

City of Alexandria, Virginia

MEMORANDUM

DATE: NOVEMBER 1, 2004

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER *PS*

SUBJECT: RECEIPT OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2004

ISSUE: Receipt of the City's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2004.

RECOMMENDATION: That City Council receive the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004.

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. It has been the City's practice to present this report to City Council at the second legislative meeting in November. However, due to the upcoming accelerated general obligation bond sale, as well as the desirability of presenting this annual financial report to Council closer to the end of the fiscal period of the report, this year the CAFR presentation to City Council has been accelerated. It is City staff's intent to make an earlier presentation of the CAFR a goal for future years, as the closer to the end of the fiscal year the report is presented, the more useful it is to Council and to the public.

Attached is a draft copy of the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004. As of November 2, the draft report was at the KPMG concurring partner review stage. City staff do not expect that review process to result in any change to the financial data, but possibly only minor changes to the footnotes. After the concurring partners review is complete, the KPMG opinion letters will be issued to the City. It is expected that the bound CAFR document will be printed and distributed, as well as posted on the City's web site, by mid-November. This report, which follows a format prescribed by the national Governmental Accounting Standards Board (GASB), includes a description of the significant financial events of the fiscal year, the City's audited financial statements and selected financial and demographic information.

The following are highlights of the report:

- This is the fifth 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 the first city in the nation, to issue its CAFR using this financial reporting model.
- The CAFR includes a Management's Discussion and Analysis section which provides an overview of the City's financial performance (CAFR, page 21).
- For the first time, the table of contents lists the "Notes to Financial Statements" individually in order to assist readers in more quickly finding a particular Note.
- On an entity-wide basis, the City government has recorded \$303 million in net assets (CAFR, Exhibit I, page 31) with the investment in capital assets and capital project commitments comprising \$120 million and \$116 million, respectively, of the total.
- The City government's net assets increased by \$2 million in FY 2004 (CAFR, Exhibit II, page 32). The primary factor contributing to this increase is the net addition of capital assets.
- General Fund revenues in FY 2004 totaled \$408 million (CAFR, Exhibit IV, page 34). Final General Fund expenditures totaled \$360 million and transfers to other City funds totaled \$44 million (CAFR, Exhibit IV, page 34).
- Driven largely by real estate taxes, FY 2004 General Fund revenues exceeded budgeted revenues by 4.2 percent or \$16.5 million (CAFR, Exhibit XIII, page 90). Real and personal property taxes, including penalties and interest, exceeded budget by \$9.4 million. Other Local Taxes exceeded budget by \$5.0 million, primarily for additional recordation taxes. Interest earnings on the City's cash was \$0.9 million lower than budget primarily because of decreased market interest rates. General Fund expenditures ended the year under authorized levels.
- When the FY 2005 budget was presented, considered and then approved, a large portion of the FY 2004 fiscal surplus was known and incorporated into the FY 2005 budget decision making. However, as flagged in Monthly Financial Reports provided to Council during the May to September time period, additional FY 2004 revenues became evident after the FY 2005 budget was approved.
- In total, the City finished FY 2004 with \$5 million more in revenue than the amount that was projected when the FY 2005 budget was approved. The \$5 million has been allocated as follows: (1) \$4.3 million designated for the City's FY 2006 Operating Budget (this equals the fund balance designated for the FY 2005 Operating Budget); (2) \$0.4 million designated for FY 2006 capital projects; and (3) a \$0.3 million increase in the undesignated unreserved fund balance to keep its ratio to General Fund revenues constant.

- The undesignated General Fund balance was \$28 million at the conclusion of FY 2004, which represents 6.9 percent of General Fund revenues (CAFR, page 9). This is the same 6.9 percent level as was the case at the end of FY 2003. Undesignated General Fund balance is the accumulated total of all prior years actual General Fund revenues in excess of expenditures, less resources (a) reserved for inventory and encumbrances and (b) designated for the operating and capital budgets, self-insurance, compensated absences and ongoing projects (CAFR, page 51).
- Total General Fund balance, which includes all reserved, designated and undesignated resources, was \$62.8 million at the end of FY 2004 (CAFR, Exhibit III, page 33), which compares to the total General Fund balance of \$59.6 million at the end of FY 2003.
- The City continues to comply with all of the debt-related financial targets and limits (CAFR, page 9).
- The City expects a positive “clean opinion” from the auditors of its financial statements for the year ended June 30, 2004. The auditors are expected to find that the City’s financial statements “present fairly” the City’s financial position and results of operations and that the City has complied with applicable laws and regulations related to federal grants.
- There were no negative audit findings related to federal grants.
- Since the Alexandria City Public Schools (ACPS), the City of Alexandria Library System, and the Alexandria Transit Company (operates DASH bus system) are financially dependent on the City, certain financial information related to each, per GASB requirements, are included in the City’s CAFR as component units.
- The CAFR cover continues a City practice of showcasing a newly completed capital project. This year the project is the Duke Street Pedestrian Tunnel.

Staff is confident that the FY 2004 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 each of the last 26 consecutive years.

ATTACHMENT: City of Alexandria Comprehensive Annual Financial Report for the Fiscal Year ending June 30, 2004.

STAFF:

Mark Jinks, Assistant City Manager

D. A. Neckel, Director of Finance

Laura Triggs, Deputy Director of Finance/Comptroller

DRAFT

City of Alexandria, Virginia

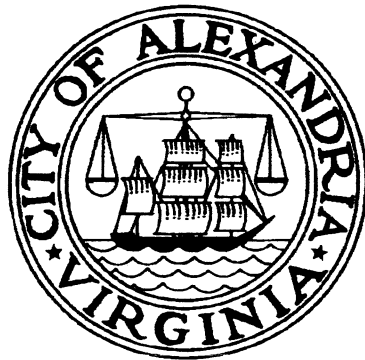


Comprehensive Annual
Financial Report
Fiscal Year Ended June 30, 2004

Cover Photo of PTO Employees Heading to Work:

FY 2004 saw the beginning of the phased move onto the new Carlyle Campus in the City of the U.S. Patent and Trademark Office. As part of the infrastructure needed to encourage transit use, a new underground pedestrian concourse was constructed under Duke Street to connect the Carlyle campus with the King Street Metrorail station, regional commuter bus service, as well as the Virginia Railway Express and AMTRAK.
(Photo by: Casey Triggs)

**CITY OF ALEXANDRIA, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR
 JULY 1, 2003 TO JUNE 30, 2004**

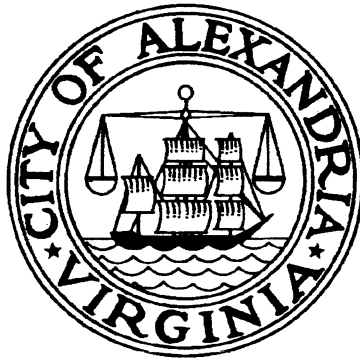


**Alexandria City Council
 William D. Euille, *Mayor*
 Redella S. Pepper, *Vice-Mayor*
 Ludwig P. Gaines
 Rob Krupicka
 Andrew H. Macdonald
 Paul C. Smedberg
 Joyce Woodson**

City Manager.....Philip Sunderland
**Assistant City Manager for
 Fiscal and Financial Affairs**Mark B. Jinks
Director of FinanceDaniel A. Neckel, CPA
Director of Real Estate AssessmentsCindy Smith-Page
City Attorney.....Ignacio B. Pessoa
City Clerk & Clerk of Council.....Jacqueline Henderson
Independent Auditors.....KPMG LLP

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

alexandriava.gov



**CITY OF ALEXANDRIA, VIRGINIA
Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2004**

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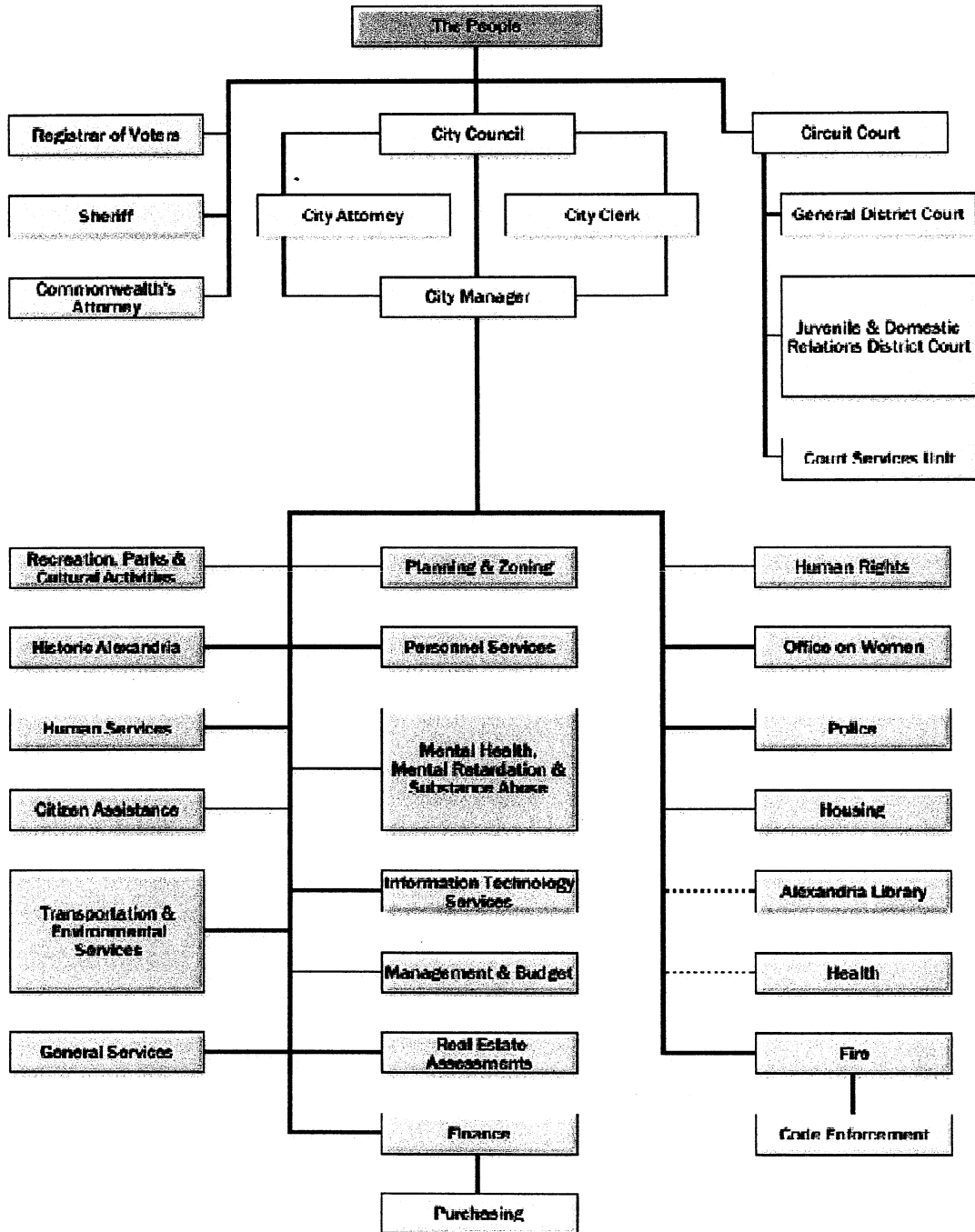
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INTRODUCTORY SECTION

ALEXANDRIA CITY GOVERNMENT ORGANIZATIONAL CHART





October 20, 2004

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, 2004. 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) 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.

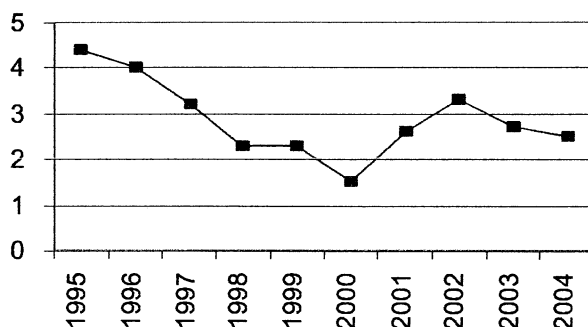
FINANCIAL REPORTING ENTITY

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

The City has recovered from the downturn in tourism and business travel after September 11, 2001. Tourism is strong, unemployment rates low, office vacancy rates low, demand for housing high, and the number of jobs in the City increasing. As of December 31, 2003, 91,701 persons were employed in the City, an increase of 1,614 compared to 90,087 at the end of December 2002. With the phased move-in of the U.S. Patent and Trademark Office and related private firms, the number of jobs is projected to increase to over 95,000 jobs by the summer of 2005. Since 2003 the local jobless rate decreased slightly from 2.7 percent in 2003 to 2.5 percent in 2004. The following table shows the City's jobless rate for the past 10 years:

City of Alexandria Unemployment Rate
Last Ten Years



The real estate market, which is the principal source of tax revenue for the City, continued to improve. Total real property assessments increased in calendar year 2004 by 18.4 percent, or \$3.5 billion, including \$2.0 billion of residential appreciation and \$1.5 billion of commercial growth.

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 two of Wall Street's major credit rating agencies (Standard & Poor's and Moody's Investors Service).

During the past fiscal year, the City made progress in a number of important areas, including major renovations to the City's public safety systems and sewer infrastructure.

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 a wide range of services, has achieved many of its program goals, and enhanced the quality of life in the City. The City's cash and investment position was strong throughout the fiscal year.

Even though the economy stabilized somewhat this year, the City will continue to experience budget pressure over the next several years. Keeping existing programs funded, salaries of public employees competitive, and addressing the continually expanding program needs of the community will require careful budgeting. The City Council has adopted a new strategic plan to ensure that City resources remain focused on citizen priorities. Capital investment and the resulting debt service costs are planned to increase. The need for increased operating and capital support to fund a new high school to replace T.C. Williams is one of the City's major budget pressures. Over the next year, revenues are budgeted to grow by at about 7 percent over FY 2004 with actual revenues reflecting both an expanded real estate tax base as well as 3¢ decrease in the City's real estate tax rate (from \$1.035 to 99.5¢). One cent of the City's real property taxes is dedicated to open space acquisition. 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. New developments projected to generate additional tax revenues include the continued phased in relocation of the U.S. Patent and Trademark Office headquarters to Alexandria.

Over the last five years, the City's property tax base has grown an average of 13.4 percent per year, the City's tax rate has dropped and the pace of expenditures has increased. 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 nine. 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 continues to use "pay-as-you-go" financing for many capital projects, the City has maintained superior debt ratios since 1987. At the end of FY 2004, the City's debt to tax base ratio was just 0.87 percent with that projected to rise to 1.1 percent by FY 2008. The City's financial policies encourage the use of surplus General Fund revenue and resources derived from spending less than the full budget to fund capital projects.

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

GENERAL GOVERNMENT FUNCTIONS

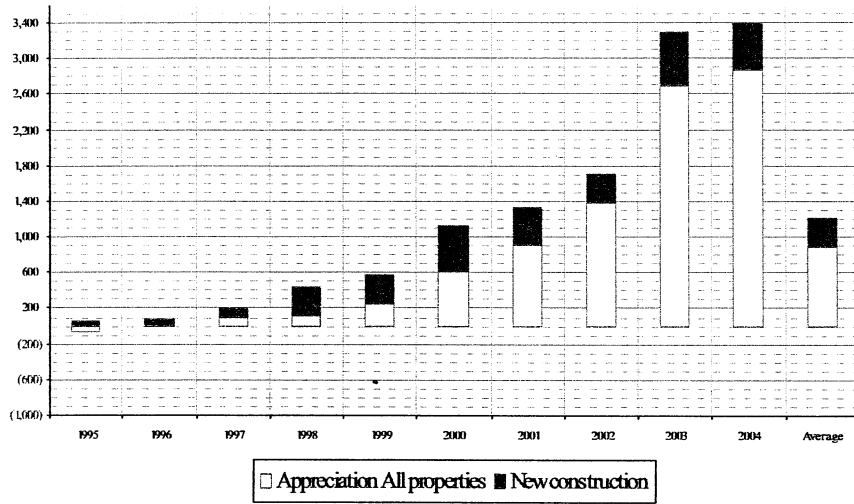
The following table shows that the overall real property assessed value has increased by almost \$12 billion since 1995, including an 18.4 percent increase from 2003 to 2004. Real property taxes, which are based on assessments as of January 1 of each year, are due in two payments. The first half of the real estate tax is due on June 15 and the second half of the tax is due on November 15.

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

<u>Year</u>	<u>Residential Assessed Value</u>	<u>Residential % Increase (Decrease)</u>	<u>Commercial¹ Assessed Value</u>	<u>Commercial % Increase (Decrease)</u>	<u>Total Assessed Value</u>	<u>Total % Increase (Decrease)</u>
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	8,889,290	17.4	7,243,699	2.6	16,132,989	10.3
2003	11,191,850	25.9	8,034,076	10.9	19,225,926	19.2
2004	13,224,543	18.2	9,532,642	18.7	22,757,185	18.4

1. Includes apartment buildings.

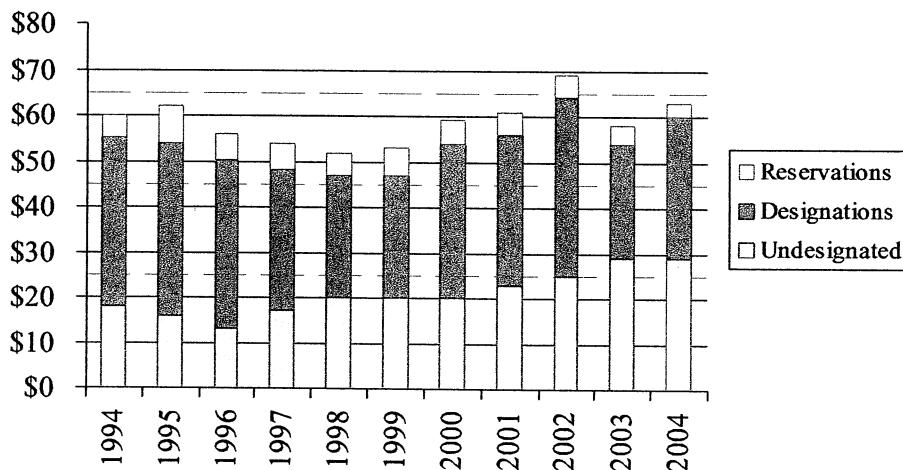
Change in Total Tax Base (in thousands)



This chart dissects the increases and decreases in assessed values since 1995 into appreciation and depreciation of existing properties and new properties (this chart is comprised of single year snapshots and is not cumulative).

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 2004, the City's General Fund fund balance was \$63 million and included several designations of \$31.4 million, including \$7.5 million designated for future capital funding. At the end of FY 2004 the City's ending General Fund fund balance condition was consistent with the City's established financial policies, and somewhat above expectations. The increase in fund balance from FY 2003 to FY 2004 related primarily to revenue surpluses from real estate taxes, which are designated for capital projects. The transfer of these designated funds to the capital projects fund will occur in FY 2005.

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



CAPITAL FINANCING AND DEBT MANAGEMENT

In conjunction with the annual operating budget preparation, the City Manager annually prepares a six-year Capital Improvement Plan to provide for the financing of improvements to the City's public facilities. The first year of the program constitutes the capital budget for the current fiscal year; the remaining five years serve as a planning guide. The City accounts for capital improvement expenditures in the Capital Projects Fund and finances the projects from the General Fund (including appropriations of Designated Fund Balance), general obligation debt, the sale of surplus property, and intergovernmental grant revenues. The City's Capital Improvement Plan for FY 2005 through 2010 represents \$302.6 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 such as prior year City funds will provide \$263.5 million in additional planned capital funding for the FY 2005-FY 2010 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:

	<u>Ceiling</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>Target</u>
Debt as a Percentage of Fair Market Value	1.6%	0.26%	0.54%	0.86%	0.74%	0.95%	0.75%	0.87%	1.1%
Debt Per Capita as a Percentage of Per Capita Income	3.25%	0.6%	1.2%	1.9%	1.6%	2.2%	1.9%	2.5%	2.25%
Debt Service as a Percentage of General Governmental Expenditures ¹	10.0%	2.5%	1.7%	2.3%	3.1%	3.5%	3.6%	3.6%	8.0%
General Fund Balance as a Percentage of General Fund Revenue:									
Unreserved	10% (floor)	17.6%	16.5%	17.3%	16.6%	17.6%	14.4%	14.6%	---
Undesignated	4% (floor)	7.6%	6.9%	6.4%	6.6%	6.8%	7.3%	6.9%	5.5%
Net Assets first used in FY 2000 with the implementation of Government Accounting Standards Board Statement No. 34.									
Unrestricted Net Assets as a Percentage of General Revenue	4% (floor)	NA	NA	19.4%	8.4% ²	32.2%	19.8%	18.4%	5.5%

¹ Data includes School Board and Library component units.

² Net Assets percentage decrease associated with School assets. See Note 5.

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

Aaa

Standard & Poor's

AAA

BUDGETARY ACCOUNTING AND INTERNAL CONTROLS

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

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

City management is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft or misuse. Internal controls are intended to provide reasonable, but not absolute, assurance that these objectives are met. In addition to the examination of controls 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.

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 26th consecutive year in 2003. 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 2004.

REPORTING REQUIREMENTS

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

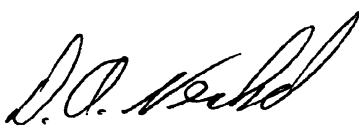
ACKNOWLEDGMENTS

We would like to express our appreciation to everyone in the City who assisted with and contributed to the preparation of this report. Special recognition is extended to the Accounting Division for their dedicated pursuit of excellence and leadership in financial reporting. We also want to thank City Manager Phil Sunderland, who is retiring this year, for his caring, creativity and insightful leadership of the City government. We wish him well and shall miss him.

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, 2003

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.



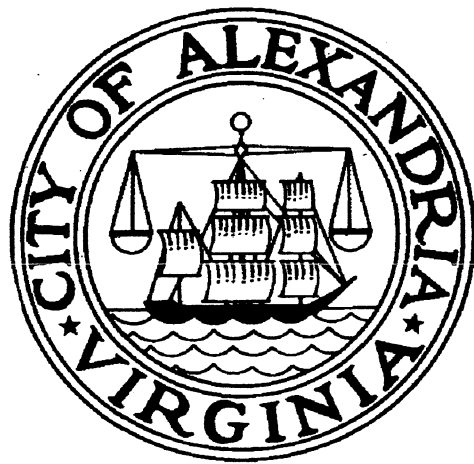
Edward Henry

President

Jeffrey R. Enos

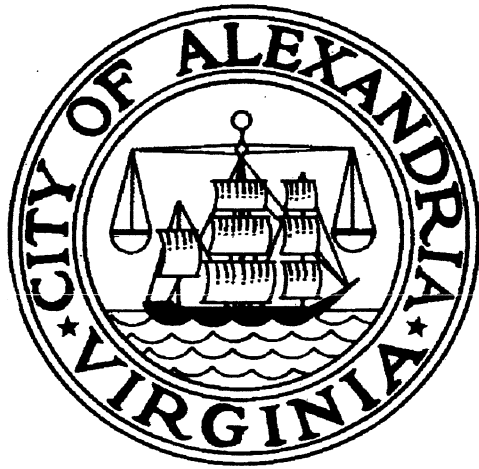
Executive Director

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

(letter to be provided)

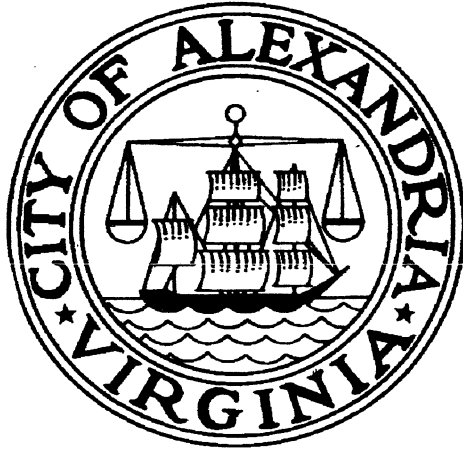


Independent Auditors' Report

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

October 17, 2004

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, 2004. 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 2004

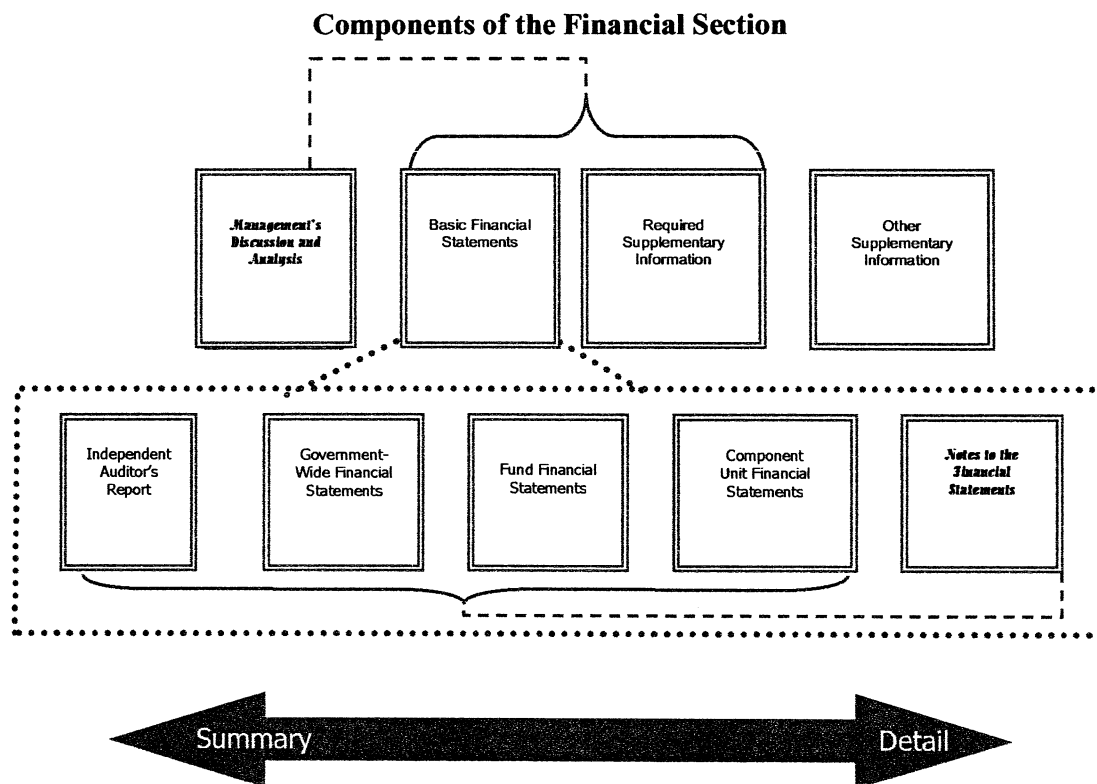
The General Fund, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other financing uses by \$4.5 million (Exhibit IV) after making a \$21.4 million transfer to the capital projects fund and a \$22.3 million transfer to the special revenue fund.

On a government-wide basis for governmental activities, the City's general revenues of \$369.1 million were \$1.6 million more than the \$367.5 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 \$303 million at June 30, 2004. Of this amount, \$68 million is unrestricted. (Exhibit I).

USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

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



GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. The Statement of Net Assets and the Statement of Activities, which are the government-wide statements, report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, 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 those assets. The City's net assets position - the difference between assets and liabilities - is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors will need to be considered, however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

The Statement of Net Assets and the Statement of Activities includes 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 were reported here since the City charges a fee to customers to help it cover the cost of certain services it provides. Once these fees no longer covered most of the cost of services, City Council authorized the transfer of this fund and related assets to the General Fund and Internal Service Fund in FY 2003. The City has no other business type activities.

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 to them.

FUND FINANCIAL STATEMENTS

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

The City has three kinds of funds:

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

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

The City uses an internal service fund (one kind of 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 primary purpose is to provide for the accumulation of money to replace capital equipment used in City operations.

Fiduciary funds - The City is the trustee, or fiduciary, for its employees' pension plans. 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 Statement of Net Assets
as of June 30, 2004 and 2003
(in millions)

	Total Governmental Activities And Primary Government		Component Units	
	2004	2003	2004	2003
Current and other assets	\$ 398	\$ 327	\$ 38	\$ 36
Capital assets	332	317	20	19
Total assets	<u>\$ 730</u>	<u>\$ 644</u>	<u>\$ 58</u>	<u>\$ 55</u>
Other liabilities	\$ 211	\$ 187	\$ 20	\$ 21
Long-term liabilities	216	156	6	5
Total liabilities	<u>\$ 427</u>	<u>\$ 343</u>	<u>\$ 26</u>	<u>\$ 26</u>
Net assets:				
Invested in capital assets, net of related debt	\$ 120	\$ 160	\$ 20	\$ 19
Restricted	116	73	-	-
Unrestricted	68	68	12	10
Total Net Assets	<u>\$ 303</u>	<u>\$ 301</u>	<u>\$ 32</u>	<u>\$ 29</u>

Amounts may not add due to rounding

The City's combined net assets (which is the City's bottom line) increased one percent, or \$2 million, to \$303 million. The increase is primarily attributable to a surplus in the governmental funds before considering the receipt of debt proceeds (Exhibit II and Exhibit IV). The increase in the City's current assets and liabilities is primarily attributable to the increase in real property tax assessments which is considered unearned until FY 2005. The increase in component units' net assets is primarily attributable to transit assets contributed by the City. The City's capital assets increased \$15 million, primarily for additions to the City's construction in progress (Note 5), and for improvements to the City's infrastructure and schools. The increase in long-term liabilities is attributable to the issuance of \$64 million in general obligation debt and a \$2.5 million increase in the City's unfunded pension liability (note 10).

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, 2004 and 2003
(in millions)

	Total		Component	
	Governmental		Units	
	<u>Primary Government</u>			
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenues				
Program revenues:				
Charges for services	\$ 27	\$ 25	\$ 4	\$ 4
Operating grants and Contributions	62	60	32	29
Capital grant/contributions	15	20	--	--
General revenues:				
Property taxes	242	221	--	--
Other taxes	94	88	--	--
Other	34	33	--	--
Transfer	--	1	--	--
Payment to/from from City	--	--	141	136
Total revenues	<u>\$ 474</u>	<u>\$ 448</u>	<u>\$ 177</u>	<u>\$ 169</u>
Expenses				
General government	\$ 57	\$ 47	\$ --	\$ --
Judicial administration	14	13	--	--
Public safety	95	88	--	--
Public works	44	37	--	--
Library	5	5	6	6
Health and welfare	74	72	--	--
Transit	10	12	8	7
Culture and recreation	21	21	--	--
Community development	16	13	--	--
Education	128	123	160	151
Interest on long-term debt	8	7	--	--
Total expenses	<u>\$ 472</u>	<u>\$ 439</u>	<u>\$ 174</u>	<u>\$ 164</u>
Change in net assets	<u>\$ 2</u>	<u>\$ 9</u>	<u>\$ 3</u>	<u>\$ 5</u>
Net Assets Beginning of Year	<u>\$ 301</u>	<u>\$ 292</u>	<u>\$ 29</u>	<u>\$ 24</u>
Net Assets End of Year	<u>\$ 303</u>	<u>\$ 301</u>	<u>\$ 32</u>	<u>\$ 29</u>

Amounts may not add due to rounding

REVENUES

For the fiscal year ended June 30, 2004 revenues from governmental activities totaled \$474 million. Real estate tax revenues, the City's largest revenue source, reflecting the accrual of the last half of calendar year 2003 and the first half of calendar year 2004 real property tax billings, were \$211 million. The increase in tax revenues is primarily attributable to an increase in the City's assessed real property tax base, which increased 18.4 percent for calendar year 2004. The assessment increase was offset by a 4¢ reduction in the real estate tax rate. In addition, one cent of the City's real estate tax is set aside to fund open space initiatives. In addition:

- Operating grants included \$1 million in increased funding for childcare 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 decrease relates to the timing of these completed infrastructure projects as determined by the Commonwealth. (Footnote 5)

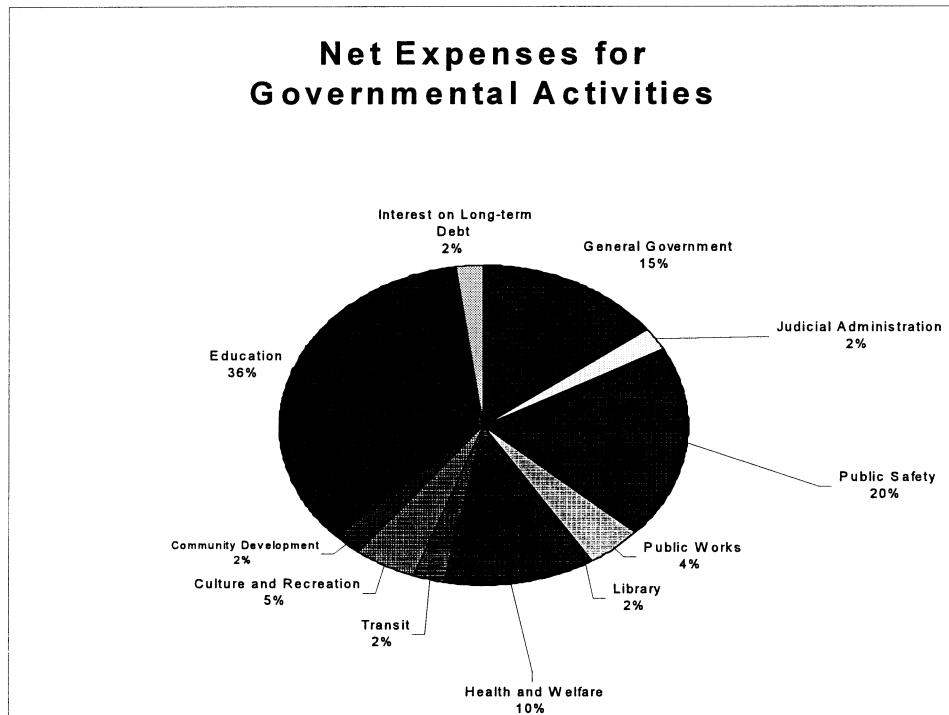
Component units' net assets increased primarily as a result of capital asset purchases for transit and schools.

EXPENSES

For the fiscal year ended June 30, 2004 expenses for governmental activities totaled \$472 million and include increases for employee compensation and budgeted increases in payments for educational expenses to the School Board.

For FY 2004 the City provided increased resources to the following areas:

- Public safety for additional personnel in part to address homeland security issues and additional office space.
- Continued funding to upgrade child welfare services.
- Additional funding for the City's supplemental pension plan.
- Additional funding for the City's public school system.
- Funding to begin building a new high school to replace T.C. Williams High School.
- One cent of the real estate tax rate dedicated for open space acquisition.



Education continues to be one of the City's highest priorities. In addition to the commitment to fund the construction of a new high school, the City's operating subsidy to the Schools for FY 2004 totaled \$121 million and the City spent \$7 million for other schools' capital projects in FY 2004.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

For the fiscal year ended June 30, 2004, the governmental funds reflect a combined fund balance of \$194 million (Exhibit III). The fund balance increase of \$49 million is primarily attributable to the issuance of bonds in FY 2004 for planned capital projects. In addition, these other changes in fund balance should be noted:

- The General Fund contributed \$22 million to pay-as-you-go financing of capital projects.
- The City contributed \$121 million to the schools for operations and the Capital Projects fund spent \$7 million to finance School capital projects.
- The City spent \$3 million more in FY 2004 for child welfare services, including state mandates in these areas.
- The City spent \$3 million more in FY 2004 for homeland security. These expenditures were partially funded by special federal grants to the City.
- The City spent \$53 million in the Capital Projects Fund to fund infrastructure, needed capital upgrades for homeland security, and school renovations and expansion.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

**Table 3
General Fund Budget
(in millions)**

	FY 2004		
	Original Budget	Amended Budget	Actual
<u>Revenues and Transfers</u>			
Taxes	\$ 323	\$ 323	\$ 338
Intergovernmental	45	46	49
Other	22	23	21
Total	<u>\$ 390</u>	<u>\$ 392</u>	<u>\$ 408</u>
<u>Expenditures and Transfers</u>			
Expenditures	\$ 226	\$ 230	\$ 228
Transfers	172	177	175
Total	<u>\$ 398</u>	<u>\$ 407</u>	<u>\$ 403</u>
Change in Fund Balance	<u>\$ (8)</u>	<u>\$ (15)</u>	<u>\$ 5</u>

Amounts may not add due to rounding

Revenue and other financing sources exceeded expenditures and other financing uses by \$5 million in the General Fund for FY 2004.

Actual General Fund revenues exceeded original budgeted revenues by \$18 million and the amended budget by \$16 million during FY 2004. This increase is primarily due to increased real estate

tax revenues due to higher assessments. Primarily due to supplemental appropriation for encumbrances and cash capital transfers, actual General Fund expenditures and transfers were greater than the original budget by \$5 million, but were less than the amended budget by \$4 million.

During FY 2004, City Council amended the budget two 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, 2003 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, 2003 totaled \$2.4 million.
- To reappropriate monies to pay for projects budgeted for Fiscal Year 2003 but not completed before the end of the fiscal year.
- To reappropriate grant, donation and other revenues authorized in Fiscal Year 2003 or earlier, but not expended or encumbered as of June 30, 2003.
- To appropriate grants, donations, and other revenues accepted or adjusted in FY 2004.
- To appropriate the designated General Fund balance of \$4.2 million to capital projects.

CAPITAL ASSETS

At the end of fiscal year 2004, the City's governmental activities had invested \$332 million (see Note 5) in a variety of capital assets and infrastructure, as reflected in the following schedule, which represents a net increase of \$14.9 million.

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

	<u>Balance</u> <u>June 30, 2003</u>	Net Additions/ (Deletions)	<u>Balance</u> <u>June 30, 2004</u>
Non-Depreciable Assets			
Land and Land Improvements	\$ 50.8	\$ 2.8	\$ 53.6
Construction in Progress	51.0	12.9	63.9
Other Capital Assets			
Infrastructure	110.1	3.2	113.3
Buildings	190.2	2.5	192.7
Furniture and Other Equipment	43.3	2.7	46.0
Accumulated Depreciation on Other Capital Assets	<u>(128.1)</u>	<u>(9.2)</u>	<u>(137.3)</u>
Totals	<u>\$317.4</u>	<u>\$ 14.9</u>	<u>\$332.3</u>

Amounts may not add due to rounding

The FY 2004 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 a building for City use.

The City added \$3 million, net, in infrastructure assets for fiscal year 2004, 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 2005 - FY 2010 Approved Capital Improvement Program (CIP), which was approved by City Council in May 2004, sets forth a six-year, \$302.6 million in new City funded and \$263.5 million in prior City funded and partially state transportation aid funded program of public improvements for the City and the Alexandria City Public Schools, and represents (in City funding) a decrease of approximately \$8 million below the FY 2004-2010 CIP. The CIP also provides an increased capital investment in quality of life initiatives, including open space preservation and acquisition, to enhance the quality of life in Alexandria.

LONG-TERM DEBT

At the end of fiscal year 2004, the City had \$197.5 million in outstanding general obligation bonds, an increase of \$53.9 million, or 38 percent, over last year. In January 2004, the City issued \$64.7 million in general obligation bonds and received an additional \$3.2 million in premium. The bonds and premium were issued at a true interest cost of 3.74397 percent. More detailed information about the City's long-term liabilities is presented in Note 10 to the financial statements.

In October 2004 the City refunded \$29.8 million in existing debt to take advantage of low interest rates. The \$32.5 million refunding bonds issued at a true interest cost of 3.8474 percent and a \$1.2 million premium resulted in \$1.1 million in present value savings for the City.

During 2004, Moody's Investors Services, Inc. and Standard & Poor's (S&P) credit rating agencies twice reaffirmed the City's triple-A bond ratings. The City received its first triple-A rating from Moody's in 1986 and from S&P in 1992.

The Commonwealth of Virginia limits the amount of general obligation debt the City can issue to ten percent of the assessed value of real property within the City. The City's outstanding debt is significantly below, or less than one-tenth of this state law limit - which would equate to \$2.3 billion for the City.

ECONOMIC FACTORS

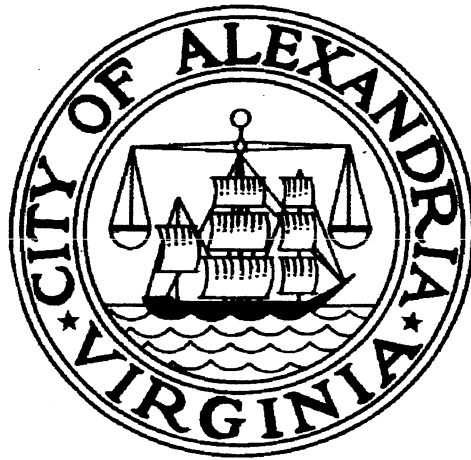
Job growth in the City has stabilized somewhat in FY 2004, with total employment at just over 91,701 for December 2003 (the latest data available from the Virginia Employment Commission). Tourism and travel has recovered since September 2001, with the hotel occupancy tax revenue increasing 17 percent in FY 2004.

As of 2002 (the latest data available from the U.S. Bureau of Economic Analysis), the City's per capita income of \$55,071 remains one of the highest in the United States, and the third highest of any major jurisdiction in Virginia. The City's office vacancy rate dropped to 8.9 percent by the end of FY 2004, which is lower than the office vacancy rate in Northern Virginia, as well as the Washington D.C. metropolitan area.

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 alexandriava.gov.

BASIC
FINANCIAL STATEMENTS



CITY OF ALEXANDRIA, VIRGINIA
Statement of Net Assets
June 30, 2004

Exhibit I

	Primary Government	Component
	Governmental	Units
	Activities	Units
ASSETS		
Cash and Cash Equivalents	\$ 131,863,449	\$ 24,130,036
Cash and Investments with Fiscal Agents	71,223,184	1,781,022
Receivables, Net	157,852,086	354,570
Accrued Interest	112,448	1,096
Due From Other Governments	34,884,208	4,316,565
Inventory of Supplies	1,681,593	732,213
Prepaid and Other Assets	533,847	5,885,289
Capital Assets		
Land and Construction in Progress	117,532,129	7,504,188
Other Capital Assets, Net	214,723,794	12,919,373
Capital Assets, Net	\$ 332,255,923	\$ 20,423,561
Total Assets	\$ 730,406,738	\$ 57,624,352
LIABILITIES		
Accounts Payable	\$ 15,073,155	\$ 1,848,981
Accrued Wages	5,562,252	16,686,488
Accrued Liabilities	3,330,918	-
Unearned Revenue	167,635,686	801,494
Other Short-term Liabilities	1,771,982	226,953
Deposits	2,844,019	-
Long-term Liabilities Due Within One Year	15,517,268	433,388
Long-term Liabilities Due in More Than One Year	215,783,742	5,731,630
Total Liabilities	\$ 427,519,022	\$ 25,728,934
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 119,501,841	\$ 20,423,561
Restricted for:		
Capital Projects	115,653,548	-
Unrestricted Assets	67,732,327	11,471,857
TOTAL NET ASSETS	\$ 302,887,716	\$ 31,895,418

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Activities
For the Fiscal Year Ended June 30, 2004

Exhibit II

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Total	
Primary Government:							
Governmental Activities:							
General Government	\$ 56,544,328	\$ 9,372	\$ 1,122,551	\$ 1,318,727	\$ (54,093,678)	\$ (54,093,678)	\$ -
Judicial Administration	13,971,852	1,930,771	3,425,404	-	(8,615,677)	(8,615,677)	-
Public Safety	94,878,051	7,639,449	15,008,104	-	(72,230,498)	(72,230,498)	-
Public Works	44,066,256	10,405,682	5,800,749	11,764,243	(16,095,582)	(16,095,582)	-
Library	5,512,295	-	-	-	(5,512,295)	(5,512,295)	-
Health and Welfare	73,922,949	5,164,874	30,658,529	-	(38,099,546)	(38,099,546)	-
Transit	9,060,922	-	-	-	(9,060,922)	(9,060,922)	-
Culture and Recreation	21,332,018	1,628,084	628,993	-	(19,074,941)	(19,074,941)	-
Community Development	16,229,878	333,819	5,805,955	1,895,435	(8,194,669)	(8,194,669)	-
Education	128,552,040	-	-	-	(128,552,040)	(128,552,040)	-
Interest on Long-term Debt	7,950,022	-	-	-	(7,950,022)	(7,950,022)	-
Total Primary Government	\$ 472,020,611	\$ 27,112,051	\$ 62,450,285	\$ 14,978,405	\$ (367,479,870)	\$ (367,479,870)	\$ -
Component units:							
Alexandria Library	\$ 6,016,757	\$ 189,471	\$ 203,257	\$ -	\$ -	\$ -	\$ (5,624,029)
Alexandria Transit Company	8,168,263	2,208,013	17,572	-	-	-	(5,942,678)
Alexandria Public Schools	160,204,854	1,948,617	31,673,772	-	-	-	(126,582,465)
Total Component Units	\$ 174,389,874	\$ 4,346,101	\$ 31,894,601	\$ -	\$ -	\$ -	\$ (138,149,172)
General Revenues:							
Taxes:							
General Property Taxes:							
Real Estate					\$ 211,105,122	\$ 211,105,122	\$ -
Personal Property					31,325,565	31,325,565	-
Other					94,156,391	94,156,391	-
Payment from City of Alexandria					-	-	140,740,066
Grants and Contributions Not Restricted to Specific Programs					30,425,214	30,425,214	-
Interest and Investment Earnings					1,738,564	1,738,564	72,891
Miscellaneous					348,868	348,868	180,474
Total General Revenues					\$ 369,099,724	\$ 369,099,724	\$ 140,993,431
Change in Net Assets					\$ 1,619,854	\$ 1,619,854	\$ 2,844,259
Net Assets at Beginning of Year					\$ 301,267,862	\$ 301,267,862	\$ 29,051,159
Net Assets at End of Year					\$ 302,887,716	\$ 302,887,716	\$ 31,895,418

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Balance Sheet
Governmental Funds
June 30, 2004

Exhibit III

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 63,176,635	\$ 12,813,530	\$ 48,660,522	\$ 124,650,687
Cash and Investments with Fiscal Agents	1,395,085	104,956	69,723,143	71,223,184
Receivables, Net	153,548,191	2,504,125	1,799,770	157,852,086
Accrued Interest	112,448	-	-	112,448
Due From Other Governments	29,217,498	4,891,313	775,397	34,884,208
Inventory of Supplies	1,681,593	-	-	1,681,593
Prepaid and Other Assets	215,396	140,970	-	356,366
Total Assets	\$ 249,346,846	\$ 20,454,894	\$ 120,958,832	\$ 390,760,572
LIABILITIES				
Accounts Payable	\$ 9,080,866	\$ 1,976,468	\$ 3,445,548	\$ 14,502,882
Accrued Wages	4,436,738	1,120,417	5,097	5,562,252
Accrued Vacation	2,218,975	-	-	2,218,975
Other Liabilities	1,652,927	-	119,055	1,771,982
Deposits	2,844,019	-	-	2,844,019
Unearned Revenue	166,316,711	3,507,373	-	169,824,084
Total Liabilities	\$ 186,550,236	\$ 6,604,258	\$ 3,569,700	\$ 196,724,194
FUND BALANCES				
Reserved for:				
Capital projects	\$ -	\$ -	\$ 105,611,068	\$ 105,611,068
Notes Receivable	-	2,491,457	1,735,584	4,227,041
Inventory of Supplies	1,681,593	-	-	1,681,593
Encumbrances	1,525,942	-	10,042,480	11,568,422
Unreserved	59,589,075	11,359,179	-	70,948,254
Total Fund Balances	\$ 62,796,610	\$ 13,850,636	\$ 117,389,132	\$ 194,036,378
Total Liabilities and Fund Balances	\$ 249,346,846	\$ 20,454,894	\$ 120,958,832	

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)	319,483,645
Other long-term assets are not available to pay for current period expenditures; the taxes offset by deferred revenue in the governmental funds. (Note 4)	2,365,879
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)	19,414,767
Long-term liabilities, including bonds payable, are not reported as liabilities in the governmental funds. (Note 10)	(232,412,953)
Net Assets of Governmental Activities	\$ 302,887,716

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, 2004

Exhibit IV

	General	Special Revenue	Capital Projects	Total Governmental Funds
REVENUES				
General Property Taxes	\$ 243,524,774	\$ -	\$ -	\$ 243,524,774
Other Local Taxes	93,960,955	-	-	93,960,955
Permits, Fees, and Licenses	3,246,124	803,274	-	4,049,398
Fines and Forfeitures	4,164,369	-	-	4,164,369
Use of Money & Property	4,048,134	79,814	475,626	4,603,574
Charges for Services	9,587,175	5,602,264	923,647	16,113,086
Intergovernmental Revenue	49,460,664	39,282,691	6,607,183	95,350,538
Miscellaneous	348,868	3,908,142	3,301,246	7,558,256
Total Revenues	<u>\$ 408,341,063</u>	<u>\$ 49,676,185</u>	<u>\$ 11,307,702</u>	<u>\$ 469,324,950</u>
EXPENDITURES				
Current Operating:				
General Government	\$ 35,692,807	\$ 369,878	\$ -	\$ 36,062,685
Judicial Administration	12,350,329	1,107,074	-	13,457,403
Public Safety	86,328,771	3,232,595	-	89,561,366
Public Works	29,362,422	626,834	-	29,989,256
Library Transfer	5,512,295	-	-	5,512,295
Health and Welfare	16,415,944	57,050,182	-	73,466,126
Transit and Transit Transfer	9,060,922	-	-	9,060,922
Culture and Recreation	18,005,521	445,973	-	18,451,494
Community Development	7,321,949	5,985,770	-	13,307,719
Education and Transfer to School	121,204,392	-	6,824,757	128,029,149
Debt Service:				
Principal	10,895,998	-	-	10,895,998
Interest and Other Charges	7,909,093	-	-	7,909,093
Capital Outlay	-	-	53,374,714	53,374,714
Total Expenditures	<u>\$ 360,060,443</u>	<u>\$ 68,818,306</u>	<u>\$ 60,199,471</u>	<u>\$ 489,078,220</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 48,280,620</u>	<u>\$ (19,142,121)</u>	<u>\$ (48,891,769)</u>	<u>\$ (19,753,270)</u>
OTHER FINANCING SOURCES (USES)				
Sale of Surplus Property	\$ -	\$ -	\$ 2,762,048	\$ 2,762,048
Bond Proceeds	-	-	67,883,588	67,883,588
Transfers In	\$ -	\$ 22,255,446	\$ 22,700,971	\$ 44,956,417
Transfers Out	(43,745,927)	(2,770,176)	-	(46,516,103)
Total Other Financing Sources and Uses	<u>\$ (43,745,927)</u>	<u>\$ 19,485,270</u>	<u>\$ 93,346,607</u>	<u>\$ 69,085,950</u>
Net Change in Fund Balance	<u>\$ 4,534,693</u>	<u>\$ 343,149</u>	<u>\$ 44,454,838</u>	<u>\$ 49,332,680</u>
Fund Balance at Beginning of Year	58,117,728	13,507,487	72,934,294	
Decrease in Reserve for Inventory	144,189	-	-	144,189
Fund Balance at End of Year	<u>\$ 62,796,610</u>	<u>\$ 13,850,636</u>	<u>\$ 117,389,132</u>	

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.	\$ 10,895,998
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)	10,386,668
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. (Note 4)	(898,651)
Bond proceeds and premium provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the Statement of Net Assets (Note 10)	(67,883,588)
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)	(4,438,092)
Internal service funds are used by management to charge the costs of certain equipment to individual funds. The net revenue of the internal service fund (except depreciation which is reported in capital outlays above) is reported with governmental activities. (Exhibit VI)	4,080,650
Change in Net Assets of Governmental Activities	<u>\$ 1,619,854</u>

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Net Assets
Proprietary Funds
June 30, 2004

Exhibit V

	Governmental Activities
	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 7,212,762
Total Current Assets	\$ 7,212,762
Noncurrent Assets:	
Capital Assets:	
Buildings and Equipment	\$ 32,347,418
Less Accumulated Depreciation	(19,575,140)
Capital Assets, Net	\$ 12,772,278
Total Assets	\$ 19,985,040
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 570,273
Total Current Liabilities	\$ 570,273
Total Liabilities	\$ 570,273
NET ASSETS	
Net Assets, Invested in Capital Assets	\$ 12,772,278
Unrestricted	6,642,489
Total Net Assets	\$ 19,414,767
Total Liabilities and Net Assets	\$ 19,985,040

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, 2004

Exhibit VI

	Governmental Activities
	Internal Service Fund
Operating Revenues:	
Charges for Services	\$ 3,619,027
Total Operating Revenues	\$ 3,619,027
Operating Expenses:	
Materials and Supplies	\$ 1,094,365
Depreciation	3,061,088
Total Operating Expenses	\$ 4,155,453
Operating Income (Loss)	\$ (536,426)
Nonoperating Revenues (Expenses):	
Loss on Disposal of Fixed Assets	\$ (3,698)
Total Nonoperating Expenses	\$ (3,698)
Net Income (Loss) Before Transfers	\$ (540,124)
Transfers In (Out)	1,559,686
Change in Net Assets	\$ 1,019,562
Total Net Assets at Beginning of Year	18,395,205
Total Net Assets at End of Year	\$ 19,414,767

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004

Exhibit VII

	Governmental Activities
	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts From Customers	\$ 3,619,027
Payments to Suppliers	(910,291)
Net Cash Provided (Used) by Operating Activities	\$ 2,708,736
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating Subsidies and Transfers from/(to) Other Funds	\$ 1,559,686
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of Capital Assets	\$ (4,428,744)
Net Cash (Used) By Capital and Related Financing Activities	\$ (4,428,744)
Net (Decrease) in Cash and Cash Equivalents	\$ (160,322)
Cash and Cash Equivalents at Beginning of Year	7,373,084
Cash and Cash Equivalents at End of Year	\$ 7,212,762
 Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used) Operating Activities	
Operating Income (Loss)	\$ (536,426)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	3,061,088
Change in Assets and Liabilities:	
Accounts Payable	184,074
Net Cash Provided by (Used in) Operating Activities	\$ 2,708,736

Noncash investing, capital and financing activities:

Capital assets with a net book value of \$3,698 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, 2004

Exhibit VIII

	Employee Retirement Plans	Private- Purpose Trusts	Agency Funds
ASSETS			
Cash and Short-term Investments	\$ -	\$ 5,157	\$ 22,265
Investments, at Fair Value:			
U.S. Government Obligations	2,878,111	-	519,393
Repurchase Agreements	-	-	118,682
Mutual Funds	81,801,450	-	-
Corporate Stocks	38,594,435	-	-
Guaranteed Investment Accounts	93,021,437	-	-
Domestic Corporate Bonds	2,331,703	-	-
Other Investments	842,154	-	-
Total Investments	<u>\$ 219,469,290</u>	<u>\$ -</u>	<u>\$ 638,075</u>
Total Assets	<u>\$ 219,469,290</u>	<u>\$ 5,157</u>	<u>\$ 660,340</u>
 LIABILITIES			
Refunds Payable and Other	\$ -	\$ -	\$ 660,340
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 660,340</u>
 NET ASSETS			
Held in Trust for Pension Benefits and Other Purposes	<u>\$ 219,469,290</u>	<u>\$ 5,157</u>	

See Accompanying Notes to Financial Statements

City of Alexandria, Virginia
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2004

Exhibit IX

CHANGES IN NET ASSETS	Employee Retirement Plans	Private- Purpose Trusts
	<u> </u>	<u> </u>
ADDITIONS		
Contributions:		
Employer	\$ 10,208,360	\$ -
Plan Members	2,777,034	-
Total Contributions	<u>\$ 12,985,394</u>	<u>\$ -</u>
Investment Earnings:		
Net Depreciation		
in Fair Value of Investments	\$ 16,371,473	\$ -
Interest	4,731,361	56
Total Investment Earnings	<u>\$ 21,102,834</u>	<u>\$ 56</u>
Less Investment Expense	128,155	-
Net Investment Income	<u>\$ 20,974,679</u>	<u>\$ 56</u>
Total Additions	<u>\$ 33,960,073</u>	<u>\$ 56</u>
DEDUCTIONS		
Benefits	\$ 6,332,952	\$ -
Refunds of Contributions	7,256,387	-
Administrative Expenses	194,298	-
Total Deductions	<u>\$ 13,783,637</u>	<u>\$ -</u>
Change in Net Assets	\$ 20,176,436	\$ 56
Net Assets at Beginning of Year	199,292,854	5,101
Net Assets at End of Year	<u>\$ 219,469,290</u>	<u>\$ 5,157</u>

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statement of Net Assets
Component Units
June 30, 2004

Exhibit X

	School Board	Library	Transit	Total
ASSETS				
Cash and Cash Equivalents	\$ 21,629,011	\$ 52,024	\$ 2,449,001	\$ 24,130,036
Cash and Investments with Fiscal Agents	-	1,781,022	-	1,781,022
Receivables	41,832	-	312,738	354,570
Accrued Interest	-	1,096	-	1,096
Due from Other Governments	4,298,993	-	17,572	4,316,565
Inventory of Supplies	399,034	-	333,179	732,213
Prepaid and Other Assets	5,885,289	-	-	5,885,289
Capital assets				
Land and Construction in Progress	999,381	-	6,504,807	7,504,188
Other Capital Assets, Net	5,052,965	-	7,866,408	12,919,373
Capital Assets, Net	6,052,346	-	14,371,215	20,423,561
 Total Assets	 \$ 38,306,505	 \$ 1,834,142	 \$ 17,483,705	 \$ 57,624,352
 LIABILITIES				
Accounts Payable	\$ 1,564,156	\$ 39,046	\$ 245,779	\$ 1,848,981
Accrued Wages	16,334,797	135,805	215,886	16,686,488
Unearned Revenue	801,494	-	-	801,494
Other Short-term Liabilities	-	-	226,953	226,953
Long-term Liabilities Due Within One Year	433,388	-	-	433,388
Long-term Liabilities Due in More Than One Year	5,731,630	-	-	5,731,630
Total Liabilities	\$ 24,865,465	\$ 174,851	\$ 688,618	\$ 25,728,934
 NET ASSETS				
Invested in Capital Assets, Net of Related Debt	\$ 6,052,346	\$ -	\$ 14,371,215	\$ 20,423,561
Unrestricted Assets	7,388,694	1,659,291	2,423,872	11,471,857
TOTAL NET ASSETS	\$ 13,441,040	\$ 1,659,291	\$ 16,795,087	\$ 31,895,418

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Statements of Activities
Component Units
For the Year Ended June 30, 2004

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	\$ 160,204,854	\$ 1,948,617	\$ 31,673,772	\$ (126,582,465)	\$ -	\$ -	\$ (126,582,465)
Instructional	\$ 160,204,854	\$ 1,948,617	\$ 31,673,772	\$ (126,582,465)	\$ -	\$ -	\$ (126,582,465)
Total School Board							
Library	\$ 6,016,757	\$ 189,471	\$ 203,257	\$ -	\$ (5,624,029)	\$ -	\$ (5,624,029)
Transit	8,168,263	2,208,013	17,572	-	-	(5,942,678)	(5,942,678)
Total Component Units	<u>\$ 174,389,874</u>	<u>\$ 4,346,101</u>	<u>\$ 31,894,601</u>	<u>\$ -</u>	<u>\$ (5,624,029)</u>	<u>\$ (5,942,678)</u>	<u>\$ (138,149,172)</u>

General Revenues:							
Payment From City		\$ 121,191,334	\$ 5,512,295	\$ 5,170,000	\$ 131,873,629		
Capital Payment From City		6,824,757	-	-	6,824,757		
Capital Contribution From City		-	-	2,041,680	2,041,680		
Interest and Investment Earnings		-	72,891	-	72,891		
Miscellaneous		12,572	51,379	116,523	180,474		
Total General Revenues		<u>\$ 128,028,663</u>	<u>\$ 5,636,565</u>	<u>\$ 7,328,203</u>	<u>\$ 140,993,431</u>		
Change in Net Assets		\$ 1,446,198	\$ 12,536	\$ 1,385,525	\$ 2,844,259		
Net Assets Beginning of Year		11,994,842	1,646,755	15,409,562	29,051,159		
Net Assets End of Year		<u>\$ 13,441,040</u>	<u>\$ 1,659,291</u>	<u>\$ 16,795,087</u>	<u>\$ 31,895,418</u>		

See Accompanying Notes to Financial Statements

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

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 (GAAP) 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 requires the following financial statement components:

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

Government-wide financial statements – These include financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets (such as buildings and infrastructure, including bridges and roads) and long-term liabilities (such as general obligation debt and unfunded pension costs). Accrual accounting also reports all of the revenues and 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 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 Activities – The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the City's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

Exhibit XII

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements – The fund financial statements display the financial transaction and account of the City based on funds. The operation of each fund is considered to be an independent accounting entity. The fund financial statements also include reconciliation to the government wide statement, which briefly explains the differences between the fund and government-wide financial statements.

Budgetary comparison schedules – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have an interest in following the actual financial progress of their governments over the course of the year. The City Council approves revisions to its original budget over the course of the year for a variety of reasons.

As required by GAAP, these financial statements present the primary government and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The City has no component units that meet the requirements for blending. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. Each of the City's discretely presented component 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 support, which totaled \$121 million for operations and \$7 million for capital equipment in FY 2004.

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 operating support, which was \$5.5 million for FY 2004.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

Exhibit XII

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 \$5 million, and a capital contribution, which was \$2 million, in FY 2004.

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, Inc. Accordingly, these entities are excluded from the City of Alexandria's financial statements.

B. Government-wide and Fund Financial Statements

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

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

Exhibit XII

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, fund balances and net assets, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. 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 2004.

1. Governmental Funds

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

a. General Fund

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

b. Special Revenue Fund

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

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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

Exhibit XII

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Funds

Proprietary Funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, 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. The City has one proprietary fund, the Internal Service Fund. The Internal Service Fund accounts for the financing of goods or services provided by one department to other departments or agencies of the City on a cost-reimbursement basis. 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, Employee Retirement 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 Employee Retirement Funds are accounted for in essentially the same manner as proprietary funds. Private Purpose Trust Funds account for assets of which the principal may not be spent. The Employee Retirement Funds account for the assets of the City's pension plans. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds are not included in the government-wide financial statements.

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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

Exhibit XII

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 reimbursement for related eligible expenditures are collected within a year of the date the expenditure 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 14, 2003, the City Council formally approved the original adopted budget (which had been initially approved on April 29, 2003) and on June 22, 2004 approved the revised budget reflected in the financial statements. Budgets are prepared for the Capital Projects Fund on a project basis, which covers the life of the project. A Capital Projects Fund appropriation does not lapse until an appropriation reduction is approved by City Council.

Encumbrances

Encumbrance accounting, the recording of purchase orders, contracts, and other monetary commitments in order to reserve an applicable portion of an appropriation, is used as an extension of formal budgetary control in the General and Capital Projects Funds. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the 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 \$18,415 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

Exhibit XII

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

For purposes of the statement of cash flows, the Proprietary Funds, 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. All investments in external investment pools are reported at fair value.

F. Allowance for Uncollectible Accounts

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance at June 30, 2004, is comprised of the following:

GENERAL FUND:	
Taxes Receivable:	
Property	\$ 778,818
Personal	19,931,933
Penalties and Interest	<u>1,673,609</u>
Total taxes	\$ 22,384,360
Accounts Receivable	\$ 20,532
Notes Receivable	<u>9,000</u>
	<u>\$ 22,413,892</u>
SPECIAL REVENUE FUND:	
Notes Receivable	<u>\$ 2,024,019</u>

The capital projects and 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. Prepaid expenditures in reimbursable grants are offset by unearned revenues until expenses or expenditures are recognized.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

Exhibit XII

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 Internal Service Fund 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 uses the proceeds from the sale of historical treasures or works of art to acquire other items for the collection.

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

Exhibit XII

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and noncurrent portions of compensated absences are recorded in the School Board component unit government-wide financial statements.

J. Fund Balance

Reservations of Fund Balance

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

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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

Exhibit XII

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Designations of Fund Balance

General Fund designations at June 30, 2004 consisted of the following:

Subsequent Fiscal Year's Operating Budgets		
FY 2005	\$	4,334,000
FY 2006		4,330,000
Subsequent Fiscal Years' Capital Program		
FY 2005		7,536,116
FY 2006		258,000
Self-Insurance		5,000,000
Compensated Absences		7,208,635
Public Safety		751,000
Efficiency Savings Account		72,489
Ongoing Projects		<u>1,922,038</u>
Total Designations		<u>\$ 31,412,278</u>

Subsequent Year's Operating Budget - On June 12 2004, City Council approved the Fiscal Year 2005 Appropriations Ordinance, which appropriated \$4.3 million of General Fund Balance to meet anticipated expenditures. An additional \$4.3 million has been designated for FY 2006.

Subsequent Years' Capital Program - These monies (\$7.8 million) have been designated in the Approved Fiscal Year 2005- 2010 and 2006-2011 Capital Improvement Program Funding Plans to fund that portion of the capital improvement program in FY 2005.

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

Compensated Absences - These monies (\$7.2 million) are designated to ensure the General Fund maintains a designated balance sufficient to help fund a portion of compensated absences earned by employees of the primary government and school component unit. This represents 35 percent of the FY 2004 long-term liability in accordance with the FY 2004 budget approved by City Council in April 2003. A GASB requirement will require the City to estimate the long-term cost of providing post retirement benefit costs.

Public Safety - These monies (\$0.8 million) represent the cost of potential over hiring for public safety positions affected by turnover and the timing of the start of training.

Efficiency Savings - These monies (\$0.1 million) have been set aside from some of the City departmental savings identified in the FY 2005 budget process.

Ongoing Projects - These monies (\$1.9 million) have been set aside for projects funded in the FY 2004 budget but not completed as of the end of the fiscal year.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

Exhibit XII

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 2004, 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 2004, 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, 2004, the carrying value of the City's deposits was negative \$1,622,534 and the bank balance was \$1,125,683. 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.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Component Units

The carrying value of deposits for the School Board was negative \$4,157,174 and the bank balance was \$471,028. 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, 2004, the carrying value of deposits and bank balance for the Library was \$115,628. Only \$58,685 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, \$56,943, was uninsured and uncollateralized.

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

B. Investments

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

A designated portfolio manager placed the City's investments during fiscal year 2004. The City has a contract with the portfolio manager which requires that, at the time funds are invested, collateral for repurchase agreements be held in the City's name in the Trust Department of the City's independent third-party custodian, SunTrust Bank.

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 subject to interest rate, credit and custodial risk as described below:

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

Credit Risk - State Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivision thereof, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers acceptances, repurchase agreements, and State Treasurers Local Government Investment Pool. The City's current investment policy limits investments to obligations of the United States and agencies thereof, commercial paper, and repurchase agreements fully collateralized in the Obligations of the United States and agencies thereof. During the fiscal year, the City made investments in repurchase agreements and Obligations of the United States and agencies thereof. The investments, for five of the City's seven pension plans, are handled by Prudential, a

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

company with an A (Excellent) rating, one of the top three, by A.M. Best rating agency. The investments for the two defined contribution plans are directed by employees and are invested in U.S. equities and guaranteed investment accounts and the City has directed Prudential to invest funds for the other three defined benefit pension plans in guaranteed investment accounts and mutual funds. The Commonwealth of Virginia manages the investments of the Virginia Retirement System (VRS) and the City has contracted with SunTrust Bank to handle investments for the Firefighters and Police Officers Pension Plan – Disability Component mostly in bonds (U.S., municipal and corporate) and domestic equities.

Custodial Risk - For an investment, custodial risk is the risk that in the event of the failure of the counter party the City will not be able to recover the value of its investments or collateral securities that are in the possession of outside party. A designated portfolio manager placed the City's investments during the fiscal year 2004. The City has a contract with the portfolio manager which requires that, at the time funds are invested, collateral for repurchase agreements be held in the city's name by a custodial agent for the term of the agreement and investments in obligations of the United States or its agencies be held by the Federal Reserve in a custodial account. Any funds not invested at the end of the day are placed in overnight repurchase agreements in the City's name.

As of June 30, 2004, the City had the following investments and maturities:

Primary Government

	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		
		<u>Less than 1 year</u>	<u>1-5 years</u>	<u>Long term</u>
Repurchase Agreement	\$ 24,898,080	\$ 24,898,080	\$ ---	\$ ---
U.S. Treasuries	22,805,581	21,574,718	1,230,863	---
U.S Government Agencies	<u>86,425,554</u>	<u>86,425,554</u>	<u>---</u>	<u>---</u>
Total Investments Controlled by City	\$ 134,129,215	\$ 132,898,352	\$ 1,230,863	\$ ---
Pension Plan Investments	\$ <u>219,469,290</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>219,469,290</u>
Total	\$ 353,598,505	\$ 132,898,352	\$ 1,230,863	\$ 219,469,290

Reconciliation to Total Cash and Investments:

Add:

Cash on Hand and in Banks	(1,622,534)
Cash in Custody of Others	69,850,364
Cash With Fiscal Agent	<u>1,395,085</u>
Total Deposits and Investments	<u>\$ 423,221,420</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

**Component Unit
School Board**

	<u>Investment Maturities (in years)</u>		
	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1-5 years</u>
Repurchase Agreement	\$ 4,786,632	\$ 4,786,632	\$ ---
U.S. Treasuries	4,384,351	4,147,719	236,632
U.S. Government Agencies	<u>16,615,202</u>	<u>16,615,202</u>	<u>---</u>
Total Investments Controlled by City	<u>\$ 25,786,185</u>	<u>\$ 25,549,553</u>	<u>\$ 236,632</u>

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

Other Component Units

	<u>Investment Maturities (in years)</u>		
	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1-5 years</u>
Repurchase Agreement	\$ 464,264	\$ 464,264	\$ ---
U.S. Treasuries	425,247	402,296	22,951
U.S. Government Agencies	<u>1,611,514</u>	<u>1,611,514</u>	<u>---</u>
Total Investments Controlled by City	<u>\$ 2,501,025</u>	<u>\$ 2,478,074</u>	<u>\$ 22,951</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

Exhibit XII
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Reconciliation of total deposits and investments to the government-wide financial statements at June 30, 2004:

	Governmental Activities	Business Type Activities	Fiduciary Responsibilities	Total
Primary Government				
Cash on Hand and In Banks	\$ (1,622,534)	\$ ---	\$ ---	\$ (1,622,534)
Cash and Investments	133,485,983	---	643,232	134,129,215
Cash and Investments with Fiscal Agents	1,395,085	---	219,469,290	220,864,375
Cash and Investments in Custody of Others	69,828,099	---	22,265	69,850,364
Total	<u>\$ 203,086,633</u>	<u>\$ ----</u>	<u>\$ 220,134,787</u>	<u>\$ 423,221,420</u>
Component Unit Schools				
Cash on Hand and In Banks	\$ (4,157,174)	\$ ---	\$ ---	\$ (4,157,174)
Cash and Investments	25,786,185	---	---	25,786,185
Total	<u>\$ 21,629,011</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 21,629,011</u>
Other Component Units				
Cash on Hand and In Banks	\$ 115,628	\$ ---	\$ ---	\$ 115,628
Cash and Investments	52,024	2,449,001	---	2,501,025
Cash and Investments with Fiscal Agents	1,665,394	---	---	1,665,394
Total	<u>\$ 1,833,046</u>	<u>\$ 2,449,001</u>	<u>\$ ---</u>	<u>\$ 4,282,047</u>
Grand Total				<u>\$ 449,132,478</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

Exhibit XII
(Continued)

NOTE 4. RECEIVABLES

Receivables at June 30, 2004 consist of the following:

Primary Government

	Governmental Activities			Total
	General	Special Revenue	Capital Projects Fund	
Interest	\$ 112,448	\$ ---	\$ ---	\$ 112,448
Taxes				
Real Property	116,448,804	---	---	116,448,804
Personal Property	46,918,297	---	---	46,918,297
Penalties and interest	2,925,843	---	---	2,925,843
Other taxes	770,508	---	---	770,508
Total Taxes	\$ 167,063,452	\$ ---	\$ ---	\$ 167,063,452
Accounts	8,889,631	12,668	---	8,902,299
Intergovernmental	29,217,498	4,891,313	775,397	34,884,208
Notes	9,000	4,515,476	1,799,770	6,324,246
Gross receivables	\$ 205,292,029	\$ 9,419,457	\$ 2,575,167	\$ 217,286,653
Less: Allowance for Uncollectibles	22,413,892	2,024,019	---	24,437,911
Net Receivables	\$ 182,878,137	\$ 7,395,438	\$ 2,575,167	\$ 192,848,742

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 13.4 percent of the total taxes receivable at June 30, 2004 and is based on historical collection rates.

Long-term assets on a government-wide basis include taxes receivable of \$2.2 million that are not available to pay for current period expenditures and, therefore, are offset by the unearned revenue for the governmental funds. Tax revenues and the corresponding unearned revenue reported on a government-wide basis do not include \$0.9 million of taxes that are considered current financial resources, and therefore, are reported in the governmental funds.

Long-term asset in the government-wide statements also include a prepaid pension asset (\$0.2 million) as discussed in Note 10.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

Exhibit XII
(Continued)

NOTE 4. RECEIVABLES (Continued)

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental Funds also include unearned revenue related to resources that have been received but not yet earned. At the end of FY 2004 unearned revenue in the governmental funds consisted of the following:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Delinquent property taxes, net of related allowances	\$ 163,523,781	\$ 2,792,930	\$ 166,316,711
Grant proceeds received prior to completion of eligibility requirements	---	3,507,373	3,507,373
Total unearned revenue for governmental funds	<u>\$ 163,523,781</u>	<u>\$ 6,300,303</u>	<u>\$ 169,824,084</u>

Component Units

Receivables at June 30, 2004 consist of following:

	<u>School Board</u>	<u>Library</u>	<u>Transit</u>	<u>Total</u>
Interest	---	1,096	\$ ---	\$ 1,096
	\$	\$		
Accounts	41,832	---	312,738	354,570
Intergovernmental	4,298,993	---	17,572	4,316,565
Total Receivables	<u>\$ 4,340,825</u>	<u>\$ 1,096</u>	<u>\$ 330,310</u>	<u>\$ 4,672,231</u>

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, 2004 includes amounts not yet received from the January 1, 2004 levy (due June 15 and November 15, 2004), less an allowance for uncollectibles. The installment due on November 15, 2004 is included as unearned revenue since these taxes are restricted for use until FY 2005. Liens are placed on the property on the date real estate taxes are delinquent, and must be satisfied prior to the sale or transfer of the property. In addition, any uncollected amounts from previous years' levies are incorporated in the taxes receivable

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

Exhibit XII
(Continued)

NOTE 4. RECEIVABLES (Continued)

balance. The tax rate was 99.5¢ and \$1.035 per \$100 of assessed value during calendar year 2004 and 2003, 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, 2004 includes amounts not yet billed or received from the January 1, 2004 levy (due October 5, 2004). These taxes are included as unearned revenue since these taxes are restricted for use until FY 2005. The tax rates during calendar year 2004 and 2003 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 2004 for the January 1, 2003 levy for the State's share of the local personal property tax payment with the remainder collected by the City. Unearned revenues include the 70 percent state share of the January 1, 2004 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, 2004:

Governmental Activities

General Fund	\$ 9,000
Special Revenue Fund	4,515,476
Capital Projects	1,799,770
Less Allowance for Uncollectible Accounts	<u>(2,033,019)</u>
Net	<u>\$ 4,291,227</u>
Amounts due within one year	<u>\$ 80,853</u>
Amounts due in more than one year	<u>\$ 4,210,374</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

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, 2004:

Governmental Activities

	Balance June 30, 2003	Increases	Decreases	Balance June 30, 2004
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 50,861,467	\$ 2,772,900	\$ 10,000	\$ 53,624,367
Construction in Progress	51,016,686	29,868,209	16,977,133	63,907,762
Total Capital Assets Not Being Depreciated	\$ 101,878,153	\$ 32,641,109	\$ 16,987,133	\$ 117,532,129
Other Capital Assets:				
Buildings	\$ 190,276,215	\$ 3,077,100	\$ 639,561	\$ 192,713,754
Infrastructure	110,072,565	3,186,715	--	113,259,280
Furniture and Other Equipment	43,261,875	7,228,907	4,481,580	46,009,202
Total Other Capital Assets	\$ 343,610,655	\$ 13,492,722	\$ 5,121,141	\$ 351,982,236
Less Accumulated Depreciation for:				
Buildings	\$ 55,879,210	\$ 4,762,854	\$ 85,275	\$ 60,556,789
Infrastructure	43,092,630	4,242,608	--	47,335,238
Furniture and Other Equipment	29,103,239	4,253,392	3,990,216	29,366,415
Total Accumulated Depreciation	\$ 128,075,079	\$ 13,258,854	\$ 4,075,491	\$ 137,258,442
Other Capital Assets, Net	\$ 215,535,576	\$ 233,868	\$ 1,045,650	\$ 214,723,794
TOTALS	\$ 317,413,729	\$ 32,874,977	\$ 18,032,783	\$ 332,255,923

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, 2004 are comprised of the following:

General Capital Assets, Net	\$ 319,483,645
Internal Service Fund Capital Assets, Net	<u>12,772,278</u>
TOTAL	<u>\$ 332,255,923</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

Exhibit XII
(Continued)

Note 5. CAPITAL ASSETS (Continued)

Depreciation was charged to governmental functions as follows:

General Government	\$ 1,354,016
Judicial Administration	514,449
Public Safety	1,938,200
Public Works	6,511,510
Health and Welfare	456,823
Culture and Recreation	1,801,987
Education	522,891
Community Development	<u>158,978</u>
Total	<u>\$ 13,258,854</u>

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

Primary Government

Capital Outlay	\$53,374,714
Donated Assets	2,307,929
Depreciation Expense	(13,258,854)
Capital Outlay not Capitalized	<u>(32,037,121)</u>
Total Adjustment	<u>\$ 10,386,668</u>

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2003

Exhibit XII
(Continued)

Note 5. CAPITAL ASSETS (Continued)

Component Unit - School Board

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2004:

	<u>Balance June 30, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2004</u>
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 999,381	\$ --	\$ --	\$ 999,381
Total Capital Assets Not Being Depreciated	<u>\$ 999,381</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 999,381</u>
Other Capital Assets:				
Buildings	\$ 54,486,551	\$ --	\$ --	\$ 54,486,551
Furniture and Other Equipment	6,089,145	894,407	243,894	6,739,658
Total Other Capital Assets	<u>\$ 60,575,696</u>	<u>\$ 894,407</u>	<u>\$ 243,894</u>	<u>\$ 61,226,209</u>
Less Accumulated Depreciation	55,538,944	878,194	243,894	56,173,244
Other Capital Assets, Net	<u>\$ 5,036,752</u>	<u>\$ 16,213</u>	<u>\$ --</u>	<u>\$ 5,052,965</u>
TOTALS	<u><u>\$ 6,036,133</u></u>	<u><u>\$ 16,213</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 6,052,346</u></u>

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

All depreciation was charged to education.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2003

Exhibit XII
(Continued)

Note 5. CAPITAL ASSETS (Continued)

Component Unit – Alexandria Transit Company

	<u>Balance</u> <u>June 30, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2004</u>
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 6,504,807	\$ ----	\$ ---	\$ 6,504,807
Other Capital Assets:		-		
Equipment	\$ 12,970,912	\$ 2,284,063	\$ 26,143	\$ 15,228,832
Less Accumulated Depreciation	6,364,654	1,023,913	26,143	7,362,424
Subtotal	<u>\$ 6,606,258</u>	<u>\$ 1,260,150</u>	<u>\$ ---</u>	<u>\$ 7,866,408</u>
TOTALS	<u>\$ 13,111,065</u>	<u>\$ 1,260,150</u>	<u>\$ ---</u>	<u>\$ 14,371,215</u>

All depreciation was charged to transit.

Primary Government

Construction in progress is composed of the following at June 30, 2004:

	<u>Project</u> <u>Authorization</u>	<u>Expended</u> <u>Through</u> <u>June 30, 2004</u>	<u>Committed</u>
School Capital Projects	\$ 69,730,852	\$ 43,520,075	\$ ---
Infrastructure	26,683,917	7,592,038	5,335,663
Information Technology	8,833,536	152,438	414,759
Housing and Community Improvement	1,062,840	64,731	1,052,437
Parks and Recreation Facilities	7,311,357	3,117,703	370,018
Public Buildings	19,329,287	2,989,538	2,307,259
Public Safety Buildings	3,066,014	6,471,239	546,044
TOTALS	<u>\$ 136,017,803</u>	<u>\$ 63,907,762</u>	<u>\$ 10,026,180</u>

Component Units

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2003

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, 2004: 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 \$750,000, 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, 2004:

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

* Bond provided by Commonwealth of Virginia

Self-Insurance

The non-current portion of unpaid workers' compensation claims amounted to approximately \$4.3 million as of June 30, 2004, 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, 2004 and 2003 were as follows:

	<u>FY 2004</u>	<u>FY 2003</u>
Estimated claims payable at beginning of period	\$ 3,078,337	\$ 2,501,524
Current fiscal year claims and changes in estimates.....	3,205,409	2,243,592
Claim payments	<u>(1,952,440)</u>	<u>(1,666,779)</u>
Estimated claims payable at end of period	<u>\$ 4,331,306</u>	<u>\$ 3,078,337</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

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, 2004.

Risk Pools

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

Component Units

The School Board carries insurance for all risks of loss, including property insurance, theft, auto liability, physical damage, and general liability insurance through the Virginia Municipal League. The School Board is self-insured for workers compensation. School management has estimated their workers compensation liability is not significant, and therefore, a liability has not been recorded as of June 30, 2004. Settled claims resulting from these risks have not exceeded commercial insurance coverage. There were no material reductions in insurance coverage from coverage in the prior fiscal year nor did settlements exceed coverage for any of the past three fiscal years.

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

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

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

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

In Fiscal Year 2004 the Alexandria Transit Company paid an annual premium of \$0.2 million for participation in this pool.

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

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 2004, the Alexandria Transit Company paid an annual premium of \$61,063 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 2019. 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:

<u>Fiscal Year</u>	<u>Primary Government</u>	<u>School Board Component Unit</u>
2005	\$ 5,207,691	\$ 1,025,461
2006	4,892,660	1,056,225
2007	4,721,288	1,087,911
2008	4,759,155	1,120,549
2009	4,900,279	1,154,165
2010-2014	15,185,659	6,311,448
2015-2019	3,179,053	--

Total rental costs during Fiscal Year 2004 for operating leases were \$2.9 million for the Primary Government and \$1.8 million for the School Board.

Rental Revenues

The City also leases various City-owned properties and buildings under noncancellable long-term lease agreements through Fiscal Year 2014. The net book value of leased assets of \$14.9 million (cost of \$16.2 million less accumulated depreciation of \$1.3 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:

<u>Fiscal Year</u>	<u>Total Revenues</u>
2005	\$ 616,623
2006	213,579
2007	170,877
2008	83,331
2009	12,868
2009-2014	63,340
2014-2019	63,340

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

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

<u>Fiscal Year</u>	<u>Criminal Justice Academy</u>
2005	\$ 131,225
2006	131,229
2007	131,885
2008	<u>132,167</u>
	\$ 526,506
Less: Amount Representing Interest.....	<u>65,217</u>
Present Value of Future Minimum Lease Payments	<u>\$ 461,289</u>

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

NOTE 9. COMMITMENTS AND CONTINGENCIES

A. Washington Metropolitan Area Transit Authority

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

1. Capital Contributions - Rail Construction

The City and other participating jurisdictions have entered into a series of capital contributions agreements with WMATA to fund the local share of the cost of constructing the regional Metrorail transit system. The City has fulfilled all of its commitments for capital contributions except those commitments pursuant to the fifth Interim Capital Contributions Agreement (ICCA-V) that was adopted by the Council in January 1992. Pursuant to these agreements, the City and other participating jurisdictions pledged their best efforts and faithful cooperation to provide capital contributions to match federal grants funded from the federal authorizations. These agreements include a schedule for capital contributions required of the jurisdictions to match federal appropriations from the respective authorizations. As of June 30, 2004, all commitments under ICCA-V have been fulfilled.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

Exhibit XII
(Continued)

NOTE 9. COMMITMENTS AND CONTINGENCIES (Continued)

The final 13.5 miles of the 103-mile adopted regional system for Metrorail are being funded under P.L. 101-551. The final miles were completed in FY 2001 and closing billings were completed and paid in 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. With the payment of the closing billings in FY 2004, all payments under this commitment have been made. On September 28, 2004, the City signed a new Metro agreement.

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, 2004, the total City obligation for the WMATA capital replacement/improvement was \$4.9 million, including \$1 million from WMATA capital grants for railcar procurement, \$3.1 million from City capital project funds, \$0.6 million with Commonwealth Transportation Bonds, and \$0.2 million in WMATA credits.

3. Operating subsidies - Bus and Rail Systems

During the fiscal year ended June 30, 2004, obligations for bus and rail subsidies amounted to \$15.5 million. The City paid this obligation from the following sources:

City payments	\$ 2,815,050
Revenues and credits available at WMATA and Northern Virginia Transportation Commission	320,000
State Aid and State Motor Fuel Sales Tax revenues	12,328,206
Investment earnings	<u>35,000</u>
TOTAL	<u>\$15,498,256</u>

Expected obligations for Fiscal Year 2005 are \$16.3 million of which \$3.5 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 2004 the City paid \$256,070 for debt service to the Northern Virginia Transportation Commission (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, 2004. However, NVTC has not paid any of the allocations for federal advances. In July of 1985, the Alexandria City Council authorized NVTC to pay \$4.2 million to WMATA, including accrued interest from state aid on deposit to the credit of the City. This was the total amount allocated to the City by WMATA for advances by the federal government, including accrued interest. The City has thus, with such authorization, satisfied all claims due WMATA for transit revenue bonds.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

Exhibit XII
(Continued)

NOTE 9. COMMITMENTS AND CONTINGENCIES (Continued)

5. Metro Matters Capital Agreement

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

B. Litigation

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

C. Waste-To-Energy Facility

The City has guaranteed annual tonnage of acceptable waste commitment to the Waste-to-Energy Facility, which is owned and operated by a private corporation. The commitment, which is joint with Arlington County, is based on a percent of solid waste the City and Arlington County expects to collect together. The facility charges fees on each ton based on defined costs, as well as has two multi-year contracts for large haulers where a fee discount applies. It is expected that the City and Arlington County will be able to continue to meet their minimum requirement for annual tonnage of 225,000 tons per year. For fiscal year 2004 and for every year the facility has been open, the City and Arlington County exceeded the minimum annual tonnage requirement. If the City would be required to augment this requirement, the financial effect on the City would be immaterial.

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 \$1.9 million in tipping fees in FY 2004. In the event of a revenue shortfall at the facility, the City is not responsible for the repayment of the bonds. The Alexandria Sanitation Authority and the Arlington Solid Waste Authority have certain bond repayment obligations.

D. Northern Virginia Transportation District Bonds

In November 1999, the City signed an agreement with the Commonwealth Transportation Board to provide \$256,070 annually, subject to appropriation, to finance certain Northern Virginia Transportation District Bond projects benefiting the City and other jurisdictions in Northern Virginia. The FY 2004 payment of \$256,070 was made from the proceeds from the City's telecommunications tax received by the General Fund. The City is not liable for repayment of the 20-year bonds.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

Exhibit XII
(Continued)

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. 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, 2004 are composed of the following individual issues:

	<u>Amount</u> <u>Outstanding</u>
\$64,700,000 Public Improvement Bonds of 2004 installments ranging from \$2,800,000 to \$3,800,000 through 2023, bearing interest at rates ranging from 4.0 percent to 5.0 percent. The bonds maturing before June 15, 2015 are not subject to redemption before maturity. Beginning June 15, 2014, bonds maturing on or after June 15, 2015 are subject to redemption at the direction of the City, in whole or in part in installments of \$5,000, at certain redemption prices that include a redemption premium plus accrued interest.....	\$ 64,700,000
\$54,500,000 Public Improvement Bonds of 2001 installments ranging from \$2,895,000 to \$2,900,000 through 2021, bearing interest at rates ranging from 3.6 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.....	49,250,000
\$55,000,000 Public Improvement Bonds of 2000 installments ranging from \$2,980,000 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.....	47,715,000
\$40,000,000 Public Improvement Bonds of 1999 due in annual installments of \$2,000,000 through 2019, bearing interest at rates ranging from 3.7 percent to 5.0 percent. The bonds are not subject to redemption prior to maturity.....	30,000,000
\$22,655,000 Public Improvement and Refunding Bonds (\$10,000,000 refunded) of 1994 due in annual installments ranging from \$790,000 to \$1,755,000 through 2009, bearing interest rates ranging from 4.875 percent to 5.1 percent. The bonds are not subject to redemption prior to maturity	5,855,000 <u>\$ 197,520,000</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

Exhibit XII
(Continued)

NOTE 10. LONG-TERM DEBT (Continued)

The outstanding bonds have been issued as follows:

<u>Public Improvement Bonds of 2004</u>				<u>Public Improvement Bonds of 2001</u>			
<u>CUSIP</u>	<u>Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>June 15,</u>	<u>CUSIP</u>	<u>2000 Issue</u>	<u>Rate</u>	<u>Maturity Date</u> <u>June 15,</u>
015302VS8	\$ 2,800,000	4.00	2005	015302UZ3	\$ 2,900,000	4.00	2005
015302VT6	3,800,000	5.00	2006	015302VA7	2,900,000	3.60	2006
015302VA7	3,800,000	5.00	2007	015302VB5	2,900,000	3.80	2007
015302VV1	3,800,000	5.00	2008	015302VC3	2,900,000	4.00	2008
015302VW9	3,800,000	5.00	2009	015302VD1	2,900,000	4.00	2009
015302VX7	3,800,000	5.00	2010	015302VE9	2,900,000	4.13	2010
015302VY5	3,300,000	5.00	2011	015302VF6	2,900,000	4.25	2011
015302VZ2	3,300,000	5.00	2012	015302VG4	2,895,000	4.40	2012
015302WA6	3,300,000	4.00	2013	015302VH2	2,895,000	4.50	2013
015302WB4	3,300,000	4.00	2014	015302VJ8	2,895,000	4.50	2014
015302WC2	3,300,000	4.00	2015	015302VK5	2,895,000	4.63	2015
015302WD0	3,300,000	4.00	2016	015302VL3	2,895,000	5.25	2016
015302WE8	3,300,000	4.00	2017	015302VM1	2,895,000	4.75	2017
015302WF5	3,300,000	4.00	2018	015302VN9	2,895,000	4.75	2018
015302WG3	3,300,000	4.00	2019	015302VP4	2,895,000	4.88	2019
015302WH1	3,300,000	4.13	2020	015302VQ2	2,895,000	4.88	2020
015302WJ7	3,300,000	4.25	2021	015302VR0	2,895,000	4.88	2021
015302WK4	3,300,000	4.25	2022				
015302WL2	3,300,000	4.25	2023				
Total	<u>\$ 64,700,000</u>			Total	<u>\$ 49,250,000</u>		

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

Exhibit XII
(Continued)

NOTE 10. LONG-TERM DEBT (Continued)

Public Improvement Bonds of 2000				Public Improvement and Refunding Bonds of 1999			
CUSIP	Issue	Rate	Maturity Date June 15,	CUSIP	Issue	Rate	Maturity Date January 1,
015302UE0	\$ 2,985,000	5.00	2005	015302TK8	\$ 2,000,000	3.70	2005
015302UF7	2,985,000	4.75	2006	015302TL6	2,000,000	3.80	2006
015302UG5	2,985,000	5.00	2007	015302TM4	2,000,000	3.90	2007
015302UH3	2,985,000	5.00	2008	015302TN2	2,000,000	3.90	2008
015302UJ9	2,985,000	5.00	2009	015302TP7	2,000,000	4.00	2009
015302UK6	2,985,000	5.00	2010	015302TQ5	2,000,000	5.00	2010
015302UL4	2,985,000	5.00	2011	015302TR3	2,000,000	4.25	2011
015302UM2	2,980,000	5.13	2012	015302TS1	2,000,000	4.25	2012
015302UN0	2,980,000	5.25	2013	015302TT9	2,000,000	5.00	2013
015302UP5	2,980,000	5.75	2014	015302TU6	2,000,000	5.00	2014
015302UQ3	2,980,000	5.25	2015	015302TV4	2,000,000	4.50	2015
015302UR1	2,980,000	5.38	2016	015302TW2	2,000,000	5.00	2016
015302US9	2,980,000	5.50	2017	015302TX0	2,000,000	5.00	2017
015302UT7	2,980,000	5.50	2018	015302TY8	2,000,000	5.00	2018
015302UU4	2,980,000	5.50	2019	015302TZ5	2,000,000	5.00	2019
015302UV2	2,980,000	5.75	2020				
Total	\$ 47,715,000			Total	\$ 30,000,000		

Public Improvement Refunding Bonds of 1994			
CUSIP	Issue	Rate	Maturity Date February 1,
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	\$ 5,855,000		

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

Exhibit XII
(Continued)

NOTE 10. LONG-TERM DEBT (Continued)

The requirements to amortize all long-term bonds as of June 30, 2004 including interest payments of \$81.5 million, are summarized as follows:

Fiscal Year	Serial Bonds	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 12,440,000	\$ 9,171,729
2006	13,415,000	8,634,923
2007	12,475,000	8,036,235
2008	12,475,000	7,469,285
2009	12,475,000	6,895,745
2010-2014	56,395,000	26,219,090
2015-2019	55,875,000	13,043,200
2020-2023	<u>21,970,000</u>	<u>1,993,119</u>
	<u>\$ 197,520,000</u>	<u>\$ 81,463,326</u>

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

Legal Debt Margin - The City has no overlapping debt with other jurisdictions. As of June 30, 2004 the City had a legal debt limit of \$2.3 billion and a debt margin of \$2.1 billion:

Assessed Value of Real Property, January 1, 2004	<u>\$22,757,185,300</u>
Debt Limit: 10 Percent of Assessed Value	\$ 2,275,718,530
Amount of Debt Applicable to Debt Limit:	
General Obligation Bonds	<u>\$197,520,000</u>
Total General Obligation Debt	<u>197,520,000</u>
LEGAL DEBT MARGIN	<u>\$ 2,078,198,530</u>

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, 2004, are summarized below:

	Authorized and Unissued <u>July 1, 2003</u>	<u>Authorized</u>	<u>Issued</u>	<u>Expired</u>	Authorized and Unissued <u>June 30, 2004</u>
	General Obligation Bonds	<u>\$ 64,700,000</u>	<u>\$ -</u>	<u>\$ 64,700,000</u>	<u>\$ -</u>

On January 24 2004, the City issued \$64.7 million in General Obligation bonds for school construction, sewers and a public safety center. These bonds were issued with an original issue premium of \$3.2 million and a true interest cost of 3.74 percent. The premium is being amortized over the life of the bonds.

On October 5, 2004, the City refunded \$29.8 million in outstanding general obligation bonds and issued \$32.5 million in bonds and \$1.2 million in premium at a true interest cost of 3.85 percent.

On October 16, 2004, the City Council authorized the issuance of \$54.8 million in new general obligation bonds. A November 2004 issuance of these bonds is currently contemplated.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

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, 2004 are summarized below. The Net Pension Obligation results from contributions to the City Supplemental Retirement Plan, the Pension for Fire and Police Plan, and the Firefighters' and Police Pension Plan that were less than the required amount. In general the City uses the General Fund to liquidate long-term liabilities.

Primary Government – Governmental Activities				Amounts Due Within One Year	
	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2004</u>	<u>Year</u>
General Obligation Bonds	\$143,615,000	\$ 64,700,000	\$ 10,795,000	\$ 197,520,000	\$ 12,440,000
Bond Premium	---	3,183,588	79,590	3,103,998	159,180
Obligations Under Capital Lease	562,287	---	100,998	461,289	105,854
Workers' Compensation Claims	3,078,337	3,205,409	1,952,440	4,331,306	1,857,477
Accrued Compensated Absences	14,377,719	9,944,896	9,136,534	15,186,081	954,757
Net Pension Obligation	8,105,433	2,592,903	---	10,698,336	---
	<u>\$169,738,776</u>	<u>\$ 83,626,796</u>	<u>\$ 22,064,562</u>	<u>\$ 231,301,010</u>	<u>\$ 15,517,268</u>

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, 2004:	
Long-term liabilities (detail above)	\$ 231,301,010
Accrued interest	<u>1,111,943</u>
Combined adjustment	<u>\$ 232,412,953</u>

Under the modified accrual basis of accounting used in the fund financial statements for the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the government-wide statement of activities, however, which is presented on the accrual basis, expenses 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	\$ 808,362
Workers' compensation	1,252,969
Change in pension obligation	2,415,422
Amortization of bond premium	(79,590)
Accrued interest on bonds	<u>40,929</u>
Combined adjustment	<u>\$ 4,438,092</u>

Component Unit – School Board

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2004</u>	<u>Amounts Due Within One Year</u>
Accrued Compensated Absences	\$5,631,350	\$8,989,004	\$8,455,336	\$ 6,165,018	\$ 433,388

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

Exhibit XII
(Continued)

NOTE 11. INTERFUND BALANCES AND TRANSACTIONS

Component Unit

There were no interfund receivable/payables at June 30, 2004

Interfund transfers and transactions for the year ended June 30, 2004 consisted of the following:

Transfer to (Fund):	General	Special Revenue	Capital Projects	Total
Primary Government Transactions				
Special Revenue	\$ 22,255,446	\$ ---	\$ ---	\$ 22,255,446
Capital Projects	21,334,435	1,366,536	---	22,700,971
Internal Service	156,046	1,403,640	---	1,559,686
Total	<u>\$ 43,745,927</u>	<u>\$ 2,770,176</u>	<u>\$ ---</u>	<u>\$ 46,516,103</u>
Component Unit Transactions				
Schools	\$ 121,191,334	\$ ---	\$ 6,824,757	\$ 128,016,091
Library	5,512,295	---	---	5,512,295
Alexandria Transit	5,170,000	---	---	5,170,000
Total	<u>\$ 131,873,629</u>	<u>\$ ---</u>	<u>\$ 6,824,757</u>	<u>\$ 138,698,386</u>

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 budgeted 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 \$2 million to Alexandria Transit.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

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 \$ 127.1 million in fiscal year 2004. Sources of these revenues were as follows:

GOVERNMENTAL FUNDS	
Federal Government	\$ 33,112,812
Commonwealth of Virginia	<u>62,237,726</u>
Total Primary Government	<u>\$ 95,350,538</u>
 COMPONENT UNITS	
Federal Government:	
School Board	<u>\$ 9,538,373</u>
 Commonwealth of Virginia:	
School Board	\$ 21,984,954
Library	203,257
Alexandria Transit Company	<u>17,572</u>
Total Component Units Commonwealth of Virginia	<u>\$ 22,205,783</u>
Total Component Units	<u>\$ 31,744,156</u>
 TOTAL CITY AND COMPONENT UNITS	
Total Federal Government	\$ 42,651,185
Total Commonwealth of Virginia	<u>84,443,509</u>
Total Intergovernmental Revenue	<u>\$ 127,094,694</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

Exhibit XII
(Continued)

NOTE 14. DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units represents accrued revenue at June 30, 2004, consisting of the following:

Primary Government	
State	
General Fund	\$ 27,590,083
Special Revenue Fund	<u>1,122,393</u>
Total State	<u>\$ 28,712,476</u>
Federal	
General Fund	\$ 1,627,415
Special Revenue Fund	3,768,920
Capital Projects Fund	<u>775,397</u>
Total Federal	<u>\$ 6,171,732</u>
Total Primary Government	<u>\$ 34,884,208</u>
Component Units	
State	
School Board	\$ 1,247,259
Alexandria Transit Company	<u>17,572</u>
Total State	<u>\$ 1,264,831</u>
Federal	
School Board	<u>\$ 3,051,734</u>
Total Component Units	<u>\$ 4,316,565</u>
Total	<u>\$ 39,200,773</u>

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 2004, the City paid \$0.3 million for operating costs.

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

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 \$1.1 million in fiscal year 2004.

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 2004, the City paid \$479,533 for operating costs and \$177,421 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 discussed in Note 9, the City participates in a joint venture with other local jurisdictions to share in the cost of a regional transportation system. The City does not maintain an equity interest in WMATA. Complete financial statements of WMATA may be obtained from WMATA, 600 5th Street, N.W., Washington, DC 20001.

NOTE 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 2004 the City made rental payments to Sheltered Homes of Alexandria totaling \$0.4 million.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

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. In additions, spouses of deceased retirees are also eligible for benefits. Each fiscal year the City Council appropriates funds to pay for these health benefits. As of June 30, 2004, 491 retirees were both eligible and received benefits from all three classes of this plan. Eligibility is contingent upon the retiree providing proof of participation and payment to a health insurance plan. The City contributed on a "pay-as-you-go" basis at the rate of up to \$215.00 per month for each retiree, for a total annual contribution of \$1.2 million for fiscal year 2004.

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS

Primary Government

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

During the fiscal year 2004, the City renamed and amended the Retirement Income Plan for Firefighters and Police Officers to include new defined benefit pension provisions. These provisions are applied to all active employees who were participants under the defined contribution provisions. A majority of the employees elected to purchase their prior service with their defined contribution assets. Some employees, though, opted to hold and manage their assets under the defined contribution provisions and will receive defined pension benefits based on the effective date of the new defined benefit provisions, and also retain their previous existing defined contribution assets. The effective date for the new provisions is January 1, 2004. Actuarial consultants estimated the annual cost of the new provisions, including the amortization of the prior service cost, to be 27.5% of the covered payroll. All the employees in this plan are required to contribute 7.5% and the City will pay the remaining actuarially determined required contributions. The City was previously contributing 20% of the covered payroll to the defined contribution plan. City contributions to the defined benefit component of the plan were not made until March 2004 resulting in a net pension obligation as of June 30, 2004, of \$1.0 million.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

Exhibit XII
(Continued)

Note 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

	Combining Schedule of Net Assets						Total
	Employee Retirement Funds						
	Firefighter and Police Officers Pension Plan					Retirement	
City Supplemental Retirement	Pension for Fire and Police	Defined Contribution Component	Defined Benefit Component	Disability Component	Income for Sheriff and ERT		
ASSETS							
Investments, at Fair Value							
U.S. Government Obligations -	\$ -	\$ -	\$ -	\$ -	\$ 2,878,111	\$ -	\$ 2,878,111
Mutual funds	32,045,257	-	13,678,299	61,682,720	-	6,440,431	113,846,707
Stocks	-	-	-	-	6,549,178	-	6,549,178
Guaranteed Investment Accounts	19,371,338	35,362,688	13,416,534	16,877,367	-	7,993,510	93,021,437
Domestic Corporate Bonds	-	-	-	-	2,331,703	-	2,331,703
Other Investments	-	-	-	-	842,154	-	842,154
Total Investments	<u>\$ 51,416,595</u>	<u>\$ 35,362,688</u>	<u>\$ 27,094,833</u>	<u>\$ 78,560,087</u>	<u>\$ 12,601,146</u>	<u>\$ 14,433,941</u>	<u>\$ 219,469,290</u>
Total Assets	<u>\$ 51,416,595</u>	<u>\$ 35,362,688</u>	<u>\$ 27,094,833</u>	<u>\$ 78,560,087</u>	<u>\$ 12,601,146</u>	<u>\$ 14,433,941</u>	<u>\$ 219,469,290</u>
NET ASSETS							
Held in Trust for Pension Benefits	<u>\$ 51,416,595</u>	<u>\$ 35,362,688</u>	<u>\$ 27,094,833</u>	<u>\$ 78,560,087</u>	<u>\$ 12,601,146</u>	<u>\$ 14,433,941</u>	<u>\$ 219,469,290</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

Exhibit XII
(Continued)

Note 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

	Combining Schedule of Operations						Total
	Employee Retirement Funds						
	City Supplemental Retirement	Pension for Fire and Police	Firefighter and Police Officers Pension Plan				
		Defined Contribution Component	Defined Benefit Component	Disability Component	Retirement Income for Sheriff and ERT		
ADDITIONS							
Contributions:							
Employer	\$ 1,447,882	\$ 902,000	\$ 4,064,280	\$ 1,598,228	\$ 620,603	\$ 1,575,367	\$ 10,208,360
Plan Members	1,983,487	4,935	77,895	580,644	130,073	-	2,777,034
Total Contributions	<u>\$ 3,431,369</u>	<u>\$ 906,935</u>	<u>\$ 4,142,175</u>	<u>\$ 2,178,872</u>	<u>\$ 750,676</u>	<u>\$ 1,575,367</u>	<u>\$ 12,985,394</u>
Investment Income (expense):							
Net Appreciation (Depreciation)							
in Fair Value of Investments	\$ 5,636,681	\$ -	\$ 8,983,981	\$ 207,667	\$ 592,907	\$ 950,237	\$ 16,371,473
Interest	624,031	1,723,590	1,342,207	348,542	452,131	240,860	4,731,361
Total Investment Income	\$ 6,260,712	\$ 1,723,590	\$ 10,326,188	\$ 556,209	\$ 1,045,038	\$ 1,191,097	\$ 21,102,834
Less investment expense	76,873	-	-	51,282	-	-	128,155
Net Investment Expense	<u>\$ 6,183,839</u>	<u>\$ 1,723,590</u>	<u>\$ 10,326,188</u>	<u>\$ 504,927</u>	<u>\$ 1,045,038</u>	<u>\$ 1,191,097</u>	<u>\$ 20,974,679</u>
Total Additions	<u>\$ 9,615,208</u>	<u>\$ 2,630,525</u>	<u>\$ 14,468,363</u>	<u>\$ 2,683,799</u>	<u>\$ 1,795,714</u>	<u>\$ 2,766,464</u>	<u>\$ 33,960,073</u>
DEDUCTIONS							
Benefits	\$ 536,955	\$ 4,615,161	\$ -	\$ 105,826	\$ 1,075,010	\$ -	\$ 6,332,952
Refunds of Contributions	1,643,097	-	5,393,830	-	-	219,460	7,256,387
Administrative Expenses	79,273	58,880	-	-	56,145	-	194,298
Total Deductions	<u>\$ 2,259,325</u>	<u>\$ 4,674,041</u>	<u>\$ 5,393,830</u>	<u>\$ 105,826</u>	<u>\$ 1,131,155</u>	<u>\$ 219,460</u>	<u>\$ 13,783,637</u>
Net Increase (Decrease)	\$ 7,355,883	\$ (2,043,516)	\$ 9,074,533	\$ 2,577,973	\$ 664,559	\$ 2,547,004	\$ 20,176,436
Assets Transfer In (Out)	-	-	(75,982,114)	75,982,114	-	-	-
Net Assets at Beginning of Year	44,060,712	37,406,204	94,002,414	-	11,936,587	11,886,937	199,292,854
Net Assets at End of Year	<u>\$ 51,416,595</u>	<u>\$ 35,362,688</u>	<u>\$ 27,094,833</u>	<u>\$ 78,560,087</u>	<u>\$ 12,601,146</u>	<u>\$ 14,433,941</u>	<u>\$ 219,469,290</u>

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

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.

In fiscal year 2004, the City renamed and amended the Retirement Income plan (a defined contribution plan) to include new defined benefit provisions. Since the defined benefit provisions of the plan became effective January 1, 2004, the actuaries have been able to provide us with an actuarial cost projection rather than a full actuarial valuation for this year. Next year, as the actuaries get the data for the whole year, a complete valuation information will be presented in the CAFR. Also during the year, the City converted the existing disability income plan from a defined contribution to a defined benefit plan and merged it into the Firefighters and Police Pension plan. The effective date for this plan change is also January 1, 2004.

The major provisions for these two defined benefit pension components of the Retirement Income Plan are listed in this disclosure note.

There were no changes in actuarial assumptions, benefit provisions, or funding method for the Pension plan for Fire and Police. The City's Supplemental Plan reflects an increase in 0.5 percent in the employer contribution rate, which amounts to approximately \$.5 million.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

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 XVI.

PLAN DESCRIPTION

	1	2	3	4	5	6	7
	VRS			Firefighters and Police Officers Pension Plan			
	City	City Supplemental Retirement	Pension for Fire and Police	Defined Contribution Component	Defined Benefit Component	Disability Component	Retirement Income for Sheriff and ERT
Administrator	Commonwealth of Virginia	Prudential	Prudential	Prudential	Prudential	SunTrust	Prudential
Employees Covered Authority for Plan Provisions and Contributions	General Body State Statute	General Body City Ordinance	Fire and Police City Ordinance	Fire and Police City Ordinance	Fire and Police City Ordinance	Fire and Police City Ordinance	Sheriff/ERT City Ordinance
Plan Type	Agent Multi-Employer Defined Benefit	Single-Employer Defined Benefit	Single-Employer Defined Benefit	Single-Employer Defined Contribution	Single-Employer Defined Benefit	Single-Employer Defined Benefit	Single-Employer Defined Contribution
Stand Alone Financial Report	Yes	No	No	No	No	No	No
Actuarial Valuation Date	06/30/2003	7/01/2003	07/01/2003	Not applicable	1/01/2004	7/01/2003	Not applicable

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

Exhibit XII
(Continued)

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

MEMBERSHIP AND PLAN PROVISIONS

As of:	6/03 (1) VRS	7/03 (2)	7/03 (3)	6/04 (4)	1/04 (5)	7/03 (6)	6/04 (7)
				Firefighters and Police Officers Pension Plan			Retirement Income For Sheriff And ERT
	City	City Supplemental Retirement	Pension for Fire and Police	Defined Contribution Component	Defined Benefit Component	Disability Component	
Active Participants	1,910	2,018	1	86	442	442	228
Retirees & Beneficiaries	528	112	171	-	-	51	-
Terminated Vested & Non-vested	361	590	-	116	-	Not applicable	12
Normal Retirement Benefits:							
Age	65 50 (30Yrs)	65 55 (30Yrs)	60 50 (20Yrs)	60	55 50(25 Yrs)	60	60
Benefits Vesting Years	5	5	10	5	5	5	5
Disability & Death Benefits	Disability Death	Disability Death	Disability Death	Not applicable Death	Disability Death	Disability Not Applicable	Not Applicable Death
SIGNIFICANT ACTUARIAL ASSUMPTIONS							
Investment Earnings	8.0%	8.0%	8.0%	Not applicable	7.5%	7.5%	Not applicable
Projected Salary Attributable to: Increases							
Inflation	3.0%	4.0%	N/A	Not applicable	3.0%	3.0%	Not applicable
Seniority/Merit	1.25 – 3.10%	2.86%	N/A	Not applicable	1.0%-5.0%	1.0%-5.0%	Not applicable
Projected Postretirement Increases	3.0%	None	3.0%	Not applicable	3.0%	3.0%	Not applicable
Actuarial Cost Method	Entry Age Normal Cost	Aggregate Actuarial Cost	Projected Unit Credit With Zero Normal Cost Level dollar	Not applicable	Entry Age Normal Cost	Entry Age Normal Cost	Not applicable
Amortization Method	Level Percentage Open	Level Percentage Not applicable	Closed	Not applicable	Level Percentage Closed	Level Percentage Closed	Not applicable
Open/Closed Remaining Amortization Period	10	15	15	Not applicable	25	15	Not applicable
Asset Valuation Method	Modified Market	Market Value	Book Value	Not applicable	Market Value	Market Value	Not applicable

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

Exhibit XII
(Continued)

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

FUNDING POLICY AND ANNUAL PENSION COST

As of:	6/04 <u>VRS</u>	6/04	6/04	<u>Firefighters and Police Officers Pension Plan</u>			6/04
	<u>City</u>	City Supplemental Retirement	Pension for Fire and Police	<u>Defined Contribution Component</u>	<u>Defined Benefit Component</u>	<u>Disability Component</u>	<u>Retirement Income for Sheriff and ERT</u>
PERCENTAGE OF COVERED PAYROLL CONTRIBUTED		-					
Employee %	5.00%	2.0%	8.0%	Voluntary	7.5%	0.5%	-
Employer %	0.75%	1.5%	\$902,000/yr.	20.0%	20.0%	2.35%	13.1%
AMOUNT CONTRIBUTED							
Employee	\$ 4,667,776 *	\$ 1,983,487 *	\$ 4,935	\$ 77,895	\$ 580,644	\$ 130,073	\$ -
Employer	667,108	1,447,882	902,000	4,064,280	1,598,228	620,603	1,575,367
Total Amount Contributed	<u>\$ 5,334,884</u>	<u>\$ 3,431,369</u>	<u>\$ 906,935</u>	<u>\$ 4,142,175</u>	<u>\$ 2,178,872</u>	<u>\$ 750,676</u>	<u>\$ 1,575,367</u>

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

COVERED PAYROLL

	\$ 88.9 Million	\$ 96.5 Million	\$ 0.1 Million	\$ 13.2 Million	\$ 13.2 Million	\$ 26.4 Million	\$ 12.0 Million
Legally Required Reserves	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Long Term Contribution Contracts	N/A	N/A	N/A	N/A	N/A	N/A	N/A

INVESTMENT CONCENTRATIONS

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

Prudential General Account (Long Term)	*	38%	100%	50%	21%	-	55%
Prudential Stock Index	*	-	-	50%	79%	-	45%
State Street Global Russell 3000	*	62%	-	-	-	-	-

* Investment information not available on an individual jurisdiction basis.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

Exhibit XII
(Continued)

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Calculation of Net Pension Obligation (Asset)

	City Supplemental Retirement	Pension Plan For Fire and Police	Firefighters and Police Officers Pension Plan	
			Defined Benefit Component	Disability Component
Actuarially Required Contribution	\$ 3,229,768	\$ 1,125,912	\$ 2,633,733	\$ 443,122
Interest on Net Pension Obligation	569,432	79,003	-	-
ARC Adjustment	(949,661)	(147,174)	-	-
Annual Pension Cost	\$ 2,849,539	\$ 1,057,741	\$ 2,633,733	\$ 443,122
Actual Deposit	(1,447,882)	(902,000)	(1,598,228)	(620,603)
Change in NPO	\$ 1,401,657	\$ 155,741	\$ 1,035,505	\$ (177,481)
NPO Beginning of Year	7,117,896	987,537	-	-
NPO/A End of Year (6/30/04)	\$ 8,519,553	\$ 1,143,278	\$ 1,035,505	\$ (177,481)

THREE-YEAR TREND INFORMATION

	Actuarial Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation/(Asset)	
City Supplemental Retirement	06/30/2002	\$ 2,427,068	35.29%	\$ 5,064,006	
	06/30/2003	2,986,280	31.22%	7,117,896	
	06/30/2004	2,849,539	50.81%	8,519,553	
Pension for Fire and Police	06/30/2002	\$ 1,059,878	66.05%	\$ 910,290	
	06/30/2003	979,247	92.11%	987,537	
	06/30/2004	1,057,741	85.30%	1,143,278	
Firefighters and Police Officers Pension Plan	Defined Benefit Component *	06/30/2004	2,633,733	60.68%	\$ 1,035,505
	Disability Component *	06/30/2004	\$ 443,122	140.01%	\$ (177,481)
Virginia Retirement System	06/30/2002	\$ 765,204	100.00%	\$ -	
	06/30/2003	626,701	100.00%	-	
	06/30/2004	667,108	100.00%	-	

* Only one year's information was available for these plans. These tables will be expanded when information becomes available. Firefighters and Police Officers Pension defined benefit component commenced in FY04 and the disability component converted from a defined contribution to a defined benefit plan at that time. The City Supplemental plan uses an aggregate actuarial cost method that does not separately identify or amortize unfunded actuarial liabilities.

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

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.

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

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

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

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

Exhibit XII
(Continued)

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

NOTE 19. ACCOUNTING CHANGES The City adopted GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries* during the fiscal year ended June 30, 2004. There is no impact on the financial statements.

REQUIRED
SUPPLEMENTARY
INFORMATION
(Unaudited)

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

CITY OF ALEXANDRIA, VIRGINIA
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2004

EXHIBIT XIII

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance from Amended Budget - Positive (Negative)</u>
Revenues:				
General Property Taxes.....	\$ 233,827,402	\$ 234,075,784	\$ 243,524,774	\$ 9,448,990
Other Local Taxes.....	89,013,000	89,013,000	93,960,955	4,947,955
Permits, Fees, and Licenses.....	3,000,000	3,000,000	3,246,124	246,124
Fines and Forfeitures.....	4,000,000	4,000,000	4,164,369	164,369
Use of Money and Property.....	45,058,200	4,968,186	4,048,134	(920,052)
Charges for Services.....	9,891,200	9,991,200	9,587,175	(404,025)
Intergovernmental Revenues.....	4,968,186	46,387,072	49,460,664	3,073,592
Miscellaneous.....	453,598	453,598	348,868	(104,730)
Total Revenues	\$ 390,211,586	\$ 391,888,840	\$ 408,341,063	\$ 16,452,223
Expenditures:				
City Council.....	\$ 546,001	\$ 526,001	\$ 515,018	\$ 10,983
City Manager.....	1,856,211	1,776,372	1,771,240	5,132
Office on Women.....	1,043,592	1,088,490	1,070,678	17,812
Citizens Assistance.....	572,636	634,514	604,515	29,999
Office of Management and Budget.....	948,688	839,546	784,863	54,683
18th Circuit Court.....	1,177,008	1,107,008	1,105,817	1,191
18th General District Court.....	85,493	86,858	75,600	11,258
Juvenile And Domestic Relations Court.....	33,948	33,948	19,368	14,580
Commonwealth's Attorney.....	2,136,279	2,120,768	2,120,676	92
Sheriff.....	18,506,457	19,706,665	19,706,064	601
Clerk of Courts.....	1,323,984	1,526,032	1,389,370	136,662
Other Correctional Activities.....	3,684,287	3,718,382	3,711,295	7,087
Court Services.....	705,273	705,273	702,064	3,209
Human Rights.....	439,825	444,722	426,294	18,428
Internal Audit.....	184,032	174,169	166,698	7,471
Information Technology Services.....	6,111,589	6,719,279	6,444,133	275,146
City Clerk and Clerk of Council.....	345,487	368,332	362,174	6,158
Finance.....	7,395,667	7,773,136	7,411,748	361,388
Real Estate Assessments.....	1,013,399	973,399	961,517	11,882
Personnel.....	2,276,527	2,427,007	2,401,855	25,152
Planning and Zoning.....	5,470,450	5,715,141	5,361,759	353,382
City Attorney.....	1,466,068	1,910,068	1,909,648	420
Registrar of Voters.....	895,714	928,581	918,401	10,180
General Services.....	9,620,993	9,941,729	9,925,052	16,677
Transportation and Environmental Services.....	21,799,821	22,378,887	22,378,124	763
Transit Subsidies.....	3,859,451	3,969,451	3,890,922	78,529
Fire.....	28,032,263	29,316,653	29,262,956	53,697
Police.....	40,234,764	39,600,271	39,599,666	605
Office of Housing.....	940,103	902,195	886,265	15,930
Mental Health/Mental Retardation and Substance Abuse.....	580,871	581,571	581,539	32
Health.....	7,045,019	7,017,805	6,790,939	226,866
Human Services.....	7,648,355	7,999,840	7,999,829	11
Human Services Contributions.....	1,100,000	1,100,000	1,097,035	2,965
Office of Historic Alexandria.....	2,205,822	2,286,506	2,280,689	5,817
Recreation and Cultural Activities.....	15,912,946	15,725,579	15,724,832	747
Other Educational Activities.....	13,058	13,058	13,058	-
Non Departmental (including debt service).....	28,830,721	28,155,395	27,815,113	340,282
Total Expenditures	\$ 226,042,802	\$ 230,292,631	\$ 228,186,814	\$ 2,105,817
Other Financing Uses:				
Operating Transfers Out.....	\$ 39,881,756	\$ 45,088,739	\$ 43,745,927	\$ 1,342,812
Transfers Out - Component Units.....	131,823,629	131,873,629	131,873,629	-
Total Other Financing Uses	\$ 171,705,385	\$ 176,962,368	\$ 175,619,556	\$ 1,342,812
Total Expenditures and Other Financing Uses	\$ 397,748,187	\$ 407,254,999	\$ 403,806,370	\$ 3,448,629
Revenue and Other Financing Sources				
Over/(Under) Expenditures and Other Financing Uses ...	\$ (7,536,601)	\$ (15,366,159)	\$ 4,534,693	\$ 19,900,852
Fund Balances at Beginning of Year.....	58,117,728	58,117,728	58,117,728	-
Increase/(Decrease) in Reserve for Inventory.....	-	-	144,189	144,189
FUND BALANCES AT END OF YEAR	\$ 50,581,127	\$ 42,751,569	\$ 62,796,610	\$ 20,045,041

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

CITY OF ALEXANDRIA, VIRGINIA
Budgetary Comparison Schedule
Special Revenue Fund
For the Year Ended June 30, 2004

EXHIBIT XIV

	<u>Original Budget</u>	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance From Amended Budget Positive (Negative)</u>
Revenues:				
Use of Money and Property.....	\$ 6,000	\$ 83,852	\$ 79,814	\$ (4,038)
Charges for Services.....	5,482,676	5,650,086	5,602,264	(47,822)
Permits, Fees and Licenses.....	377,660	377,660	803,274	425,614
Intergovernmental Revenues.....	34,306,381	58,159,306	39,282,691	(18,876,615)
Miscellaneous.....	526,579	2,606,492	3,908,142	1,301,650
Total Revenues.....	\$ 40,699,296	\$ 66,877,396	\$ 49,676,185	\$ (17,201,211)
Other Financing Sources:				
Operating Transfers In.....	\$ 22,964,645	\$ 24,841,718	\$ 22,255,446	\$ (2,586,272)
Total Other Financing Sources.....	\$ 22,964,645	\$ 24,841,718	\$ 22,255,446	\$ (2,586,272)
Total Revenues and Other Financing Sources....	\$ 63,663,941	\$ 91,719,114	\$ 71,931,631	\$ (19,787,483)
Expenditures:				
City Manager.....	\$ -	\$ 263,976	\$ 173,704	\$ 90,272
Office of Women.....	442,577	465,010	412,735	52,275
Citizens Assistance.....	5,400	7,953	7,953	-
Commonwealth's Attorney.....	465,255	563,123	364,419	198,704
Sheriff.....	1,303,211	804,395	676,190	128,205
Clerk of Courts.....	-	218,821	-	218,821
Law Library.....	130,714	130,714	126,491	4,223
Other Correctional and Judicial Activities.....	198,333	198,333	198,333	-
Human Rights.....	25,655	25,655	-	25,655
Finance.....	-	1,313	-	1,313
Court Services.....	253,708	581,878	417,832	164,046
Personnel.....	6,000	7,676	2,213	5,463
Registrar of Voters.....	-	-	-	-
General Services.....	-	500,000	-	500,000
Transportation and Environmental Services.....	638,672	1,711,064	1,171,650	539,414
Fire.....	498,152	1,906,129	1,533,102	373,027
Police.....	149,746	2,169,595	1,023,303	1,146,292
Office of Housing.....	2,754,957	14,495,996	5,096,678	9,399,318
Mental Health/Mental Retardation and Substance Abuse....	22,236,330	23,044,519	22,532,773	511,746
Health.....	-	10,899	-	10,899
Human Services.....	34,158,653	38,707,808	34,642,911	4,064,897
Office of Historic Alexandria.....	241,460	320,731	214,284	106,447
Recreation and Cultural Activities.....	155,118	224,568	223,735	833
Library.....	-	-	-	-
Non Departmental.....	-	2,588,782	-	2,588,782
Total Expenditures.....	\$ 63,663,941	\$ 88,948,938	\$ 68,818,306	\$ 20,130,632
Other Financing Uses:				
Operating Transfers Out.....	\$ -	\$ 2,770,176	\$ 2,770,176	\$ -
Total Other Financing Uses.....	\$ -	\$ 2,770,176	\$ 2,770,176	\$ -
Total Expenditures and Other Financing Uses.....	\$ 63,663,941	\$ 91,719,114	\$ 71,588,482	\$ 20,130,632
Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses.....	\$ -	\$ -	\$ 343,149	\$ 343,149
Fund Balances at Beginning of Year.....	\$ -	\$ -	\$ 13,507,487	\$ 13,507,487
FUND BALANCES AT END OF YEAR.....	\$ -	\$ -	\$ 13,850,636	\$ 13,850,636

CITY OF ALEXANDRIA, VIRGINIA
Notes to Budgetary Comparison Schedules
June 30, 2004

Exhibit XV

(1) SUMMARY OF SIGNIFICANT BUDGET POLICIES

The City Council annually adopts budgets for the General Fund and Special Revenue Fund of the primary government. All appropriations are legally controlled at the departmental level for the General Fund and Special Revenue Fund. On June 14, 2003, the City Council approved the original adopted budget and on June 24, 2004 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.

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

Exhibit XVI

SCHEDULE OF FUNDING PROGRESS

		(1)	(2)	(3)	(4)	(5)	(6)	
	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (2)-(1)	Funded Ratio (1/2)	Annual Covered Payroll	UAAL as a Percentage Of Covered Payroll ((2-1)/5)	
Pension Plan For Fire 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	45,244,734	6,128,381	86.5%	60,566	10,119%	
	06/30/2003	37,406,204	43,443,748	6,037,544	86.1%	60,566	9,969%	
	06/30/2004 *	35,362,688	42,004,572	6,641,884	84.2%	61,688 *	10,767%	
Firefighters And Police Officers Pension Plan ^(a)	Defined Benefit Component	01/01/2004	\$ 73,115,648	\$ 112,392,474	\$ 39,276,826	65.1%	\$ 27,221,546	144.29%
	Disability Component	06/30/2003	\$ 11,936,587	\$ 10,165,275	\$ (1,771,312)	117.4%	\$ 26,002,593	(6.8%)
Virginia Retirement System	06/30/1998	\$ 152,771,352	\$ 146,673,945	\$ (6,097,407)	104.2%	\$ 62,977,479	(10%)	
	06/30/1999	177,646,967	161,557,398	(16,089,569)	110.0%	62,796,400	(26%)	
	06/30/2000	206,562,426	161,915,444	(44,646,982)	127.6%	65,735,935	(68%)	
	06/30/2001	227,576,669	178,701,974	(48,874,695)	127.4%	71,829,945	(68%)	
	06/30/2002	235,660,890	201,292,189	(34,368,701)	117.1%	78,337,719	(44%)	
	06/30/2003	239,425,215	213,902,045	(25,523,170)	112.0%	84,710,535	(30%)	

* Estimated

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

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

^(a) These plan components commenced in FY 2004 and only one year of information was available. This will be expanded when information becomes available.

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

Exhibit XVI
(Continued)

SCHEDULES OF EMPLOYER CONTRIBUTIONS

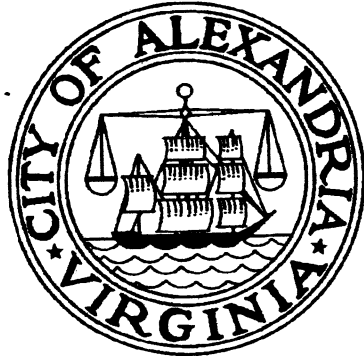
	<u>Actuarial Date</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Actuarial Date</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
	City Supplemental			Pension Plan for Police and Fire		
For Defined Benefit Pension Plans	06/30/1999	\$ 1,028,867	66.6%	06/30/1999	\$ 850,227	82.3%
	06/30/2000	1,546,936	47.5%	06/30/2000	752,554	93.0%
	06/30/2001	2,370,343	35.8%	06/30/2001	929,905	75.3%
	06/30/2002	2,579,707	33.2%	06/30/2002	1,088,844	64.3%
	06/30/2003	3,229,768	28.9%	06/30/2003	1,033,916	87.2%
	06/30/2004	3,229,768	44.8%	06/30/2004	1,125,912	80.1%
	Firefighters and Police Defined Benefit Component ^(a)			Virginia Retirement System		
	06/30/2004	\$ 2,633,733	60.7%	06/30/1999	\$ 3,734,259	100.0%
				06/30/2000	3,807,027	100.0%
				06/30/2001	1,447,204	100.0%
				06/30/2002	765,204	100.0%
				06/30/2003	626,701	100.0%
				06/30/2004	667,108	100.0%
	Firefighters and Police Disability Component ^(a)					
	06/30/2004	\$ 443,122	140.05%			

^(a) These plan components commenced in FY 2004 and only one year of information was available. This will be expanded when information becomes available.

**OTHER SUPPLEMENTARY
INFORMATION**

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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 Schedules of Changes in Asset and Liabilities – Agency Funds
June 30, 2004

Schedule 1

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2004</u>
HUMAN SERVICES SPECIAL WELFARE ACCOUNT				
Assets:				
Cash and Investments with Fiscal Agent.....	\$ 18,336	\$ 65,518	\$ 77,948	\$ 5,906
Liabilities:				
Other Liabilities.....	\$ 18,336	\$ 65,518	\$ 77,948	\$ 5,906
Total Liabilities.....	\$ 18,336	\$ 65,518	\$ 77,948	\$ 5,906
HUMAN SERVICES DEDICATED ACCOUNT				
Assets:				
Cash and Investments with Fiscal Agent.....	\$ 4,696	\$ 11,663	\$ -	\$ 16,359
Liabilities:				
Other Liabilities.....	\$ 4,696	\$ 11,663	\$ -	\$ 16,359
Total Liabilities.....	\$ 4,696	\$ 11,663	\$ -	\$ 16,359
INDUSTRIAL DEVELOPMENT AUTHORITY				
Assets:				
Equity in Pooled Cash and Investments.....	\$ 511,047	\$ 127,028	\$ -	\$ 638,075
Liabilities:				
Other Liabilities.....	\$ 511,047	\$ 127,028	\$ -	\$ 638,075
Total Liabilities.....	\$ 511,047	\$ 127,028	\$ -	\$ 638,075
TOTAL ALL AGENCY FUNDS				
Assets:				
Equity in Pooled Cash and Investments.....	\$ 511,047	\$ 127,028	\$ -	\$ 638,075
Cash and Investments with Fiscal Agent.....	23,032	77,181	77,948	22,265
Total Assets.....	\$ 534,079	\$ 204,209	\$ 77,948	\$ 660,340
Liabilities:				
Other Liabilities.....	\$ 534,079	\$ 204,209	\$ 77,948	\$ 660,340
Total Liabilities.....	\$ 534,079	\$ 204,209	\$ 77,948	\$ 660,340

CITY OF ALEXANDRIA, VIRGINIA
Notes to Financial Statements
June 30, 2004

Exhibit XII
(Continued)

NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)

FUNDING POLICY AND ANNUAL PENSION COST

As of:	6/04 <u>VRS</u>	6/04	6/04	<u>6/04</u> Firefighters and Police Officers Pension Plan			6/04
	<u>City</u>	City Supplemental Retirement	Pension for Fire and Police	Defined Contribution Component	Defined Benefit Component	Disability Component	6/04 Retirement Income for Sheriff and ERT
PERCENTAGE OF COVERED PAYROLL CONTRIBUTED							
Employee %	5.00%	2.0%	8.0%	Voluntary	7.5%	0.5%	-
Employer %	0.75%	1.5%	\$902,000/yr.	20.0%	20.0%	2.35%	13.1%
AMOUNT CONTRIBUTED							
Employee	\$ 4,667,776 *	\$ 1,983,487 *	\$ 4,935	\$ 77,895	\$ 580,644	\$ 130,073	\$ -
Employer	667,108	1,447,882	902,000	4,064,280	1,598,228	620,603	1,575,367
Total Amount Contributed	<u>\$ 5,334,884</u>	<u>\$ 3,431,369</u>	<u>\$ 906,935</u>	<u>\$ 4,142,175</u>	<u>\$ 2,178,872</u>	<u>\$ 750,676</u>	<u>\$ 1,575,367</u>

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

COVERED PAYROLL

	\$ 88.9 Million	\$ 96.5 Million	\$ 0.1 Million	\$ 13.2 Million	\$ 13.2 Million	\$ 26.4 Million	\$ 12.0 Million
Dollar Amount							
Legally Required Reserves	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Long Term Contribution Contracts	N/A	N/A	N/A	N/A	N/A	N/A	N/A

INVESTMENT CONCENTRATIONS

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

Prudential General Account (Long Term)	*	38%	100%	50%	21%	-	55%
Prudential Stock Index	*	-	-	50%	79%	-	45%
State Street Global Russell 3000	*	62%	-	-	-	-	-

* Investment information not available on an individual jurisdiction basis.

STATISTICAL SECTION

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CITY OF ALEXANDRIA, VIRGINIA
Statement of Changes in Net Assets
Last Five Fiscal Years

TABLE I

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Expenses					
Governmental Activities:					
General Government	\$ 40,251,589	\$ 40,296,302	\$ 45,073,104	\$ 47,397,743	\$ 56,544,328
Judicial Administration	12,043,863	11,485,164	12,504,545	12,958,448	13,971,852
Public Safety	68,036,032	73,639,315	83,167,309	88,427,217	94,878,051
Public Works	31,289,107	33,337,998	33,450,637	36,930,059	44,066,256
Library	3,813,427	4,242,108	4,798,030	5,140,618	5,512,295
Health and Welfare	62,249,282	61,475,277	66,814,195	71,898,432	73,922,949
Transit	5,004,487	7,064,204	6,838,495	11,906,240	9,060,922
Culture and Recreation	12,447,385	14,064,351	17,243,763	20,751,077	21,332,018
Community Development	9,284,253	8,883,318	11,945,267	13,464,706	16,229,878
Education	92,455,610	116,433,395	110,699,623	123,351,510	128,552,040
Interest on Long-term Debt	2,945,125	5,594,242	7,588,167	7,084,004	7,950,022
Subtotal Governmental Activities Expenses	<u>\$ 339,820,160</u>	<u>\$ 376,515,674</u>	<u>\$ 400,123,135</u>	<u>\$ 439,310,054</u>	<u>\$ 472,020,611</u>
Business-type Activities:					
Recycling	\$ 638,750	\$ 612,196	\$ 486,926	\$ -	\$ -
Subtotal Business-type Activities:	<u>\$ 638,750</u>	<u>\$ 612,196</u>	<u>\$ 486,926</u>	<u>\$ -</u>	<u>\$ -</u>
Total Primary Government Expenses	<u>\$ 340,458,910</u>	<u>\$ 377,127,870</u>	<u>\$ 400,610,061</u>	<u>\$ 439,310,054</u>	<u>\$ 472,020,611</u>
Program Revenues					
Governmental Activities:					
General Government	\$ 1,036,887	\$ 1,051,541	\$ 1,981,725	\$ 1,633,957	\$ 2,450,650
Judicial Administration	10,596,161	6,812,204	5,183,128	4,834,813	5,356,175
Public Safety	19,028,439	18,327,541	19,106,665	21,737,589	22,647,553
Public Works	11,632,659	12,846,935	24,936,640	35,256,473	27,970,674
Library	-	-	-	-	-
Health and Welfare	33,660,633	29,336,495	32,394,030	34,197,681	35,823,403
Transit	-	-	-	-	-
Culture and Recreation	2,306,168	2,435,904	2,462,777	2,552,112	2,257,077
Community Development	4,497,142	4,341,085	3,904,886	4,681,083	8,035,209
Education	-	-	-	-	-
Subtotal Governmental Activities	<u>\$ 82,758,089</u>	<u>\$ 75,151,705</u>	<u>\$ 89,969,851</u>	<u>\$ 104,893,708</u>	<u>\$ 104,540,741</u>
Business-type Activities:					
Recycling	\$ 799,820	\$ 272,746	\$ 137,798	\$ -	\$ -
Subtotal Business-type Activities:	<u>\$ 799,820</u>	<u>\$ 272,746</u>	<u>\$ 137,798</u>	<u>\$ -</u>	<u>\$ -</u>
Total Primary Government Program Revenues	<u>\$ 83,557,909</u>	<u>\$ 75,424,451</u>	<u>\$ 90,107,649</u>	<u>\$ 104,893,708</u>	<u>\$ 104,540,741</u>

CITY OF ALEXANDRIA, VIRGINIA
Statement of Changes in Net Assets
Last Five Fiscal Years

Table I (continued)

	2000	2001	2002	2003	2004
Net (Expense) Revenue					
General Government	\$ (39,214,702)	\$ (39,244,761)	\$ (43,091,379)	\$ (45,763,786)	\$ (54,093,678)
Judicial Administration	(1,447,702)	(4,672,960)	(7,321,417)	(8,123,635)	(8,615,677)
Public Safety	(49,007,593)	(55,311,774)	(64,060,644)	(66,689,628)	(72,230,498)
Public Works	(19,656,448)	(20,491,063)	(8,513,997)	(1,673,586)	(16,095,582)
Library	(3,813,427)	(4,242,108)	(4,798,030)	(5,140,618)	(5,512,295)
Health and Welfare	(28,588,649)	(32,138,782)	(34,420,165)	(37,700,751)	(38,099,546)
Transit	(5,004,487)	(7,064,204)	(6,838,495)	(11,906,240)	(9,060,922)
Culture and Recreation	(10,141,217)	(11,628,447)	(14,780,986)	(18,198,965)	(19,074,941)
Community Development	(4,787,111)	(4,542,233)	(8,040,381)	(8,783,623)	(8,194,669)
Education	(92,455,610)	(116,433,395)	(110,699,623)	(123,351,510)	(128,552,040)
Interest on Long-term Debt	(2,945,125)	(5,594,242)	(7,588,167)	(7,084,004)	(7,950,022)
Subtotal Governmental Activities	\$ (257,062,071)	\$ (301,363,969)	\$ (310,153,284)	\$ (334,416,346)	\$ (367,479,870)
Business-type Activities:					
Recycling	\$ 161,070	\$ (339,450)	\$ (349,128)	\$ -	\$ -
Subtotal Business-type Activities:	161,070	(339,450)	(349,128)	-	-
Total Primary Government	\$ (256,901,001)	\$ (301,703,419)	\$ (310,502,412)	\$ (334,416,346)	\$ (367,479,870)
General Revenues and Other					
Changes in Net Assets					
Governmental Activities:					
Taxes					
Real Estate	\$ 141,656,086	\$ 153,352,751	\$ 163,465,653	\$ 189,395,241	\$ 211,105,122
Personal Property	47,555,162	27,032,363	38,509,785	31,119,034	31,325,565
Other	75,040,938	81,726,772	85,814,609	88,393,807	94,156,391
Transfer	-	-	-	955,507	-
Grants and Contributions not restricted to other programs	19,119,696	26,923,035	28,882,201	29,225,817	30,425,214
Interest and Investment Earnings	7,308,161	8,414,080	7,294,238	3,609,460	1,738,564
Miscellaneous	705,468	464,686	538,278	581,673	348,868
Subtotal Governmental Activities	\$ 291,385,511	\$ 297,913,687	\$ 324,504,764	\$ 343,280,539	\$ 369,099,724
Business-type Activities:					
Payment for City	\$ 300,000	\$ -	\$ -	\$ (955,507)	\$ -
Subtotal Business-type Activities:	\$ 300,000	\$ -	\$ -	\$ (955,507)	\$ -
Total Primary Government	\$ 291,685,511	\$ 297,913,687	\$ 324,504,764	\$ 342,325,032	\$ 369,099,724
Change in Net Assets					
Governmental Activities:	\$ 34,323,440	\$ (3,450,282)	\$ 14,351,480	\$ 8,864,193	\$ 1,619,854
Business-type Activities:	461,070	(339,450)	(349,128)	(955,507)	-
Change in Net Assets	\$ 34,784,510	\$ (3,789,732)	\$ 14,002,352	\$ 7,908,686	\$ 1,619,854

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Cash Flows - Component Unit -
Alexandria Transit Company
For the Year Ended June 30, 2004

Schedule 2

Cash Flows from Operating Activities:	
Cash Received From Customers.....	\$ 2,124,977
Cash Payments to Suppliers for Goods and Services.....	(1,918,257)
Cash Payments to Employees for Services.....	(5,166,439)
Net Cash Used for Operating Activities.....	<u>\$ (4,959,719)</u>
Cash Flows from Noncapital Financing Activities:	
Transfers-In from Primary Government.....	\$ 5,170,000
Cash Received from Nonoperating Grant.....	17,572
Cash Received from Other Nonoperating Revenue.....	43,833
Net Cash Provided by Noncapital and Related Financing Activities.....	<u>\$ 5,231,405</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets.....	\$ (242,384)
Net Cash Used for Capital and Related Financing Activities.....	<u>\$ (242,384)</u>
Net Increase in Cash and Cash Equivalents.....	\$ 29,302
Cash and Cash Equivalents at Beginning of Year.....	2,419,699
Cash and Cash Equivalents at End of Year.....	<u><u>\$ 2,449,001</u></u>

Reconciliation of Operating Loss to Cash Used for

Operating Activities:	
Operating Loss.....	<u>\$ (5,887,559)</u>
Adjustments to Reconcile Operating Loss to Net Cash	
Used for Operating Activities:	
Depreciation Expense.....	\$ 1,023,913
Changes in Assets and Liabilities:	
(Increase) in Accounts Receivable.....	(155,726)
(Increase) in Inventory of Supplies.....	(11,323)
Decrease in Prepaid Expenses.....	744
Increase in Accounts Payable.....	31,629
Increase in Accrued Liabilities.....	24,569
Increase in Other Liabilities.....	14,034
Total Adjustments.....	<u>\$ 927,840</u>
Net Cash Used for Operating Activities.....	<u><u>\$ (4,959,719)</u></u>

Noncash Capital and Related Financing Activities:

During Fiscal Year 2004, the City transferred capital assets totaling \$2,041,680 to Alexandria Transit.

CITY OF ALEXANDRIA, VIRGINIA
Changes in Fund Balance General Governmental Funds
Last Five Fiscal Years

TABLE II

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Revenues					
General Property Taxes	\$ 183,296,264	\$ 189,775,677	\$205,145,697	\$ 218,939,362	\$ 243,524,774
Other Local Taxes	75,040,938	81,726,772	83,959,774	88,119,848	93,960,955
Permits Fees and License	4,380,592	4,065,880	4,220,413	4,534,977	4,049,398
Fines and Forfeitures	4,237,420	4,116,463	3,931,596	3,939,648	4,164,369
Use of Money and Property					
	7,604,890	11,209,854	9,858,192	6,277,591	4,603,574
Charges for Services	14,435,801	14,365,960	14,161,306	15,625,192	16,113,086
Intergovernmental Revenue					
	67,268,350	66,262,417	79,114,200	92,886,955	95,350,538
Sale of Surplus Property	-	-	-	-	2,762,048
Miscellaneous and Non Revenue Receipts	7,214,403	4,792,580	4,868,751	4,801,133	7,558,256
Total Governmental Revenues	\$ 363,478,658	\$ 376,315,603	\$ 405,259,929	\$ 435,124,706	\$ 472,086,998
Expenditures					
General Government	27,270,855	27,990,571	30,156,042	31,930,596	36,062,685
Judicial Administration	11,548,768	10,999,706	12,015,555	12,452,735	13,457,403
Public Safety	66,460,705	71,933,947	78,168,159	86,617,443	89,561,366
Public Works	27,434,919	27,418,389	27,457,482	29,825,856	29,989,256
Library	3,813,427	4,133,108	4,798,030	5,140,618	5,512,295
Health and Welfare	61,993,092	61,032,694	66,400,172	71,455,572	73,466,126
Transit and Transit Transfer	5,004,487	7,064,204	6,838,495	8,462,677	9,060,922
Culture and Recreation	11,583,271	12,610,122	14,964,629	17,412,889	18,451,494
Community Development	9,259,067	8,104,089	9,541,650	12,090,455	13,307,719
Education	92,455,610	116,433,395	110,083,917	122,894,953	128,029,149
Capital Outlay	30,189,913	21,638,717	46,905,888	49,364,103	53,374,714
Debt Service- Principal	6,134,298	6,918,641	8,559,463	10,427,596	10,895,998
- Interest	2,861,267	5,591,167	7,577,413	7,173,024	7,909,093
Total General Governmental Expenditures	\$ 356,009,679	\$ 381,868,750	\$ 423,466,895	\$ 465,248,517	\$ 489,078,220
Excess of Revenues over (under) Expenditures	\$ 7,468,979	\$ (5,553,147)	\$ (18,206,966)	\$ (30,123,811)	\$ (16,991,222)
Other Financing Sources/(Uses)					
Proceeds from Borrowing	\$ 55,000,000	\$ -	\$ 54,500,000	\$ -	\$ 67,883,588
Transfers in	41,505,258	45,061,794	40,502,214	48,025,381	44,956,417
Transfers out	(41,899,668)	(45,085,530)	(40,580,075)	(47,609,943)	(46,516,103)
Sale of Land	27,441	226,500	30,050	-	-
Total Other Financing Sources/(Uses)	\$ 54,633,031	\$ 202,764	\$ 54,452,189	\$ 415,438	\$ 66,323,902
Net Change in Fund Balance	\$ 62,102,010	\$ (5,350,383)	\$ 36,245,223	\$ (29,708,373)	\$ 49,332,680

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

TABLE III

Fiscal Year	General Property Taxes							Other Local Taxes										Total
	Real Estate	Personal	Penalties and Interest	Local Sales	Utility	Business License	Cable TV Franchise	Motor Vehicle License	Bank Franchise	Tobacco	Recording	Transient Lodging	Restaurant Food	Other				
1995	\$ 114,249,561	\$ 30,920,789	\$ 2,008,786	\$ 16,751,141	\$ 14,738,248	\$ 14,118,651	\$ 483,174	\$ 2,000,917	\$ 627,938	\$ 1,414,079	\$ 875,202	\$ 2,766,156	\$ 6,011,871	\$ 50,510	\$ 207,017,023			
1996	114,489,608	34,017,236	2,289,438	14,631,265	14,026,826	14,070,809	494,074	1,974,082	828,981	1,641,880	831,022	3,007,115	5,797,139	44,562	208,164,137			
1997	116,260,580	37,159,733	2,299,095	15,543,633	13,875,737	14,093,577	491,671	1,147,403	811,909	1,769,440	1,026,652	3,325,672	5,897,370	42,670	213,745,142			
1998	124,085,617	36,959,003	2,436,776	16,840,794	14,306,024	15,750,740	619,112	2,031,038	880,989	1,702,955	1,311,463	3,478,983	6,194,813	43,331	226,641,638			
1999	131,094,190	41,093,457	2,264,927	18,552,625	14,426,824	16,707,988	791,691	2,040,226	1,110,481	1,649,035	2,022,539	4,129,594	7,057,069	459,008	243,599,674			
2000	142,401,311	38,435,832	2,459,101	19,802,533	15,034,992	19,022,675	836,041	2,173,654	991,609	1,607,292	2,028,422	5,827,803	8,466,964	681,548	271,502,449			
2001	152,560,694	35,222,613	1,992,370	20,730,807	16,937,315	20,762,586	901,777	2,247,172	1,403,375	1,597,140	2,494,425	5,206,418	8,562,840	1,181,773	289,105,471			
2002	164,959,409	38,331,453	1,854,835	20,316,345	17,761,931	22,233,330	1,025,474	2,285,722	1,294,376	2,083,135	2,494,425	5,241,018	8,792,704	836,533	307,059,210			
2003	186,431,815	30,745,962	1,761,585	21,216,124	17,793,919	23,679,889	978,574	2,213,054	1,922,095	2,083,135	3,262,783	5,241,018	8,792,704	836,533	307,059,210			
2004	210,922,789	30,944,059	1,657,926	22,841,886	18,570,290	25,601,366	1,089,381	2,227,656	1,111,691	2,430,092	4,046,517	6,323,906	9,051,520	766,650	337,485,729			

* 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.

** Other Revenues include \$727,384 in Fiscal Year 2004, \$792,025 in Fiscal Year 2003, \$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
Tax Levies and Collections
Last Five Calendar Years

Table IV

Calendar Year ended December 31,	Taxes Levied for the Calendar Year*	Collected within the Fiscal Year of the Levy			Total Collections to date	
		Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
1999	\$ 135,084	\$ 133,102	98.53%	1,912	\$ 135,014	99.95%
2000	147,059	144,741	98.42%	2,220	146,961	99.93%
2001	159,222	156,748	98.45%	2,311	159,059	99.90%
2002	174,883	172,296	98.52%	1,952	174,248	99.64%
2003	200,190	196,181	98.00%	-	196,181	98.00%

* Levy adjusted for changes since original levy

Table V

Calendar Year ended December 31,	Taxes Levied for the Calendar Year	Personal Property Amounts in 000			Total Collections to date	
		Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
1999	\$ 52,178	\$ 41,507	79.55%	3,633	\$ 45,140	86.51%
2000	56,591	44,711	79.01%	3,773	48,484	85.67%
2001	56,957 *	48,136	84.51%	10,682	58,818	103.27%
2002	58,478	49,216	84.16%	2,721	51,937	88.81%
2003	60,472	50,576	83.64%	-	50,576	83.64%

* Assessment adjusted for large sale of public service commission property to private corporation.

CITY OF ALEXANDRIA
Real and Personal Property Tax Assessments and Rates
Last Ten Calendar Years

Table VI

Calendar Year	Real Property (\$000)			Personal Property (\$000)		
	Residential	Commercial	Total	Motor Vehicle and Tangibles Assessment	Machine and Tools Assessment	Total Assessment
				Tax rate per \$100	Tax rate per \$100	
1994	\$ 5,462,996	\$ 5,355,328	\$ 10,818,324	\$ 873,354	\$ 6,884	\$ 880,238
1995	5,576,578	5,260,736	10,837,314	985,520	7,319	992,839
1996	5,658,106	5,284,168	10,942,274	1,095,920	10,493	1,106,413
1997	5,742,376	5,428,427	11,170,803	1,197,485	9,270	1,206,755
1998	5,882,796	5,722,494	11,605,290	1,203,370	9,681	1,213,051
1999	6,169,055	6,018,465	12,187,520	1,251,250	10,259	1,261,509
2000	6,716,942	6,578,366	13,295,308	1,359,340	13,281	1,372,621
2001	7,573,897	7,058,452	14,632,349	1,386,141	187,217	1,573,358
2002	8,889,290	7,243,699	16,132,989	1,409,955	16,351	1,426,306
2003	11,191,850	8,034,076	19,225,926	1,439,517	20,369	1,459,886

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

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CITY OF ALEXANDRIA, VIRGINIA
Statement of Net Assets
Last Five Fiscal Years

TABLE VII

Governmental Activities	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003 ^a</u>	<u>2004</u>
Invested in Capital Assets, Net of Related Debt	\$ 172,590,199	\$ 181,228,633	\$ 118,522,879	\$ 160,598,183	\$ 119,501,841
Restricted for:					
Capital Projects	39,192,685	58,278,866	70,128,321	72,756,868	115,653,548
Unrestricted Assets	<u>55,088,706</u>	<u>23,913,809</u>	<u>103,752,469</u>	<u>67,912,812</u>	<u>67,732,327</u>
Subtotal Governmental Activities Net Assets	\$ 266,871,590	\$ 263,421,308	\$ 292,403,669	\$ 301,267,863	\$ 302,887,716
 Business-type Activities Net Assets					
Invested in Capital Assets, Net of Related Debt	\$ 171,570	\$ 114,347	\$ 61,906	\$ -	\$ -
Unrestricted Assets	<u>1,472,515</u>	<u>1,190,288</u>	<u>893,601</u>	<u>-</u>	<u>-</u>
Subtotal Business-type activities net assets	\$ 1,644,085	\$ 1,304,635	\$ 955,507	\$ -	\$ -
 Primary Government					
Invested in Capital Assets, Net of Related Debt	\$ 172,761,769	\$ 181,342,980	\$ 118,584,785	\$ 160,598,183	\$ 119,501,841
Restricted for:					
Capital Projects	39,192,685	58,278,866	70,128,321	72,756,868	115,653,548
Unrestricted Assets	<u>56,561,221</u>	<u>25,104,097</u>	<u>104,646,070</u>	<u>67,912,812</u>	<u>67,732,327</u>
Total Primary Government Net Assets	\$ 268,515,675	\$ 264,725,943	\$ 293,359,176	\$ 301,267,863	\$ 302,887,716

^a Recycling fund transferred to the General Fund in FY 2003

Note: Accounting Standards require that net assets be reported in three components in the financial statements: invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are considered restricted when (1) and external party, such as the state or federal government, places restriction on how the resources may be used, or (2) enabling legislation is enacted by the City

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

TABLE VIII

	2000	2001	2002	2003	2004
General Fund					
Reserved for:					
Encumbrances	\$ 3,207,099	\$ 3,729,754	\$ 3,117,566	\$ 2,386,468	\$ 1,525,942
Inventories	1,288,791	1,278,362	1,480,168	1,537,404	1,681,593
Unreserved	53,502,641	55,825,487	63,630,925	54,193,856	59,589,075
Subtotal General Fund	\$ 57,998,531	\$ 60,833,603	\$ 68,228,659	\$ 58,117,728	\$ 62,796,610
 All Other Governmental Funds					
Reserved For					
Capital Projects	\$ 51,089,259	\$ 49,528,043	\$ 61,806,602	\$ 63,968,631	\$ 105,611,068
Notes Receivable	1,455,942	1,287,340	1,558,984	1,922,984	4,227,041
Encumbrances	11,908,389	8,750,823	8,321,719	8,788,237	10,042,480
Unreserved Special Revenue	10,323,792	11,301,953	12,263,486	11,761,929	11,359,179
Unreserved Capital Projects	10,348,516	6,061,855	22,031,197	-	-
Subtotal all other governmental funds	\$ 85,125,898	\$ 76,930,014	\$ 105,981,988	\$ 86,441,781	\$ 131,239,768
 Total Governmental Funds					
Encumbrances	\$ 15,115,488	\$ 12,480,577	\$ 11,439,285	\$ 11,174,705	\$ 11,568,422
Inventories	1,288,791	1,278,362	1,480,168	1,537,404	1,681,593
Capital Projects	51,089,259	49,528,043	61,806,602	63,968,631	105,611,068
Notes Receivable	1,455,942	1,287,340	1,558,984	1,922,984	4,227,041
Unreserved	74,174,949	73,189,295	97,925,608	65,955,785	70,948,254
	\$ 143,124,429	\$ 137,763,617	\$ 174,210,647	\$ 144,559,509	\$ 194,036,378

CITY OF ALEXANDRIA, VIRGINIA
2004 Tax Rates for Major Revenue Sources

TABLE IX

Real Estate Tax	99.5¢ 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	\$0.59 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	\$0.50 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
Legal Debt Margin Information
Last Ten Fiscal Years

TABLE X

	1995	1996	1997	1998	1999
Assessed Value of Real Property, January 1	\$ 10,837,314,000	\$ 10,942,274,000	\$ 11,170,803,000	\$ 11,605,290,200	\$ 12,187,519,600
Debt Limit: 10 percent	1,083,731,400	1,094,227,400	1,117,080,300	1,160,529,020	1,218,751,960
Amount of Debt Applicable to Debt Limit	52,255,000	44,725,000	37,610,000	30,585,000	65,710,000
Legal Debt Margin	\$ 1,031,476,400	\$ 1,049,502,400	\$ 1,079,470,300	\$ 1,129,944,020	\$ 1,153,041,960
Debt as a Percentage of Assessed Value	0.48%	0.41%	0.34%	0.26%	0.54%
	2000	2001	2002	2003	2004
Assessed Value of Real Property, January 1	\$ 13,295,308,000	\$ 14,632,348,200	\$ 16,132,989,000	\$ 19,225,926,000	\$ 22,757,185,300
Debt Limit: 10 percent	1,329,530,800	1,463,234,820	1,613,298,900	1,922,592,600	2,275,718,530
Amount of Debt Applicable to Debt Limit	114,690,000	107,875,000	153,925,000	143,615,000	197,520,000
Legal Debt Margin	\$ 1,214,840,800	\$ 1,355,359,820	\$ 1,459,373,900	\$ 1,778,977,600	\$ 2,078,198,530
Debt as a Percentage of Assessed Value	0.86%	0.74%	0.95%	0.75%	0.87%

III

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 and the final passage on second reading following the public hearing.

The only constitutional limitation on the issuance of general obligation bonds is contained in Article VII, Section 10 of the Virginia Constitution, which states that: No city or town shall issue any bonds or other interest-bearing obligations which, including existing indebtedness, shall at any time exceed ten percent of the assessed valuation of real estate in the city or town subject to taxation, as shown by the last preceding assessment for taxes.

CITY OF ALEXANDRIA, VIRGINIA
Ratio of Net General Debt ⁽¹⁾ to Assessed Value
and Net Debt Per Capita
Last Ten Fiscal Years

TABLE XI

Year	Population ⁽³⁾	Assessed Value (\$000) ⁽²⁾			Outstanding Debt	Outstanding Debt As Percentage Of Assessed		Per Capita Income	Debt Per Capita As a Percentage of	
		Real Property	Personal Property	Total		Real Property	Total Property		Per Capita Income	Per Capita Income ⁽⁴⁾
1995	117,000	\$ 10,837,314	\$ 992,839	\$ 11,830,153	\$ 52,255,000	0.48	0.44	\$ 447	1.19	
1996	117,300	10,942,274	1,106,41	12,048,687	44,725,000	0.41	0.40	381	0.96	
1997	117,600	11,170,803	1,206,75	12,377,558	37,610,000	0.34	0.30	320	0.78	
1998	119,500	11,605,290	1,213,05	12,818,341	30,585,000	0.26	0.24	256	0.58	
1999	121,700	12,187,520	1,261,500	13,449,029	65,710,000	0.54	0.49	540	1.17	
2000	129,147	13,295,308	1,372,62	14,667,929	114,690,000	0.86	0.78	888	1.85	
2001	130,403	14,632,349	1,573,35	16,205,707	107,875,000	0.74	0.67	827	1.55	
2002	129,938	16,132,989	1,426,30	17,559,295	153,925,000	0.95	0.88	1,185	2.15	
2003	135,000	19,225,926	1,459,88	20,685,812	143,615,000	0.75	0.69	1,064	1.87	
2004	134,000	22,757,185	1,309,44	24,066,628	197,520,000	0.87	0.82	1,474	2.50	

- (1) Net General Debt includes general obligation bonds and term notes.
- (2) Includes real and personal property as adjusted for changes to levy.
- (3) SOURCE: Alexandria Department of Planning and Zoning and the United States Bureau of Economic Analysis
- (4) Per capita income represents data from the United States Bureau of Economic Analysis, as revised, that is generally two years old.
The two most recent years are estimated based on per capita trends.

CITY OF ALEXANDRIA, VIRGINIA
Overlapping Debt & Debt History
June 30, 2004

TABLE XII

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

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

<u>Credit Ratings</u>	
Moody's Investors Service	Aaa
Standard & Poor's Corporation	AAA

Paying Agents

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

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

TABLE XIII

Year	Principal	Interest and Other Costs	Total Debt Service	General Expenditures ⁽²⁾	Ratio of Debt Service to General Governmental Expenditures
1995	\$ 8,125,000	\$ 2,925,739	\$ 11,050,739	\$ 290,760,163	3.80%
1996	7,530,000	2,582,095	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
2003	10,310,000	7,173,024	17,483,024	488,044,085	3.59
2004	10,795,000	7,887,768	18,682,768	523,113,118	3.57

(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, 2004

TABLE XIV

Population

<u>Calendar Year</u>	<u>Population</u>	<u>Calendar Year</u>	<u>Population</u>
1940.....	33,523	1980.....	103,217
1950.....	61,787	1990.....	111,183
1960.....	91,023	2000.....	129,147
1970.....	110,938	2004 Estimate.....	134,000

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

POPULATION INDICATORS
PER CAPITA INCOME*

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Alexandria	\$34,253	\$36,856	\$37,592	\$39,538	\$41,166	\$44,031	\$45,956	\$48,100	\$53,438	\$55,071
Arlington	\$34,970	\$35,916	\$37,505	\$39,073	\$40,830	\$43,554	\$45,703	\$49,536	\$53,830	\$55,148
Fairfax (includes..... Fairfax City and Falls Church)	\$34,626	\$35,779	\$37,201	\$38,482	\$40,330	\$43,193	\$47,306	\$50,027	\$51,463	\$52,199
Washington PMSA	\$29,508	\$30,476	\$31,332	\$32,401	\$33,824	\$35,848	\$37,777	\$40,665	\$42,241	\$42,773

*The BEA has revised these numbers.

SOURCE: U.S. Bureau of Economic Analysis

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

TABLE XV

Private Property

Owner's Name	Property	2004 Assessed Value (In millions)	Percentage of Total Assessed Valuation
1 LCOR Alexandria, L.L.C.	Vacant Land/Office Buildings	\$ 639.4	2.81%
2 AIMCO Foxchase L.P.	Foxchase Apartments	191.4	0.84%
3 Southern Towers L.L.C.	Southern Towers Apartments	149.6	0.66%
4 Crescent Potomac Yard Development L.L.C.	Retail Shopping Center	135.6	0.60%
5 Hoffman Buildings L.P./L.L.P.	Hoffman Office Buildings	126.9	0.56%
6 Washington Real Estate Investment Trust	Portfolio	125.0	0.55%
7 Carr Canal Center L.L.C.	Office Buildings	121.7	0.53%
8 SAP II-III Stellar	Oakwood Apartments	115.5	0.51%
9 Millbrook Apartments Associates, L.L.C.	Millbrook Apartments	98.5	0.43%
10 Hoffman Family L.L.C.	Vacant Land/Office Buildings	95.5	0.42%
11 Avalon Prop. Inc.	Avalon Apartments/Office	84.5	0.37%
12 EQR Lincoln Alexandria L.L.C.	Reserve at Potomac Yard Apartments	83.5	0.37%
13 Patent Owner Corp.	Office Buildings	74.8	0.33%
14 Hamlet East	Apartments	71.7	0.31%
15 Potomac Yard Retail, Inc.	Vacant Land/Warehouse	71.6	0.31%
16 Smith Property Holding Three L.P.	Apartments	70.9	0.31%
17 Meridian at Carlyle	Meridian Apartments	69.8	0.31%
18 Park Ctr Apts L.L.C.	Park Center Apartments	69.3	0.30%
19 Potomac Club Residences L.P.	Potomac Club Apartments	68.8	0.30%
20 MVD L.L.C.	Garage/Apartments	66.5	0.29%

Owner's Name	Property	1995 Assessed Value (in millions)	Percentage of Total Assessed Valuation
1. Winkler/Mark Center	Mark Center/Hamlet Apartments Hamlet Shopping Center/Southern Towers Apartments/Raddisson Hotel.....	\$ 427.5	3.94%
2. Landmark Shopping Center	Department Store Mall/Bank/Garage	156.6	1.44
3. Stone Tract/Park Center	Park Center, Kiosk Offices Park Center Apartments	132.5	1.22
4. First Alexandria Association	Foxchase Apartments/Shopping Center	119.8	1.10
5. King Street Metro/Carr	King Street Station Offices/Hotel/Retail	113.1	1.04
6. Hubert N Hoffman	Offices/Vacant Land/Hotel.....	102.5	0.95
7. Alexandria Country Club Apts.	Oakwood Apartments.....	78.9	0.73
8. Lazlo N. Tauber, M.D.	Office Building.....	45.0	0.41
9. H. Greenburg	Seminary Towers/Hills Apartments Seminary Plaza Shopping Center	41.5	0.38
10. The TC-Bartons' Crossing Co.	Barton's Crossing Apartments Yard	39.9	0.37

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

TABLE XV
(Continued)

Public Service Companies

<u>Owner's Name</u>	2004 Assessed Value (in millions)	Percentage of Total Assessed Valuation
1. Mirant Potomac River, LLC.....	\$ 226.5	1.00%
2. Virginia Electric Power Company.....	121.7	0.53
3. Verizon Virginia, Inc.....	92.5	0.41
4. Covanta Alexandria, Arlington, Inc.....	91.9	0.40
5. Virginia American Water Company.....	34.6	0.15
6. Potomac Electric Power Company.....	31.6	0.14
7. Washington Gas Light Company.....	29.1	0.13
8. Comcast Phone of Northern Virginia, Inc.....	16.5	0.07
9. Dominion Telecom Inc.....	5.6	0.02
10. APC PCS, LLC.....	4.0	0.02

<u>Owner's Name</u>	1995 Assessed Value (in millions)	Percentage of Total Assessed Valuation
1. Potomac Electric Power Company ¹	\$ 223.1	2.06%
2. Virginia Electric Power Company.....	94.0	0.86
3. Chesapeake & Potomac Telephone Company of Virginia ²	76.5	0.70
4. Norfolk Southern Railway Company.....	63.9	0.58
5. Richmond, Fredericksburg & Potomac Railway Co.....	45.7	0.42
6. Virginia American Water Company.....	32.9	0.30
7. Richmond, Fredericksburg & Potomac Railway Co.....	28.4	0.26
8. Washington Gas Light Company.....	23.5	0.22
9. American Telephone and Telegraph Co. Of Virginia.....	3.8	0.04
10. Washington DC SMSA Limited Partnerships.....	1.7	0.02

¹ Portion of property sold to Mirant Potomac River LLC

² Now Verizon

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

TABLE XVI

<u>Fiscal Year</u>	<u>Total Enrollment</u> ¹	<u>Number Receiving Free or Reduced Meals</u>	<u>Number in English as Second Language</u>	<u>Number Receiving Special Education</u>	<u>Number in Elementary School Gifted and Talented Programs</u>	<u>Number in Middle (6-8) School Gifted and Talented Programs</u>
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
2003	10,979	5,243	2,412 ²	1,949	644	455
2004	10,762	5,525	2,628 ²	1,999	543	470

¹ As of September 30

² Reflects new method of defining ESL students to be consistent with the federal "No Child Left Behind Act"

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, 2004

TABLE XVIII

	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.....	\$ 515,018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 515,018
City Manager.....	1,771,240	-	-	-	-	-	-	-	-	-	1,771,240
Office On Women.....	1,070,678	-	-	-	-	-	-	-	-	-	1,070,678
Citizens Assistance.....	-	-	604,515	-	-	-	-	-	-	-	604,515
Office of Management and Budget.....	784,863	-	-	-	-	-	-	-	-	-	784,863
18th Circuit Court.....	-	1,105,817	-	-	-	-	-	-	-	-	1,105,817
18th General District Court.....	-	75,600	-	-	-	-	-	-	-	-	75,600
Juvenile and Domestic Relations Courts.....	-	19,368	-	-	-	-	-	-	-	-	19,368
Commonwealth's Attorney.....	-	2,120,676	-	-	-	-	-	-	-	-	2,120,676
Sheriff.....	-	4,261,376	15,444,688	-	-	-	-	-	-	-	19,706,064
Clerk of Courts.....	-	1,389,370	912,914	-	-	-	-	-	-	122,323	3,711,295
Other Correctional Activities.....	-	2,676,058	-	-	-	-	-	-	-	-	2,676,058
Court Services.....	-	702,064	-	-	-	-	-	-	-	-	702,064
Human Rights.....	426,294	-	-	-	-	-	-	-	-	-	426,294
Internal Audit.....	166,698	-	-	-	-	-	-	-	-	-	166,698
Information Technology Services.....	6,444,133	-	-	-	-	-	-	-	-	-	6,444,133
City Clerk and Clerk of Council.....	362,174	-	-	-	-	-	-	-	-	-	362,174
Finance.....	7,411,748	-	-	-	-	-	-	-	-	-	7,411,748
Real Estate Assessments.....	961,517	-	-	-	-	-	-	-	-	-	961,517
Planning and Zoning.....	2,401,855	-	-	-	-	-	-	-	-	-	2,401,855
City Attorney.....	1,909,648	-	-	-	-	-	5,361,759	-	-	-	5,361,759
Registrar.....	918,401	-	-	-	-	-	-	-	-	-	918,401
General Services.....	2,806,368	-	-	7,118,684	-	-	-	-	-	-	9,925,052
Transportation and Environmental Services.....	-	-	-	21,643,965	-	-	734,159	-	-	-	22,378,124
Transit Subsidies.....	-	-	-	-	-	-	-	-	3,890,922	-	3,890,922
Fire.....	-	-	29,262,956	-	-	-	-	-	-	-	29,262,956
Police.....	-	-	39,599,666	-	-	-	-	-	-	-	39,599,666
Office of Housing.....	-	-	-	-	-	-	886,265	-	-	-	886,265
Mental Health/Mental Retardation and Substance Abuse.....	-	-	-	-	581,539	-	-	-	-	-	581,539
Health.....	-	-	-	-	6,489,271	-	301,668	-	-	-	6,790,939
Human Services.....	-	-	-	-	7,999,829	-	-	-	-	-	7,999,829
Human Services Contributions.....	-	-	-	-	1,097,035	-	-	-	-	-	1,097,035
Office of Historic Alexandria.....	-	-	-	-	-	2,280,689	-	-	-	-	2,280,689
Recreation and Cultural Activities.....	-	-	-	-	-	15,724,832	-	-	-	-	15,724,832
Other Educational Activities.....	-	-	-	-	-	-	-	13,058	-	-	13,058
Miscellaneous.....	7,742,172	-	504,032	599,773	248,270	-	38,098	13,058	-	18,682,768	27,815,113
Total Expenditures.....	\$ 35,692,807	\$ 12,350,329	\$ 86,328,771	\$ 29,362,422	\$ 16,415,944	\$ 18,005,521	\$ 7,321,949	\$ 13,058	\$ 3,890,922	\$ 18,605,091	\$ 228,186,814

CITY OF ALEXANDRIA
Government Employees By Function
Last Five Fiscal Years

TABLE XVIII

	2000	2001	2002	2003	2004
General Government	288	290	300	303	304
Judicial Administration	106	109	118	119	117
Public Safety	861	868	887	900	910
Public Works	221	225	224	227	218
Library	49	53	52	52	54
Health and Welfare	479	491	492	497	505
Transit					
Culture and Recreation	139	143	145	145	150
Community Development	58	64	66	67	68
Education	2,010	2,091	2,098	2,079	2,078
TOTAL	4,211	4,334	4,382	4,389	4,404

SOURCE: City of Alexandria Approved Budget

Principal Employers
Current Year (as of July 1, 2003) and Nine Years Ago

TABLE XIX

	Current Year		Nine Years Ago		Percentage of Total City	
					Employees	Employment
LARGEST PUBLIC EMPLOYERS					LARGEST PUBLIC EMPLOYERS	
U.S. Department of Defense	8,973	10.0%	U.S. Department of Defense	12,458	15.3%	
Civilian	4,606	5.1%	Civilian	8,574	10.6%	
Military	4,367	4.8%	Military	3,884	4.8%	
City of Alexandria	2,285	2.5%	City of Alexandria	1,981	2.4%	
Alexandria Public Schools	2,099	2.3%	Alexandria Public Schools	1,664	2.1%	
WMATA (Metro)	1,162	1.3%	WMATA (Metro)	1,316	1.6%	
Northern Virginia Community College	952	1.1%	U.S. Department of Agriculture	1,042	1.3%	
U.S. Department of Agriculture	675	0.7%	Northern Virginia Community College	645	0.8%	
U.S. Postal Service	396	0.4%	U.S. Postal Service	357	0.4%	
Total	16,542	18.2%	Total	19,463	23.9%	
LARGEST PRIVATE EMPLOYERS					LARGEST PRIVATE EMPLOYERS	
Alexandria Hospital	1,539	1.7%	Alexandria Hospital	1,863	2.3%	
Institute for Defense Analysis	1,200	1.3%	Pentagon Federal Credit Union	517	0.6%	
American Diabetes Assoc	900	1.0%	May Department Store	510	0.6%	
Center for Naval Analysis	600	0.7%	Woodward and Lothrop	483	0.6%	
Boat Owners Assoc. of the U.S	570	0.6%	Time-Life Books	478	0.6%	
Public Broadcasting System	500	0.6%	CNA Corporation	473	0.6%	
Total	5,309	5.9%	Total	4,324	5.3%	

SOURCE: City of Alexandria Approved Budget

CITY OF ALEXANDRIA, VIRGINIA
Miscellaneous Statistical Data
As of June 30, 2004

TABLE XX

Date of Incorporation..... 1779
 Date of City Charter..... 1922
 Form of Government Council-Manager
 Number of Full-Time City Positions
 (Other than Schools) 2,332
 Number of Full-Time Equivalent School Positions 2,078

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.

Washington Metropolitan Area Transit Authority (WMATA) provides rail transit to the Washington Metro area. Four of the systems 83 stations are located in Alexandria.

Air:

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

Dulles International Airport provides international and longer domestic travel.

Ground:

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

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

Individualized service is available through privately owned taxicab fleets.

Port Facilities:

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

Population

2004 Resident Population..... 134,000
 Number of Households – 2004 Estimate 66,562
 Household Size (2000 U.S. Census) 2.04 Persons Per Unit
 2002 Population by Race (2002 U.S. Census Bureau Estimate):
 White 56.4%
 Black..... 20.9%
 Native American..... 0.2%
 Asian and Pacific Islanders..... 5.8%
 Multi-Racial..... 1.4%
 Hispanic (All Races)..... 15.2%

2002 Population by Age (2002 U.S. Census Bureau Estimate):

(1-17)..... 17.6%
 (18-24)..... 5.9%
 (25-64)..... 67.1%
 (65 +)..... 9.5%

Registered Voters

June 2004..... 87,764
 Temporary Assistance to Needy Families
 (Cases) - Monthly Average, 2004 571
 Food Stamps (Cases) - Monthly Average, 2004 1,516
 Medicaid (Cases) - Monthly Average, 2004 5,049

Economy

Employed Residents, June 2004 86,957
 Unemployed Residents, June 2004 2,200
 Unemployed Rate, June 2004 2.5%
 Washington PMSA Inflation Rate, based
 on Consumer Price Index, for FY 2004 2.8%

CITY OF ALEXANDRIA, VIRGINIA

Miscellaneous Statistical Data

As of June 30, 2004

TABLE XX

(Continued)

Housing	2004	2003
Total Housing Units	68,782	68,701
Type of Single-Family Housing		
Detached.....	9,135	9,105
Semi-Detached	5,292	5,245
Rowhouse.....	6,076	6,088
Condo Townhouse.....	917	906
Total Single-Family.....	21,420	21,344
Condominium Units	15,303	14,563
Rental Apartments.....	32,059	31,432
Public Housing and Public Housing Replacement Units	1,150	1,150
Average Assessed Value of Single Family Homes	\$474,681	\$409,613
Average Assessed Value of Condominiums	\$216,571	\$ 177,079
Average Market Rents		
Efficiency.....	\$ 840	\$ 828
1 Bedroom Apartment	\$ 1,173	\$ 1,128
2 Bedroom Apartment	\$ 1,357	\$ 1,327
3 Bedroom Apartment	\$ 1,490	\$ 1,494

Communications

Television:
All major networks plus cable
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.....	513.5
Unpaved	0.17
Sidewalks	321.2
Alleys, Paved.....	20.56

Utilities

Telephone.....	various
Electric	Dominion Virginia Power
Gas	Washington Gas
Water.....	Virginia - American Water Company
Sewer.....	Alexandria Sanitation Authority
Cable	Comcast Communications

Public Recreation

Acreage.....	944.2
Facilities:	
Playground Areas	45
Swimming Pools	7
Gymnasiums.....	16
Basketball Courts (outdoor)	28
Tennis Courts	39
Playing Fields.....	52

Medical Facilities

	Beds
Hospital:	
INOVA Alexandria Hospital.....	339
Nursing Homes:	
Goodwin House.....	80
Hermitage Retirement Community	204
Woodbine Rehabilitation & Healthcare Center	307
Washington House	210
Integrated Health Services of Northern Virginia	111

Libraries

	Number
Central Library	1
Full service branches	3
(Books and other materials for home use as well as electronic and print reference service)	
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	11
Credit Unions	9

Hotels and Motels

	Rooms
Alexandria Towne Motel.....	27
Alexandria Travelodge	40
Best Western Old Colony Inn	49
Bragg Towers.....	98
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.....	500
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
Residence Inn by Marriott.....	240
Sheraton Pentagon Suites	192
Sheraton Suites Old Town Alexandria	247
Washington Suites.....	224
Total	4,128

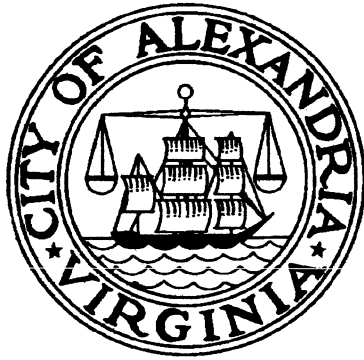
CITY OF ALEXANDRIA, VIRGINIA
Five-Year Summary of General Fund Revenues and Expenditures

Table XXI

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Revenues:					
General Property Taxes	\$ 183,296,264	\$ 189,775,677	\$ 205,145,697	\$ 218,939,362	\$ 243,524,774
Other Local Taxes	75,040,938	81,726,772	83,959,774	88,119,848	93,960,955
Permits, Fees, and Licenses	4,380,592	4,065,880	3,501,475	2,902,316	3,246,124
Fines and Forfeitures	4,237,420	4,116,463	3,931,596	3,939,648	4,164,369
Use of Money and Property	7,078,467	10,418,646	8,769,357	5,246,678	4,048,134
Charges for Services	8,684,519	8,711,053	8,954,310	9,178,249	9,587,175
Intergovernmental Revenues	25,606,354	37,679,452	46,601,917	46,755,221	49,460,664
Miscellaneous	705,468	464,686	538,278	581,673	348,868
Total Revenues	\$ 309,030,022	\$ 336,958,629	\$ 361,402,404	\$ 375,662,995	\$ 408,341,063
Other Financing Sources:					
Operating Transfers In	\$ -	\$ -	\$ -	\$ 893,601	\$ -
Total Other Financing Sources	\$ -	\$ -	\$ -	\$ 893,601	\$ -
Total Revenues and Other Financing Sources	\$ 309,030,022	\$ 336,958,629	\$ 361,402,404	\$ 376,556,596	\$ 408,341,063
Expenditures:					
Current:					
General Government	\$ 26,962,818	27,643,951	29,704,416	31,518,048	35,692,807
Judicial Administration	10,604,624	10,066,727	10,779,223	11,517,348	12,350,329
Public Safety	64,776,874	69,674,678	75,925,565	82,436,138	86,328,771
Public Works	22,627,379	27,418,389	27,174,195	27,674,382	29,362,422
Health and Welfare	12,241,432	14,603,243	14,310,933	15,888,964	16,415,944
Parks, Recreation and Culture	11,078,547	12,143,260	14,554,083	17,073,254	18,005,521
Community Development	4,633,017	5,178,420	6,253,013	7,022,600	7,321,949
Education	13,120	13,017	12,923	13,246	13,058
Transit Subsidies	2,027,547	3,515,994	2,755,665	3,628,477	3,890,922
Debt Service:					
Principal Retired	6,134,298	6,918,641	8,559,463	10,427,596	10,895,998
Interest and Fiscal Charges	2,861,267	5,591,167	7,577,413	7,173,024	7,909,093
Total Expenditures	\$ 163,960,923	182,767,487	197,606,892	214,373,077	228,186,814
Other Financing Uses:					
Operating Transfers Out	\$ 40,287,613	44,866,553	40,452,214	47,047,187	43,745,927
Transfers Out - Component Units	99,232,856	106,479,088	116,150,049	125,304,498	131,873,629
Total Other Financing Uses	\$ 139,520,469	\$ 151,345,641	\$ 156,602,263	\$ 172,351,685	\$ 175,619,556
Total Expenditures and Other Financing Uses	\$ 303,481,392	\$ 334,113,128	\$ 354,209,155	\$ 386,724,762	\$ 403,806,370
Revenues and Other Financing Sources Over/					
(Under) Expenditures and Other Financing Uses	\$ 5,548,630	\$ 2,845,501	\$ 7,193,249	\$ (10,168,166)	\$ 4,534,693
Fund Balances at Beginning of Year	52,226,469	57,998,531	60,833,603	68,228,659	58,117,728
Increase/(Decrease) in Reserve For Inventory	\$ 223,432	\$ (10,429)	\$ 201,807	\$ 57,235	\$ 144,189
FUND BALANCES AT END OF YEAR	\$ 57,998,531	\$ 60,833,603	\$ 68,228,659	\$ 58,117,728	\$ 62,796,610

CITY OF ALEXANDRIA, VIRGINIA
Summary of Total
General Obligation Bonds
Debt Service
As of June 30, 2004

Fiscal Year	Principal	Interest	Total
2005	\$ 12,440,000	\$ 9,171,729	\$ 21,611,729
2006	13,415,000	8,634,923	22,049,923
2007	12,475,000	8,036,235	20,511,235
2008	12,475,000	7,469,285	19,944,285
2009	12,475,000	6,895,745	19,370,745
2010	11,685,000	6,320,205	18,005,205
2011	11,185,000	5,761,330	16,946,330
2012	11,175,000	5,238,830	16,413,830
2013	11,175,000	4,708,725	15,883,725
2014	11,175,000	4,190,000	15,365,000
2015	11,175,000	3,656,375	14,831,375
2016	11,175,000	3,144,031	14,319,031
2017	11,175,000	2,614,344	13,789,344
2018	11,175,000	2,080,931	13,255,931
2019	11,175,000	1,547,519	12,722,519
2020	9,175,000	1,010,488	10,185,488
2021	6,195,000	561,881	6,756,881
2022	3,300,000	280,500	3,580,500
2023	3,300,000	140,250	3,440,250
Total	\$ 197,520,000	\$ 81,463,326	\$ 278,983,326



SINGLE
AUDIT

**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:

(letter to be provided)

**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:

(letter to be provided)

CITY OF ALEXANDRIA, VIRGINIA
Notes to Schedule of Expenditures of Federal Awards
June 30, 2004

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 2004. 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	\$ 37,177,892
Non-Reportable Federal Revenue	5,830,211
Commodities Distribution	<u>(356,918)</u>
Total Federal Revenue per Note 13	<u>\$ 42,651,185</u>

FEDERAL COGNIZANT AGENCY

The Federal Cognizant Agency for the City of Alexandria, Virginia is the United States Department of Housing and Urban Development

FOOD STAMPS NON-CASH EXPENDITURES

The City has \$4,820,916 of non-cash expenditures for food stamps issued.

SUBGRANTEES

The City provided the following amounts to subrecipients during FY 2004:

<u>Program Title</u>	<u>CFDA</u>	<u>Amount</u>
HOME	14.218	\$ 602,287
Headstart	93.600	1,794,054

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

Summary of Auditors' Results:

Financial Statements

The type of report issued on the financial statements: Unqualified

Internal control over financial reporting

Material weaknesses identified: None

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

Noncompliance material to the financial statements noted: None

Federal Awards

Internal control over major programs

Material weaknesses identified: None

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

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

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

Major programs:

- Community Development Block Grant (CFDA 14.218)
- Child Care Cluster (CFDA 93.575 and 93.596)
- Head Start (CFDA 93.600)
- Block Grants for Prevention and Treatment of Substance Abuse (CFDA 93.959)
- Justice Jail Security (CFDA 16.999)
- Medicaid Cluster (CFDA 93.778)

Dollar threshold used to distinguish between Type A and Type B programs: \$1,259,964

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

CITY OF ALEXANDRIA, VIRGINIA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2004

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

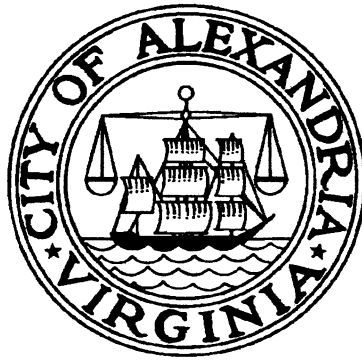
None

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, 2004

No findings reported in the prior year.





CITY OF ALEXANDRIA, VIRGINIA
FINANCE DEPARTMENT
P. O. Box 178
ALEXANDRIA, VIRGINIA 22313

alexandriava.gov

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