
Total Public Works	**$ 7,070,410**	**$ 46,833,745**	**$ 11,389,129**	**$ 98,871,118**	**$ 164,164,402**
Health and Welfare					
Health	$ 47,000	$ 767,856	$ 169,496	$ -	$ 984,352
Mental Health and Mental Retardation	29,440	1,165,470	629,437	-	1,824,347
Other Welfare/Social Services	-	8,081,525	1,328,897	-	9,410,422
Total Health and Welfare	**$ 76,440**	**$ 10,014,851**	**$ 2,127,830**	**$ -**	**$ 12,219,121**
Parks - Recreation and Culture					
Parks and Recreation	$ 20,213,896	$ 33,692,930	$ 3,199,558	$ -	$ 57,106,384
Cultural Enrichment	739,609	4,447,606	77,078	-	5,264,293
Library	6,135,583	18,870,030	337,276	-	25,342,889
Total Parks - Recreation and Culture	**$ 27,089,088**	**$ 57,010,566**	**$ 3,613,912**	**$ -**	**$ 87,713,566**
Community Development					
Planning and Zoning	$ 102,500	$ 6,153,161	$ 136,017	$ -	$ 6,391,678
Environmental Management	-	-	13,312	-	13,312
Education	2,027,658	13,164,023	1,274,574	-	16,466,255
Total Community Development	**$ 2,130,158**	**$ 19,317,184**	**$ 1,423,903**	**$ -**	**$ 22,871,245**
Total Allocation to Function	**$ 49,041,243**	**$ 187,031,525**	**$ 38,490,245**	**$ 98,871,118**	**$ 373,434,131**
Less Accumulated Depreciation	$ -	$ (51,200,716)	$ (25,930,076)	$ (38,913,756)	$ (116,044,548)
Total	**$ 49,041,243**	**$ 135,830,809**	**$ 12,560,169**	**$ 59,957,362**	**$ 257,389,583**
Construction in Progress					29,446,532
Total Capital Assets, Net					**$ 286,836,115**

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
For the Fiscal Year Ended June 30, 2002

Schedule 6

Function and Activity	Fixed Assets (Restated) 6/30/01	Additions and Transfers	Deductions and Transfers	Fixed Assets 6/30/02
General Government Administration				
Legislative	$ 57,094	$ 17,920	$ -	$ 75,014
Revenue Administration	157,819	-	-	157,819
Treasurer	173,205	-	-	173,205
Data Processing	809,355	868,784	-	1,678,139
Automotive/Motor Pool	6,723,636	-	-	6,723,636
Central Purchasing/Store	132,730	-	-	132,730
Print Shop	322,408	-	-	322,408
Other General and Financial Administration	47,579,254	112,085	5,810,780	41,880,559
Board of Elections	210,876	-	-	210,876
Total General Government Administration	**$ 56,166,377**	**$ 998,789**	**$ 5,810,780**	**$ 51,354,386**
Judicial Administration				
Clerk of the Circuit Court	$ 209,429	$ -	$ -	$ 209,429
Sheriff - Courts	95,614	70,089	-	165,703
Other Courts	14,678,900	40,587	76,409	14,643,078
Commonwealth's Attorney	27,514	-	-	27,514
Total Judicial Administration	**$ 15,011,457**	**$ 110,676**	**$ 76,409**	**$ 15,045,724**
Public Safety				
Other Law Enforcement and Traffic Control	$ 7,935,064	$ 147,485	$ 67,772	$ 8,014,777
Fire Rescue Services	8,688,030	1,579,373	360,054	9,907,349
Sheriff - Correction and Detention	1,814,244	10,025	66,785	1,757,484
Other Protection	340,490	45,587	-	386,077
Total Public Safety	**$ 18,777,828**	**$ 1,782,470**	**$ 494,611**	**$ 20,065,687**
Public Works				
Maintenance of Highways, Streets Bridges and Sidewalks	$ 14,005,880	$ 1,238,216	$ 62,994	$ 15,181,102
Sanitation and Waste Removal	381,501	-	-	381,501
Infrastructure	82,098,655	16,772,463	-	98,871,118
Maintenance of General Buildings and Grounds	35,735,634	14,004,281	9,234	49,730,681
Total Public Works	**$ 132,221,670**	**$ 32,014,960**	**$ 72,228**	**$ 164,164,402**
Health and Welfare				
Health	$ 997,063	$ -	$ 12,711	$ 984,352
Mental Health and Mental Retardation	1,753,247	79,164	8,064	1,824,347
Other Welfare/Social Services	9,267,391	143,031	-	9,410,422
Total Health and Welfare	**$ 12,017,701**	**$ 222,195**	**$ 20,775**	**$ 12,219,121**
Parks - Recreation and Culture				
Parks and Recreation	$ 56,685,822	$ 471,811	$ 51,249	$ 57,106,384
Cultural Enrichment	5,320,665	-	56,372	5,264,293
Library	23,664,502	1,678,387	-	25,342,889
Total Parks - Recreation and Culture	**$ 85,670,989**	**$ 2,150,198**	**$ 107,621**	**$ 87,713,566**
Community Development				
Planning and Zoning	$ 6,338,794	$ 60,445	$ 7,561	$ 6,391,678
Environmental Management	13,312	-	-	13,312
Education	13,634,205	2,832,050	-	16,466,255
Total Community Development	**$ 19,986,311**	**$ 2,892,495**	**$ 7,561**	**$ 22,871,245**
Total Capital Assets Allocation to Function	**$ 339,852,333**	**$ 40,171,783**	**$ 6,589,985**	**$ 373,434,131**
Construction in Progress	$ 23,653,531	$ 30,876,086	$ 25,083,085	$ 29,446,532
Total	**$ 363,505,864**	**$ 71,047,869**	**$ 31,673,070**	**$ 402,880,663**
Less Accumulated Depreciation	$ (105,188,659)	$ (11,391,233)	$ (535,344)	$ (116,044,548)
Net Capital Assets	**$ 258,317,205**	**$ 59,656,636**	**$ 31,137,726**	**$ 286,836,115**

Capital assets includes fixed assets for the governmental activities

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Capital Assets by Sources
June 30, 2002

Schedule 7

Capital Assets		
Land and Land Improvements	$	49,041,243
Buildings		187,031,525
Furniture and Other Equipment		38,490,245
Construction in Progress		29,446,532
Infrastructure		98,871,118
Total Capital Assets	$	402,880,663
Less Accumulated Depreciation	$	116,044,548
Net Capital Assets	$	286,836,115

Investments in Capital Assets		
General Fund	$	97,696,288
Special Revenue Fund		3,064,759
Capital Projects Fund		231,122,514
Donations		43,196,716
Internal Service Fund		27,800,386
Total Investments in Capital Assets	$	402,880,663
Less Accumulated Depreciation	$	116,044,548
Net Capital Assets	$	286,836,115

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
1993	$ 20,526,295	$ 7,793,401	$ 51,118,778	$ 20,603,919	$ 39,154,503	$ 12,950,682	$ 5,602,574	$ 84,635,709	$ 10,486,583	$ 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	20,039,127	8,633,141	54,605,853	21,688,397	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	56,565,904	23,403,958	48,619,467	14,074,527	6,791,157	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	102,402,593	18,944,011	9,996,413	4,607,952	326,248,912
1998	23,511,187	11,265,740	63,447,380	24,205,854	56,682,171	14,503,767	9,468,803	108,897,023	29,939,839	9,511,626	3,332,370	354,805,740
1999	24,449,390	11,675,184	64,995,148	24,374,398	60,466,818	14,921,155	8,436,768	114,123,738	42,985,188	11,695,250	2,613,857	360,736,909
2000	27,270,865	11,548,768	66,460,705	27,434,919	61,993,092	15,854,669	9,259,067	132,553,056	30,189,913	8,995,365	2,027,547	393,588,056
2001	27,990,571	10,999,708	71,933,947	27,418,389	61,032,594	17,355,063	8,104,089	124,425,362	36,269,598	12,509,808	3,515,994	401,555,221
2002	30,155,042	12,015,555	78,108,159	27,457,482	66,400,172	20,374,441	9,541,650	142,759,142	46,905,688	16,136,676	2,755,665	452,671,072

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
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
2002	205,145,697	83,959,774	4,220,413	3,931,596	9,908,766	16,199,865	107,687,302	30,050	5,602,843	436,686,306

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

	General Property Taxes			Other Local Taxes											
Fiscal Year	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	Total
1993	$ 118,259,446	$ 27,907,087	$ 2,054,061	$ 13,209,472	$ 12,635,378	$ 12,118,296	$ 462,500	$ 1,951,107	$ 427,863	$ 1,421,275	$ 965,698	$ 2,973,228	$ 4,290,626	$ 58,057	$ 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	30,920,780	2,008,786 *	16,751,141 *	14,738,248 *	14,118,851 *	483,174	2,000,917	627,938	1,414,079	875,202	2,766,156	6,011,671	50,510 *	207,017,023
1996	114,469,608	34,017,236	2,289,539	14,631,265	14,028,826	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	2,290,095	15,543,638	13,875,737	14,093,677	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	36,859,003	2,436,778	18,840,794	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	2,284,927	18,552,625	14,426,824	16,707,988	791,691	2,040,226	1,110,481	1,649,055	2,022,589	4,129,594	7,057,069	458,008 ***	243,399,674
2000	142,401,311	38,435,852	2,458,101	19,802,538	15,034,992	19,022,675	836,041	2,173,854	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	1,902,370	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
2002	164,959,409	38,331,453	1,854,835	20,316,345	17,761,931	22,233,330	1,025,474	2,265,722	1,294,376	1,597,140	2,494,425	5,266,418	8,562,840	1,181,773 ***	289,105,471

* 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 $1,139,266 in Fiscal Year 2002, $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	Total Collections as Percent of Current Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as Percent of Current Levy
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	126,262,191	98.17	3,061,208	129,323,399	100.50	3,450,061	2.68
1999	135,147,210	133,102,406	98.49	2,322,594	135,425,000	100.21	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
2001	162,202,917	156,748,721	96.64	2,456,642	159,205,363	98.15	3,792,991	2.34

Table V

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

Calendar Year	Total Tax Levy	Commonwealth Reimbursement 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
1992	$ 32,293,317	$ -	$ 27,680,662	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	82.96	13,521,482	25.91
2000	56,590,687	13,268,024	44,710,787	79.01	3,244,734	47,955,521	84.74	20,238,171	35.76
2001	56,957,274	20,842,070	48,135,759	84.51	17,139,945 **	65,275,704	114.60	8,005,007	14.05

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

The City 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; for example, for individuals who have moved out of the City. Because the validity of these billings cannot be known at the time personal property taxes are levied, they are included in the total tax levy and artificially reduce the collection rate.
**In FY 1998 and FY 2002 additional adjustments. were made to reflect the deletion of certain statutorily assessed non-filer accounts. 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.

Commonewealth reimbursement included in total levy, collections and outstanding taxes

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
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
2002	16,272,680	16,272,680	1,298,649	1,298,649	17,571,329	17,571,329	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
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
2002	1.08	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
2002 Tax Rates for Major Revenue Sources

TABLE VIII

Real Estate Tax	$1.08 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 $0.050213 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 interruptible 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	$0.60 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, 2002

TABLE IX

Assessed Value of Real Property, January 1, 2002		$ 16,272,679,700
Debt Limit: 10 Percent of Assessed Value		$ 1,627,267,970
Amount of Debt Applicable to Debt Limit:		
General Obligation Bonds	$153,925,000	
Total General Obligation Debt		153,925,000
LEGAL DEBT MARGIN		$ 1,473,342,970

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)
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
2002	134,000	17,571,329	153,925,000	0.876	1,149	2.11

(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, 2002

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 & 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
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
2002	8,450,000	7,565,996	16,015,996	452,671,072	3.54

(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, 2002

TABLE XIII

Population

Calendar Year	Population
1940	33,523
1950	61,787
1960	91,023
1970	110,938
1980	103,217
1990	111,183
2000	128,283
2002 Estimate	134,000

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

POPULATION INDICATORS
PER CAPITA INCOME*

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Alexandria	$31,725	$32,692	$34,258	$35,237	$37,620	$38,192	$40,100	$41,561	$44,143	$46,340	$49,395
Arlington	$31,719	$32,448	$34,107	$35,241	$36,364	$37,927	$39,455	$41,151	$43,726	$46,009	$49,508
Fairfax (includes Fairfax City and Falls Church)	$31,233	$32,335	$33,504	$35,103	$36,503	$37,829	$39,261	$41,267	$44,362	$47,799	$51,227
Washington PMSA	$26,790	$27,488	$28,513	$29,605	$30,630	$31,384	$32,399	$33,798	$35,871	$37,588	$40,046

***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)	Bank Deposits(2)	Commercial	Residential	Total
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	6,018,465	6,169,055	12,187,520
2000	6	24,886	1,546	123,374	1,612,925	6,578,366	6,716,942	13,295,308
2001	6	27,785	1,977	172,724	1,852,316	7,058,452	7,573,897	14,632,349

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, 2002

TABLE XV

Private Property

Owner's Name	Property	2002 Assessed Value (in millions)	Percentage of Total Assessed Valuation
1. AIMCO Foxchase L.P.	Foxchase Apartments	$ 140.0	0.86%
2. Southern Towers L.L.C.	Southern Towers Apartments	119.4	0.73
3. SAP II-III Stellar	Oakwood Apartments	116.4	0.72
4. Potomac Yard Retail, Inc.	Retail Shopping Center	106.4	0.65
5. Hoffman Buildings L.P.	Hoffman Office Buildings	103.3	0.63
6. Canal Center Properties	Office Building	103.3	0.63
7. LCOR Alexandria, L.L.C.	Vacant Land/Office Building	90.6	0.56
8. Hoffman Family L.L.C.	Vacant Land/Office Building	81.6	0.50
9. Millbrook Apartments Associates, L.L.C.	Millbrook Apartments	78.1	0.48
10. Carlyle Development, Corp.	Vacant Land/Office Building	77.0	0.47
11. Lazlo N. Tauber & Associates I L.L.C	Office Building	67.0	0.41
12. Landmark Mall L.L.C.	Landmark Mall	66.8	0.41
13. Avalon Properties, Inc.	Avalon Apartments	62.1	0.38
14. Park Center Apts. L.L.C.	Park Center Apartments	55.8	0.34
15. Meridian at Carlyle	Meridian Apartments	54.4	0.33
16. Hamlet East L.P.	Apartments	52.7	0.32
17. Saul Holdings L.P.	Retail/Office Building	51.0	0.31
18. Parcel 901 Associates L.P.	Office Building	50.0	0.31
19. Braddock Place RPF IV	Office Building	47.6	0.29
20. Crescent Potomac Properties L.L.C	Vacant Land/Warehouses	46.1	0.28

Public Service Companies

Owner's Name	2002 Assessed Value (in millions)	Percentage of Total Assessed Valuation
1. Mirant Potomac River, LLC	$ 181.5	1.12%
2. Virginia Electric Power Company	109.5	0.94
3. Verizon Virginia, Inc.	103.1	0.89
4. Covanta Alexandria, Arlington, Inc	60.4	0.37
5. Richmond, Fredericksburg & Potomac Railway Co	45.7	0.28
6. Norfolk Southern Railway Company	41.1	0.25
7. Virginia American Water Company.	30.1	0.18
8. Potomac Electric Power Company	27.4	0.17
9. Washington Gas Light Company	27.0	0.17
10. Jones Telecommunications of Virginia, Inc.	19.4	0.12

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
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
2002	11,274	5,593	2,090	1,958	547	461

[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, 2002

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	$ 414,865	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 414,865
City Manager	1,551,792	-	-	-	-	-	-	-	-	-	1,551,792
Office On Women	853,658	-	-	-	-	-	-	-	-	-	853,658
Citizens Assistance	-	-	532,625	-	-	-	-	-	-	-	532,625
Office of Management and Budget	644,124	-	-	-	-	-	-	-	-	-	644,124
18th Circuit Court	-	992,057	-	-	-	-	-	-	-	-	992,057
18th General District Court	-	72,600	-	-	-	-	-	-	-	-	72,600
Juvenile and Domestic Relations Courts	-	44,064	-	-	-	-	-	-	-	-	44,064
Commonwealth's Attorney	-	1,898,014	-	-	-	-	-	-	-	-	1,898,014
Sheriff	-	3,886,530	12,757,632	-	-	-	-	-	-	-	16,644,162
Clerk of Courts	-	1,189,242	-	-	-	-	-	-	-	-	1,189,242
Other Correctional Activities	-	2,176,146	686,183	-	-	-	-	-	-	120,880	2,983,209
Court Services	-	520,570	-	-	-	-	-	-	-	-	520,570
Human Rights	276,383	-	-	-	-	-	-	-	-	-	276,383
Internal Audit	154,007	-	-	-	-	-	-	-	-	-	154,007
Information Technology Services	5,773,477	-	-	-	-	-	-	-	-	-	5,773,477
City Clerk and Clerk of Council	322,341	-	-	-	-	-	-	-	-	-	322,341
Finance	6,517,296	-	-	-	-	-	-	-	-	-	6,517,296
Real Estate Assessments	905,087	-	-	-	-	-	-	-	-	-	905,087
Personnel	1,992,022	-	-	-	-	-	-	-	-	-	1,992,022
Planning and Zoning	-	-	-	-	-	-	4,756,855	-	-	-	4,756,855
City Attorney	1,688,804	-	-	-	-	-	-	-	-	-	1,688,804
Registrar	733,683	-	-	-	-	-	-	-	-	-	733,683
General Services	2,475,589	-	-	6,566,376	-	-	-	-	-	-	9,041,965
Transportation and Environmental Services	-	-	-	18,867,437	-	-	564,300	-	-	-	19,431,737
Transit Subsidies	-	-	-	-	-	-	-	-	2,755,665	-	2,755,665
Fire	-	-	25,389,883	-	-	-	-	-	-	-	25,389,883
Police	-	-	35,342,224	-	-	-	-	-	-	-	35,342,224
Office of Housing	-	-	-	-	-	-	796,504	-	-	-	796,504
Mental Health/Mental Retardation and Substance Abuse	-	-	-	-	547,627	-	-	-	-	-	547,627
Health	-	-	-	-	6,180,315	-	135,354	-	-	-	6,315,669
Human Services	-	-	-	-	6,579,992	-	-	-	-	-	6,579,992
Human Services Contributions	-	-	-	-	875,500	-	-	-	-	-	875,500
Office of Historic Alexandria	-	-	-	-	-	2,015,455	-	-	-	-	2,015,455
Recreation and Cultural Activities	-	-	-	1,740,382	-	12,538,628	-	-	-	-	14,279,010
Other Educational Activities	-	-	-	-	-	-	-	12,923	-	-	12,923
Miscellaneous	5,401,288	-	1,217,018	-	127,499	-	-	-	-	16,015,996	22,761,801
Total Expenditures	$ 29,704,416	$ 10,779,223	$ 75,925,565	$ 27,174,195	$ 14,310,933	$ 14,554,083	$ 6,253,013	$ 12,923	$ 2,755,665	$ 16,136,876	$ 197,606,892

CITY OF ALEXANDRIA, VIRGINIA
General Fund
Revenues, Expenditures, Encumbrances, Transfers and Changes in Undesignated Fund Balance
For the Fiscal Year Ended June 30, 2002

TABLE XVIII

	Revenues/ Expenditures	Encumbrances	Transfers Out and Other Financing Uses	Total
Revenues:				
General Property Taxes	$ 205,145,697	$ -	$ -	$ 205,145,697
Other Local Taxes	83,959,774	-	-	83,959,774
Permits, Fees and Licenses	3,501,475	-	-	3,501,475
Fines and Forfeitures	3,931,596	-	-	3,931,596
Use of Money and Property	8,769,357	-	-	8,769,357
Charges for Services	8,954,310	-	-	8,954,310
Intergovernmental Revenues	46,601,917	-	-	46,601,917
Miscellaneous	538,278	-	-	538,278
Total Revenues	$ 361,402,404	$ -	$ -	$ 361,402,404
Primary Government Expenditures:				
City Council	$ 414,865	$ -	$ -	$ 414,865
City Manager	1,551,792	-	-	1,551,792
Office on Women	853,658	4,242	-	857,900
Citizens Assistance	532,625	20,930	-	553,555
Management and Budget	644,124	-	-	644,124
18th Circuit Court	992,057	10,378	-	1,002,435
18th General District Court	72,600	4,555	-	77,155
Juvenile and Domestic Relations Courts	44,064	-	-	44,064
Commonwealth's Attorney	1,898,014	-	-	1,898,014
Sheriff	16,644,162	17,965	-	16,662,127
Clerk of Courts	1,189,242	149,944	-	1,339,186
Law Library	-	-	61,592	61,592
Other Correctional Activities	2,983,209	-	-	2,983,209
Court Services	520,570	-	37,629	558,199
Human Rights	276,383	1,022	-	277,405
Internal Audit	154,007	2,712	-	156,719
Information and Technology Services	5,773,477	392,324	-	6,165,801
City Clerk and Clerk of Council	322,341	-	-	322,341
Finance	6,517,296	415,854	-	6,933,150
Real Estate Assessments	905,087	-	-	905,087
Personnel	1,992,022	4,632	-	1,996,654
Planning and Zoning	4,756,855	347,608	-	5,104,463
City Attorney	1,688,804	-	-	1,688,804
Registrar	733,683	17,041	-	750,724
General Services	9,041,965	47,127	-	9,089,092
Transportation and Environmental Services	19,431,737	982,285	231,651	20,645,673
Transit Subsidies	2,755,665	60,000	-	2,815,665
Fire	25,389,883	5,852	-	25,395,735
Police	35,342,224	192,263	102,866	35,637,353
Office of Housing	796,504	1,711	4,664	802,879
Mental Health/Mental Retardation/Substance Abuse	547,627	-	8,998,460	9,546,087
Health	6,315,669	168,474	-	6,484,143
Human Services	6,579,992	33,533	10,757,858	17,371,383
Human Services Contributions	875,500	-	-	875,500
Office of Historic Alexandria	2,015,455	50,714	-	2,066,169
Recreation and Cultural Activities	14,279,010	9,659	5,848	14,294,517
Other Educational Activities	12,923	-	-	12,923
Miscellaneous	22,761,801	176,741	331,646	23,270,188
Capital Projects	-	-	19,920,000	19,920,000
Total Primary Government Expenditures, Encumbrances and Transfers Out	$ 197,606,892	$ 3,117,566	$ 40,452,214	$ 241,176,672
Transfers Out to Component Units:				
Library	$ -	$ -	$ 4,798,030	$ 4,798,030
Schools	-	-	107,269,189	107,269,189
Transit Subsidies (Alexandria Transit Company)	-	-	4,082,830	4,082,830
Total Transfers Out to Component Units	$ -	$ -	$ 116,150,049	$ 116,150,049
Total Expenditures, Encumbrances, Transfers Out - Primary Government and Component Units	$ 197,606,892	$ 3,117,566	$ 156,602,263	$ 357,326,721
Expenditures, Encumbrances, Transfers Out & Other Financing Uses in Excess of Revenues				$ 4,075,683
FY 2001 Encumbrances Paid in FY 2002				3,729,754
Other Changes in Reserved Fund Balance				
Undesignated Fund Balance at Beginning of Year				22,519,957
(Increases) Decreases in Designated Fund Balance:		FY 2001	FY 2002	
Subsequent Year's Budget		$ 3,506,000	$ 9,816,624	(6,310,624)
Operating Budget FY 2004		-	3,384,096	(3,384,096)
Compensated Absences		7,208,635	7,208,635	-
Subsequent Year's Capital Expenditures		16,700,000	12,300,000	4,400,000
Self-insurance		5,000,000	5,000,000	-
Incomplete Projects		890,895	1,375,987	(485,092)
Undesignated Fund Balance at End of Year				$ 24,545,582

CITY OF ALEXANDRIA, VIRGINIA
Miscellaneous Statistical Data
As of June 30, 2002

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

Location

38.8210 N
77.0861 W

Climate

Average January Temperature 34.9°
Average July Temperature 79.2°

Transportation

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

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

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

2002 Resident Population	134,000
Number of Households – 2002 Estimate	64,422
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%
2000 Population by Age:	
(1-19)	23,376
(20-34)	42,490
(35-64)	50,812
(65 +)	11,605
Registered Voters June 2002	85,616
Temporary Assistance to Needy Families (Cases) - Monthly Average, 2002	525
Food Stamps (Cases) - Monthly Average, 2002	1,197
Medicaid (Cases) - Monthly Average, 2002	4,207

Economy

Employed Residents, June 2002	79,512
Unemployed Residents, June 2002	2,883
Unemployed Rate, June 2002	3.5%
Persons Employed at Job Sites in Alexandria, Quarterly Average, December, 2001 per Virginia Employment Commission	91,183
Washington PMSA Inflation Rate, based on Consumer Price Index, for FY 2002	2.5%

CITY OF ALEXANDRIA, VIRGINIA

Miscellaneous Statistical Data

As of June 30, 2002

TABLE XIX

(Continued)

Housing	2002	2001
Total Housing Units	67,339	66,082
Type of Single-Family Housing		
Detached	9,105	9,078
Semi-Detached	5,245	5,134
Rowhouse	6,088	5,862
Condo Townhouse	906	920
Total Single-Family	21,344	20,994
Condominium Units	14,563	15,068
Rental Apartments	31,432	30,020
Public and Publicly Assisted Units	1,150	1,150
Average Assessed Value of Single Family Homes	$333,344	$290,436
Average Assessed Value of Condominiums	$135,625	$ 115,721
Average Market Rents		
Efficiency	$ 794	$ 782
1 Bedroom Apartment	$ 1,105	$ 933
2 Bedroom Apartment	$ 1,276	$ 1,176
3 Bedroom Apartment	$ 1,430	$ 1,341

Communications

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

Miles of Streets, Sidewalks and Alleys

Streets:	
Paved - Lane Miles	510.5
Unpaved	0.17
Sidewalks	320
Alleys, Paved	20.56

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	324
Nursing Homes:	
Goodwin House	80

Medical Facilities (Continued)

	Beds
Hermitage Retirement Community	204
Woodbine Rehabilitation & Healthcare Center	307
Washington House	220
Integrated Health Services of Northern Virginia	111

Libraries

	Number
Central Library	1
Full service branches	3
(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	11

Hotels and Motels

	Rooms
Alexandria Travelodge	40
Best Western Old Colony Inn	151
Bragg Towers	99
Comfort Inn Landmark	150
Courtyard by Marriot	176
Days Inn	200
Embassy Suites	268
Executive Club Suites	78
Extended Stay America	104
Hampton Inn	80
Hawthorn Suites Hotel	185
Hilton Alexandria Mark Center	496
Hilton Alexandria Old Town	241
Holiday Inn Eisenhower	196
Holiday Inn Select	227
Holiday Inn Hotel & Suites	178
Homestead Village	130
Morrison House	45
Radisson Old Town	253
Sheraton Pentagon Suites	196
Sheraton Suites Old Town Alexandria	247
Towne Motel	27
Washington Suites	224
Total	3,991

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

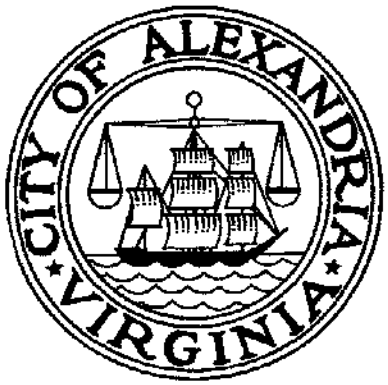
Table XX

	1998	1999	2000	2001	2002
Revenues:					
General Property Taxes	$ 163,481,396	$ 174,452,574	$ 183,296,264	$ 189,775,677	$ 205,145,697
Other Local Taxes	63,160,242	68,947,100	75,040,938	81,726,772	83,959,774
Permits, Fees, and Licenses	3,189,511	3,330,371	4,380,592	4,065,880	3,501,475
Fines and Forfeitures	4,237,384	4,740,675	4,237,420	4,116,463	3,931,596
Use of Money and Property	7,476,395	7,852,531	7,078,467	10,418,646	8,769,357
Charges for Services	8,312,984	8,602,357	8,684,519	8,711,053	8,954,310
Intergovernmental Revenues	14,467,426	14,175,904	25,606,354	37,679,452	46,601,917
Miscellaneous	435,238	701,804	705,468	464,686	538,278
Total Revenues	$ 264,760,576	$ 282,803,316	$ 309,030,022	$ 336,958,629	$ 361,402,404
Other Financing Sources:					
Proceeds from Capital Lease	$ 23,992	$ -	$ -	$ -	$ -
Total Other Financing Sources	$ 23,992	$ -	$ -	$ -	$ -
Total Revenues and Other Financing Sources	$ 264,784,568	$ 282,803,316	$ 309,030,022	$ 336,958,629	$ 361,402,404
Expenditures:					
Current:					
General Government	$ 23,240,974	$ 24,156,017	$ 26,962,818	$ 27,643,951	$ 29,704,416
Judicial Administration	10,224,495	10,929,840	10,604,624	10,066,727	10,779,223
Public Safety	61,867,825	63,691,872	64,776,874	69,674,678	75,925,565
Public Works	20,009,677	20,037,788	22,627,379	27,418,389	27,174,195
Health and Welfare	12,123,755	12,071,463	12,241,432	14,603,243	14,310,933
Parks, Recreation and Culture	10,243,646	10,442,357	11,078,547	12,143,260	14,554,083
Community Development	3,880,492	4,214,297	4,633,017	5,178,420	6,253,013
Education	13,476	13,064	13,120	13,017	12,923
Transit Subsidies	3,352,370	2,613,857	2,027,547	3,515,994	2,755,665
Debt Service:					
Principal Retired	7,101,879	8,438,268	6,134,298	6,918,641	8,559,463
Interest and Fiscal Charges	2,409,747	1,577,606	2,861,267	5,591,167	7,577,413
Total Expenditures	$ 154,468,336	$ 158,186,429	$ 163,960,923	$ 182,767,487	$ 197,606,892
Other Financing Uses:					
Operating Transfers Out	$ 20,304,675	$ 28,306,506	$ 40,287,613	$ 44,866,553	$ 40,452,214
Transfers Out - Component Units	91,996,620	95,133,228	99,232,856	106,479,088	116,150,049
Total Other Financing Uses	$ 112,301,295	$ 123,439,734	$ 139,520,469	$ 151,345,641	$ 156,602,263
Total Expenditures and Other Financing Uses	$ 266,769,631	$ 281,626,163	$ 303,481,392	$ 334,113,128	$ 354,209,155
Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses	$ (1,985,063)	$ 1,177,153	$ 5,548,630	$ 2,845,501	$ 7,193,249
Fund Balances at Beginning of Year	53,179,808	51,039,266	52,226,469	57,998,531	60,833,603
Increase/(Decrease) in Reserve For Inventory	(155,479)	10,050	223,432	(10,429)	201,807
FUND BALANCES AT END OF YEAR	**$ 51,039,266**	**$ 52,226,469**	**$ 57,998,531**	**$ 60,833,603**	**$ 68,228,659**

Table XXI

CIty of Alexandria, Virginia
Summary of Debt Service
2003-2021

Fiscal Year	Principal	Interest	Total
2003	$ 10,310,000	$ 7,173,024	$ 17,483,024
2004	10,795,000	6,738,617	17,533,617
2005	9,640,000	6,298,854	15,938,854
2006	9,615,000	5,874,048	15,489,048
2007	8,675,000	5,465,360	14,140,360
2008	8,675,000	5,088,410	13,763,410
2009	8,675,000	4,704,870	13,379,870
2010	7,885,000	4,319,330	12,204,330
2011	7,885,000	3,950,455	11,835,455
2012	7,875,000	3,592,955	11,467,955
2013	7,875,000	3,227,850	11,102,850
2014	7,875,000	2,841,125	10,716,125
2015	7,875,000	2,439,500	10,314,500
2016	7,875,000	2,059,156	9,934,156
2017	7,875,000	1,661,469	9,536,469
2018	7,875,000	1,260,056	9,135,056
2019	7,875,000	858,644	8,733,644
2020	5,875,000	453,613	6,328,613
2021	2,895,000	141,131	3,036,131
Total	$ 153,925,000	$ 68,148,467	$ 222,073,467


CITY OF ALEXANDRIA
VIRGINIA

SINGLE

AUDIT

2001 M Street, NW
Washington, DC 20036

Telephone 202 533 3000
Fax 202 533 8500

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, 2002, and have issued our report thereon dated October 30, 2002. As discussed in note 5 to the financial statements, the City restated the capital asset balances as of July 1, 2001 to move certain assets from the aggregate discretely presented component units to the governmental activities in accordance with a change in Virginia State law. 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

October 30, 2002

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

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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, 2002. 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, 2002.

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.

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KPMG

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.

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, 2002, and have issued our report thereon dated October 30, 2002. As discussed in note 5 to the financial statements, the City restated the capital asset balances as of July 1, 2001 to move certain assets from the aggregate discretely presented component units to the governmental activities in accordance with a change in Virginia State law. 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

October 30, 2002

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2002

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	$ 4,796
Commodity Food Distribution	10.555	230,778
Department of Education		
Breakfast Program	10.553	432,358
Lunch Program	10.555	1,594,905
Food Stamp	10.561	1,289,224
Summer Food Program	10.559	129,939
TOTAL U.S. DEPARTMENT OF AGRICULTURE		$ 3,682,000
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Direct Payments:		
Administration for Children, Youth and Families		
Head Start	93.600	$ 1,424,671
Consolidated Knowledge Development and Application (KD&A) Program	93.230	35,190
Total Direct Payments		$ 1,459,861
Pass Through Payments:		
Department of Health:		
Rape Crisis Treatment and Prevention Grant	93.991	$ 101,355
Department of Mental Health and Mental Retardation		
Block Grant for Community Mental Health Services	93.958	495,901
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118	69,574
Projects for Assistance in Transition from Homelessness	93.150	59,928
Child Care Block Grant	93.575	1,296,033
Prevention and Treatment of Substance Abuse	93.959	1,253,375
Public Health & Soc Serv Emergency Fund	93.003	1,772
Department for the Aging		
Title IIIB - Supportive Services and Senior Programs	93.044	167,633
Special Programs for the Aging Title III - Disease Prevention	93.043	2,862
Special Programs for the Aging Title IIIG - Prevention of Abuse	93.041	1,421
Special Programs for the Aging Title IIIC - Nutritional Services	93.045	140,327
Department of Social Services		
Family Preservation and Support Services	93.556	47,905
Temporary Assistance for Needy Families	93.558	1,093,999
Low Income Energy Assistance	93.568	11,517
Social Services Block Grant	93.667	1,861,378
Refugee Resettlement	93.566	184,176
Refugee and Entrant Assistance	93.576	11,931
Child Care Mandatory and Matching Funds	93.596	2,055,876
Foster Care Title IV - E	93.658	1,796,171
ADC Foster Care	93.560	18,635
Adoption Assistance	93.659	263,381
Independent Living	93.674	7,813
State Children's Insurance Program	93.767	71
Medical Assistance Program	93.778	807,948
Domestic Violence Program	93.051	189,545
Total Pass Through Payments		$ 11,940,527
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		$ 13,400,388

(Continued)

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2002

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	$ 1,203,088
Total Direct Payments		$ 1,203,088
Pass Through Payments:		
Regional and Community Development and Planning	14.235	$ 31,692
Emergency Shelter Grants for the Homeless	14.231	42,575
Affordable Housing	14.239	305,708
Total Pass Through Payments		$ 379,975
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		$ 1,583,063
U.S. DEPARTMENT OF JUSTICE		
Direct Payments:		
Homeland Security	16.999	$ 264,216
Office of Community Oriented Policing Services		
COPS Grants	16.710	66,201
Total Direct Payments		$ 330,417
Pass Through Payments:		
Department of Criminal Justice Services		
Asset Forfeiture Report	16.000	$ 69,813
Community Prosecution	16.609	108,570
Juvenile Accountability Incentive Block Grant	16.523	74,477
Title V Delinquency Prevention Program	16.548	64,499
Violence Against Women Formula Grants	16.588	141,735
Crime Victim Assistance	16.575	149,981
Law Enforcement Block Grant	16.592	119,230
Total Pass Through Payments		$ 728,305
TOTAL U.S. DEPARTMENT OF JUSTICE		$ 1,058,722
U.S. DEPARTMENT OF LABOR		
Pass Through Payments:		
Economic Dislocation and Worker Adjustment Assistance Act		
Virginia Employment Commission	17.246	$ 101,410
Welfare to Work	17.253	80,679
School-to-Work Opportunities Act of 1994	17.000	84,887
Workforce Investment Act		
Employment and Training Administration	17.262	8,719
Adult Program	17.258	230,270
Youth Activities	17.259	72,598
Dislocated Workers	17.260	399,587
Employment Services Job Training Pilot	17.249	98,861
Department for the Aging		
Senior Community Service Employment Program	17.235	26,803
TOTAL U.S. DEPARTMENT OF LABOR		$ 1,103,814

(Continued)

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2002

Federal Grantor/Recipient State Agency/Program Title	Federal Catalog Number	Expenditures
U.S. DEPARTMENT OF TRANSPORTATION		
Pass Through Payments:		
Department of Transportation		
National Recreational Trails Funding Program	20.219	$ (5,848)
Highway Planning and Construction	20.205	4,887
Sobriety Checkpoints	20.600	130,446
TOTAL U.S. DEPARTMENT OF TRANSPORTATION		$ 129,485
U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION		
Direct Payments:		
Title 7, New Charges, Age Discrimination Employment Act	30.002	$ 53,839
TOTAL U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION		$ 53,839
U.S. INSTITUTE OF MUSEUM SERVICES		
Direct Payments:		
Museum Conservation	45.301	$ 49,552
TOTAL U.S. INSTITUTE OF MUSEUM SERVICES		$ 49,552
U.S. ENVIRONMENTAL PROTECTION AGENCY		
Direct Payments:		
Electronics Recycling Assistance	66.808	$ 5,000
Total Direct payments		$ 5,000
Pass Through Payments:		
State Air Pollution Control Board		
Air Pollution Control Program Grants	66.001	$ 43,730
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY		$ 48,730
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	$ 1,685,071
Title VI-B		
Education of Handicapped Children	84.027	1,279,521
Handicapped Preschool Incentive Program	84.137	100,631
Emergency Immigration Assistance	84.162	186,361
Special Education Block Grant	84.151	120,511
Title II EESA	84.164	51,545
Drug-Free Schools	84.186	33,858
Goals 2000	84.276	1,383
Technology Literacy Challenge Fund	84.318	68,826
Class Size Reduction	84.340	358,104
Vocational Education		
Vocational Education Management System	84.048	221,383
Department of Mental Health and Mental Retardation		
Early Intervention - Part H	84.181	149,156
TOTAL U.S. DEPARTMENT OF EDUCATION		$ 4,256,350

(Continued)

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2002

Federal Grantor/Recipient State Agency/Program Title	Federal Catalog Number	Expenditures
U.S DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT ASSISTANCE		
Pass Through Payments:		
Emergency Management Assistance	83.503	$ 30,320
Disaster Assistance	83.516	701,483
TOTAL U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT ASSISTANCE		$ 731,803
OTHER FEDERAL AID		
High Intensity Drug Trafficking Area	98.473	$ 30,983
Nursing Home Screening	93.000	29,610
Statewide Fraud Program	93.000	344
TOTAL OTHER FEDERAL		$ 60,937
TOTAL FEDERAL ASSISTANCE		$ 26,158,683

See Acompanying Notes to the schedule.

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 2002. 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	$ 26,158,683
Non-Reportable Federal Revenue	5,560,206
Commodities Distribution	(235,574)
Total Federal Revenue per Note 13	$ 31,483,315

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 $3,747,117 of non-cash expenditures for food stamps issued.

SUBGRANTEES

The City provided the following amounts to subrecipients during FY 2002:

Program Title	CFDA	Amount
CDBG	14.218	$ 465,078
HOME	14.235	31,692
Welfare to Work	17.253	399
Aging Title IIIB	93.044	8,186
Aging Title IIIC	93.045	12,511
Headstart	93.600	1,424,671
Social Services Block Grant	93.667	31,000

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2002

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:

- Child Nutrition (CFDA 10.553, 10.555 and 10.559)
- Food Stamps (CFDA 10.551 and 10.561)
- Financial Assistance to Meet Special Education Needs of Disadvantaged Children – Programs Operated by Local Education Agencies (CFDA 84.010)
- Education of Handicapped Children (CFDA 84.027)

Dollar threshold used to distinguish between Type A and Type B programs: $897,174

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

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, 2002

No findings reported in the prior year.

City of Alexandria, Virginia
Finance Department
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