

CITY OF RICHMOND, VIRGINIA

COMPREHENSIVE
ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2003





CITY OF RICHMOND, VIRGINIA

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2003

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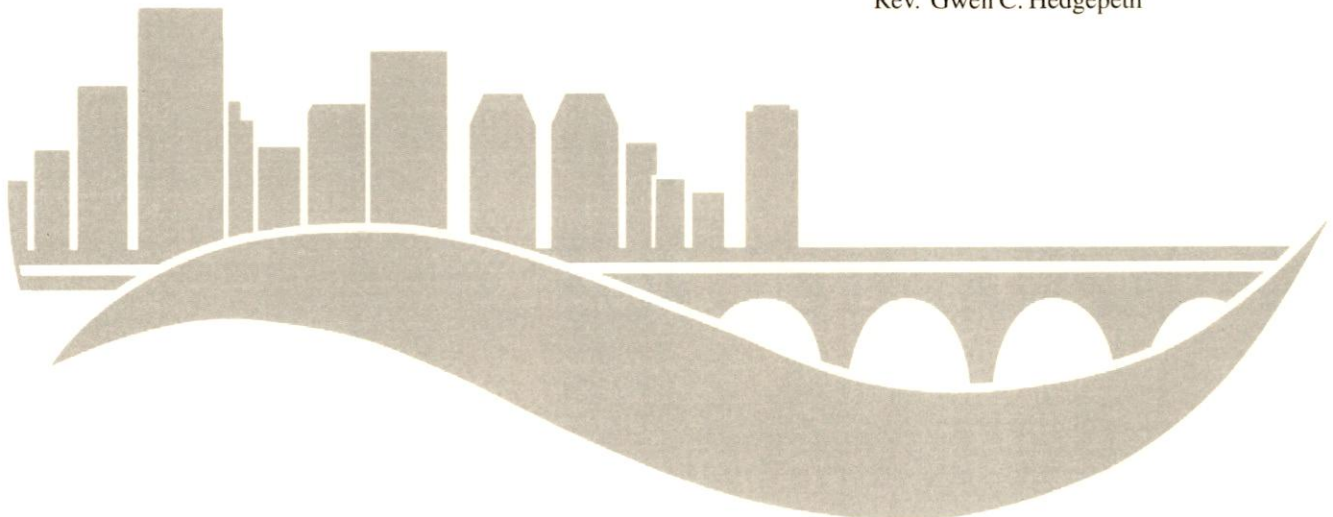
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Vice Mayor

G. Manoli Loupassi
William J. Pantele
W. Randolph Johnson, Jr.
The Late Joseph E. Brooks
Sa'ad El-Amin
Jacqueline M. Jackson
Rev. Gwen C. Hedgepeth





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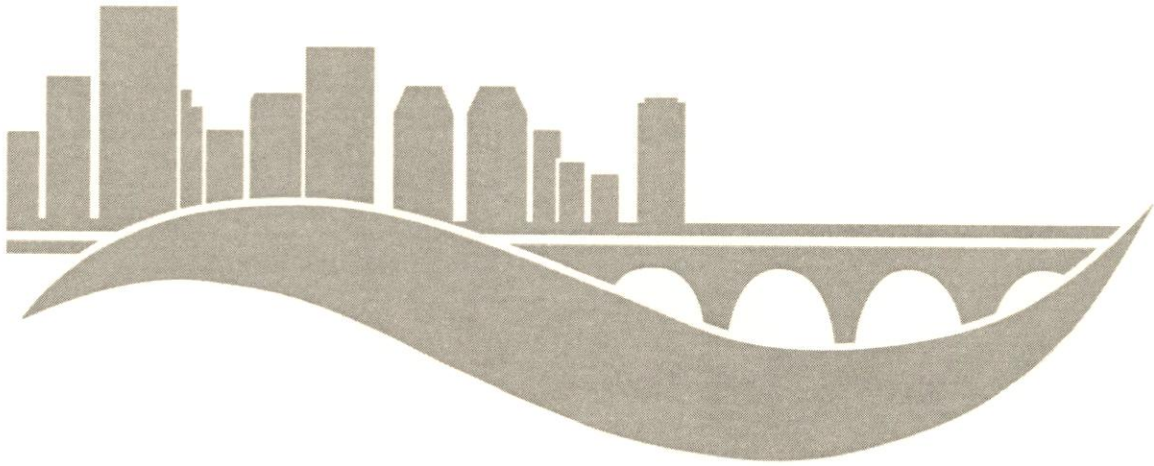
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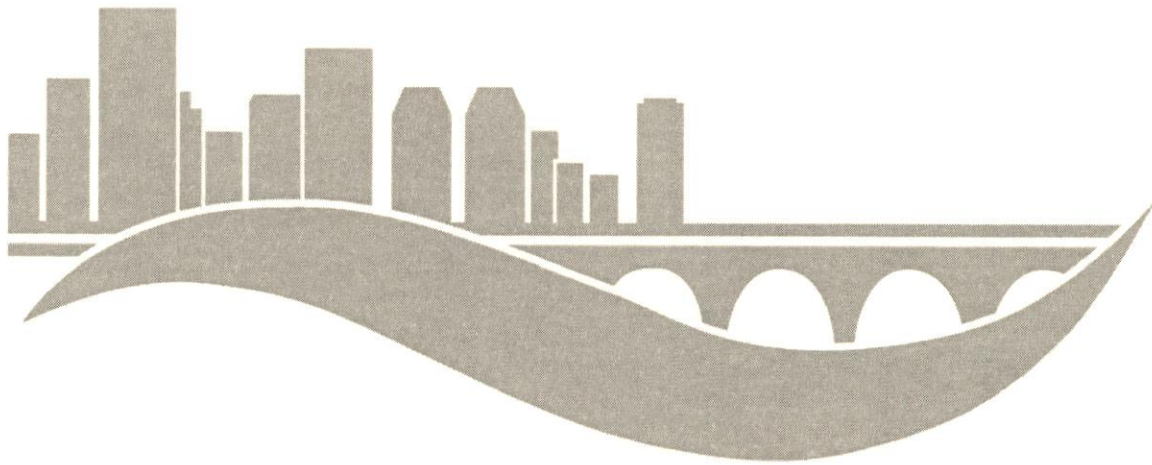


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CITY OF RICHMOND

OFFICE OF THE CITY MANAGER

December 8, 2003

To the Citizens of the City of Richmond, Virginia

The Comprehensive Annual Financial Report (CAFR) of the City of Richmond, Virginia (the "City") for the fiscal year ended June 30, 2003 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The financial statements included in the Comprehensive Annual Financial Report (CAFR) have been prepared in conformance with accounting principles generally accepted in the United States of America (GAAP) for governmental units as promulgated by the Governmental Accounting Standards Board (GASB). The public accounting firm of KPMG LLP has audited the financial statements contained in this report. Their auditors' report precedes the basic financial statements. The unqualified auditors' report expresses their opinion that the City's financial statements are fairly presented in all material respects in accordance with GAAP.

The report is presented in three sections: Introductory, Financial, and Statistical.

The *Introductory Section*, which is unaudited, acquaints the reader with the City, the nature and scope of services provided, economic forecasts and a discussion of major initiatives, and the organizational structure of the government.

The *Financial Section* contains the public accounting firm's report, the City's management's discussion and analysis, basic financial statements, required supplementary information (which is unaudited) and supplemental combining fund financial statements (which are unaudited).

The *Statistical Section*, which is unaudited, contains selected financial and other statistical data covering multiple fiscal years. This information reflects the demographic and economic data, financial trends, and the fiscal capacity of the City.

GAAP requires management to provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Overview of the City

The City is a municipal corporation of the Commonwealth of Virginia and is the state capital. As a full service independent city, it is autonomous of any county or other political subdivision. Its citizens are not subject to taxation by any county or independent school district for any purpose. The City provides a full range of services. These services include police and fire protection, sanitation services, the construction and maintenance of highways, streets, and infrastructure, and recreational activities and cultural events. In addition to general government activities, the City provides gas, water, and wastewater services to its citizens as well as street lighting service.

The City government is organized under the Council-Manager form of government with the City Council (the "Council") setting policies for the administration of the City. The Council is composed of nine members elected

from single member districts. The Mayor and Vice-Mayor are selected by a majority vote of its members every two years. The Council appoints the City Manager who serves as Chief Executive and Administrative Officer of the City. The City Manager serves at the pleasure of Council, carries out its policies, directs daily operations and appoints administrative department heads as well as other officers and employees of the administration. The Council also appoints the City Attorney, who is the legal advisor to the Council, the City administration, boards, commissions and agencies of the City. The Council has the right to remove those agency heads and employees appointed by Council.

The financial reporting entity includes all funds of the primary government, as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. Discretely presented component units are reported as a separate column in the government-wide 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 City's discretely presented component units are the School Board of the City of Richmond (the "School Board"), Richmond Ambulance Authority, Hospital Authority of Richmond, Port of Richmond Commission, Richmond Redevelopment and Housing Authority, the Richmond Behavioral Health Authority, and the Broad Street Community Development Authority.

Factors Affecting Financial Condition

Economic Condition and Outlook

Richmond is the capital of Virginia and is located in the central part of the state. Located halfway between Boston and Miami, Richmond is ideally situated in the focal point of the economic corridor of the east coast. During fiscal year 2003, the City faced both opportunities and challenges. By virtue of its size, location, economy and importance to the Commonwealth, the City has diverse capital needs in areas including infrastructure, buildings, schools, economic development and services. The economy and populace of the City provide a unique foundation for its financial stability. Richmond has a thriving and diverse economic base with manufacturing, retail, services, distribution, banking, and state government comprising the major components of economic activity within the City. Richmond, a site where business operations cost 5.2% below the national average, is a very attractive location to companies looking to reduce operational costs. Now regarded as an industrial and financial center, the City is emerging into the country's newest high-technology location. The array of companies includes semiconductor, biotechnology, pharmaceutical, and food processing and distribution companies.

The City has a variety of economic development initiatives and projects that would potentially serve to bolster the tax base and overall financial strength of the City. The unique presence of the State Capitol, the Commonwealth's main state offices, Virginia Commonwealth University/Medical College of Virginia and University of Richmond, as well as the six Fortune 500 companies headquartered in the City has enabled the City to continue to serve as a focal point for business and jobs in central Virginia. Richmond is also a stronghold of financial power serving as the location of the Fifth Federal Reserve District Bank, the major operations of Capital One and SunTrust in addition to numerous securities and investment firms including the headquarters of First Union Securities.

With the prospect of enhanced activity during fiscal year 2003, Richmond has an indication of economic improvement. During this year, 58 companies announced their initiative of locating or expanding in the Greater Richmond area, creating nearly 2,500 new jobs and investing more than \$644 million. As of March 4, 2003 Phillip Morris USA Inc., a company which ranks tenth on the Fortune 500 list of America's largest corporations, announced its plans to locate its New York based corporate headquarters to the Richmond metropolitan area, in addition to advancing its local manufacturing operation within the City of Richmond. This transfer will assimilate the Company's headquarters employees with the 6,800 employees and essential functions already in Richmond. In addition, this move could convert into approximately 2,400 additional positions and \$300 million in new development. This development includes \$50 million for new buildings and \$250 million for capital infrastructure (i.e. machinery and tools) within the City.

Furthermore, there are many exciting developments that will add new permanent and temporary jobs. Evergreen Enterprises Inc., a home décor company located in South Richmond, plans on a \$5 million expansion that could call for an additional 100 jobs. The expansions will almost double Evergreen's facility. Bank of America, one of the largest employers in Richmond with over 2,900 full-time employees, intends to hire 100 people in Richmond for its mortgage operations. Mitsubishi Gas Chemical Company also intends on building a new facility in the Historic Richmond region. This plant will employ an estimated 30 workers and expects to begin in early 2004. This new production plant of Mitsubishi Gas Chemical Company, the world's leading supplier of Nylon-MXD6, will increase the company's global production capacity by more than 20 million pounds within one year.

An attraction for labor, Richmond's workforce is over 547,000, drawing from more than 50 localities statewide. The City's unemployment rate for the fiscal year 2003 remains steady at 4.3% coinciding with the Commonwealth of Virginia's rate – a rate lower than the national unemployment rate of 5.9%. Also, the per capita personal income of Virginia has increased to approximately \$32,000– an income healthier than the national per capita personal income of \$30,271.

The majority of business space for occupancy remains in the office, office warehouse, retail, and industrial classes. Even though there was low activity for leasing the occupancy rate for the office, office warehouse, and industrial classes slightly increased from last year (84% – 85%) remaining at 86% - 88% with the occupancy rate of retail steady at 93% as of the end of the second quarter of the 2003 calendar year.

The City continues to grow stronger fiscally and more economically diverse with each passing year. The City's objective is to maintain this trend while continuing to make investments in itself; this sustains the City's encouraging economic condition and positive outlook.

Major Initiatives

The City provides a full range of services including police, fire, cultural, recreational, park facilities, and public works, refuse collection and human services. To better target spending in an effort to achieve strategic goals, the City Council and administration have adopted several key priorities around which budgetary, policy and administrative decisions are made. The initiatives include youth and family success, public safety, neighborhood preservation and beautification, transportation, and economic development. A discussion of key priorities, along with major initiatives related to these, follows.

Youth and Family Success

Consistent with the Council's priority for Youth and Family Success, the Parks, Recreation, and Community Facilities Department is involved in a variety of after-school programs. Specifically, the department has partnered with the School Board to provide a safe place for children during the after school hours. These programs allow children to participate in activities and receive help with their studies. The After-School Program has been expanded to 17 elementary school sites with enrollment increasing from 795 to 918 participants with a new free meal program added for all participants through a grant from USDA. During fiscal 2003, Parks, Recreation, and Community Facilities began a Junior Master Gardener Program as part of the After-School Program at Reid Elementary School. It is one of only four in the state. In addition, Team Up Richmond, an after-school program for middle school children, is operating at all ten middle schools with 1,536 participants, an increase of more than 500 participants. The department received USDA approval for the provision of dinner meal for students enrolled in the After-School program beginning September 2002. During the summer of 2002, the USDA recognized Richmond's Summer Food Program, which served more than 343,000 meals, as one of the largest and best managed in the country. In addition to the above, the Parks, Recreation, and Community Facilities Department opened The First Tee of Richmond, the city's first public golf complex. This project was a partnership between the City of Richmond and Richmond, First Tee Inc., to promote the sport of golf among the City's youth.

From December 2000 through July 2001, a team of interagency staff analyzed existing services to identify potential program linkages in the departments of Juvenile Justice Services, Public Health, Social Services, Richmond Behavioral Health Authority, and Juvenile Court Services Unit. The focus of this team was to identify areas of linkages and develop the process to provide quality customer satisfaction. Historically, many programs in these departments shared similar purposes or focused on serving the same or similar targeted populations. The vision of service integration is "to weave human services into a seamless array, where agency distinctions are invisible to the customer, reduce duplication of services, increase customer access to services and maximize the interchange of expertise among agencies." Combining these departments' services have resulted in:

- Posting an online directory of City human services;
- Mobilizing a Community Outreach Van;
- Implementing on-site eligibility determination for Medicaid services by customers of the Richmond Behavioral Health Authority and the Public Health Department;
- Merging truancy programs in the Department of Social Services and the Department of Juvenile Justice into a single delivery system;
- Expanding the Health Department's "ROCK! Richmond" program aimed at providing training and mentoring for youth fitness. In addition to fitness, young athletes will receive GED/basic educational skill classes, entrepreneurial training, and self-esteem/identity enhancement; and
- Creating "Graduated Interventions Level System (GILS)" program in December 2001 between the Department of Juvenile Justice and 13th District Court Services, which improved the efficiency and effectiveness of the juvenile justice system. The program is an assessment-based array of services in which both the youth and family are provided tools that hold them accountable for their behaviors, increase their competency and promote public safety. The GILS system enhances the youths' ability to learn, reason, and make sound decisions, thus becoming more productive citizens as well as hold staff accountable for the delivery of quality services. The Office of Juvenile Justice and Delinquency Prevention, a part of the Department of Justice as "cutting edge" at a recent national conference, acknowledged the program.

In addition to the above, the Department of Social Services established a successful collaborative new program to target volunteer TANF (Temporary Assistance to Needy Families) recipients who are attempting to eliminate their dependence on a TANF payment. Over 100 TANF recipients volunteered for the new program called Giving Opportunities to Achieve Lifelong Success. TANF recipients receive GED (General Equivalency Diploma), Adult Basic and Vocational Education training in becoming Emergency Medical Assistants as well as in child day care and computer technology.

The City's challenge is to continue to provide every citizen with excellent service and the opportunity to access services faster via Service Integration one-stop shopping.

Public Safety

Public safety initiatives continue to receive a great deal of attention. The Richmond Police Department continues to aggressively combat crime, and particularly violent crime. For these efforts the Police Department received State and Federal recognition for its public safety efforts including the International Association of Chiefs of Police highest accolade in 2000, the Webber Seavey Award for Quality in Law Enforcement and in 2001 the Police Department received the State of Virginia Certificate for State Accreditation.

These recognitions confirm the Police Department's commitment to meeting national and State policing standards. New and innovative crime fighting efforts such as the Blue Wave Unit, Weapons Enforcement Blitz, and Blitz to Bloom are just a few examples of special enforcement initiatives operating in 2003 to address crime, and drugs in our community.

These enforcement strategies have flourished in the fight against crime, removing hundreds of guns from

our streets, arresting many hardcore criminals, reducing the availability of drugs in the City of Richmond and improving the overall quality of life for the citizens of the City of Richmond. The Police Department will continue such crime-fighting strategies to ensure a safer community.

Neighborhood Focus / Infrastructure & Improvements

As part of the Council's initiative to restore and beautify neighborhoods, the Council approved a focused and aggressive neighborhood investment partnership, Neighborhoods in Bloom (NIB). This plan pools Federal, City and other funds in six targeted City neighborhoods with a special focus on eliminating vacant and blighted buildings. The goals of this program are to restore all blighted, vacant structures to productive use within three years; to ensure that all occupied housing units meet the housing maintenance code; and to ensure that all neighborhood infrastructure meets acceptable standards. As a result of this investment the City hopes to benefit from a better image, improvements in public safety, a restoration in pride and investment in neighborhoods, an increase in home ownership and an increase in revenue by returning structures to productive use.

The first three and a half years of the program have resulted in the construction and sale to new homeowners of 76 new single family homes; the complete rehabilitation of 63 homes; repairs addressing safety code violations to 118 homes; and financial assistance to an additional 39 families to purchase homes. In addition, over 900 housing and environmental code violations have been resolved. There has also been a measurable reduction in crime in all six neighborhoods by approximately 17% since the beginning of calendar year 2000.

In conjunction with this focused attempt to invigorate and revitalize neighborhoods, the City dedicated funds for the improvement of NIB neighborhoods as well as the City as a whole. Specifically, the "Fresh Start" program removed and disposed of 14 million pounds of bulky discarded items and yard debris illegally dumped throughout the City. In fiscal year 2002, the "Alley Cats" (Comprehensive Alley Treatment System) program worked to clean up and restore some of the worst alleyways in the City by removing vegetation and debris and by making neglected alleyways passable and usable once again. Another aspect of "Fresh Start" was the designation of funds for City gateway improvements. This year our Adopt-A-Gateway program was initiated with the first 15 "Welcome to Richmond" signs. To date, eight of those gateways have been adopted and beautified through partnerships with organizations including Lowe's, Alcoa and Dominion Interior Supply. Each department is responsible for adopting at least one gateway and seeking a corporate or community sponsor that will assist with resources to maintain the gateway. Thus far, 18 of 30 gateways have been adopted for beautification.

Transportation

The GRTC Transit System (GRTC) operates under a joint venture agreement between the City and the County of Chesterfield and provides regional mass transit services for metropolitan residents and visitors. GRTC offers a level of service comparable to or greater than its transit peers, while providing service that meets the needs of GRTC customers. GRTC has been designated one of the most efficient transit systems in the country for the last ten years. In 2000, the University of North Carolina at Charlotte ranked the system 12th of 150 transit systems. GRTC has dramatically refocused its customer service efforts by increasing the Customer Service department's staffing, installing additional shelters, benches and trash receptacles, implementing swipe card technology and farebox-generated transfers, and realigning services to better meet the needs of riders.

The City's concern about public transportation includes a focus on improving the infrastructure of the City. Through a partnership with the Virginia First Cities coalition, the Department of Public Works led a lobbying effort to provide municipalities with greater decision-making authority over how state transportation funds may be used. Current law allows funds to be used only for construction, while the majority of cities' needs are in the area of infrastructure maintenance.

Economic Vitality

Richmond is a city of monuments that has become a monument itself to America's New South. The City's historic buildings and world-class museums nestle next to new structures designed to harmonize with the past even as they define the city's future. The newly opened James River and Kanawha Canal Riverwalk allows visitors easy access to the only metropolitan whitewater river in the country. Buildings ranging from the historic Tredegar Iron Works to Shockoe Slip are at the center of a district that is a popular entertainment and dining enclave. Entertainment, dining and nightlife activity continues to grow in the Shockoe Slip and Shockoe Bottom,

The momentum of progress continues as Richmond builds upon recent successes. The City is benefiting from more than \$2 billion in economic development over the last several years. This investment permeates the downtown area, from the Broad Street corridor to the James River, and from Monroe Ward to Shockoe Bottom. The City's downtown commercial corridor bounded by 4th, 8th, Broad and Grace streets received Council's approval for a development district during fiscal year 2002, and thereby established the City's first Community Development Authority (CDA). The purpose of the Authority is to finance and develop the public infrastructure for revitalization of the Broad Street development district. During fiscal 2003, the CDA issued bonds totaling \$66.7 million to finance the development of new parking decks and to facilitate the development of a 216-room suite hotel.

The Greater Richmond Convention Center completed its major construction phase of the 605,000 square foot display space with a new 500 space parking deck attached to it. The grand opening for the Convention Center occurred in February 2003. Total cost of the project was \$178 million. The Convention Center is the largest in Virginia and one of the top five in the mid-Atlantic region. The project was a joint effort of the City of Richmond and the Counties of Chesterfield, Henrico and Hanover. In addition to the construction of the Convention Center, there are several projects underway in addition to the Convention Center including, 1) the Richmond Marriott's \$12 million renovation project expected to be completed by Fall 2003, 2) the \$25 million renovation project for City Hall will be completed by 2005, and (3) the demolition and construction of a new \$90 million United States Courthouse beginning in October 2003. Completion of the convention center, parking facilities, hotel rooms, streetscapes and Courthouse, will significantly enhance the image of downtown Richmond.

Dominion Resources, a Fortune 200 company headquartered in downtown Richmond, began construction of Phase I of its headquarter expansion in January 2002. Phase I is a \$30 million project that includes a 50,000 square foot state-of-the-art energy trading floor. Phase II of this project will feature 250,000 square feet of office space. The expansion brings a total of 1,100 employees to downtown Richmond. In addition, the Cordish Company and the Daniel Company are developing the Riverside Village project on Brown's Island is the first of its kind in the Richmond area and includes approximately 225,000 square feet of new office space construction; 70,000 square feet of entertainment/retail space; 124 upscale apartments and 800 parking spaces. The City of Richmond is investing \$4.6 million in infrastructure improvements to the area.

Main Street Station, Richmond's most visible historic landmark, will reopen in December 2003 with commuter trains arriving and departing four to six times a day. During 2001, construction work began on the \$51.6 million renovation of downtown's Main Street Station. The project will continue in three major phases, with the final phase being completed in 2007, culminating with an inter-modal transportation hub for high-speed rail, bus service and airport shuttles.

The City of Richmond has seen an increase of 30% in the residential population in the last decade. Approximately 5,000 people now live in the downtown area. Renovated apartment buildings, restored lofts above historic storefronts and luxury condominiums are sprouting all across the downtown area. This is evident with the Riverside Village project mentioned above, a \$30 million project for the River Lofts at Tobacco Row, and a \$9 million project for the Canal Walk Lofts and the Parson's Row project at Oregon Hill.

Stony Point Fashion Park shopping center opened September 18, 2003, and is the City's first major new mall. The facility is a 690,000 square foot, open-air shopping center in the heart of one of Richmond's most affluent communities. An 80,000 square foot Saks Fifth Avenue, and an 84,000 square foot Galyan's, each of which is the first in the market and only the second in Virginia, and a 204,000 square foot Dillard's anchors the center's mix of specialty shops and restaurants. Approximate cost for the project is \$125 million.

The Virginia Bio Technology Research Park had two new buildings under construction during 2002. Biotech Six will house the Virginia Division of Consolidated Laboratory Services in one of the most advanced laboratories for public health and safety any where in the United States. The \$63 million lab will be capable of handling all of Virginia's testing needs. The project was completed in May 2003. Biotech Seven is the new \$17.5 million home for the United Network for Organ Sharing (UNOS). UNOS operates the national solid organ transplant registry. Approximately 300 employees moved into the building during December 2002.

To further encourage economic development, by the action of the Council, the Assessor's Office began a substantially expanded Tax Abatement Program for Rehabilitative Structures Program in fiscal year 1996. This program focuses on retention of existing businesses and attraction of new businesses, but also seeks to create an environment to encourage new investment, job creation, and the growth of the City's existing tax base. Due to successes realized, the five-year program has been extended for an additional five years, providing real estate tax abatements for up to 15 years for owners of residential, multi-family, and commercial properties in the City, provided they increase the assessed value of the property by a certain percentage. 2,019 properties qualified for the tax abatement for fiscal year 2003. The value of the abatement for these properties is \$6.2 million, an increase of over \$.9 million from the prior year. The value of the tax abatement is projected to be \$6.0 million in fiscal 2004.

Accounting and Budgetary Systems

Accounting Systems

The City Administration is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable assurance that the integrity of the financial and administrative transactions is maintained and is executed in accordance with management's objectives. The structure is designed to recognize that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City internal accounting controls adequately safeguard assets and provide reasonable assurance of the proper recording of financial transactions.

Budgetary Systems

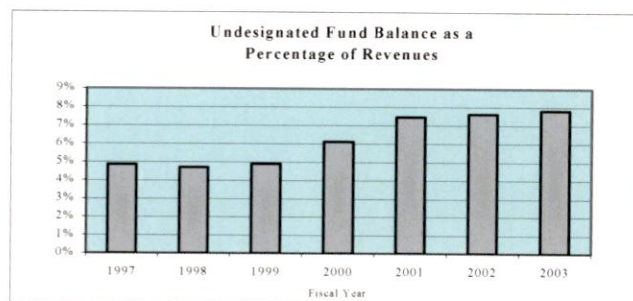
The objective of the City's budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund, Debt Service Fund, and School Board General Fund are included in this budget. Project-length financial plans are adopted for the Capital Projects Fund. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the department and function within an individual fund. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Requisition encumbrances are converted to either purchase orders or contract encumbrances when a third party obligation is incurred. Open requisition encumbrances are canceled at year's end, while open purchase orders and contract encumbrances are immediately re-appropriated for the subsequent fiscal year.

As demonstrated by the statement of budgetary comparisons in the required supplementary information section of this report, the City continues meeting its responsibility for sound financial management. (Refer to Exhibit H for the City's General Fund expenditures by function).

Financial Condition

In October 2002, the City received a general obligation bond rating upgrade from A1 to Aa3 from Moody's Investor's Service. The rating increase was buoyed by a stronger undesignated fund balance policy, along with contributions to undesignated fund balance to fulfill the policy commitment. A Moody's analyst was quoted as saying "we feel that their financial operations are better managed." The City's General Obligation Bond Ratings were last affirmed by Standard and Poors and Moody's in November 2003. Fitch, Standard and Poors, and Moody's have rated the City's General Obligation Bonds as AA, AA, and Aa3, respectively. The City continues to enjoy the highest short-term ratings awarded by the rating agencies.

The City's commitment to improving its financial condition is exhibited in its year-end results. Revenues outpaced expenditures during 2003 by \$1.6 million and an additional \$1.5 million was added to the undesignated fund balance; see chart below. As in the previous year, the undesignated fund balance has increased from 4.8% in fiscal 1997 to 7.8% in fiscal 2003. The undesignated fund balance as a percentage of revenues continues to exceed our policy threshold of 7%.



Business Type Activities

The City's enterprise operations are comprised of three separate and distinct activities: Water, Wastewater and Gas. With the completion of an upgrade during fiscal year 1994, the Wastewater Utility Plant has increased its capacity, keeping it in compliance with current government regulations. The Gas and Water Utilities are regional in scope, providing services to the City and the surrounding Counties of Chesterfield, Henrico and Hanover. The Water Utility also provides water indirectly to Goochland County. The Wastewater Utility serves all of the City and small portions of Chesterfield and Henrico Counties that lie at the city/county line. In fiscal 2002, the City signed a wastewater contract agreement with Goochland to provide up to 5 MGD of wastewater treatment.

The City's Combined Sewer Overflow (CSO) Control Program received a favorable review in an article titled "DEQ Praises City's Cleanup" from the Richmond Times Dispatch, May 7, 2002. In the prior year the City won the American Consulting Engineers Council Honor Award for fostering excellence in engineering design on the CSO project.

Cash Management

The City's investments are managed within the confines of the Code of Virginia. The policy is in place to minimize credit and market risk while maintaining a competitive yield on its portfolio. Investments allowed within the Code include obligations of the United States, its agencies, time certificates of deposits, banker's acceptances,

repurchase agreements, demand notes and commercial paper. Additionally, all deposits of the City are insured by the Federal Deposit Insurance Corporation up to the allowable maximum amount and are also collateralized under the Virginia Security for Public Deposits Act. The City's financial institution, as agent, holds all collateral securing deposits in the City's name.

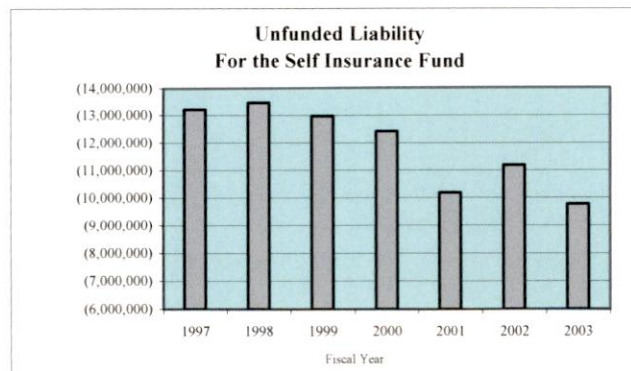
The City's cash that remained temporarily idle during the year was invested in one of the approved investment instruments as outlined above. The average yield on the City's investments for fiscal year 2003 was 1.44%. The City earned interest revenue of \$1,151,688.

Risk Management

The City has an active risk management program that utilizes a combination of in-house staff and third-party administrators providing safety and loss control, claims administration, risk management financing and consulting services to all City agencies. The City manages risk through a combination of commercial insurance, self-insurance and association programs. The self-insurance program is operated as an internal service fund and provides workers' compensation and third party liability coverage. The City purchases excess liability limits of \$9,000,000 in excess of \$1,000,000 Self Insured Retention (SIR) and excess workers' compensation in statutory limits over a \$750,000 SIR. Additional excess limits up to \$110,000,000 are purchased for the gas utility. Changes in the actuarially determined self-insurance liabilities for fiscal years 2002 and 2003 were:

<u>Fiscal Year</u>	<u>Liability at Beginning of Fiscal Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claims and Premium Payments</u>	<u>Liability at End of Fiscal Year</u>
2002	\$ 18,024,637	\$ 7,109,798	\$ (3,943,340)	\$ 21,191,095
2003	\$ 21,191,095	\$ 416,980	\$ (1,926,015)	\$ 19,682,060

The unfunded liability has decreased over the last several years (Fiscal 1997 to Fiscal 2003).



Pension Trust Fund Operations

The City maintains a noncontributory pension plan, the Richmond Retirement System ("RRS"), for all City employees. Each year the City contributes an amount equal to the sum of the normal cost and a portion of the unfunded liability. RRS is financed through contributions made by the City as well as earned income from RRS investments. Contribution rates are computed on the basis of an annual actuarial study. At June 30, 2003, the RRS was funded at 69.27% on an actuarial basis with an unfunded accrued actuarial liability of \$195,037,007. Earnings from the investment portfolio produced a very competitive average yield of 3.5% during the fiscal year. The City's Pension Trust Fund's investment portfolio includes corporate bonds and notes, common stocks, international bonds, notes and stocks.

The number of vested and retired employees of RRS as of June 30, 2003, is as follows:

<u>Classification</u>	<u>Vested</u>	<u>Non-Vested</u>	<u>Retired</u>	<u>Vested Termination</u>	<u>Total</u>
Municipal employees	2,816	1,268	3,455	1,735	9,274

Independent Audit

The City Charter requires an annual audit by an independent certified public accountant. In addition to meeting the requirement set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act of 1996 and related OMB Circular A-133 and the State Auditor of Public Accounts guidelines. The report of the independent auditors on the basic financial statements is included in the financial section of this report. The report of the independent auditors related specifically to the single audit is included in a separate report issued by the City.

Awards

Reporting Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (Certificate of Achievement) to the City of Richmond for its comprehensive annual financial report for the fiscal year ended June 30, 2002. This was the 19th consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Government Finance Officers Association of the United States and Canada (GFOA) also recognized Richmond with the Award for Outstanding Achievement in Popular Annual Financial Reporting. This is especially meaningful as it is the first year the City has received this recognition for its Popular Annual Financial Report for the fiscal year ended June 30, 2002.

Other Recognition

The Richmond area has received several top rank accolades from national economic development, financial and newsmagazines and organizations over the last decade. Richmond's most recent national recognition include:

- #12 for Best Places for Businesses and Careers, *Forbes Magazine*, 2003
- #11 Among Best Cities for Corporate Headquarters, *Business Facilities Magazine*, 2003
- Richmond's Downtown Ranked No. 2 in South, *Southern Business & Development Magazine*, 2003
- Top 10 Best Cities in North America for Independent Movie Makes, *Moviemaker Magazine*, 2003
- #1 Among Top 50 U.S. Metro Areas for European Business Expansion, *Expansion Management Magazine*, 2002
- #2 of Top 60 U.S. Metro Areas for Singles, *America Online Report*, 2002
- #2 Among Major Southern Markets for Economic Development during last Decade, *Southern Business & Development Magazine*, 2002
- www.RichmondGov.com ranked #15 among all U.S. municipal Web sites, *Brown University study*, 2002
- www.RichmondGov.com ranked #3 in U.S. (in 125,000-200,000 population category) for using technology to improve customer service, *Center for Digital Government*, 2002
- Greater Richmond ranked as one of Top 25 "Choice Cities" for business relocation and expansion, *Business Development Outlook magazine*, 2002
- Richmond ranked among the lowest third of U.S. metropolitan areas in terms of traffic congestion, *Texas Transportation Institute survey*, 2002
- #5 of Top 20 Places to Live and Work in America, *Employment Review Magazine*, 2002
- Greater Richmond ranked 20th Among the Nation's "Hottest Real Estate Markets" with the Ninth Lowest Construction Costs, *Expansion Management Magazine*, 2001
- Richmond-Petersburg MSA Ranked 14th Among Nation's 100 Most "Logistics Friendly" Cities, *Expansion Management*, 2001
- One of America's Most Wired Cities, *Yahoo! Internet Life*, 2001
- #11 Among America's "Hottest Cities" for Business Relocation and Expansion, *Expansion Management Magazine*, 2001

Acknowledgments


The preparation of the CAFR was made possible by the dedicated service of the entire staff of the divisions of Disbursements and General Accounting of the Finance Department. All individuals who assisted in this effort have our sincere appreciation for the contributions made in the preparation of this report. Appreciation is also expressed to the Mayor, Council Members, the City Manager, Deputy City Managers, City Department Directors and Bureau Chiefs for their cooperation and assistance in the financial affairs of the City of Richmond.

In closing, we would again like to thank the members of the City Council for their leadership and support in planning and conducting the financial affairs of the City in a responsible and progressive manner.

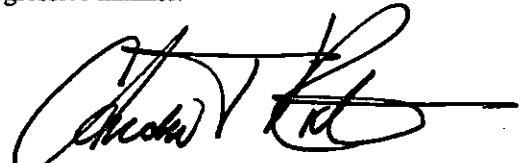
Sincerely,



Calvin D. Jamison, Ed.D.
City Manager



Bernard W. Wray
Deputy City Manager



Andrew T. Rountree, CPA, CGFM,
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Richmond,
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

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



President

Executive Director



CITY OF RICHMOND, VIRGINIA
COUNCIL-MANAGER FORM OF GOVERNMENT

June 30, 2003

CITY COUNCIL

Rudolph C. McCollum, Jr., *Mayor*
Rev. Delores L. McQuinn, *Vice Mayor*

G. Manoli Loupassi
William J. Pantele
W. Randolph Johnson, Jr.
The Late Joseph E. Brooks *
*June 26, 2003

Sa'ad El-Amin
Jacqueline M. Jackson
Rev. Gwen C. Hedgepath

CITY MANAGER

Calvin D. Jamison, Ed.D

CITY AUDITOR

Lance J. Kronzer, CPA

CITY ATTORNEY

John A. Rupp, Esquire

**SUPERINTENDENT
OF SCHOOLS**

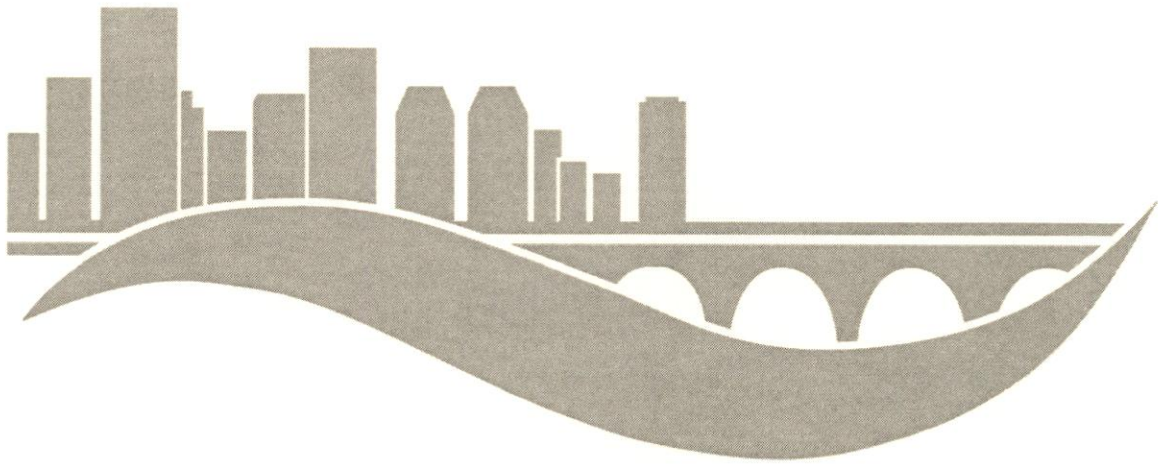
Deborah Jewell-Sherman, Ed.D

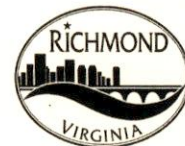
DEPARTMENT OF FINANCE

Bernard W. Wray, *Deputy City Manager*
Andrew T. Rountree, CPA, CGFM, *Director of Finance*
Betty J. Burrell, *Deputy Director of Finance*
Stacey L. Fayson, CPA, *City Controller*
Melvinia P. Wilson, MBA, CGFM, *Assistant City Controller*

INDEPENDENT AUDITORS

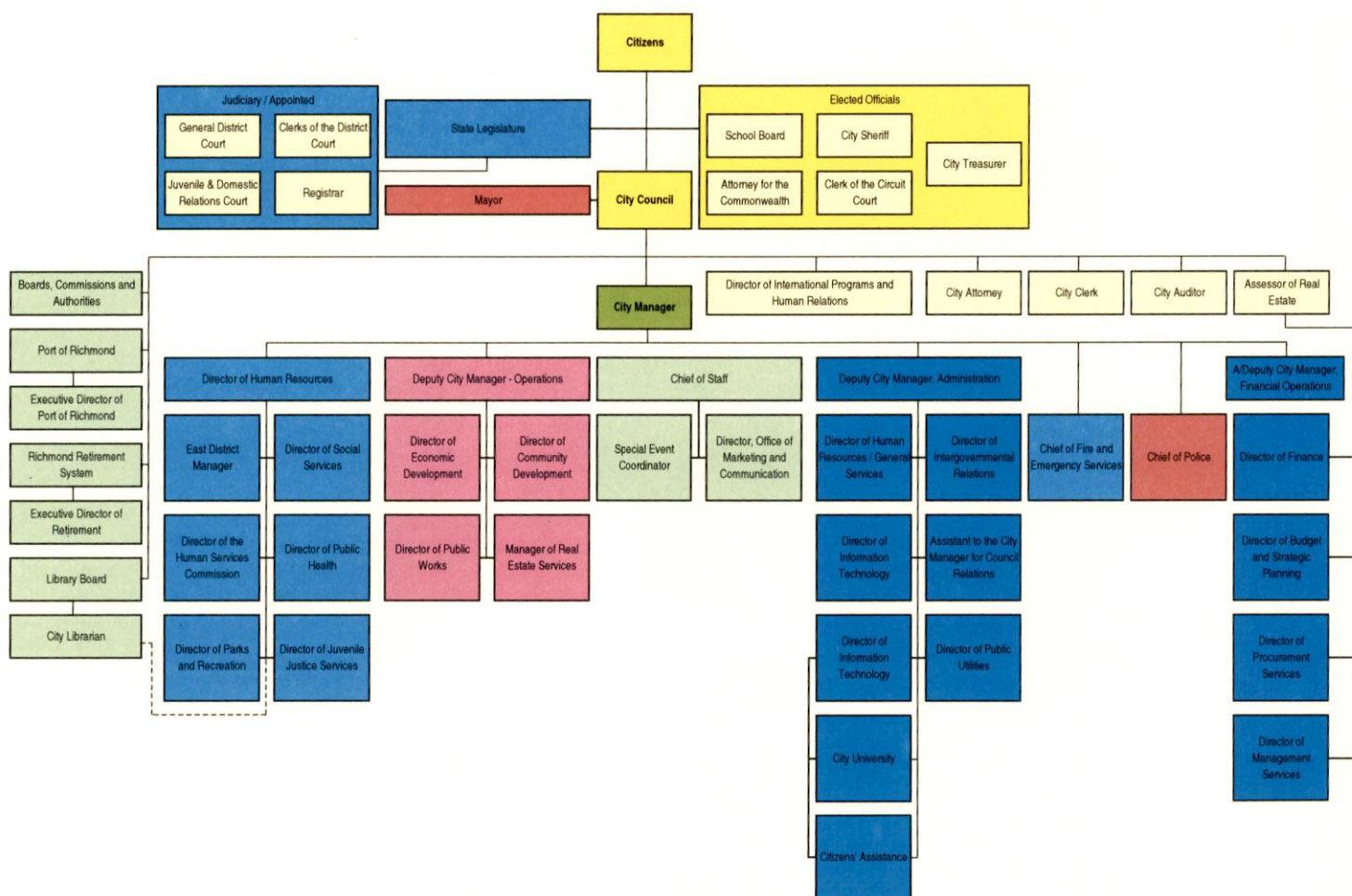
KPMG LLP





CITY OF RICHMOND, VIRGINIA

ORGANIZATION CHART







CITY OF RICHMOND

OFFICE OF THE CITY MANAGER

December 8, 2003

MANAGEMENT REPORT ON RESPONSIBILITY FOR FINANCIAL REPORTING

The management of the City of Richmond has the responsibility for preparing the accompanying financial statements with integrity and objectivity. The School Board of the City of Richmond, Richmond Ambulance Authority, Richmond Coliseum, Hospital Authority of Richmond, Port of Richmond Commission, Richmond Behavioral Health Authority, Richmond Redevelopment and Housing Authority, and the Broad Street Community Development Authority are under the direct control of their respective governing boards and management who are responsible for their financial independent certified public accounts. The financial statements were prepared in accordance with Accounting Principles Generally Accepted in the United States of America, and to the best of our knowledge are not materially misstated. The financial statements include amounts that are, in some instances, based on management's best estimates and judgements. Management also prepared the statistical information in this annual report and is responsible for its accuracy and consistency with the financial statements.

The City's financial statements have been audited by KPMG LLP (KPMG), independent certified public accountants, selected by the City Council. Management has made available to KPMG all of the City's financial records and related data as well as the minutes of the City Council meetings. Furthermore, management believes that all representations made to KPMG during its audit were valid and appropriate.

Management of the City has established and maintains a system of internal control that provides reasonable assurance as to the integrity and reliability of the financial statements, the protection of assets from unauthorized use or disposition, and the prevention and detection of fraudulent financial reporting. The system of internal controls provides for appropriate division of responsibility and is communicated to employees with significant roles in the financial reporting process and updated as necessary. Management continually monitors the system of internal controls for compliance.

The City maintains an internal auditing program through the City Auditor. The City Auditor independently assesses the effectiveness of internal controls and recommends possible improvements thereto. In addition, as part of its audit of the City's financial statements, KPMG completed a study and evaluation of selected internal accounting controls to establish a basis for reliance thereon in determining the nature, timing, and extent of audit tests to be applied. Management has considered the City Auditor's and KPMG's recommendations concerning the City's system of internal control and has taken actions that we believe are cost-effective in the circumstances to respond appropriately to these recommendations. Management believes that as of June 30, 2003, the City's system of internal control is adequate to accomplish the objectives discussed herein.

Management also recognizes its responsibility for fostering a strong ethical climate so that the City's affairs are conducted according to the highest standards of personal and City conduct. Management communicates ethical standards to employees through personnel rules, administrative regulations, and city law.

Handwritten signature of Calvin D. Jamison in black ink.

Calvin D. Jamison, Ed.D.
City Manager

Handwritten signature of Bernard W. Wray in black ink.

Bernard W. Wray
Deputy City Manager

Handwritten signature of Andrew T. Rountree in black ink.

Andrew T. Rountree, CPA, CGFM
Director of Finance



CITY OF RICHMOND
CITY AUDITOR

December 8, 2003

AUDIT COMMITTEE CHAIRMAN'S LETTER

The Audit Committee of the City of Richmond is composed of three citizen members and two Council members. The members of the Audit Committee during the fiscal year ended June 30, 2003 were Richard P. Pontynen, CPA, Chairman; George E. Calvert, Jr., Vice Chairman; Barry C. Faison, CPA; the Honorable Rev. Gwen C. Hedgepeth.; and the Honorable Joseph E. Brooks. The Committee held four meetings during the fiscal year ended June 30, 2003.

The Audit Committee assists City Council in the Council's discharge of its responsibilities for the financial management of the City, specifically in the areas under the charge of the City Director of Finance. The School Board of the City of Richmond, Richmond Ambulance Authority, Port of Richmond Commission, Richmond Behavioral Health Authority and the Richmond Redevelopment and Housing Authority accounts are not under control of the City Director of Finance. The responsibilities for financial management of these organizations are with their respective governing boards and managers. Therefore, the Audit Committee of the City does not have responsibility for these organizations.

The Committee discussed with the City Auditor and the independent certified accountants the overall scope and specific plans for their respective audits. The Committee also discussed the City's Comprehensive Annual Financial Report and the adequacy of the City's internal controls. The Committee recommended to Council, in May 2003, the selection of the City's independent certified public accountants for a two year contract with three one-year extensions. The Committee has monitored this contract during the year.

The Committee met regularly with the City Auditor and the independent certified public accountants to discuss the results of their audits, their evaluations of the City's internal controls, and the overall quality of the City's financial reporting.

Richard P. Pontynen, CPA, Chairman
Audit Committee



Suite 2000
1021 East Cary Street
Richmond, VA 23219-4023

Independent Auditors' Report

The Honorable Members of City Council
City of Richmond, Virginia:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Richmond, Virginia (the City), as of and for the year ended June 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Richmond's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Richmond Coliseum, which represent 2.15% and 1.74%, respectively, of the total assets and revenues of the aggregate remaining fund information. We also did not audit the financial statements of the Richmond Behavioral Health Authority, the Hospital Authority of Richmond and the Richmond Redevelopment and Housing Authority, which represent 62.10% and 27.58%, respectively, of the total assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions on the basic financial statements insofar as they relate to the amounts included for the Richmond Coliseum in the aggregate remaining fund information, and the Richmond Behavioral Health Authority, the Hospital Authority of Richmond, and the Richmond Redevelopment and Housing Authority in the aggregate discretely presented component units, is based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Richmond, Virginia, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.





The Management's Discussion and Analysis on pages 10 through 24, the budgetary comparison schedules on pages 90 through 96 and the trend information in note 12 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 8, 2003, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying financial information listed as Supplementary Information – Combining Financial Statements in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplementary Information – Combining Financial Statements has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the report of the other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The information included in the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

KPMG LLP

December 8, 2003





**CITY OF RICHMOND, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2003**

The City of Richmond, Virginia's (the "City") discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Transmittal Letter (beginning on page i) and the City's financial statements (beginning on page 26).

Financial Highlights

Government-wide Financial Statements

- At the close of the fiscal year, the assets of the City exceeded its liabilities by \$629,899,206. Of this amount, \$52,642,112, (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's business-type activities closed on June 30, 2003 with \$351,674,396 in net assets, an increase of \$11,705,927 in comparison with the prior year. \$21,266,273 of net assets is reported as unrestricted.
- As of the close of the current fiscal year, the City's governmental activities for government-wide reporting reported net assets of \$278,224,810, a decrease of \$412,800, in comparison with the prior year. \$31,375,839 of net assets is reported as unrestricted governmental net assets and is available to meet the government's obligations to citizens and creditors.

Fund Financial Statements

- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$129,500,558, an increase of \$25,360,496 in comparison with the prior year. Forty-seven percent of this total amount, \$61,188,358, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, the unreserved fund balance for the general fund was \$40,552,729 or 8.15% of total fund expenditures, inclusive of transfers to other funds.

Debt Offering

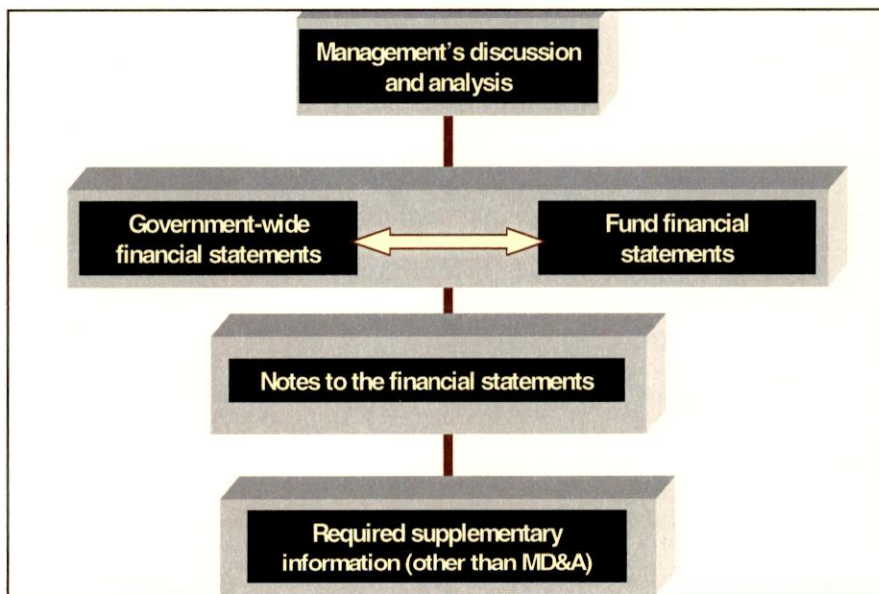
- The City's total debt increased by approximately \$17.4 million (approximately 2.0%) during the current fiscal year as the City's issued \$50.5 million of General Obligation Public Improvement Bonds Series 2002A to fund new capital improvement projects. Additionally, \$96.2 million of General Obligation Public Improvement and Refunding Bonds Series 2002B were issued to current and advance refund portions of the outstanding Series 1993A and 1993B General Obligation Bonds.
- The City organized the Broad Street Community Development Authority (CDA) in July 2002 to assist the City in its efforts to revitalize the City's central business district by undertaking certain demolition, streetscape and infrastructure improvements and acquiring and renovating certain parking facilities. To fund the projects, the CDA issued \$66,740,000 in revenue bonds ("CDA Bonds") in May 2003, which mature in 2030. In connection with the CDA Bonds issued, the City entered into

several agreements with the CDA under which the City is expected to make various payments to or for the benefit of the CDA; provided funds have been appropriated for such purposes by the Council.

- State statutes limit the amount of General Obligation debt a government entity may issue to 10% of its total assessed valuation. At June 30, 2003, the City had a legal debt limit of \$1,196,677,008 and a remaining legal debt margin of \$507,098,920.
- Additional detailed information on the City's long-term debt can be found in Note 8 beginning on page 64 of this report.

Overview of the Financial Statements

The following is narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2003. This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which have the following components: (1) management's discussion and analysis (MD&A), (2) government-wide financial statements, (3) fund financial statements, and (4) notes to the financial statements. The new financial statements' focus is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the City's accountability.



Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. Government-wide financial reporting consists of two statements: the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets presents information on all the City's assets and liabilities, with the difference between assets and liabilities reported as net assets. Net assets are reported in three classifications: invested in capital assets – net of related debt, restricted, and unrestricted. Over time, the increases or decreases in the City's net assets can be an indicator as to whether the financial position of the City is improving or deteriorating. To accurately use changes in net assets as an indicator of the City's overall health, the underlying factors contributing to the increase or decrease must be analyzed, as well as other non-financial factors (such as changes in the property tax base and the condition of infrastructure and other capital assets).



The Statement of Activities presents information showing how the net assets changed during the year. All changes in net assets are recognized as the underlying event occurs, regardless of the timing of the related cash flow. As a result, revenues and expenses are reported in this statement for some items that will not impact cash flows until future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City includes the City's basic services including Police, Fire, Economic Development, Recreation and Parks, Social Services, Community Development, and the General Administration. These activities are supported primarily by property taxes, other local taxes, state and Federal grants, and contributions from the City's Utility Departments (Gas, Water, and Wastewater). The business-type activities reflect private-sector type operations (e.g. Gas, Water, Wastewater, Coliseum, Landmark Theatre, and Cemeteries) where the City charges a fee to customers to cover all or most of the costs associated with providing these services.

The government-wide financial statements can be found on pages 26-29 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. As is the case with other state and local governments, the City ensures and demonstrates compliance with legal requirements through its use of fund accounting. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar than the government-wide financial statements. The City has three types of funds:

Governmental Funds

The Governmental Funds report essentially the same functions as the governmental activities in the government-wide financial statements. However, the Governmental Fund financial statements focus on the near-term cash inflows and outflows and the amount of spendable resources available at the end of the fiscal year. This information is useful when evaluating the City's near-term financing needs. Because the focus of the fund statements is narrower than that of the government-wide statements, it is useful to compare the information presented in both the fund and the government-wide statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate the comparison between Governmental Funds and governmental activities.

The City maintains nine individual Government Funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General and Debt Service Funds, both of which are considered major funds. Data from the other nine Governmental Funds are combined into a single, aggregated presentation. Individual fund data for each of these Nonmajor Governmental Funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 30-33 of this report.

Proprietary Funds

The City maintains two types of Proprietary Funds: Enterprise Funds and Internal Service Funds. Enterprise Funds are used to report the same functions presented as the business-type activities in the government-wide financial statements. Information is presented separately in the Proprietary Statement of Net Assets and in the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Assets for the Gas, Water, and Wastewater operations, all of which are considered major funds. Data from the



other three Enterprise Funds are combined into a single, aggregated presentation. Individual fund data for each of these Nonmajor Enterprise funds is provided in the form of combining statements elsewhere in this report.

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments on a cost reimbursement basis. Information is presented separately in the Proprietary Funds Statement of Net Assets and in the Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Assets in a single, aggregated presentation. The City maintains six Internal Service Funds: 1) Fleet Management, 2) Radio Maintenance, 3) Risk Management, 4) Public Works Stores, 5) Electric Utility, and 6) Stores and Transportation. Individual fund data for each of these Nonmajor Internal Service Funds is provided as supplementary information in the combining statements section in this report.

The basic Proprietary Fund financial statements can be found on pages 34-38 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City maintains two Fiduciary Funds: 1) Trust Funds and 2) Agency Fund. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

The basic Fiduciary Fund financial statements can be found on pages 40-41 of this report.

While the total column on the Proprietary Funds financial statements may be the same as the business-type activities column on the government-wide financial statements, the governmental funds total column requires a reconciliation to the governmental activities column on the government-wide financial statements because of the different measurement focuses (current financial resources *versus* total economic resources) utilized by the two statements. Specifically, the flow of current financial resources measurement focus reflects bond proceeds and interfund transfers as other financing sources as well as capital expenditures and bond principal payments as expenditures. The reconciliation between the two bases of accounting takes into account these and other differences (e.g. capital assets and long-term obligations). Reconciliation adjustments between the business-type activities (government-wide and enterprise funds totals) will typically only occur if there is a need to redistribute excess income/loss for the internal service funds to the customers (including business-type activities).

Notes to the Financial Statements

The notes to the financial statements provide information that is essential for a full understanding of the information provided in the government-wide and fund financial statements. The notes also present certain required supplementary information.

Other Information

In addition, to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget execution process, and progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 90 of this report. The combining statements referred to earlier in connection with NonMajor Governmental Funds, Enterprise and Internal Service Funds are presented immediately following the required supplementary information starting on page 100 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may, serve over time, as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$629,899,206 at the June 30, 2003.



By far the largest portion of the City of Richmond's net assets (76.4%) reflects its investment in capital assets (e.g. land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Richmond uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Richmond's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Richmond's net assets (15.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted net assets (8.2%), which may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the fiscal year, the City of Richmond is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Table 1
City of Richmond's Schedule of Net Assets
as of the Fiscal Year Ended June 30, 2003
(In Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2003	2002	2003	2002	2003	2002
Current and Other Assets	\$ 262.7	\$ 231.1	\$ 224.1	\$ 247.5	\$ 486.8	\$ 478.6
Capital Assets	575.0	577.4	773.6	740.9	1,348.6	1,318.2
Total Assets	\$ 837.7	\$ 808.5	\$ 997.7	\$ 988.4	\$ 1,835.4	\$ 1,796.9
Current and Other Liabilities	76.5	99.2	43.4	99.0	119.9	198.2
Long-Term Debt Outstanding	483.0	430.6	602.6	549.4	1,085.6	980.0
Total Liabilities	\$ 559.5	\$ 529.8	\$ 646.0	\$ 648.4	\$ 1,205.5	\$ 1,178.2
Net Assets:						
Invested in Capital Assets, Net of						
Related Debt	199.9	204.9	280.9	242.7	480.8	447.6
Restricted	46.9	25.3	49.5	52.6	96.4	77.9
Unrestricted	31.4	48.5	21.3	44.7	52.7	93.1
Total Net Assets	\$ 278.2	\$ 278.6	\$ 351.7	\$ 340.0	\$ 629.9	\$ 618.6



Table 2
City of Richmond's Schedule of Activities
For the Fiscal Year Ended June 30, 2003
(In Millions)

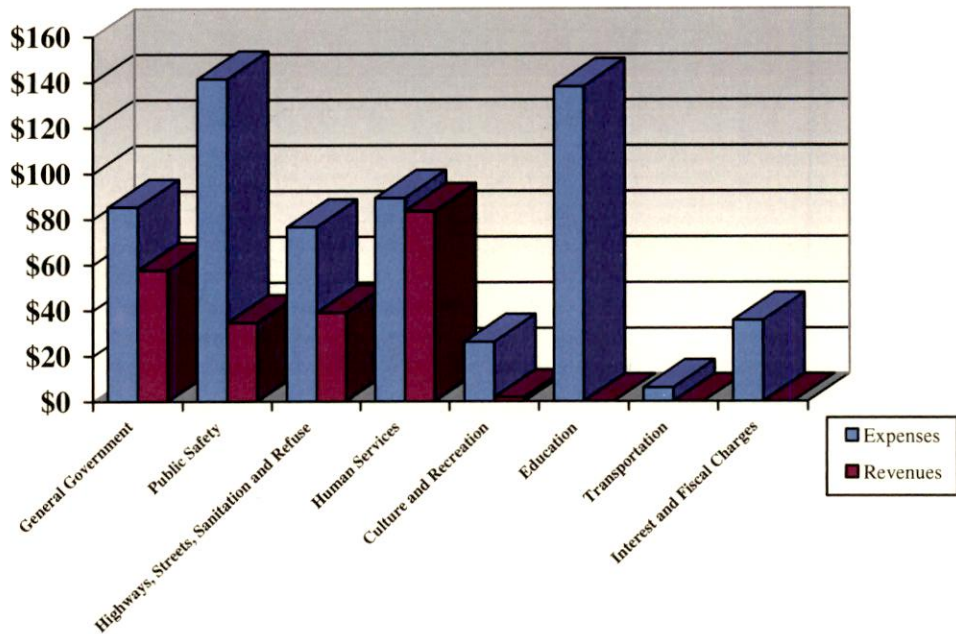
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program Revenues:						
Charges for Services	\$ 62.3	\$ 62.6	\$ 264.3	\$ 228.5	\$ 326.6	\$ 291.0
Operating Grants and Contributions	143.7	143.4	7.0	17.3	150.8	160.7
Capital Grants and Contributions	10.6	3.5	--	--	10.6	3.5
General Revenues:						
Property Taxes	102.1	105.0	--	--	102.1	105.0
Intergovernmental	0.1	2.3	--	--	0.1	2.3
Other Taxes	216.4	211.0	--	--	216.4	211.0
Investment Income	0.7	0.7	1.9	1.8	2.5	2.5
Miscellaneous	45.0	43.7	2.8	2.8	47.8	46.5
Special Item - Gain on Sale of Land	0.2	0.6	--	--	0.2	0.6
Transfers	17.2	17.3	(17.2)	(17.3)	--	--
Total Revenues	\$ 598.3	\$ 589.9	\$ 258.8	\$ 233.1	\$ 857.0	\$ 823.0
Expenses:						
Primary Government:						
General Government	85.3	78.3	--	--	85.3	78.3
Public Safety and Judiciary	141.5	139.1	--	--	141.5	139.1
Highway, Street, Sanitation, and Refuse	76.6	55.7	--	--	76.6	55.7
Human Services	89.3	84.0	--	--	89.3	84.0
Culture and Recreation	26.1	24.0	--	--	26.1	24.0
Education	138.1	129.4	--	--	138.1	129.4
Transportation	6.1	6.3	--	--	6.1	6.3
Interest and Fiscal Charges	35.7	37.1	--	--	35.7	37.1
Business-type Activities	--	--	247.1	214.1	247.1	214.1
Total Expenses	\$ 598.7	\$ 553.9	\$ 247.1	\$ 214.1	\$ 845.7	\$ 768.0
Changes in Net Assets	\$ (0.4)	\$ 36.0	\$ 11.7	\$ 19.0	\$ 11.3	\$ 55.0
Net Assets, Beginning of Year	278.6	242.6	340.0	320.9	618.6	563.5
Net Assets, End of Year	\$ 278.2	\$ 278.6	\$ 351.7	\$ 340.0	\$ 629.9	\$ 618.6



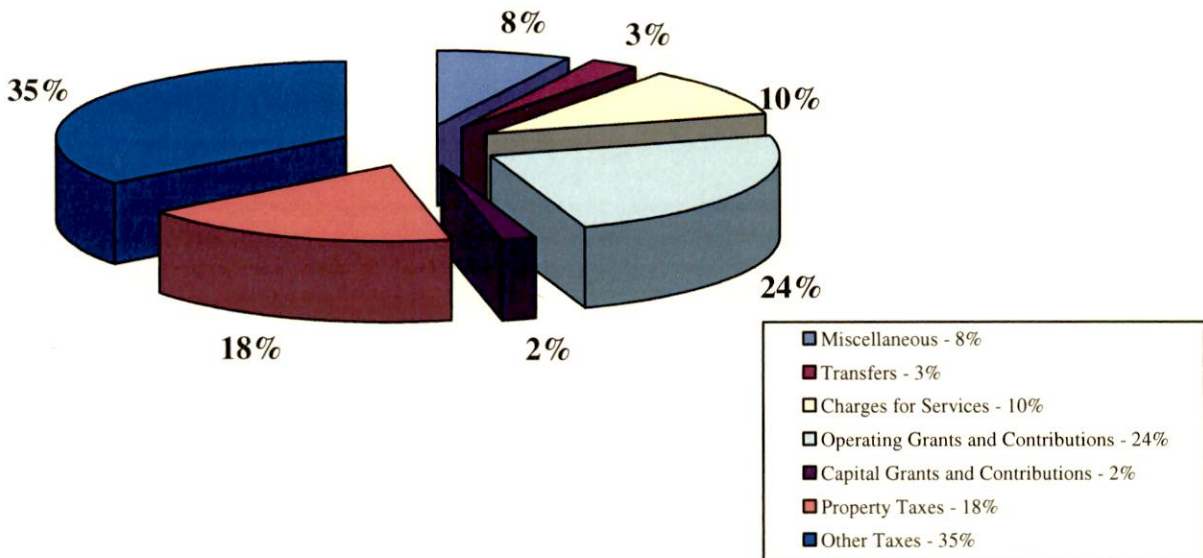
Governmental Activities

Governmental Activities decreased the City of Richmond's net assets by \$412,800, thereby accounting for -4% of the total growth in the net assets of the City of Richmond. Revenues from governmental activities including transfers totaled \$598,322,892; with property taxes (17%), other local taxes (36%), and operating grants (24%) being the major revenue sources contributing over \$462,000,000 of the City's revenues. Expenses for governmental activities were \$598,735,692, of which thirty-six percent was supported from program revenues and sixty-four percent from general revenues. Expenses for Public Safety (24%), Education (23%), Human Services (15%), General Government (14%), and Interest (6%) make up eighty-two percent of the total governmental expenses.

Expenses and Program Revenues – Governmental Activities (In Millions)



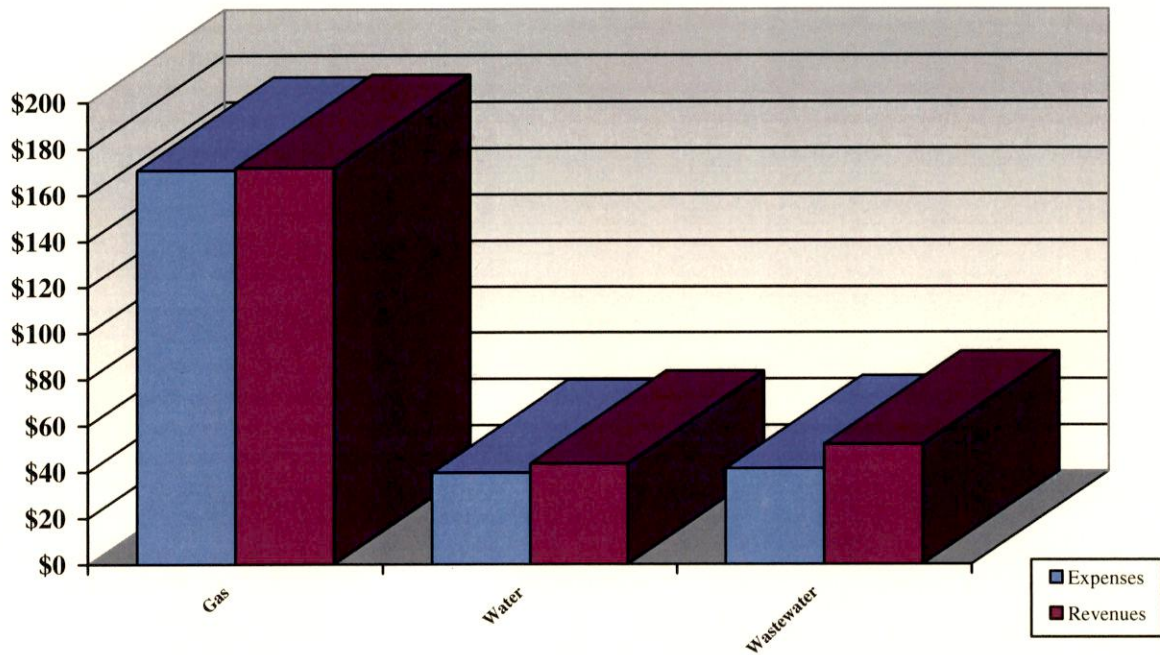
Revenues by Source – Governmental Activities



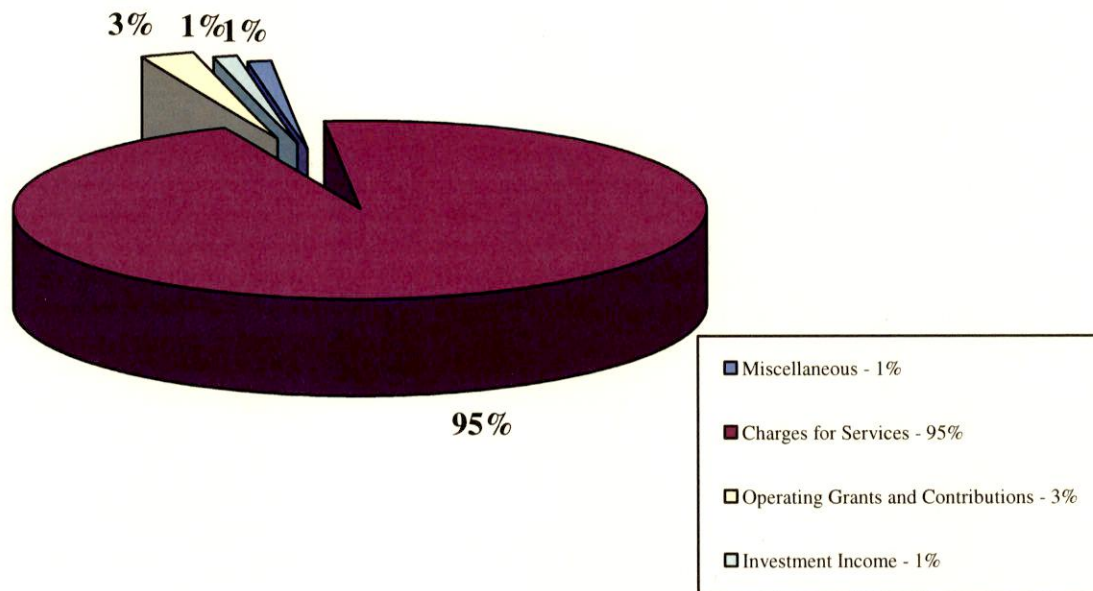
Business-type Activities

Business-type activities increased the City of Richmond’s net assets by \$11,705,927, accounting for 104% of the total growth in the government’s net assets. At June 30, 2003, total business-type net assets were \$351,674,396 of which \$49,509,466 was restricted for capital projects and \$21,266,273 was unrestricted. Revenues totaled \$275,993,474, of which ninety-five percent is from charges for services (program revenue). Total expenses were \$247,067,711 and transfers out were \$17,219,836.

Expenses and Program Revenues – Business-Type Activities (In Millions)



Revenues by Source – Business-Type Activities





Financial Analysis of the Fund Financial Statements

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City of Richmond's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Richmond's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Richmond's governmental funds reported combined ending fund balances of \$129,500,558, an increase of \$25,360,496 in comparison with the prior year. Forty-seven percent (\$61,188,358) constituted unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance (\$68,312,200) is reserved to indicate that it is not available for new spending because it has already been committed to activities such as to 1) liquidate contracts, purchase orders, and other obligations of the prior period (\$5,139,373), 2) to pay debt service (\$2,081,495), 3) reappropriation (\$3,016,857), or 4) for a variety of other restricted purposes (\$10,686,963).

The General Fund is the chief operating fund of the City and as of June 30, 2003, the unreserved fund balance in the general fund was \$40,552,729; the total fund balance was \$61,881,530. The general fund's liquidity can be measured by comparing both the unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents twelve percent of the total general fund expenditures, while total fund balance represents nineteen percent of that same amount. When transfers out are added to expenditures, the unreserved fund balance represents eight percent of expenditures plus transfers, while the total fund represents twelve percent of this amount. Funding for component units (\$133,409,006) represent the City's support of 1) Public Schools (\$128,823,925), 2) Richmond Ambulance Authority (\$3,005,000) and 3) Richmond Behavioral Health Authority (\$1,580,081). Transfers out to other funds (\$39,946,466) include General Fund support of 1) Debt Service (\$33,881,575) and 2) Grants (\$6,064,891).

The City's General Fund balance increased by \$2,638,580 during the current fiscal year. The City's revenues were below overall revenue estimates including other financing sources by \$2,605,565 (See Exhibit H-1). Some of the key factors were:

- City taxes exceeded revenue estimates by \$1,513,904. This is primarily the result of increases in real estate taxes (\$7,252,976) and delinquent tax payments (\$4,320,648), which are offset by decreases in local sales taxes (\$3,564,342) and bank stock taxes (\$1,831,707).
- Intergovernmental revenues were below estimates by \$2,799,547. This is primarily the result of a reduction in revenue reimbursements from the state to Social Services (\$1,297,538) and the Sheriff's department (\$1,253,047).
- Revenues from other financing sources were below estimates by \$3,650,443. This is primarily a result of timing differences in receipt of proceeds from notes payable/capital leases (\$217,939) and operating transfers in (\$3,432,504).

The City's General Fund expenditures and other financing uses were under the amended budgeted appropriations by \$10,173,199 (See Exhibit H-1). Some of the key factors were:

- General government expenditures were lower than planned by \$3,782,866. This is primarily the result of budgets in excess of expenditures or deferral in expenditures for the Department of Information Technology (\$1,390,961), the Department of Finance (\$661,621) and the Department of Customer Service and Organizational Development (\$551,831).

- Public Safety and Judiciary expenditures were lower than planned by \$2,737,102. This is primarily due to a budget in excess of expenditures for the Department of Police (\$2,146,491).
- Human Services expenditures were lower than planned by \$7,825,046. This is primarily due to a budget in excess of expenditures or deferral in expenditures for the Department of Social Services as result of facility vacancy savings and lower than projected service demands.
- Non-Departmental expenditures were lower than planned by \$4,591,221. This is primarily due to a budget in excess of expenditures for health care costs (\$2,430,654). There was a contingency plan for healthcare coverage that was not needed for fiscal year 2003. Healthcare costs were sufficiently covered in all departments/agencies. In addition, payments to other government agencies were lower than planned by (\$1,850,228).

The Debt Service Fund has a total fund balance of \$1,491,962, of which \$1,480,501 is reserved for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was minimal (\$11,461). Interest expenditures, however, also decreased slightly during the current period (\$80,230) as the result of current and advanced refundings that occurred during the year.

Proprietary Funds

In 2002-03, net income showed a decrease of \$6.3 million or 28.7% compared with 2001-02. Combined operating revenues increased \$3.9 million or 2.7% (net of gas purchases). Total operating expenses saw a decrease of \$5.1 million or 4.3% (net of gas costs). A decrease in non-operating revenue of \$7.5 million or 38.9% and an increase in non-operating expense of \$7.8 million or 33.0% more than offset the gains made in revenue increases and operating expense decreases. The cost of purchased gas is recovered dollar for dollar through the purchased gas adjustment (PGA); therefore, changes in the cost of gas from year to year do not impact net income.

Operating and maintenance (O&M) expenses for fiscal year 2003 decreased in a variety of categories, primarily led by power usage, with a drop of \$4.8 million or 10.1%, and a decrease in uncollectible expense of \$2.6 million or 19.9%. Depreciation expense increased \$0.8 million or 3.4% over 2001-02 as it includes the first full year of depreciation on \$29.4 million of net additions to plant placed in service during 2001-02 and a partial year's depreciation on \$30.5 million of net additions to plant placed in service during 2002-03. Combined Payment in Lieu of Taxes and Taxes and Licenses increased \$0.7 million or 3.7% over 2001-02.

Non-operating revenues decreased in 2002-03 due almost entirely to an \$8.2 million or 60.0% decrease in federal and state grants received for the wastewater utility. Non-operating expenses increased in 2002-03, primarily due to an increase in interest expense of \$6.5 million or 29.8%. The refunding of the Series 1993A and 1993B bond issues contributed an additional \$1.3 million to the overall increase.

Ongoing cost containment combined with the efficiencies gained through the implementation of new technologies enables the DPU to maintain its strong financial base. This allows the DPU to continue to address significant infrastructure upgrades and generate desired financial results with moderate rate increases in the future.

General Fund Budgetary Highlights

Differences between original and the final amended budget are the result of an increase of \$14,832,824 in additional appropriations. Of this increase, \$5,627,213 was funded from fiscal year 2002 appropriations for obligations incurred in fiscal year 2002 with final payments in fiscal year 2003. An additional \$3,903,850 from fiscal year 2002 excess funds was appropriated for various programs in fiscal year 2003. \$4,241,057 in state revenue, \$600,000 in debt proceeds, and \$286,759 in additional delinquent real estate and personal property revenue also funded increases. The remaining \$173,945 was funded by miscellaneous, unexpected revenue.



The changes to the City agencies appropriations are indicated below.

General Government	\$ 5,556,361
Public Safety and Judiciary	4,450,176
Highways, Streets, Sanitation and Refuse	1,649,650
Human Services	6,416,945
Culture and Recreation	927,926
Non-Departmental	(4,168,234)
	<u>\$ 14,832,824</u>

Table 3
City of Richmond's Budgetary Comparison
General Fund
For the Fiscal Year Ended June 30, 2003
(In Millions)

	Original Budget		Amended Budget		Actual		Positive (Negative) Variance	
	2003	2002	2003	2002	2003	2002	2003	2002
Revenues:								
Property Taxes	\$ 213.4	\$ 211.2	\$ 213.4	\$ 211.5	\$ 216.2	\$ 211.0	\$ 2.8	\$ (0.5)
Other Taxes	90.8	87.3	91.1	87.2	90.1	88.4	(1.0)	1.2
Intergovernmental	106.0	106.6	110.2	109.4	107.4	106.3	(2.8)	(3.1)
Investment Income	0.2	0.2	0.2	0.2	0.2	0.2	-	-
Miscellaneous	79.8	85.0	80.0	78.5	82.1	81.3	2.1	2.8
Other Financing Sources	3.0	-	8.2	5.2	4.5	6.0	(3.7)	0.8
Total Revenues	<u>\$ 493.2</u>	<u>\$ 490.3</u>	<u>\$ 503.1</u>	<u>\$ 492.0</u>	<u>\$ 500.5</u>	<u>\$ 493.2</u>	<u>\$ (2.6)</u>	<u>\$ 1.2</u>
Expenses:								
General Government	46.4	46.3	51.9	50.1	48.1	45.5	3.8	4.6
Public Safety and Judiciary	122.4	117.4	126.8	121.9	124.1	119.5	2.7	2.4
Highway, Street, Sanitation, and Refuse	43.1	43.1	44.8	45.1	45.5	43.9	(0.7)	1.2
Human Services	63.9	64.9	70.3	67.5	62.5	58.7	7.8	8.8
Culture and Recreation	20.0	19.6	20.9	21.3	20.7	20.8	0.2	0.5
Non-Departmental	32.2	39.7	28.1	35.2	23.5	26.4	4.6	8.8
Other Financing Uses	165.2	159.3	165.2	159.4	173.4	170.4	(8.2)	(11.0)
Total Expenses	<u>\$ 493.2</u>	<u>\$ 490.3</u>	<u>\$ 508.0</u>	<u>\$ 500.5</u>	<u>\$ 497.8</u>	<u>\$ 485.2</u>	<u>\$ 10.2</u>	<u>\$ 15.3</u>

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2003, the City's investment in capital assets for its governmental and business type activities amounted to \$1.3 billion (net of accumulated depreciation). Included in the capital assets investment are land, buildings and system improvements, machinery and equipment, works of art/historical treasures, improvements other than buildings, park facilities, roads, highways, and bridges. The total increase in the City's investment in capital assets, net of depreciation, for the current fiscal year was \$30.5 million (less than a 1% decrease for governmental activities and a 4.4% increase for business-type activities).

Major capital asset expenditures during fiscal year 2003 included the following:

- Renovation and relocation to an old downtown building to accommodate the new Public Safety headquarters, with construction in progress at June 30, 2003 of \$16.2 million.



- Renovation of the Main Street Multi-Modal Center in the downtown area, with construction in progress at June 30, 2003 of \$13.3 million.
- Renovation of City Hall with construction in progress at June 30, 2003 of \$2.3 million.
- The City's contribution to a city parking facility of \$3.0 million.
- A variety of street, bridge and storm drainage projects, including new construction as well as resurfacing, widening and expanding existing infrastructure. Construction in progress at June 30, 2003 amounted to \$12.1 million.
- A variety of renovation projects for the Richmond Public Schools, with construction in progress at June 30, 2003 of \$3.8 million.
- Various infrastructure and system improvements primarily for the Gas, Water, and Wastewater utilities at a cost of \$23.1 million, \$20.5 million and \$63.7 million, respectively.

Additional information on the City's capital assets can be found in Note 7 on pages 63-65 of this report.

Table 4
City of Richmond's Capital Assets
For the Fiscal Year Ended June 30, 2003
(In Millions)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Capital Assets Not Being Depreciated:						
Land and Land Improvements	\$ 21.0	\$ 21.0	\$ 12.8	\$ 12.8	\$ 33.8	\$ 33.8
Construction In Progress	55.7	61.4	112.8	90.3	168.5	151.7
Works of Art / Historical Treasures	0.9	--	--	--	0.9	--
Total Assets Not Being Depreciated	<u>77.6</u>	<u>82.4</u>	<u>125.6</u>	<u>103.1</u>	<u>203.2</u>	<u>185.5</u>
Capital Assets Being Depreciated:						
Infrastructure	653.7	651.9	--	--	653.7	651.9
Buildings and Structures	325.9	304.8	934.5	901.5	1,260.4	1,206.3
Equipment	87.5	88.1	4.2	4.2	91.7	92.3
Improvements other than Buildings	4.0	--	--	--	4.0	--
Total Other Assets	<u>1,071.1</u>	<u>1,044.8</u>	<u>938.7</u>	<u>905.7</u>	<u>2,009.8</u>	<u>1,950.5</u>
Less Accumulated Depreciation For:						
Infrastructure	349.3	338.0	--	--	349.3	338.0
Buildings and Structures	178.7	170.7	290.2	267.7	469.0	438.4
Equipment	45.6	41.1	0.5	0.3	46.1	41.4
Total Accumulated Depreciation	<u>573.7</u>	<u>549.8</u>	<u>290.7</u>	<u>268.0</u>	<u>864.4</u>	<u>817.8</u>
Total Capital Assets Being Depreciated, Net	<u>497.4</u>	<u>495.0</u>	<u>648.0</u>	<u>637.7</u>	<u>1,145.4</u>	<u>1,132.7</u>
Total Capital Assets, Net	<u>\$ 575.0</u>	<u>\$ 577.4</u>	<u>\$ 773.6</u>	<u>\$ 740.8</u>	<u>\$ 1,348.6</u>	<u>\$ 1,318.2</u>



Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding, exclusive of compensated absences, of \$963,948,842 comprised mainly of General Obligation Bonds (\$659,160,011), Public Utility Revenue Bonds (\$260,504,754), Notes Payable (\$12,055,000) and Certificates of Participation (\$18,840,000).

Table 5
City of Richmond's Long-Term Debt Obligations
For the Fiscal Year Ended June 30, 2003

Primary Government - Governmental Activities

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003	Due Within One Year
General Obligation Bonds/BANs	\$ 350,618,669	\$ 88,256,580	\$ 62,182,044	\$ 376,693,205	\$ 24,911,061
Premium on Debt Issued	2,831,479	7,460,824	656,454	9,635,849	656,454
Accreted Value - Capital Appreciation					
General Obligation Bonds	81,208	11,447	-	92,655	-
General Obligation Serial Equipment					
Notes Payable	12,850,000	-	7,560,000	5,290,000	3,470,000
Certificates of Participation	18,840,000	-	-	18,840,000	615,000
Literary Loans	133,333	-	133,333	-	-
Virginia Public Service Authority Bonds	3,703,159	-	219,214	3,483,945	220,424
Section 108 Notes Payable	6,475,000	800,000	510,000	6,765,000	585,000
Compensated Absences	13,671,040	885,878	813,168	13,743,750	9,045,753
Capital Leases	280,260	716,298	93,420	903,138	243,708
Total Long-Term Debt Obligations	<u>\$ 409,484,148</u>	<u>\$ 98,131,027</u>	<u>\$ 72,167,633</u>	<u>\$ 435,447,542</u>	<u>\$ 39,747,400</u>

Primary Government - Business-Type Activities

General Obligation Bonds:					
Gas	\$ 123,148,915	\$ 28,109,764	\$ 31,288,696	\$ 119,969,983	\$ 4,590,410
Water	95,707,449	16,972,457	19,537,334	93,142,572	3,597,754
Wastewater	51,683,695	-	942,398	50,741,297	2,590,273
Other Nonmajor Enterprise Funds	13,576,245	3,697,230	2,144,498	15,128,977	1,112,730
Accreted Value - Capital Appreciation:					
Gas	569,235	80,240	-	649,475	-
Water	910,698	128,372	-	1,039,070	-
Wastewater	372,401	52,494	-	424,895	-
Revenue Bonds:					
Gas	117,370,477	-	796,224	116,574,253	781,376
Water	36,406,832	-	66,495	36,340,337	65,253
Wastewater	110,284,543	-	2,694,378	107,590,164	2,723,083
Capital Leases:					
Other Nonmajor Enterprise Funds	700,000	-	55,973	644,027	59,222
Total Long-Term Debt Obligations	<u>\$ 550,730,490</u>	<u>\$ 49,040,557</u>	<u>\$ 57,525,996</u>	<u>\$ 542,245,050</u>	<u>\$ 15,520,101</u>

On October 11, 2002, Moody's Investors Service upgraded its rating of the City of Richmond's General Obligation Bond debt from A1 to Aa3. At the same time, Standard and Poors and Fitch Ratings re-affirmed their AA bond debt ratings of City debt. The Moody's credit write-up cited the City's economic development initiatives, the economic stability provided by the presence of the state capital and universities, improved financial operations and a strengthened debt position, as the primary reasons for their bond debt upgrade.

The City's Governmental and Business-type General Obligation Bonds are secured by the full faith and credit of the City and are payable from taxes levied on all property located within the City. General Obligation Serial Equipment Notes payable and obligations under capital leases are payable from related General Governmental and Internal Service Fund revenues, respectively. The full faith and credit of the City pledge the payment of notes payable.



The City has no overlapping debt with other jurisdictions. During the current fiscal year the City issued the following:

- \$50.5 million of General Obligation Public Improvement and Refunding Bonds, Series 2002A, sold at a premium of \$3.5 million, to fund capital improvement projects and equipment purchases.
- \$96.2 million of General Obligation Public Improvement Refunding Bonds, Series 2002B, sold at a premium of \$7.4 million to current and advance refund \$97.4 million of outstanding General Obligation Bond debt of the City. The refinancing produced overall debt service savings to the City of \$12.6 million over the remaining life of the bonds.
- \$800,000 was borrowed under the U.S. Housing and Urban Development (HUD) Section 108 Loan Guarantee Program. Proceeds of this advance were used to reimburse the Richmond Redevelopment and Housing Authority for qualified Section 108 expenses and housing investment activities in the City.

State statutes limit the amount of General obligation debt a governmental entity may issue to 10% of its total assessed valuation. At June 30, 2003, the City had a legal debt limit of \$1,196,677,008 and a remaining legal debt margin for issuing debt of \$507,098,920.

At the time of the debt offering, Moody's Investors Services upgraded the City of Richmond's General Obligation bond debt rating from A1 to Aa3.

Additional detailed information on the City's long-term debt can be found in Note 8 beginning on page 65 of this report.

Economic Factors and Next Year's Budget and Rates

The unemployment rate for Richmond for the fiscal year ended June 30, 2003 was 6.2%, compared to an annual rate of 5.0% for fiscal year 2002.

During the fiscal year ended June 30, 2003, the City was negatively impacted by a slowing of the regional economy and discretionary spending in general, which was offset somewhat by increases in real estate revenue resulting from a strong real estate market and citywide reassessment efforts. Real estate tax collections were approximately \$6.9 million more than collections for fiscal year 2002. Meanwhile, major revenue shortfalls relative to budget were recognized in personal property taxes (approximately \$2.6 million), machinery and tools taxes (\$1.9 million), and sales and use taxes (\$3.6 million).

Significant changes in the Commonwealth of Virginia's economic condition have resulted in revenue shortfalls for the state that have matriculated to the City. While the gross amount of state funding has not decreased due to a dramatic increase in pass-through benefits funding given to City residents, state revenue decreased in several programmatic areas during the fiscal year ended June 30, 2003. Specifically, the City saw major reductions in House Bill 599 public safety funds, juvenile detention and community funds, and compensation board reimbursements, at the same time the cost of providing mandated services has increased.

Rates for all utilities increased during the 2002-03 fiscal year. The water and wastewater rates increased 5.0% and 3.0% respectively while gas utility rates increased by 2.0%. The purchased gas component of the gas rate remained constant. For the upcoming fiscal year ending June 30, 2004, gas rates will increase 13.5% with water and wastewater rates increasing 8.0% and 5.0% respectively. Rates are designed to cover the costs of service and a reasonable rate of return across an array of residential, commercial, industrial, and governmental customer classes for each utility. Significant capital projects associated with these rates include implementation of an automated meter reading system for gas and water customers, completion of a \$55 million combined sewer overflow project, and a long term project to replace cast iron gas mains.



Request for Information

This financial report is designed to provide a general overview of the City of Richmond's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report for additional financial information should be addressed to the City of Richmond, Director of Finance, 900 East Broad Street, Richmond, Virginia 23219.



Basic Financial Statements



CITY OF RICHMOND, VIRGINIA
STATEMENT OF NET ASSETS
June 30, 2003

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and Cash Equivalents (Note 3)	\$ 78,719,937	\$ 80,792,335	\$ 159,512,272	\$ 19,007,867
Receivables (Net of Allowance for Doubtful Accounts):				
Taxes and Licenses	45,537,175	--	45,537,175	--
Accounts	19,065,822	35,848,052	54,913,874	34,627,326
Estimated Unbilled Service Revenues	--	1,166,893	1,166,893	--
Internal Balances	1,852,791	(1,852,791)	--	--
Due From Primary Government	--	--	--	39,977,148
Due From Component Units	7,281,647	--	7,281,647	--
Due From Other Governments	36,857,885	--	36,857,885	10,856,353
Inventories of Materials and Supplies	486,716	16,531,572	17,018,288	388,266
Prepaid Assets	650,958	4,692,300	5,343,258	--
Other Assets	333,566	--	333,566	497,665
Restricted Assets - Cash and Investments (Note 3)	46,983,399	49,509,466	96,492,865	44,992,925
Advances To Component Units	262,800	--	262,800	--
Deferred Expenses	--	37,342,729	37,342,729	--
Notes Receivable (Note 6)	5,043,100	--	5,043,100	--
Mortgage Loans Receivable and Other Non-Current Assets	--	--	--	52,081,544
Due From Component Units	19,576,836	--	19,576,836	--
Capital Assets, net (Note 7):				
Land and Works of Art/Historical Treasures	21,909,621	12,815,550	34,725,171	35,499,949
Infrastructure, Net	304,389,148	--	304,389,148	272,597
Buildings, Structures, and Equipment, Net	193,051,801	647,979,464	841,031,265	147,089,115
Construction in Progress	55,697,766	112,839,227	168,536,993	32,040,619
Total Capital Assets, net	<u>575,048,336</u>	<u>773,634,241</u>	<u>1,348,682,577</u>	<u>214,902,280</u>
Total Assets	<u>837,700,968</u>	<u>997,664,797</u>	<u>1,835,365,765</u>	<u>417,331,374</u>



EXHIBIT A

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Current Liabilities:				
Accounts Payable	13,594,445	18,852,581	32,447,026	10,686,466
Accrued Liabilities	7,084,077	7,274,589	14,358,666	25,729,113
Due To Primary Government	--	--	--	7,281,647
Due To Other Governments	3,173,329	--	3,173,329	6,189,848
Due To Various Agents	784,319	--	784,319	--
Due To Component Units	39,977,148	--	39,977,148	--
Accrued Interest on Bonds and Notes Payable	11,778,919	12,488,729	24,267,648	--
Advances from Primary Government	--	--	--	262,800
Non-Current Liabilities (Notes 8 and 10):				
Liabilities to be Paid From Restricted Assets:				
Customers' Deposits	--	2,624,175	2,624,175	350,177
Accreted Interest on Bonds Payable	92,655	2,113,440	2,206,095	--
Due Within One Year:				
General Obligation Bonds, Certificates of Participation, Serial Notes Payable, and Capital Leases	30,701,647	11,950,389	42,652,036	5,496,750
Revenue Bonds Payable	--	3,569,712	3,569,712	--
Compensated Absences	9,045,753	1,598,886	10,644,639	2,014,410
Other Liabilities and Claims Payable	5,582,181	--	5,582,181	4,211,471
Due In More Than One Year:				
General Obligation Bonds, Certificates of Participation, Serial Notes Payable, and Capital Leases	390,909,491	267,676,467	658,585,958	140,976,514
Discount on Revenue Bonds Payable	--	--	--	(1,881,134)
Due To Primary Government	--	--	--	19,576,836
Revenue Bonds Payable	--	256,935,042	256,935,042	--
Deferred Revenue	27,954,318	60,496,937	88,451,255	3,262,291
Compensated Absences	4,697,997	409,454	5,107,451	13,187,051
Other Liabilities and Claims Payable	14,099,879	--	14,099,879	699,398
Early Retirement Plan Net Pension Obligation	--	--	--	2,697,562
Total Liabilities	559,476,158	645,990,401	1,205,466,559	240,741,200
Net Assets				
Invested In Capital Assets, Net of Related Debt	199,865,572	280,898,657	480,764,229	109,677,728
Restricted for:				
Capital Projects	45,040,528	49,509,466	94,549,994	8,963,113
Debt Service	1,480,501	--	1,480,501	--
Permanent Funds:				
Expendable	425,372	--	425,372	521,195
Nonexpendable	36,998	--	36,998	203,472
Unrestricted	31,375,839	21,266,273	52,642,112	57,224,666
Total Net Assets	\$ 278,224,810	\$ 351,674,396	\$ 629,899,206	\$ 176,590,174

The accompanying notes are an integral part of the basic financial statements.



CITY OF RICHMOND, VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2003

Functions/Program Activities	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental:				
General Government	\$ 85,220,510	\$ 40,875,918	\$ 16,648,997	\$ --
Public Safety and Judiciary	141,560,046	8,324,242	26,274,033	--
Highways, Streets, Sanitation and Refuse	76,549,273	10,226,487	18,216,124	10,610,426
Human Services	89,294,156	2,164,691	81,373,701	--
Culture and Recreation	26,127,447	663,061	1,197,492	--
Education	138,209,993	--	--	--
Transportation	6,114,308	--	--	--
Interest and Fiscal Charges	35,659,959	--	--	--
Total Governmental Activities	<u>598,735,692</u>	<u>62,254,399</u>	<u>143,710,347</u>	<u>10,610,426</u>
Business-type:				
Gas	167,936,098	173,251,482	245,035	--
Water	34,294,537	42,239,247	1,271,803	--
Wastewater	37,587,401	44,784,105	5,450,413	--
Coliseum	4,066,451	2,337,854	81,338	--
Landmark Theater	1,580,618	318,101	--	--
Cemeteries	1,602,606	1,386,577	--	--
Total Business-type Activities	<u>247,067,711</u>	<u>264,317,365</u>	<u>7,048,589</u>	<u>--</u>
Total Primary Government	<u>\$ 845,803,403</u>	<u>\$ 326,571,764</u>	<u>\$ 150,758,936</u>	<u>\$ 10,610,426</u>
Component Units:				
School Board	264,920,152	3,794,808	73,740,974	8,507,349
Richmond Ambulance Authority	10,696,501	9,328,485	--	--
Hospital Authority of Richmond	8,320,521	8,209,284	--	--
Port of Richmond Commission	1,589,703	967,975	--	29,250
Richmond Behavioral Health Authority	26,136,508	10,488,324	13,095,354	--
Richmond Redevelopment and Housing Authority	68,228,790	22,428,703	36,562,678	11,757,796
Broad Street Community Development Authority	529,021	95,833	--	--
Total Component Units	<u>\$ 380,421,196</u>	<u>\$ 55,313,412</u>	<u>\$ 123,399,006</u>	<u>\$ 20,294,395</u>
General Revenues:				
City Taxes				
Real Estate				
Sales-1% Local				
Personal Property				
Machinery and Tools				
General Utility Sales				
Bank Stock				
Prepared Food				
Admissions				
Delinquent Tax Payments-All Classes				
Private Utility Poles and Conduits				
Penalties and Interest				
Titling Tax-Mobile Home				
State Recordation				
Property Rental 1%				
Vehicle Rental Tax				
ABC Board Receipts				
Rolling Stock Tax				
Total City Taxes				
Intergovernmental Revenue Not Restricted to Specific Programs				
Payment From Primary Government				
Investment Earnings				
Miscellaneous				
Special Item - Gain on Sale of Land				
Transfers				
Total General Revenues, Special Item and Transfers				
Changes in Net Assets				
Net Assets - Beginning of Year				
Net Assets - End of Year				

The accompanying notes are an integral part of the basic financial statements.



EXHIBIT B

Net (Expenses) Revenues and Changes in Net Assets			
Governmental	Business-type		
Activities	Activities	Totals	Component Units
\$ (27,695,595)	\$ --	\$ (27,695,595)	\$ --
(106,961,771)	--	(106,961,771)	--
(37,496,236)	--	(37,496,236)	--
(5,755,764)	--	(5,755,764)	--
(24,266,894)	--	(24,266,894)	--
(138,209,993)	--	(138,209,993)	--
(6,114,308)	--	(6,114,308)	--
(35,659,959)	--	(35,659,959)	--
<u>(382,160,520)</u>	<u>--</u>	<u>(382,160,520)</u>	<u>--</u>
--	5,560,418	5,560,418	--
--	9,216,513	9,216,513	--
--	12,647,117	12,647,117	--
--	(1,647,259)	(1,647,259)	--
--	(1,262,517)	(1,262,517)	--
--	(216,029)	(216,029)	--
--	<u>24,298,243</u>	<u>24,298,243</u>	<u>--</u>
<u>\$ (382,160,520)</u>	<u>\$ 24,298,243</u>	<u>\$ (357,862,277)</u>	<u>\$ --</u>
--	--	--	(178,877,021)
--	--	--	(1,368,016)
--	--	--	(111,237)
--	--	--	(592,478)
--	--	--	(2,552,830)
--	--	--	2,520,387
--	--	--	<u>(433,188)</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (181,414,383)</u>
165,361,803	--	165,361,803	--
20,979,945	--	20,979,945	--
43,200,390	--	43,200,390	--
16,408,110	--	16,408,110	--
33,760,985	--	33,760,985	--
2,976,847	--	2,976,847	--
13,722,642	--	13,722,642	--
1,465,338	--	1,465,338	--
13,035,895	--	13,035,895	--
93,137	--	93,137	--
5,203,306	--	5,203,306	--
10,402	--	10,402	--
675,810	--	675,810	--
236,383	--	236,383	--
955,513	--	955,513	--
400,770	--	400,770	--
33,591	--	33,591	--
<u>318,520,867</u>	<u>--</u>	<u>318,520,867</u>	<u>--</u>
112,628	--	112,628	58,531,522
--	--	--	136,952,770
669,795	1,855,899	2,525,694	1,152,461
45,050,330	2,771,621	47,821,951	1,166,798
174,264	--	174,264	--
17,219,836	(17,219,836)	--	--
<u>381,747,720</u>	<u>(12,592,316)</u>	<u>369,155,404</u>	<u>197,803,551</u>
<u>(412,800)</u>	<u>11,705,927</u>	<u>11,293,127</u>	<u>16,389,168</u>
278,637,610	339,968,469	618,606,079	160,201,006
<u>\$ 278,224,810</u>	<u>\$ 351,674,396</u>	<u>\$ 629,899,206</u>	<u>\$ 176,590,174</u>



EXHIBIT C

CITY OF RICHMOND, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2003

	General	Debt Service	Other Governmental Funds	Total
Assets				
Cash and Cash Equivalents (Note 3)	\$ 60,905,925	\$ --	\$ 7,455,298	\$ 68,361,223
Receivables (Net of Allowance for Doubtful Accounts):				
Taxes and Licenses	45,537,175	--	--	45,537,175
Accounts	12,582,409	296,212	3,011,667	15,890,288
Due From Other Funds (Note 4)	5,410,062	--	--	5,410,062
Due From Component Units	26,858,483	--	--	26,858,483
Due From Other Governments (Note 5)	18,544,704	--	18,296,220	36,840,924
Other Assets	--	222,909	--	222,909
Restricted Assets - Cash and Investments (Note 3)	--	1,480,501	45,502,898	46,983,399
Advances To Other Funds	150	--	--	150
Advances To Component Units	262,800	--	--	262,800
Notes Receivable (Note 6)	5,043,100	--	--	5,043,100
Total Assets	<u>\$ 175,144,808</u>	<u>\$ 1,999,622</u>	<u>\$ 74,266,083</u>	<u>\$ 251,410,513</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 8,033,958	\$ --	\$ 4,512,960	\$ 12,546,918
Accrued Liabilities	4,696,719	--	419,301	5,116,020
Due To Other Funds (Note 4)	--	507,660	2,467,773	2,975,433
Due To Other Governments	3,142,727	--	30,602	3,173,329
Due To Various Agents	784,319	--	--	784,319
Due To Component Units	39,977,148	--	--	39,977,148
Deferred Revenue	56,628,407	--	708,381	57,336,788
Total Liabilities	<u>113,263,278</u>	<u>507,660</u>	<u>8,139,017</u>	<u>121,909,955</u>
Fund Balances:				
Fund Balance - Reserved (Note 9):				
General Fund	21,328,801	--	--	21,328,801
Debt Service Fund	--	1,480,501	--	1,480,501
NonMajor - Capital Projects Funds	--	--	45,040,528	45,040,528
NonMajor - Permanent Funds	--	--	462,370	462,370
Fund Balance - Unreserved:				
Designated for Specific Projects (Note 9):				
General Fund	1,500,000	--	--	1,500,000
NonMajor Special Revenue Funds	--	--	20,589,668	20,589,668
Undesignated:				
General Fund	39,052,729	--	--	39,052,729
Debt Service Fund	--	11,461	--	11,461
NonMajor Capital Projects Funds	--	--	34,500	34,500
Total Fund Balances	<u>61,881,530</u>	<u>1,491,962</u>	<u>66,127,066</u>	<u>129,500,558</u>
Total Liabilities and Fund Balances	<u>\$ 175,144,808</u>	<u>\$ 1,999,622</u>	<u>\$ 74,266,083</u>	<u>\$ 251,410,513</u>

The accompanying notes are an integral part of the basic financial statements.

(Continued)



EXHIBIT C, Concluded

CITY OF RICHMOND, VIRGINIA
RECONCILIATION OF THE STATEMENT OF NET ASSETS TO THE BALANCE SHEET
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2003

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances for governmental funds		\$	129,500,558
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:			
Land	\$	21,811,621	
Infrastructure, net		304,389,148	
Buildings, structures, and equipment, net		148,708,981	
Construction in progress		<u>53,330,434</u>	528,240,184
Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenue in the funds.			29,769,925
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds. Those liabilities consist of:			
Accrued interest		(10,403,313)	
Governmental bonds payable		(400,939,651)	
Compensated absences		<u>(13,308,377)</u>	(424,651,341)
Internal service funds are used by the City to charge costs of certain activities to individual funds. The net assets of internal service funds are reported as components of governmental activities.			<u>15,365,484</u>
Net Assets of governmental activities		\$	<u>278,224,810</u>

See note 1 (b) for discussion of internal service fund allocations to governmental and business-type activities.



EXHIBIT D

CITY OF RICHMOND, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2003

	General	Debt Service	Other Governmental Funds	Total
Revenues				
City Taxes				
Real Estate	\$ 159,003,009	\$ --	\$ --	\$ 159,003,009
Sales-1% Local	20,123,954	--	--	20,123,954
Personal Property	41,488,407	--	--	41,488,407
Machinery and Tools	15,674,402	--	--	15,674,402
General Utility Sales	32,415,856	--	--	32,415,856
Bank Stock	2,854,562	--	--	2,854,562
Prepared Food	13,111,219	--	--	13,111,219
Admission	1,465,338	--	--	1,465,338
Delinquent Tax Payments-All Classes	12,546,757	--	--	12,546,757
Private Utility Poles and Conduits	93,137	--	--	93,137
Penalties and Interest	5,203,306	--	--	5,203,306
Titling Tax-Mobile Home	10,402	--	--	10,402
State Recordation	675,810	--	--	675,810
Property Rental 1%	236,383	--	--	236,383
Vehicle Rental Tax	955,513	--	--	955,513
ABC Board Receipts	400,770	--	--	400,770
Rolling Stock Tax	33,591	--	--	33,591
Total City Taxes	<u>306,292,416</u>	<u>--</u>	<u>--</u>	<u>306,292,416</u>
Licenses, Permits and Privilege Fees	33,259,137	--	--	33,259,137
Intergovernmental	107,442,810	112,558	46,877,964	154,433,332
Service Charges	17,924,528	--	--	17,924,528
Fines and Forfeitures	7,774,458	--	--	7,774,458
Payment in Lieu of Taxes	17,518,465	--	--	17,518,465
Investment Income	--	--	669,795	669,795
Miscellaneous	5,717,780	37,616,855	13,876,952	57,211,587
Total Revenues	<u>495,929,594</u>	<u>37,729,413</u>	<u>61,424,711</u>	<u>595,083,718</u>
Expenditures				
Current:				
General Government	48,127,130	--	17,986,219	66,113,349
Public Safety and Judiciary	127,096,129	--	12,222,866	139,318,995
Highways, Streets, Sanitation and Refuse	45,549,587	--	455,254	46,004,841
Human Services	64,105,652	--	23,531,585	87,637,237
Culture and Recreation	20,715,896	--	1,385,414	22,101,310
Education	128,823,925	--	--	128,823,925
Non-Departmental	23,461,527	--	--	23,461,527
Capital Outlay	--	--	35,347,332	35,347,332
Debt Service:				
Principal Retirement	--	37,206,080	--	37,206,080
Interest Payments	--	34,974,162	--	34,974,162
Issuance Costs	--	382,904	--	382,904
Total Expenditures	<u>457,879,846</u>	<u>72,563,146</u>	<u>90,928,670</u>	<u>621,371,662</u>
Excess of Revenues Over (Under) Expenditures	<u>38,049,748</u>	<u>(34,833,733)</u>	<u>(29,503,959)</u>	<u>(26,287,944)</u>
Other Financing Sources (Uses)				
Proceeds from Refunding Bonds	--	--	36,630,116	36,630,116
Payment to Escrow Agent	--	--	(36,630,116)	(36,630,116)
Proceeds from Issuance of Bonds	2,716,298	--	47,381,695	50,097,993
Transfers In-Other Funds	1,819,000	34,845,194	10,785,617	47,449,811
Transfers Out-Other Funds	(39,946,466)	--	(6,127,162)	(46,073,628)
Total Other Financing Sources (Uses), Net	<u>(35,411,168)</u>	<u>34,845,194</u>	<u>52,040,150</u>	<u>51,474,176</u>
Special Item				
Gain on Sale of Land	--	--	174,264	174,264
Net Change in Fund Balances	2,638,580	11,461	22,710,455	25,360,496
Fund Balances - July 1, 2002	59,242,950	1,480,501	43,416,611	104,140,062
Fund Balances - June 30, 2003	<u>\$ 61,881,530</u>	<u>\$ 1,491,962</u>	<u>\$ 66,127,066</u>	<u>\$ 129,500,558</u>

The accompanying notes are an integral part of the basic financial statements.

(Continued)



EXHIBIT D, Concluded

CITY OF RICHMOND, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN THE FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2003

Amounts reported for governmental activities in the statement of net assets are different because:

Net change in fund balances - total governmental funds	\$	25,360,496
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.</p>		
Purchases of assets	4,223,020	
Depreciation expense	(21,874,306)	(17,651,286)
<p>The issuance of long term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Proceeds from the sale of bonds, notes and capital leases	(50,097,993)	
Principal payments of bonds, net	37,206,080	
Other	382,904	(12,509,009)
<p>Some revenues in the statement of activities do not provide the use of current financial resources and therefore, are not reported as revenues in the governmental funds.</p>		
		1,688,658
<p>Some expenditures in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Accrued interest		1,116,380
<p>Internal service funds are used by the City to charge costs of certain activities to individual funds. The net revenue of internal service funds is reported as a component of governmental funds.</p>		
		1,581,961
Change in net assets of governmental activities	\$	(412,800)

See note 1 (b) for discussion of internal service fund allocations to governmental and business-type activities.



**CITY OF RICHMOND, VIRGINIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2003**

	Enterprise Funds					Governmental Activities - Internal Service Funds
	Gas	Water	Wastewater	Other	Total	
Assets						
Current Assets:						
Cash and Cash Equivalents (Note 3)	\$ 11,920,298	\$ 3,549,036	\$ 34,276,821	\$ 410,532	\$ 50,156,687	\$ 40,994,362
Receivables (Net of Allowance for Doubtful Accounts):						
Accounts	19,261,063	8,391,123	6,751,276	1,441,962	35,845,424	3,178,162
Estimated Unbilled Service Revenues	466,652	247,874	452,367	--	1,166,893	--
Due From Other Funds (Note 4)	802,924	246,478	2,514,465	--	3,563,867	--
Due From Other Governments	--	--	--	--	--	16,961
Inventories of Materials and Supplies	12,840,047	133,455	60,714	82,127	13,116,343	3,901,945
Prepaid Expenses and Other Current Assets	1,815,074	1,238,378	1,321,625	36,912	4,411,989	931,269
Total Current Assets	47,106,058	13,806,344	45,377,268	1,971,533	108,261,203	49,022,699
Noncurrent Assets:						
Restricted Assets - Cash and Investments (Note 3)	28,745,925	10,591,626	10,171,915	--	49,509,466	--
Advances To Other Funds (Notes 4)	19,605,111	19,081,068	21,534,342	--	60,220,521	3,294,908
Deferred Expenses	18,354,654	10,172,670	8,780,157	--	37,307,481	145,905
Capital Assets (Note 7):						
Land	--	--	--	12,815,550	12,815,550	98,000
Buildings and Structures	--	--	--	38,510,784	38,510,784	90,400,865
Equipment	--	--	--	4,232,699	4,232,699	55,984,359
Plant Held for Future Use	25,813	--	207,075	--	232,888	--
Plant-in-Service	289,057,830	252,865,122	214,044,829	--	755,967,781	--
Completed Construction	6,300,727	4,611,848	75,197,463	--	86,110,038	--
Less: Accumulated Depreciation	(76,472,381)	(65,721,637)	(95,551,089)	(23,728,508)	(261,473,615)	(77,643,515)
Construction in Progress	23,061,532	20,477,193	63,686,082	--	107,224,807	7,981,752
Total Capital Assets	241,973,521	212,232,526	257,584,360	31,830,525	743,620,932	76,821,461
Total Noncurrent Assets	308,679,211	252,077,890	298,070,774	31,830,525	890,658,400	80,262,274
Total Assets	\$ 355,785,269	\$ 265,884,234	\$ 343,448,042	\$ 33,802,058	\$ 998,919,603	\$ 129,284,973
Liabilities:						
Current Liabilities:						
Accounts Payable	\$ 11,562,567	\$ 3,563,232	\$ 2,132,058	\$ 910,556	\$ 18,168,413	\$ 1,731,695
Accrued Liabilities	1,202,029	1,582,168	3,764,295	596,444	7,144,936	2,097,710
Due To Other Funds (Note 4)	--	--	--	2,121,750	2,121,750	3,876,746
Accrued Interest on Bonds Payable	5,457,597	2,954,655	3,915,591	160,886	12,488,729	1,375,606
General Obligation Bonds and Capital Leases (Note 8)	4,590,410	3,597,754	2,590,273	1,171,952	11,950,389	6,015,150
Revenue Bonds Payable (Note 8)	781,376	65,255	2,723,081	--	3,569,712	--
Compensated Absences	614,523	410,573	452,210	103,705	1,581,011	181,257
Other Liabilities and Claims Payable (Note 10)	--	--	--	--	--	5,582,181
Total Current Liabilities	24,208,502	12,173,637	15,577,508	5,065,293	57,024,940	20,860,345
Noncurrent Liabilities:						
Liabilities to be Repaid from Restricted Assets:						
Customers' Deposits	2,624,175	--	--	--	2,624,175	--
Accrued Interest on Bonds Payable (Note 8)	649,475	1,039,070	424,895	--	2,113,440	92,655
Deferred Revenue	7,612,973	35,641,284	17,207,432	--	60,461,689	422,703
General Obligation Bonds and Capital Lease Liabilities (Note 8)	115,379,573	89,544,818	48,151,024	14,601,052	267,676,467	14,656,337
Revenue Bonds Payable (Note 8)	115,792,877	36,275,082	104,867,083	--	256,935,042	--
Compensated Absences	21,054	228,976	137,884	21,540	409,454	271,991
Other Liabilities and Claims Payable (Note 10)	--	--	--	--	--	14,099,879
Advances from Other Funds	--	--	--	--	--	63,515,579
Total Noncurrent Liabilities	242,080,127	162,729,230	170,788,318	14,622,592	590,220,267	93,059,144
Total Liabilities	266,288,629	174,902,867	186,365,826	19,687,885	647,245,207	113,919,489
Net Assets:						
Invested in Capital Assets, Net of Related Debt	33,525,735	92,302,173	108,999,919	16,057,521	250,885,348	56,057,319
Restricted for Capital Projects	28,745,925	10,591,626	10,171,915	--	49,509,466	--
Unrestricted	27,224,980	(11,912,432)	37,910,382	(1,943,348)	51,279,582	(40,691,835)
Total Net Assets	\$ 89,496,640	\$ 90,981,367	\$ 157,082,216	\$ 14,114,173	\$ 351,674,396	\$ 15,365,484

The accompanying notes are an integral part of the basic financial statements.



EXHIBIT E-2

**CITY OF RICHMOND, VIRGINIA
RECONCILIATION OF THE ENTERPRISE FUNDS STATEMENT OF NET ASSETS TO THE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS**

June 30, 2003

	Total Enterprise Funds	Internal Service Fund Allocation Stores and Transportation Division	Business-Type Activities Statement of Net Assets
Assets			
Current Assets:			
Cash and Cash Equivalents (Note 3)	\$ 50,156,687	\$ 30,635,648	\$ 80,792,335
Receivables (Net of Allowance for Doubtful Accounts):			
Accounts	35,845,424	2,628	35,848,052
Estimated Unbilled Service Revenues	1,166,893	--	1,166,893
Due From Other Funds (Note 4)	3,563,867	--	3,563,867
Inventories of Materials and Supplies	13,116,343	3,415,229	16,531,572
Prepaid Expenses and Other Current Assets	4,411,989	280,311	4,692,300
Total Current Assets	<u>108,261,203</u>	<u>34,333,816</u>	<u>142,595,019</u>
Noncurrent Assets:			
Restricted Assets - Cash and Investments (Note 3)	49,509,466	--	49,509,466
Advances To Other Funds	60,220,521	(63,515,429)	(3,294,908)
Deferred Expenses	37,307,481	35,248	37,342,729
Capital Assets (Note 7):			
Land	12,815,550	--	12,815,550
Buildings and Structures	38,510,784	53,673,515	92,184,299
Equipment	4,232,699	--	4,232,699
Plant Held for Future Use	232,888	--	232,888
Plant-in-Service	755,967,781	--	755,967,781
Completed Construction	86,110,038	--	86,110,038
Less Accumulated Depreciation	(261,473,615)	(29,274,626)	(290,748,241)
Construction in Progress	107,224,807	5,614,420	112,839,227
Total Capital Assets	743,620,932	30,013,309	773,634,241
Total Noncurrent Assets	890,658,400	(33,466,872)	857,191,528
Total Assets	<u>\$ 998,919,603</u>	<u>\$ 866,944</u>	<u>\$ 999,786,547</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	18,168,413	684,168	18,852,581
Accrued Liabilities	7,144,936	129,653	7,274,589
Due To Other Funds (Note 4)	2,121,750	--	2,121,750
Accrued Interest on Bonds Payable	12,488,729	--	12,488,729
General Obligation Bonds and Capital Leases (Note 8)	11,950,389	--	11,950,389
Revenue Bonds Payable (Note 8)	3,569,712	--	3,569,712
Compensated Absences	1,581,011	17,875	1,598,886
Total Current Liabilities	<u>57,024,940</u>	<u>831,696</u>	<u>57,856,636</u>
Noncurrent Liabilities:			
Liabilities to be Repaid from Restricted Assets:			
Customers' Deposits	2,624,175	--	2,624,175
Accreted Interest on Bonds Payable (Note 8)	2,113,440	--	2,113,440
Deferred Revenue	60,461,689	35,248	60,496,937
General Obligation Bonds and Capital Leases (Note 8)	267,676,467	--	267,676,467
Revenue Bonds Payable (Note 8)	256,935,042	--	256,935,042
Compensated Absences	409,454	--	409,454
Total Noncurrent Liabilities	590,220,267	35,248	590,255,515
Total Liabilities	<u>647,245,207</u>	<u>866,944</u>	<u>648,112,151</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	250,885,348	30,013,309	280,898,657
Restricted for Capital Projects	49,509,466	--	49,509,466
Unrestricted	51,279,582	(30,013,309)	21,266,273
Total Net Assets	<u>\$ 351,674,396</u>	<u>\$ --</u>	<u>\$ 351,674,396</u>

Amounts related to intra fund activity have been eliminated prior to presenting this reconciliation's amounts in Exhibit A
The accompanying notes are an integral part of the basic financial statements.



CITY OF RICHMOND, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN THE FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2003

	Enterprise Funds					Governmental Activities - Internal Service Funds
	Gas	Water	Wastewater	Other	Total	
Operating Revenues						
Charges for Goods and Services	\$ 170,141,567	\$ 41,481,040	\$ 43,980,217	\$ 4,042,532	\$ 259,645,356	\$ 37,925,202
Operating Expenses						
Purchased Gas	117,563,809	--	--	--	117,563,809	--
Intragovernmental Goods and Services Sold	--	--	--	--	--	7,707,732
Salaries and Wages	9,090,971	6,507,816	6,687,046	2,725,497	25,011,330	3,577,549
Data Processing	709,131	232,502	220,877	--	1,162,510	110,457
Materials and Supplies	746,529	965,746	566,229	340,010	2,618,514	684,529
Rents and Utilities	221,179	3,681,134	1,730,881	751,134	6,384,328	2,209,935
Maintenance and Repairs	6,811,937	3,304,651	2,288,553	251,140	12,656,281	585,936
Depreciation and Amortization	8,663,181	5,063,893	7,085,382	1,552,751	22,365,207	9,547,571
Claims and Settlements	--	--	--	--	--	6,429,801
Miscellaneous Operating Expenses	13,373,135	11,620,937	13,643,349	529,196	39,166,617	4,414,945
Total Operating Expenses	157,179,872	31,376,679	32,222,317	6,149,728	226,928,596	35,268,455
Operating Income (Loss)	12,961,695	10,104,361	11,757,900	(2,107,196)	32,716,760	2,656,747
Non-Operating Revenues (Expenses)						
Government Subsidies	245,035	1,271,803	5,450,413	81,338	7,048,589	181,163
Interest on Long-Term Debt	(12,088,485)	(6,685,473)	(8,429,750)	(704,873)	(27,908,581)	(1,802,177)
Interest Income	876,554	280,099	694,672	4,574	1,855,899	--
Interest Expense	(4,404)	(509,550)	--	--	(513,954)	--
Amortization of Debt Discount and Expense	(1,369,139)	(1,003,731)	(776,422)	--	(3,149,292)	--
Miscellaneous Revenue	402,044	450,731	1,698,203	220,643	2,771,621	785,180
Miscellaneous Expenses	--	--	--	(395,074)	(395,074)	(216,952)
Total Non-Operating (Expenses)	(11,938,395)	(6,196,121)	(1,362,884)	(793,392)	(20,290,792)	(1,052,786)
Net Income (Loss) Before Transfers	1,023,300	3,908,240	10,395,016	(2,900,588)	12,425,968	1,603,961
Transfers In-Other Funds	--	--	--	826,959	826,959	--
Transfers Out-Other Funds	(89,000)	(336,000)	(1,122,000)	--	(1,547,000)	(22,000)
Change In Net Assets	934,300	3,572,240	9,273,016	(2,073,629)	11,705,927	1,581,961
Net Assets - Beginning of Year	88,562,340	87,409,127	147,809,200	16,187,802	339,968,469	13,783,523
Net Assets - End of Year	\$ 89,496,640	\$ 90,981,367	\$ 157,082,216	\$ 14,114,173	\$ 351,674,396	\$ 15,365,484

The accompanying notes are an integral part of the basic financial statements.



EXHIBIT E-4

CITY OF RICHMOND, VIRGINIA
RECONCILIATION OF THE ENTERPRISE FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET ASSETS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2003

	Enterprise Funds			
	Gas	Water	Wastewater	Total
Operating Revenues				
Charges for Goods and Services	\$ 170,141,567	\$ 41,481,040	\$ 43,980,217	255,602,824
Internal Service Fund Allocation - Stores and Transportation Division	<u>3,109,915</u>	<u>758,207</u>	<u>803,888</u>	<u>4,672,009</u>
Charges for Services - Statement of Activities	<u>173,251,482</u>	<u>42,239,247</u>	<u>44,784,105</u>	<u>260,274,833</u>
Operating Expenses				
Purchased Gas	117,563,809	--	--	117,563,809
Salaries and Wages	9,090,971	6,507,816	6,687,046	22,285,833
Data Processing	709,131	232,502	220,877	1,162,510
Materials and Supplies	746,529	965,746	566,229	2,278,504
Rents and Utilities	221,179	3,681,134	1,730,881	5,633,194
Maintenance and Repairs	6,811,937	3,304,651	2,288,553	12,405,141
Depreciation and Amortization	8,663,181	5,063,893	7,085,382	20,812,456
Miscellaneous Operating Expenses	<u>13,373,135</u>	<u>11,620,937</u>	<u>13,643,349</u>	<u>38,637,421</u>
Total Operating Expenses	<u>157,179,872</u>	<u>31,376,679</u>	<u>32,222,317</u>	<u>220,778,868</u>
Non-Operating Expenses				
Interest on Long-Term Debt	12,088,485	6,685,473	8,429,750	27,203,708
Interest Expense	4,404	509,550	--	513,954
Amortization of Debt Discount and Expense	<u>1,369,139</u>	<u>1,003,731</u>	<u>776,422</u>	<u>3,149,292</u>
Total Expenses	<u>170,641,900</u>	<u>39,575,433</u>	<u>41,428,489</u>	<u>251,645,822</u>
Internal Service Fund Allocation - Stores and Transportation Division	<u>3,168,105</u>	<u>734,750</u>	<u>769,154</u>	<u>4,672,009</u>
Reclass As Transfers to Governmental Activities - Payments In Lieu of Taxes	<u>(5,873,907)</u>	<u>(6,015,646)</u>	<u>(4,610,242)</u>	<u>(16,499,795)</u>
Program Expenses - Statement of Activities	<u>\$ 167,936,098</u>	<u>\$ 34,294,537</u>	<u>\$ 37,587,401</u>	<u>\$ 239,818,036</u>

The accompanying notes are an integral part of the basic financial statements.



EXHIBIT E-5

**CITY OF RICHMOND, VIRGINIA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2003**

	Enterprise Funds					Governmental Activities - Internal Service Funds
	Gas	Water	Wastewater	Other	Total	
Cash Flows From Operating Activities						
Receipts from Customers	\$ 164,493,634	\$ 43,363,984	\$ 44,547,719	\$ 4,159,193	\$ 256,564,530	\$ 37,651,138
Payments to Suppliers	(132,131,454)	(16,361,973)	(11,977,487)	(2,062,617)	(162,533,531)	(16,233,790)
Payments to Employees	(8,695,360)	(6,135,793)	(6,448,469)	(2,677,234)	(23,956,856)	(8,221,768)
Payments to Other Funds	(5,859,961)	(5,142,698)	(6,939,047)	615,093	(17,326,613)	(1,154,537)
Other Receipts or (Payments)	(1,988,135)	(802,144)	1,553,235	(99,561)	(1,336,605)	(543,211)
Net Cash Provided By (Used In) Operating Activities	15,818,724	14,921,376	20,735,951	(65,126)	51,410,925	11,497,832
Cash Flows From Noncapital Financing Activities						
Transfers In and Government Subsidies	245,035	1,271,803	5,450,413	826,959	7,794,210	181,163
Transfers Out - Other Funds	(89,000)	(336,000)	(1,122,000)	--	(1,547,000)	(22,000)
Net Cash Provided By Noncapital Financing Activities	156,035	935,803	4,328,413	826,959	6,247,210	159,163
Cash Flows From Capital and Related Financing Activities						
Acquisition of Capital Assets	(21,611,162)	(11,681,031)	(20,020,114)	(164,301)	(53,476,608)	(8,407,787)
Proceeds From Bond Sale	28,109,764	16,972,487	--	247,820	45,330,071	4,942,708
Repayments of Capital Leases	--	--	--	(55,973)	(55,973)	--
Interest Paid on Capital Leases	--	--	--	(32,415)	(32,415)	--
Repayments of Revenue and General Obligation Bonds	(32,084,920)	(19,603,829)	(3,636,776)	(416,007)	(55,741,532)	(2,508,529)
Repayments of Notes Payables	--	--	--	--	--	(6,275,225)
Interest Paid on Long-Term Debt	(10,726,007)	(6,271,401)	(7,837,700)	(314,725)	(25,149,833)	(1,306,971)
Net Cash (Used In) Capital and Related Financing Activities	(36,312,325)	(20,583,774)	(31,494,590)	(735,601)	(89,126,290)	(13,555,804)
Cash Flows From Investing Activities						
Interest Earned on Operating Funds	876,554	280,099	694,671	4,574	1,855,898	--
Interest Paid on Customers' Deposits	(4,404)	(509,550)	--	--	(513,954)	--
Net Cash Provided By (Used In) Investing Activities	872,150	(229,451)	694,671	4,574	1,341,944	--
Net Increase (Decrease) in Cash and Cash Equivalents	(19,465,416)	(4,956,046)	(5,735,555)	30,806	(30,126,211)	(1,898,809)
Cash and Cash Equivalents at July 1, 2002	60,131,639	19,096,708	50,184,291	379,726	129,792,364	42,893,171
Cash and Cash Equivalents at June 30, 2003	\$ 40,666,223	\$ 14,140,662	\$ 44,448,736	\$ 410,532	\$ 99,666,153	\$ 40,994,362
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities						
Operating Income (Loss)	\$ 12,961,695	\$ 10,104,361	\$ 11,757,900	\$ (2,107,196)	\$ 32,716,760	\$ 2,656,747
Adjustment to Reconcile Operating to Net Cash Provided By Operating Activities:						
Depreciation	8,663,181	5,063,893	7,085,382	1,552,751	22,365,207	9,547,571
Miscellaneous Income	402,044	450,732	1,698,203	(20,427)	2,530,552	380,585
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:						
Accounts Receivable	(6,190,389)	1,635,464	593,927	31,185	(3,929,813)	(11,266)
Due From Other Funds	526,866	16,132	(560,603)	--	(17,605)	--
Due From Other Governments	--	--	--	--	--	(4,030)
Estimated Unbilled Service Revenues	542,456	247,479	(26,425)	--	763,510	--
Inventories of Material and Supplies	(3,038,002)	3,174	--	(5,201)	(3,040,029)	101,835
Prepaid Expenses	(117,290)	53,831	(145,177)	(3,133)	(211,769)	5,049
Deferred Expenses	(2,663,535)	(1,252,876)	(144,967)	--	(4,061,378)	(79,532)
Accounts Payable	2,038,982	(1,207,578)	(400,730)	(182,803)	247,871	190,579
Accrued Liabilities	58,825	(106,711)	450,475	(6,828)	395,761	220,274
Deferred Revenue	1,945,362	(577,947)	(8,500)	--	1,358,915	(126,828)
Customers' Deposits	273,247	--	--	--	273,247	--
Due to Other Funds	--	--	--	551,281	551,281	55,871
Compensated Absences	415,282	491,422	436,466	125,245	1,468,415	70,012
Outstanding Liabilities and Claims	--	--	--	--	--	(1,509,035)
Total Adjustments	2,857,029	4,817,015	8,978,051	2,042,070	18,694,165	8,841,085
Net Cash Provided By (Used In) Operating Activities	\$ 15,818,724	\$ 14,921,376	\$ 20,735,951	\$ (65,126)	\$ 51,410,925	\$ 11,497,832
Supplemental Cash Flow Information						
Non-cash Transactions:						
Principal payments made by City Debt Service Fund on behalf of Coliseum	--	--	--	656,425	656,425	--
Interest payments made by City Debt Service Fund on behalf of Coliseum	--	--	--	335,250	335,250	--
Proceeds from Issuance of General Obligation Bonds received on behalf of Fund	--	--	--	(3,449,410)	(3,449,410)	--
Acquisitions of Capital Assets on behalf of Coliseum	--	--	--	(750,763)	(750,763)	--
Refunded General Obligation Bonds on behalf of Fund	--	--	--	1,072,066	1,072,066	--

The accompanying notes are an integral part of the basic financial statements.





EXHIBIT F-1

CITY OF RICHMOND, VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2003

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Assets:		
Cash and Short-term Investments	\$ 26,334,491	\$ 1,541,685
Receivables	28,209,062	--
Due From Other Governments	691,396	--
Other Assets	3,986	--
Investments, at Fair Value:		
U.S. Government and Agency Securities	84,836,362	--
Corporate Bonds	52,239,245	--
Common Stock	181,519,796	--
International Stocks	79,824,108	--
International Bonds	20,613,689	--
Cash Collateral Received - Security Lending Program	28,115,630	--
Total Investments, at Fair Value	<u>447,148,830</u>	<u>--</u>
Total Assets	<u>502,387,765</u>	<u>1,541,685</u>
Liabilities:		
Accounts Payable	874,624	158,206
Refundable Deposits	--	411,699
Payable for Collateral Received - Security Lending Program	28,115,630	--
Due to Other Governments	2,049,753	--
Due to Various Agents for Securities Purchased	37,366,399	--
Funds Held for Others	--	971,780
Total Liabilities	<u>68,406,406</u>	<u>1,541,685</u>
Net Assets Held in Trust for Pension Benefits and Other Purposes	<u>\$ 433,981,359</u>	<u>\$ --</u>

The accompanying notes are an integral part of the basic financial statements.



EXHIBIT F-2

CITY OF RICHMOND, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Fiscal Year Ended June 30, 2003

	<u>Pension Trust Funds</u>
Additions:	
Contributions	\$ 22,529,811
Investment Income:	
Net Appreciation in Fair Value of Investments	3,843,544
Interest	2,635,250
Dividends	6,835,238
Net Income Earned On Securities Lending Transactions:	
Securities Lending Income	380,785
Securities Lending Expense	<u>(324,646)</u>
Total Net Income Earned On Securities Lending Transactions	<u>56,139</u>
Investment Income	13,370,171
Less Investment Expense	<u>2,049,753</u>
Net Investment Income	<u>11,320,418</u>
Total additions	<u>33,850,229</u>
Deductions:	
Benefits	45,210,835
Administrative Expenses	<u>775,424</u>
Total deductions	<u>45,986,259</u>
Net Decrease	(12,136,030)
Net Assets Held In Trust For Pension Benefits and Other Purposes - Beginning of Year	<u>446,117,389</u>
Net Assets Held In Trust For Pension Benefits and Other Purposes - End of Year	<u>\$ 433,981,359</u>

The accompanying notes are an integral part of the basic financial statements.

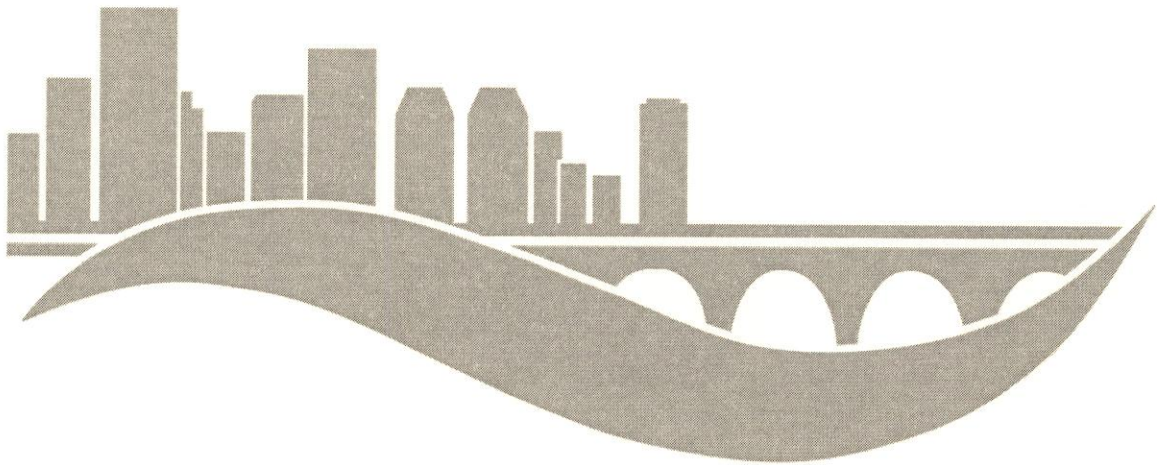




EXHIBIT G-1

**CITY OF RICHMOND, VIRGINIA
STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2003**

	School Board	Richmond Ambulance Authority	Hospital Authority of Richmond	Port of Richmond Commission	Richmond Behavioral Health Authority	Richmond Redevelopment and Housing Authority	Broad Street Community Development Authority	Total
Assets								
Cash and Cash Equivalents (Note 3)	\$ 1,023,201	\$ 1,938,064	\$ 2,804,545	\$ 2,844,695	\$ 1,142,275	\$ 9,255,087	\$ --	\$ 19,007,867
Due From Primary Government	39,977,148	--	--	--	--	--	--	39,977,148
Due From Other Governments (Note 5)	10,856,353	--	--	--	--	--	--	10,856,353
Accounts Receivable	9,123,704	3,112,920	1,471,896	82,121	1,829,685	18,970,418	36,582	34,627,326
Inventories of Materials and Supplies	207,182	116,786	27,290	--	37,008	--	--	388,266
Prepaid Expenses and Other Current Assets	--	67,914	98,106	--	331,645	--	--	497,665
Restricted Assets	2,502,846	--	104,291	--	245,886	891,190	41,248,712	44,992,925
Mortgage Loans Receivable and Other Non-Current Assets	--	--	--	--	--	52,081,544	--	52,081,544
Capital Assets (Note 7):								
Land	--	--	111,508	157,337	--	35,231,104	--	35,499,949
Infrastructure	--	--	--	272,597	--	--	--	272,597
Buildings and Structures	--	1,803,963	7,189,524	3,470,354	--	227,751,033	23,896,610	264,111,484
Plant-in-Service	--	--	--	14,623,403	--	--	--	14,623,403
Equipment	21,649,640	6,197,548	1,406,271	2,706,108	2,949,255	10,499,138	--	45,407,960
Less Accumulated Depreciation	(15,962,246)	(4,841,772)	(5,139,810)	(9,237,651)	(1,882,870)	(139,923,004)	(66,379)	(177,053,732)
Construction in Progress	--	--	--	338,971	--	31,701,648	--	32,040,619
Total Capital Assets	5,687,394	3,159,739	3,567,493	12,331,119	1,066,385	165,259,919	23,830,231	214,902,280
Total Assets	\$ 69,377,828	\$ 8,395,423	\$ 8,073,621	\$ 15,257,935	\$ 4,652,884	\$ 246,458,158	\$ 65,115,525	\$ 417,331,374
Liabilities								
Accounts Payable	\$ 4,600,152	\$ 136,838	\$ 788,543	\$ 127,559	\$ 1,043,154	\$ 3,947,998	\$ 42,222	\$ 10,686,466
Accrued Liabilities	18,468,313	903,038	--	47,107	--	--	414,321	25,729,113
Due To Primary Government	--	108,767	--	--	--	7,172,880	--	7,281,647
Due To Other Governments	1,026,039	--	--	--	--	5,163,809	--	6,189,848
Deferred Revenue	2,497,395	60,295	--	--	570,000	--	--	3,127,690
Advances from Primary Government	12,800	250,000	--	--	--	--	--	262,800
Liabilities to be Paid From Restricted Assets:								
Customers' Deposits	--	--	104,291	--	245,886	--	--	350,177
Non-Current Liabilities (Notes 8 and 10):								
Due Within One Year:								
Bonds, Notes Payable and Capital Leases	--	27,880	17,473	--	--	5,451,397	--	5,496,750
Compensated Absences	692,002	--	--	11,964	--	1,310,444	--	2,014,410
Workers' Compensation	910,523	--	--	--	--	--	--	910,523
Incurred But Not Reported Claims	3,300,948	--	--	--	--	--	--	3,300,948
Due In More Than One Year:								
Bonds, Notes Payable and Capital Leases	--	396,572	74,569	--	--	73,765,373	66,740,000	140,976,514
Less Discount on Revenue Bonds Payable	--	--	--	--	--	--	(1,881,134)	(1,881,134)
Due To Primary Government	--	--	--	--	--	19,576,836	--	19,576,836
Compensated Absences	11,530,201	--	--	--	614,324	1,042,526	--	13,187,051
Deferred Revenue	--	--	--	--	--	134,601	--	134,601
Workers' Compensation	291,417	--	--	--	--	--	--	291,417
Incurred But Not Reported Claims	407,981	--	--	--	--	--	--	407,981
Early Retirement Plan Net Pension Obligation	2,697,562	--	--	--	--	--	--	2,697,562
Total Liabilities	46,435,333	1,883,390	984,876	186,630	2,473,364	123,462,198	65,315,409	240,741,200
Net Assets								
Invested In Capital Assets, Net of Related Debt	5,687,394	2,735,287	3,475,451	12,331,119	1,066,385	86,043,149	(1,661,057)	109,677,728
Restricted for:								
Capital Projects	8,963,113	--	--	--	--	--	--	8,963,113
Permanent Funds								
Expendable	521,195	--	--	--	--	--	--	521,195
Nonexpendable	203,472	--	--	--	--	--	--	203,472
Unrestricted	7,567,321	3,776,746	3,613,294	2,740,186	1,113,135	36,952,811	1,461,173	57,224,666
Total Net Assets	\$ 22,942,495	\$ 6,512,033	\$ 7,088,745	\$ 15,071,305	\$ 2,179,520	\$ 122,995,960	\$ (199,884)	\$ 176,590,174

The accompanying notes are an integral part of the basic financial statements.



**CITY OF RICHMOND, VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2003**

Functions/Program Activities	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
School Board	\$ 264,920,152	\$ 3,794,808	\$ 73,740,974	\$ 8,507,349
Richmond Ambulance Authority	10,696,501	9,328,485	--	--
Hospital Authority of Richmond	8,320,521	8,209,284	--	--
Port of Richmond Commission	1,589,703	967,975	--	29,250
Richmond Behavioral Health Authority	26,136,508	10,488,324	13,095,354	--
Richmond Redevelopment and Housing Authority	68,228,790	22,428,703	36,562,678	11,757,796
Broad Street Community Development Authority	529,021	95,833	--	--
Total Component Units	\$ 380,421,196	\$ 55,313,412	\$ 123,399,006	\$ 20,294,395
General Revenues:				
Payment From Primary Government				
Intergovernmental Revenue Not Restricted to Specific Programs				
Investment Earnings				
Miscellaneous				
Total General Revenues				
Changes in Net Assets				
Net Assets - Beginning of Year				
Net Assets - End of Year				

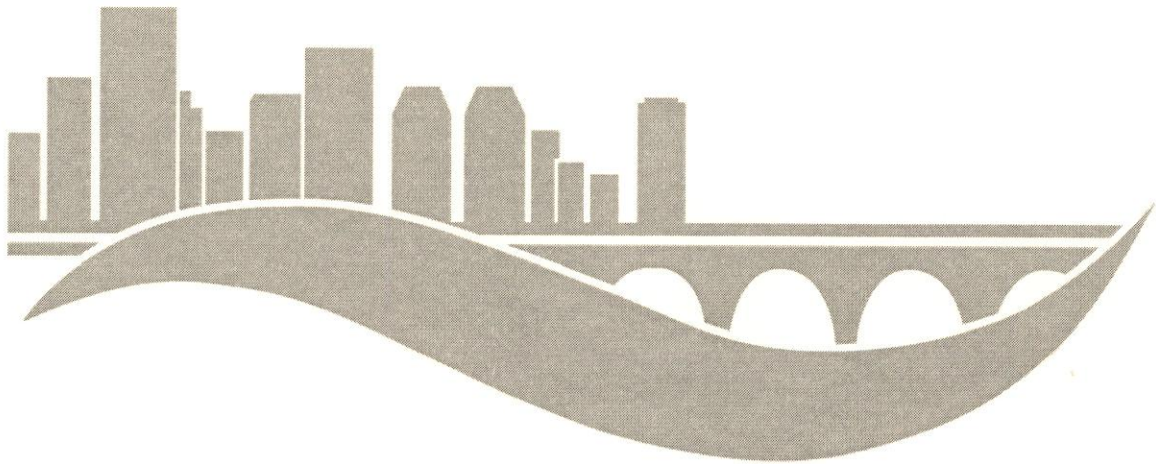
The accompanying notes are an integral part of the basic financial statements.



EXHIBIT G-2

Net (Expenses) Revenues and Changes in Net Assets

School Board	Richmond Ambulance Authority	Hospital Authority of Richmond	Port of Richmond Commission	Richmond Behavioral Health Authority	Richmond Redevelopment and Housing Authority	Broad Street Community Development Authority	Total
\$ (178,877,021)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ (178,877,021)
--	(1,368,016)	--	--	--	--	--	(1,368,016)
--	--	(111,237)	--	--	--	--	(111,237)
--	--	--	(592,478)	--	--	--	(592,478)
--	--	--	--	(2,552,830)	--	--	(2,552,830)
--	--	--	--	--	2,520,387	--	2,520,387
--	--	--	--	--	--	(433,188)	(433,188)
<u>\$ (178,877,021)</u>	<u>\$ (1,368,016)</u>	<u>\$ (111,237)</u>	<u>\$ (592,478)</u>	<u>\$ (2,552,830)</u>	<u>\$ 2,520,387</u>	<u>\$ (433,188)</u>	<u>\$ (181,414,383)</u>
128,823,925	3,005,000	--	--	1,580,081	3,543,764	--	136,952,770
57,909,782	--	237,285	--	--	384,455	--	58,531,522
--	23,332	31,428	45,360	24,585	831,034	196,722	1,152,461
841,491	24,943	316	2,403	261,063	--	36,582	1,166,798
<u>187,575,198</u>	<u>3,053,275</u>	<u>269,029</u>	<u>47,763</u>	<u>1,865,729</u>	<u>4,759,253</u>	<u>233,304</u>	<u>197,803,551</u>
<u>8,698,177</u>	<u>1,685,259</u>	<u>157,792</u>	<u>(544,715)</u>	<u>(687,101)</u>	<u>7,279,640</u>	<u>(199,884)</u>	<u>16,389,168</u>
<u>14,244,318</u>	<u>4,826,774</u>	<u>6,930,953</u>	<u>15,616,020</u>	<u>2,866,621</u>	<u>115,716,320</u>	<u>--</u>	<u>160,201,006</u>
<u>\$ 22,942,495</u>	<u>\$ 6,512,033</u>	<u>\$ 7,088,745</u>	<u>\$ 15,071,305</u>	<u>\$ 2,179,520</u>	<u>\$ 122,995,960</u>	<u>\$ (199,884)</u>	<u>\$ 176,590,174</u>





CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Richmond, Virginia (City) was founded by William Byrd in 1737, established as a town in May 1742 and incorporated as a City on July 19, 1782. The City operates on a Council-Manager form of government and provides all municipal services to its residents. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

The City's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to government units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Therefore, the City's financial reporting entity is defined and its financial statements are presented in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, which defines the distinction between the City as a primary government and its related entities. Accordingly, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable, hereafter referred to as the Reporting Entity. The Richmond Retirement System (RRS) is the City's only blended component unit. Although RRS is a separate legal entity, in substance, it is part of the City's operations thus; financial data from this unit is combined with that of the City and reported as a Fiduciary Pension Trust Fund. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government. Each discretely presented component unit has a June 30 fiscal year-end except for the Richmond Redevelopment and Housing Authority, which has a September 30 year-end.

Component Units:

Discretely Presented Component Units:

The Component Unit columns in the government-wide financial statements comprise financial data on the City's discretely presented Component Units. The governing bodies of all these component units, except the School Board of the City of Richmond, which is elected, are appointed by the City Council. The following Component Units are included in the Reporting Entity because they are financially accountable to the City.

The School Board of the City of Richmond (School Board)

The School Board administers the Richmond Public School system. The City Council approves the School Board's annual operating budget and provides a major portion of the funding through annual appropriations. Complete financial statements may be obtained from the administrative offices located at 301 North Ninth Street, Richmond, VA 23219.

Proprietary Component Units

Richmond Ambulance Authority (RAA)

RAA provides emergency and non-emergency medical care and transportation services for the City. The City annually provides significant operating subsidies to RAA. Complete financial statements may be obtained at Post Office Box 26286, Richmond, VA 23260.



CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

Hospital Authority of Richmond (HAR)

HAR operates a 169-bed, long-term care, nonprofit nursing home under the name of *Richmond Nursing Home*. The City annually provides operating subsidies to HAR. Complete financial statements may be obtained from the administrative offices located at 1900 Cool Lane, Richmond, VA 23223.

Port of Richmond Commission (Port)

The Port operates a deepwater ocean-going vessel facility. Although the Port operates independently, City Council appoints the Board of Commissioners. The City has provided annual operating subsidies in prior fiscal years and it would be misleading to exclude the Port from the City's reporting entity. Complete financial statements may be obtained from the administrative offices located at 5000 Deepwater Term. Rd., Richmond, VA 23234.

Richmond Behavioral Health Authority (RBHA)

RBHA provides behavioral health services to residents of the City under Sections 15.1-1676 of the Code of Virginia (1950), as amended. The City annually provides significant operating subsidies to RBHA. Complete financial statements may be obtained from the administrative offices located at 501 S. 5th Street, Richmond, VA 23224.

Richmond Redevelopment and Housing Authority (RRHA)

RRHA is responsible for operating a low-rent housing program, which provides housing for eligible families, for operating redevelopment and conservation programs in accordance with the City's Master Plan and for the delivery of services to citizens of low-rent housing and urban renewal areas through the encouragement and development of social and economic opportunities. The City Council appoints the Commissioners of RRHA and has some financial responsibility for RRHA's operations. RRHA's September 30, 2002 year-end financial statements are included within the City's component unit combining financial statements. Complete financial statements may be obtained from the administrative offices located at 901 Chamberlayne Avenue, Richmond, VA 23220.

Broad Street Community Development Authority (CDA)

The CDA is responsible for financing certain improvements in connection with the proposed development and redevelopment within the downtown area that will benefit the citizens of the City, such as parking and street improvements. The CDA is governed by a board of five voting directors and three ex-officio, nonvoting directors, all of whom are appointed by the Richmond City Council. Complete financial statements may be obtained from the administrative offices located at One James Center, 901 East Cary Street, Richmond, Va. 23219.

Related Organizations

The City Council is also responsible for appointing the members of the board of other organizations, but the City's accountability does not extend beyond making these appointments.



CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

The following organizations are related organizations, which have not been included in the reporting entity.

- Richmond Metropolitan Authority (RMA) – Six of the eleven directors of RMA are appointed by City Council. The City has no financial responsibility for the operations of RMA.
- Industrial Development Authority of the City of Richmond (IDA) - The Commissioners of IDA are appointed by the City Council, but the City provides no funding, has no obligation for the debt issued by IDA, and cannot impose its will upon the IDA.

Joint Venture

Greater Richmond Transit Co. (GRTC)

The City retains an ongoing financial interest and financial responsibility for GRTC, which under a joint venture agreement between the City and the County of Chesterfield, Virginia, provides mass transportation for passengers on a regional basis for the purpose of providing continuous service within and between their jurisdictions. GRTC, a public service corporation incorporated on April 12, 1973, is governed by a six-member board of directors of which three are appointed by the City and three by the County of Chesterfield. The City owns an approximate 8% equity interest in GRTC, which is not considered material, and is not included in the accompanying financial statements.

Fare revenues and route subsidies pay all costs with each locality participating in GRTC's costs only to the extent that each locality chooses to have GRTC operate routes within its jurisdiction.

The City expended approximately \$6,121,800 for subsidies for bus routes within the City for the year ended June 30, 2003. Complete financial statements for GRTC can be obtained from GRTC at 101 S. Davis Avenue, Richmond, VA 23220.

Jointly Governed Organizations

The City is a participant-member, in conjunction with other local jurisdictions, of the following organizations:

Capital Region Airport Commission (Commission) was created in 1975 under Chapter 380 (as amended by Chapter 410) of the Code of Virginia (Code) when the City and the County of Henrico adopted a resolution declaring a need for the Commission. Since that time, the Counties of Chesterfield and Hanover have become Commission participants.

In 1976, under an intergovernmental joint venture agreement between the City and County of Henrico, the City transferred ownership of the Richmond International Airport (Airport) to the Commission. In return the Commission agreed to reimburse the City for its debt service associated with the Airport.

The Commission is comprised of a fourteen-member board of directors, with four members each being appointed by the City, County of Henrico and County of Chesterfield governing bodies and two members being appointed by the County of Hanover governing body. The Commission generates its revenues from service charges to users of the Airport facilities to recover the costs of maintaining, repairing and operating the Airport. Virginia law requires that the Commission submit an annual budget, showing estimated revenues and estimated expenditures, to the governing bodies of the City and the three Counties for their approval. After approval of the proposed budget by the governing bodies, if the Commission's budget contains estimated expenditures, which exceed estimated revenues, then the governing bodies are required to fund the deficit in proportion to their financial interest in the



CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

Commission. If, however, actual revenues are less than estimated revenues identified in the budget (resulting in a deficit), the City and Counties may, at their discretion, appropriate funds necessary to fund the deficit. The City provided \$11,250 in funding to the Commission during the fiscal year ended June 30, 2003.

Central Virginia Waste Management Authority (CVWMA) was created by the Virginia Water and Sewer Authorities Act of 1973. CVWMA's purpose is to maintain a garbage and refuse collection, transfer and disposal program or system, including waste reduction, waste material recovery, recycling as mandated by law or otherwise and similar programs within one or more political subdivisions which are members of CVWMA. The City is a member of CVWMA. CVWMA is governed by a Board of Directors consisting of one or more representatives appointed by each of the thirteen member cities, town and counties. The City appointed three of the eighteen-member board of directors. The City's contribution and direct payments for the fiscal year ended June 30, 2003 were \$1,362,563.

The *Greater Richmond Partnership (GRP)* is comprised of members from the City and the Counties of Chesterfield, Hanover, and Henrico. Together in partnership with the business leadership of the area, the GRP's purpose is to further economic development of the metropolitan area. The City has two representatives serving on GRP's Board of Directors and the City contributed \$390,000 to GRP for the year ended June 30, 2003.

The *Richmond Convention and Visitors Bureau (RCVB)* serves the City of Richmond and the Counties of Chesterfield, Hanover and Henrico by promoting conventions, tourism and development in the Metropolitan Richmond area in order to increase revenues, provide increased employment and improve the economic health of all jurisdictions involved. The City has eight representatives serving on RCVB's Board of Directors and contributed \$730,000 to RCVB for the year ended June 30, 2003.

The *Richmond Regional Planning District Commission (RRPDC)* is comprised of members from the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan, the City and the Town of Ashland. The major functions of the RRPDC are to promote regional cooperation; coordinate the activities and policies of member local governments; resolve service delivery problems involving more than one government within the region and provide planning assistance to local governments. The City has seven representatives serving on the RRPDC and contributed approximately \$118,680 for the year ended June 30, 2003.

The *Greater Richmond Convention Center Authority (GRCCA)* a political subdivision of the Commonwealth of Virginia, was created on January 9, 1998 pursuant to the Public Recreational Facilities Authorities Act, Chapter 56 of Title 15.2, Code of Virginia. GRCCA was created to acquire, finance, expand, renovate, construct, lease, operate and maintain the facility and grounds of a visitors and convention center or centers including the facility and grounds currently known as the Richmond Centre. The political subdivisions participating in the incorporation of the GRCCA are the City and the Counties of Chesterfield, Hanover and Henrico. The GRCCA is governed by a five-member commission comprised of the chief administrative officer of each of the four incorporating political subdivisions and the President/CEO of the Retail Merchants Association of Greater Richmond. The City contributed approximately \$4,308,106 for the year ended June 30, 2003.

B. Basis of Presentation

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 focuses on both the City as a whole and the fund financial statements, including the major individual funds of the governmental funds (General and Debt Service Funds) and proprietary funds (Gas, Water, and Wastewater Funds), as well as the fiduciary funds, and the component units.



CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on an aggregated basis by column, and (b) are reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (Public Safety, Public Works, Human Services, 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 directly related program revenues, operating and capital grants, and contributions. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not specifically restricted to the various programs are reported as general revenues. The City does not allocate indirect expenses. Operating grants presented include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. GAAP sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a single column in the fund financial statements and detailed in the combining statements. The fund financial statements are presented on a current financial resources and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial 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.

Internal Service Funds of the City (which traditionally provide services primarily to other funds of the government) are presented in summary form as part of the Proprietary Fund financial statements. In the government-wide financial statements, assets, liabilities, revenues and expenses of the funds are allocated to either the governmental or business-type activities, based on their predominate use of the fund's services. See Exhibit E-2 and E-4 for specific allocation to the business-type activities. To the extent possible, the costs of these services are reflected in the appropriate functional activity (Public Safety and Judiciary, Human Services, etc.).

The City's Fiduciary Funds are presented in the fund financial statements by type (pension and agency). Since by definition these assets are being held for the benefit of a third party (private parties, pension participants, etc.) and cannot be used to address activities or obligations of the City, 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.



**CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2003**

Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The City reports the following Governmental Funds:

- *General Fund* – The General Fund is the City's primary operating fund. It accounts for all financial resources of the City's general government, except those required to be accounted for in another fund.
- *Special Revenue Funds* – Special Revenue Funds account for revenue sources that are legally restricted to expenditures for specific purposes.
- *Debt Service Fund* – Debt Service Fund accounts for the servicing of general long-term debt.
- *Capital Projects Funds* -- Capital Projects Funds account for the acquisition of fixed assets or construction of major capital projects (other than those financed by Proprietary Funds).

Proprietary Funds

Proprietary Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City reports the following Proprietary Funds:

- *Enterprise Funds*--Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business, primarily through user charges or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The City maintains six Enterprise Funds consisting of the gas, water and wastewater operations, all of which are considered major funds, and the Cemeteries, Landmark, and Coliseum, which are combined into a single, aggregated presentation as "Nonmajor Proprietary Funds".
- *Internal Service Funds*--Internal Service Funds account for operations that provide services to City departments/agencies on a cost-reimbursement basis. The City maintains six internal service funds: 1) Fleet Management, 2) Radio Maintenance, 3) Risk Management, 4) Public Works Stores, 5) Electric Utility, and 6) Stores and Transportation.

The City applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued prior to or on November 30, 1989 in accounting and reporting for its proprietary operations. Under GASB No. 20, *Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities That Use Proprietary Fund Accounting*, the City elected not to apply FASB pronouncements issued after November 30, 1989.

Fiduciary Funds

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations or other governments.

- *Trust Funds* – For accounting measurement purposes, the Pension Trust Funds are accounted for in essentially the same manner as proprietary funds. The Trust Funds consist of the City's Retirement Plan and the City's Deferred Compensation Plan.



CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

- *Agency Funds* – Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. The Agency Funds consist of the assets and liabilities of several organizations for which the City serves as fiscal agent, such as the Department of Welfare, the Department of Recreation and Parks, the Department of Public Works and the Law Department.

Reconciliation of Government-wide and Fund Financial Statements

A summary reconciliation of the difference between total fund balances as reflected on the Governmental Funds Balance Sheet and total net assets (deficit) for governmental activities as shown on the government-wide Statement of Net Assets is presented in a schedule accompanying the Governmental Funds Balance Sheet. The asset and liability elements which comprise the reconciliation differences stem from Governmental Funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. A summary reconciliation of the differences between net change in total fund balances as reflected on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, and the change in net assets for governmental activities as shown on the government-wide Statement of Activities, is presented in a schedule accompanying the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances. The revenue and expense elements which comprise the reconciliation differences stem from the governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

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 wherein only current assets and current liabilities 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 Government Funds present increases (i.e., revenues and other financial sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The governmental funds financial statements (General, Debt Service and Other) are reported on the flow of current financial resources measurement focus and the modified accrual basis of accounting wherein the focus is on the determination of, and changes in, financial position and only current assets and current liabilities are included on the balance sheet. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Revenues from taxes are generally considered available if received within two months after the fiscal year end. Revenue from categorical and other grants are generally considered available when all eligibility criteria have been met. Expenditures are recorded when the related liability is incurred and payment is due, except for principal and interest on long-term debt.

The government-wide financial statements (i.e., Statements of Net Assets and Statements of Activities) are reported and accounted for on the economic resources measurement focus and the accrual basis of accounting which include all assets and liabilities associated with governmental and business-type activities. Assets and liabilities associated with fiduciary activities are included on the Statement of Fiduciary Net Assets. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City either gives or receives value without directly receiving or giving equal value in exchange, include sales and income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from sales and income taxes are recognized



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when the underlying exchange transaction takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Operating revenues and expenses in the Proprietary Funds result from providing goods and services in connection with their principal ongoing operations (e.g., charges for services). Operating expenses for the Enterprise and Internal Service Funds include the cost of services, administrative expenses, contractual services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Pension Trust Fund's contributions from members are recorded when the employer makes payroll payments on behalf of Plan members. The Agency Funds use the full accrual basis of accounting and do not measure the results of operations.

D. Cash and Cash Equivalents

Cash and cash equivalents are stated at cost, which approximates market. Cash and cash equivalents include cash on hand, checking and savings accounts and certificates of deposit (which generally have maturities of less than three months at the time of acquisition).

E. Investments

Investments of the Fiduciary Funds are reported at fair value. The fair value is based on either quotations obtained from national security exchanges or on the basis of quotations provided by a pricing service, which uses information with respect to transactions on bonds, quotations from bond dealers, market transactions in comparable securities and various relationships between securities.

F. Allowances for Doubtful Accounts

The City calculates its allowances for doubtful accounts using historical collection data, specific account analysis, and management's judgment.

Allowances for doubtful accounts at June 30, 2003 were as follows:

General Fund	\$ 26,419,044
Enterprise Funds:	
Utilities:	
Gas Utility	64,498
Water Utility	44,000
Wastewater Utility	36,000
Total Enterprise Funds	<u>\$ 26,563,542</u>
Component Units:	
Richmond Ambulance Authority	\$ 2,868,936
Hospital Authority of Richmond	109,597
Richmond Behavioral Health Authority	482,176
Richmond Redevelopment and Housing Authority	1,832,552
Total Component Units	<u>\$ 5,293,261</u>



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G. Inventories

Inventories on hand at June 30, 2003 have been reported on the government-wide Statement of Net Assets. Inventories of consumable supplies are recorded at cost determined on a first in, first out basis. Inventories in the General Fund consist of expendable supplies held for consumption. The costs are recorded as expenditures under the consumption method. Recorded inventories in the General Fund are equally offset by a reservation of fund balance. Inventories in the Proprietary Funds are stated at the lower of cost (determined by using weighted average cost or first-in, first-out methods) or market.

H. Capital Assets

Capital assets and improvements include substantially all land, buildings, equipment, water distribution and sewage collection systems, and other elements of the City's infrastructure having a minimum useful life of 3 years and having a cost of more than \$5,000. Capital assets, which are used for general governmental purposes and are not available for expenditure, are accounted for and reported in the government-wide financial statements. Infrastructure elements include the roads, bridges, curbs and gutters, streets and sidewalks, parkland and improvements.

Capital assets are stated at historical cost, estimated historical cost based on appraisals or on other acceptable methods when historical cost is not available. Donated fixed assets are stated at their fair market value as of the date of the donation. Capital leases are classified as capital assets in amounts equal to the lesser of the fair market value or the present value of net minimum lease payments at the inception of the lease. Accumulated depreciation and amortization are reported as reductions of fixed assets.

Capital asset depreciation has been provided over the estimated useful lives using the straight-line method as follows:

Governmental:	
Infrastructure	20 to 50 years
Buildings and structures	20 to 50 years
Equipment and other assets	3 to 20 years
Enterprise Funds:	
Gas production, distribution, equipment	17 to 34 years
Water pumping, treatment, distribution, equipment	20 to 50 years
Sewage gathering and treatment equipment	20 to 50 years
Coliseum	3 to 20 years
Landmark Theatre	3 to 20 years
Cemeteries	3 to 20 years
Enterprise Funds:	
Buildings and structures	20 to 50 years
Equipments and other assets	3 to 20 years



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Component Units Capital Assets

School Board-Vehicles and Equipment-Proprietary Funds

Vehicles and equipment reported in the proprietary funds are stated at cost. Contributed vehicles and equipment are valued at estimated fair market value on the date of receipt. Vehicles and equipment depreciation has been provided over the estimated useful lives of assets ranging from 5 to 30 years using the straight-line method.

Richmond Ambulance Authority

Property and equipment depreciation has been provided over the estimated useful lives of assets ranging from 3 to 20 years using the straight-line method.

Hospital Authority of Richmond

Property and equipment depreciation has been provided over the estimated useful lives of assets ranging from 5 to 40 years using the straight-line method.

Port of Richmond Commission

Property and equipment depreciation has been provided over the estimated useful lives of assets ranging from 5 to 50 years using the straight-line method.

Richmond Behavioral Health Authority

Furniture, equipment and vehicle depreciation has been provided over the estimated useful lives of assets ranging from 5 to 20 years using the straight-line method.

Richmond Redevelopment and Housing Authority

Furniture, equipment and vehicle depreciation has been provided over the estimated useful lives of assets ranging from 5 to 40 years using the straight-line method.

Richmond Broad Street Community Development Authority

Buildings and structures to be depreciated over a period of 40 years using the straight-line method.

I. Construction Period Interest

The City capitalizes, during the construction period only, the net interest costs associated with the acquisition or construction of major additions to general government and utilities plant in service facilities. During fiscal 2003, net interest costs of approximately \$57,199,000 were incurred with approximately \$4,007,000 being capitalized.

J. Compensated Absences

The City's general employees earn vacation pay in varying amounts and can accumulate vacation pay based on length of service. All general employees earn sick pay at the same rate regardless of the length of service. Fire shift employees earn both vacation pay and sick pay based on length of service and employment date.



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Earning rates for vacation pay and sick pay and maximum vacation accumulation hours are as follows:

	Vacation Pay Bi-weekly Earning Rate Min-Max Hours	Sick Pay Bi-weekly Earning Rate Hours	Maximum Vacation Accumulation Hours
General employees	3.7 - 7.4	3.7	192.0 - 384.0
Fire shift employees	5.2 - 11.1	5.2 - 7.4	268.8 - 576.0

Maximum vacation accumulation hours are payable at the date of separation or available for use at the end of any calendar year. Employees leaving City employment are paid all accumulated unused vacation pay up to the maximum limit. The unused balance of sick leave is not paid at the date of separation.

The City and School Board accrue compensated absences (annual and sick leave benefits) when vested. The current portions of the Governmental Funds' compensated absences liabilities are recorded as accrued liabilities when they are expected to be liquidated with expendable available financial resources. The current and noncurrent portions are recorded in the government-wide financial statements. The amount of vacation recognized as expense is the amount earned during the year.

K. Bond Discounts/Issuance Costs

In Governmental Funds, bond discounts and issuance costs are recognized as expenditures in the period incurred. Bond discounts and issuance costs in the government-wide financial statements units are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable, whereas issuance costs are recorded as deferred expenses.

L. Judgment and Claims

The City is uninsured with respect to risks including, but not limited to, property damage and personal injury. The City is self-insured with respect to payments for workers' compensation, general liability, automobile liability, public officials or police professional liability claims. The City also carries commercial insurance in a number of smaller, more defined risk areas such as employees' faithful performance, money and securities and medical professional liability. In the fund financial statements, expenditures for judgments and claims (other than workers' compensation and condemnation proceedings) are recorded on the basis of settlements reached or judgments entered within the current fiscal year. In the government-wide financial statements, the estimated liability for all judgments and claims is recorded as a liability.

M. Restricted Assets

In accordance with applicable covenants of certain enterprise fund bond issues, cash and other assets have been appropriately restricted. Cash has also been restricted to the extent of customers' deposits and unexpended bond proceeds. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources, as they are needed.



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N. Reserved and Designated Fund Balance

Fund balance reserves are used to indicate that portion of the fund balance that is not available for expenditure or is legally segregated for a specific future use. Designations of portions of the fund balance are established to indicate plans for financial resource utilization in a future period (See Note 9).

O. Internal and Intra-entity Activity

In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds have been eliminated or reclassified. Eliminations are made in the statement of net assets to minimize the "grossing-up" effect on assets and liabilities within the governmental and business-type activities columns of the primary government. Amounts reported in the funds as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the government-wide financial statements, except for net residual amounts due between governmental and business type activities, which are presented as internal balances. Also eliminations are made in the Statement of Activities to remove the "doubling-up" effect of Internal Service Fund activity.

Payments from a fund receiving revenue to a fund through which the revenue is to be expended are reported as operating transfers. Such payments include transfers for debt service and capital construction. In the government-wide financial statements, resource flows between the primary government and the discretely presented component units are reported as if they were external transactions.

P. Advances to Other Funds

Noncurrent advances to other funds are reported on the Governmental Funds Balance Sheet. Noncurrent advances are offset by a reservation of fund balance since they do not represent "expendable available financial resources."

Q. Rate Stabilization

City ordinances authorize the Utilities Enterprise Funds to establish rate stabilization accounts within each utility. The purpose of rate stabilization is to mitigate and smooth any rate increases that otherwise might be required from year to year by increasing the rate stabilization amounts in years when revenues exceed those needed to meet bond covenant requirements and reasonable rates of return. Conversely, rate stabilization amounts, which are contributed, may be used instead of rate increases in years when revenues are insufficient to meet bond covenant requirements, reasonable rates of return, or budgeted net income. For the year ended June 30, 2003, the Utilities Enterprise Funds, which are considered rate regulated entities under GAAP, did not make any contributions to or use any funds from the rate stabilization fund. The net effect of these transactions is reflected as deferred revenues on the Proprietary Funds Statement of Net Assets.

R. Amortization of Debt Defeasance Gains/Losses

Gains and losses resulting from prior year defeasance of Utilities debt (included in Enterprise Funds) is recorded as deferred expenses and is being amortized over the shorter of the remaining life of the old debt or the life of the new debt.



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S. Estimates and Assumptions

A number of estimates and assumptions relating to the reporting of revenues, expenses, expenditures, assets and liabilities, and the disclosure of contingent liabilities were used to prepare these financial statements in conformity with GAAP. Actual results could differ from those estimates.

2. REAL AND PERSONAL PROPERTY TAXES

Real and personal property taxes are levied on a calendar year basis on January 1, the assessment date, and become a lien as of the same date. Assessed value is determined as of January 1. Personal property taxes on motor vehicles acquiring or losing situs (place where property is customarily kept) throughout the year are prorated on a monthly basis. Periods of one half of a month or greater are assessed as a full month. Periods of less than one half of a month are not assessed. Abatements and refunds of personal property taxes on motor vehicles are prorated in a similar manner. Personal property taxes may be paid without penalty and interest on or before May 1. Real estate taxes may be paid without penalty and interest on or before June 15. Penalty for late payment is 10% or \$10, whichever is greater, not to exceed the full amount of the tax. Interest on the unpaid balance is 10% per annum for the first year. Thereafter, interest is charged at the greater of 10% per annum or quarterly rate charged by Internal Revenue Service. The City bills and collects its own property taxes. Property taxes levied January 1, 2003 are intended to finance operations of the fiscal year ended June 30, 2003.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

A. Cash and Cash Equivalents

Primary Government

At June 30, 2003, cash on hand, cash items and petty cash totaled \$27,159 and the carrying value of the City's demand deposits, savings accounts and time certificates of deposit with financial institutions totaled \$14,844,380. The bank balance of the City's deposits, totaling \$20,729,498, was covered by Federal depository insurance or was insured in accordance with provisions of the Virginia Security for Public Deposit Act. The bank balance at one bank of \$10,675, was deemed to be uncollateralized under the Virginia Security for Public Deposit Act (the Act) by the State Treasury Board. This Act requires financial institutions holding public deposits in excess of amounts covered by Federal insurance to pledge collateral in the amount of 50% of excess deposits, while savings and loans are required to collateralize 100% of excess deposits. The State Treasury Board can assess additional collateral from participating financial institutions to cover collateral shortfalls in the event of default and is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by financial institutions. All funds, unless otherwise classified as restricted, are deposited into pooled bank accounts; the major account defined as the general fund concentration account. As disbursements are made from the payroll, budget, and social services bank accounts, funds from the general fund concentration account are automatically transferred to those bank accounts to cover those disbursements on a daily basis.

Component Units

At June 30, 2003, Component Units' cash on hand totaled \$16,028; and the carrying value of Component Units' demand, savings accounts, and time certificates of deposit with financial institutions totaled \$14,686,367. All amounts held by financial institutions were covered by Federal depository insurance or was insured in accordance with provisions of the Virginia Security for Public Deposits Act. Other cash equivalents and investments include repurchase agreements with carrying values of \$4,305,472. Restricted Assets include the Richmond Hospital



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Authority's customer cash deposits of \$104,291, the School Board's \$2,502,846, RBHA's \$245,886, RRHA's \$891,190, and the CDA's \$41,248,712.

B. Investments

Statutes of the Commonwealth of Virginia govern the Reporting Entity's investment policies. Permissible investments include obligations of the United States, its agencies and instrumentalities, time certificates of deposit, bankers' acceptances, repurchase agreements, demand notes, and commercial paper. Additionally, the City is authorized to place investments of the RRS in common stocks, corporate debt securities, U.S. Government and Agency Securities, international stocks and bonds, money market and mutual funds.

The City's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the entity or the entity's agent in the entity's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or its agent in the entity's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty, or by its trust department or agent, but not in the entity's name. Investments in the City's deferred compensation trust fund and money market funds are not subject to categorization as to assumed risks because, in the aggregate, they are considered pooled investments in nature and are not evidenced by securities that exist in physical or book entry form.

Primary Government (000's omitted):

	Carrying Amount			
	Risk Category			Total
	1	2	3	
Repurchase agreements	\$ 231,970	\$ --	\$ --	\$ 231,970
U.S. Government securities (on loan \$14,903)	51,261	--	--	51,261
Corporate bonds (on loan \$2,476)	52,239	--	--	52,239
Common stocks (on loan \$7,813)	181,520	--	--	181,520
International bonds	20,614	--	--	20,614
International stocks	79,824	--	--	79,824
	<u>\$ 617,428</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 617,428</u>
Cash collateral received under securities lending program				28,116
Deferred compensation plan mutual funds				33,575
Cash and money market funds				51,911
Total Cash and Investments				<u>\$ 731,030</u>

	Government-wide	Fiduciary Funds	Total
	Statement of Net Assets	Statement of Net Assets	
Cash and cash equivalents	\$ 159,512	\$ 27,876	\$ 187,388
Investments	--	447,149	447,149
Restricted assets	96,493	--	96,493
Total	<u>\$ 256,005</u>	<u>\$ 475,025</u>	<u>\$ 731,030</u>



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C. Securities Lending Program

RRS lends securities to brokerage firms on a temporary basis through its custodian bank, State Street Bank & Trust Company (the custodian). During the fiscal year, the custodian lent RRS securities, at the direction of RRS, and received cash, U.S. Government securities, and irrevocable letters of credit as collateral. The custodian did not have the ability to pledge or sell collateral delivered absent a borrower default. Borrowers were required to deliver collateral for each loan in amounts equal to not less than 100% of the market value of the loaned securities.

RRS did not impose any restrictions on the amount of securities lent by the custodian during the year on its behalf and the custodian indemnified RRS by agreeing to purchase replacement securities, or return the cash collateral, in the event the borrower failed to return the loaned securities. There were no such failures by any borrowers during the year, nor were there any losses during the year resulting from the default of a borrower or the custodian. RRS and borrowers maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. The average duration of the investment in the pool for the year ended June 30, 2003 was 64 days with an average weighted maturity of 252 days. As the loans are terminable at will, the duration of the investments generally did not match the duration of the investments made with the cash collateral. The collateral held and the market value of the securities on loan as of June 30, 2003 were \$28,115,630 and \$27,414,817, respectively. The cash collateral is recorded as both an asset and a liability on RRS's financial statements. Securities and letters of credit received as collateral at June 30, 2003 are not recorded in the Statement of Plan Net Assets, as the RRS cannot sell or pledge the collateral received absent a borrower default. At year-end, the RRS has no credit risk to borrowers because the amounts the RRS owes the borrowers exceed the amounts the borrowers owe the RRS. The gross earnings for securities lending were \$380,785 and the related expenses were \$287,219 in borrowers rebates and \$37,427 in agent fees, netting \$56,139 in securities lending income.

4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The City reports interfund balances between many of its funds, as follows:

		Due From				
		Debt Service	NonMajor Proprietary	Internal Service	NonMajor Governmental	Total
Due To	General Fund	\$ 507,660	\$ 2,121,750	\$ 312,879	\$ 2,467,773	\$ 5,410,062
	Major Proprietary Funds:					
	Gas	--	--	802,924	--	802,924
	Water	--	--	246,478	--	246,478
	Wastewater	--	--	2,514,465	--	2,514,465
	Total	\$ 507,660	\$ 2,121,750	\$ 3,876,746	\$ 2,467,773	\$ 8,973,929

The balance of \$312,879 due to the General Fund from the internal service funds resulted from loans made to establish working capital when each internal service fund was first created with the balance scheduled to be collected in fiscal year 2004.

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur and (2) payments between funds are made.



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The City reports interfund transfers between many of its funds. Interfund transfers for the year ended June 30, 2003, consisted of the following:

		Transfer From						
Transfer To	General Fund	Major Proprietary Funds			NonMajor Governmental	All Others	Total	
		Gas	Water	Wastewater				
General Fund	\$ -	\$ 89,000	\$ 336,000	\$ 1,122,000	\$ 250,000	\$ 22,000	\$ 1,819,000	
Debt Service	33,881,575	-	-	-	963,619	-	34,845,194	
NonMajor Governmental	6,064,891	-	-	-	4,720,726	-	10,785,617	
NonMajor Proprietary	-	-	-	-	-	826,959	826,959	
All Others	-	-	-	-	192,817	-	192,817	
Total	\$ 39,946,466	\$ 89,000	\$ 336,000	\$ 1,122,000	\$ 6,127,162	\$ 848,959	\$ 48,276,770	

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due or (3) to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

		Advance From					
Advance To	General Fund	Major Proprietary Funds			NonMajor Governmental	Total	
		Gas	Water	Wastewater			
Internal Service	\$ 150	19,605,111	19,081,068	21,534,342	3,294,908	63,515,579	

5. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2003 are as follows:

Primary Government	Federal	State	Total
General Fund	\$ --	\$ 18,544,704	\$ 18,544,704
NonMajor Governmental Funds	5,893,621	12,402,599	18,296,220
	<u>\$ 5,893,621</u>	<u>\$ 30,947,303</u>	<u>\$ 36,840,924</u>
Component Unit			
School Board	\$ 10,720,588	\$ 135,765	\$ 10,856,353

6. NOTES RECEIVABLE

Notes receivable in the General Fund are as follows:

In connection with a legal settlement, six notes with interest at 5% per annum, principal due in years 2004 and 2006.	\$ 4,500,000
A non-interest bearing promissory note due on demand from Greater Richmond Transit Co.	543,100
	<u>\$ 5,043,100</u>



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7. CAPITAL ASSETS

Primary Government - Governmental Activities

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 20,970,053	\$ 77,307	\$ --	\$ 21,047,360
Construction In Progress	61,352,679	33,109,318	38,764,231	55,697,766
Works of Art/Historical Treasures	<u> --</u>	<u>862,261</u>	<u> --</u>	<u>862,261</u>
Total Capital Assets Not Being Depreciated	<u>82,322,732</u>	<u>34,048,886</u>	<u>38,764,231</u>	<u>77,607,387</u>
Capital Assets Being Depreciated:				
Infrastructure	651,948,045	1,794,766	39,389	653,703,422
Building and Structures	304,805,588	21,055,893	--	325,861,481
Equipment	88,045,524	9,214,224	9,720,221	87,539,527
Improvements other than Buildings	<u> --</u>	<u>4,146,932</u>	<u>144,506</u>	<u>4,002,426</u>
Total Other Capital Assets	<u>1,044,799,157</u>	<u>36,211,815</u>	<u>9,904,116</u>	<u>1,071,106,856</u>
Less Accumulated Depreciation For:				
Infrastructure	337,960,594	11,353,680	--	349,314,274
Building and Structures	170,695,297	8,019,260	--	178,714,557
Equipment	41,100,669	8,915,451	4,388,031	45,628,089
Improvements other than Buildings	<u> --</u>	<u>71,499</u>	<u>62,512</u>	<u>8,987</u>
Total Accumulated Depreciation	<u>549,756,560</u>	<u>28,359,890</u>	<u>4,450,543</u>	<u>573,665,907</u>
Total Capital Assets Being Depreciated, Net	<u>495,042,597</u>	<u>7,851,925</u>	<u>5,453,573</u>	<u>497,440,949</u>
Governmental Activities, Capital Assets, Net	<u>\$ 577,365,329</u>	<u>\$ 41,900,811</u>	<u>\$ 44,217,804</u>	<u>\$ 575,048,336</u>

Depreciation expense was charged to functions as follows:

General government	\$ 2,269,678
Public Safety and Judiciary	1,905,134
Highways, Streets, Sanitation and Refuse	12,099,305
Human Services	388,339
Culture and Recreation	393,752
Education	<u>4,818,098</u>
 Total	 <u>\$ 21,874,306</u>



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Primary Government - Business-type Activities

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Gas Utility:				
Capital Assets Not Being Depreciated -				
Construction in Progress	\$ 19,433,789	\$ 3,627,743	\$ --	\$ 23,061,532
Capital Assets Being Depreciated -				
Plant Held for Future Use	25,813	--	--	25,813
Plant-in-service	278,302,997	17,055,560	--	295,358,557
Total Capital Assets Being Depreciated	278,328,810	17,055,560	--	295,384,370
Less Accumulated Depreciation For:				
Plant-in-service	68,737,059	8,663,181	927,859	76,472,381
Total Accumulated Depreciation	68,737,059	8,663,181	927,859	76,472,381
Total Capital Assets Being Depreciated, Net	209,591,751	8,392,379	(927,859)	218,911,989
Gas Utility, Capital Assets, Net	\$ 229,025,540	\$ 12,020,122	\$ (927,859)	\$ 241,973,521
Water Utility:				
Capital Assets Not Being Depreciated -				
Construction in Progress	\$ 18,855,031	\$ 1,622,162	\$ --	\$ 20,477,193
Capital Assets Being Depreciated -				
Plant-in-service	248,064,685	9,412,285	--	257,476,970
Total Capital Assets Being Depreciated	248,064,685	9,412,285	--	257,476,970
Less Accumulated Depreciation For:				
Plant-in-service	61,304,328	5,062,063	644,754	65,721,637
Total Accumulated Depreciation	61,304,328	5,062,063	644,754	65,721,637
Total Capital Assets Being Depreciated, Net	186,760,357	4,350,222	(644,754)	191,755,333
Water Utility, Capital Assets, Net	\$ 205,615,388	\$ 5,972,384	\$ (644,754)	\$ 212,232,526
Wastewater Utility:				
Capital Assets Not Being Depreciated -				
Construction in Progress	\$ 46,270,209	\$ 17,415,873	\$ --	\$ 63,686,082
Capital Assets Being Depreciated -				
Plant Held for Future Use	207,075	--	--	207,075
Plant-in-service	286,638,051	2,604,241	--	289,242,292
Total Capital Assets Being Depreciated	286,845,126	2,604,241	--	289,449,367
Less Accumulated Depreciation For:				
Plant-in-service	88,465,707	7,085,382	--	95,551,089
Total Accumulated Depreciation	88,465,707	7,085,382	--	95,551,089
Total Capital Assets Being Depreciated, Net	198,379,419	(4,481,141)	--	193,898,278
Wastewater Utility, Capital Assets, Net	\$ 244,649,628	\$ 12,934,732	\$ --	\$ 257,584,360
Other Business-type Activity:				
Capital Assets Not Being Depreciated -				
Land and Land Improvements	\$ 12,815,550	\$ --	\$ --	\$ 12,815,550
Capital Assets Being Depreciated -				
Buildings and Structures	37,777,128	750,763	17,107	38,510,784
Equipment and Other Fixed Assets	4,227,660	897,656	892,617	4,232,699
Total Capital Assets Being Depreciated	42,004,788	1,648,419	909,724	42,743,483
Less Accumulated Depreciation For:				
Buildings and Structures	22,660,375	893,773	349,677	23,204,471
Equipment and Other Fixed Assets	292,022	261,230	29,215	524,037
Total Accumulated Depreciation	22,952,397	1,155,003	378,892	23,728,508
Total Capital Assets Being Depreciated, Net	19,052,391	493,416	530,832	19,014,975
Other Business-type Activity, Capital Assets, Net	\$ 31,867,941	\$ 493,416	\$ 530,832	\$ 31,830,525
Business-type Activities, Capital Assets, Net	\$ 711,158,497	\$ 31,420,654	\$ (1,041,781)	\$ 743,620,932
Allocation of Internal Service Fund - Stores Utility, Net (Exhibit E-2)				\$ 30,013,309
				\$ 773,634,241



CITY OF RICHMOND, VIRGINIA
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June 30, 2003

School Board Component Unit - Governmental Activities

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Capital Assets Being Depreciated:				
Vehicles	\$ 17,394,264	\$ 7,100	\$ 1,224,200	\$ 16,177,164
Other Equipment	5,686,084	171,182	384,790	5,472,476
Total Other Capital Assets	<u>23,080,348</u>	<u>178,282</u>	<u>1,608,990</u>	<u>21,649,640</u>
Less Accumulated Depreciation For:				
Vehicles	11,798,671	1,070,463	1,199,711	11,669,423
Other Equipment	4,490,920	186,693	384,790	4,292,823
Total Accumulated Depreciation	<u>16,289,591</u>	<u>1,257,156</u>	<u>1,584,501</u>	<u>15,962,246</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 6,790,757</u>	<u>\$ (1,078,874)</u>	<u>\$ 24,489</u>	<u>\$ 5,687,394</u>

8. OBLIGATIONS

Changes in the short-term liabilities during the fiscal year ended June 30, 2003 are summarized below:

Primary Government - Governmental Activities

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
General Obligation Revenue Anticipation Notes	\$ --	45,000,000	45,000,000	\$ --



CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

Changes in the long-term liabilities during the fiscal year ended June 30, 2003 are summarized below:

**Primary Government -
 Governmental Activities**

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003	Due Within One Year
General Obligation Bonds					
Major and NonMajor Governmental Funds:					
New Debt Issue	\$ 336,314,542	\$ 45,611,691	\$ 19,066,169	\$ 362,860,064	\$ 21,442,684
Debt Refunding	--	36,630,116	36,910,116	(280,000)	--
Debt Allocated to Business Activities	--	1,072,065	3,697,230	(2,625,165)	--
Internal Service Funds:					
New Debt Issue	14,304,127	4,843,309	2,412,535	16,734,901	3,468,377
Debt Refunding	--	99,399	95,994	3,405	--
Total General Obligation Bonds	\$ 350,618,669	\$ 88,256,580	\$ 62,182,044	\$ 376,693,205	\$ 24,911,061
Premium on Debt Issued	2,831,479	7,460,824	656,454	9,635,849	656,454
Accreted Value - Capital Appreciation					
General Obligation Bonds	81,208	11,447	--	92,655	--
General Obligation Serial					
Equipment Notes Payable	12,850,000	--	7,560,000	5,290,000	3,470,000
Certificates of Participation	18,840,000	--	--	18,840,000	615,000
Literary Loans	133,333	--	133,333	--	--
Virginia Public Service Authority Bonds	3,703,159	--	219,213	3,483,946	220,424
Section 108 Notes Payable	6,475,000	800,000	510,000	6,765,000	585,000
Compensated Absences	13,671,040	885,878	813,168	13,743,750	9,045,753
Capital Leases	280,260	716,298	93,420	903,138	243,708
Totals	\$ 409,484,148	\$ 98,131,027	\$ 72,167,632	\$ 435,447,543	\$ 39,747,400

The City received \$2,970,004 of net bond premiums in cash. The remainder of the premium from the issuance of refunding bonds was part of the deposit to an irrevocable trust to defease the refunded bonds.



CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

**Primary Government -
Business-Type Activities**

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003	Due Within One Year
General Obligation Bonds:					
Gas	\$ 123,148,915	\$ 28,109,764	\$ 31,288,696	\$ 119,969,983	\$ 4,590,410
Water	95,707,449	16,972,457	19,537,334	93,142,572	3,597,754
Wastewater	51,683,695	--	942,398	50,741,297	2,590,273
Other NonMajor Enterprise Funds	13,576,245	3,697,230	2,144,498	15,128,977	1,112,730
Accreted Value - Capital Appreciation					
General Obligation Bonds:					
Gas	569,235	80,240	--	649,475	--
Water	910,698	128,372	--	1,039,070	--
Wastewater	372,401	52,494	--	424,895	--
Revenue Bonds:					
Gas	117,370,477	--	796,224	116,574,253	781,376
Water	36,406,832	--	66,495	36,340,337	65,253
Wastewater	110,284,543	--	2,694,378	107,590,164	2,723,083
Capital Leases:					
Other NonMajor Enterprise Funds	700,000	--	55,973	644,027	59,222
Totals	\$ 550,730,490	\$ 49,040,557	\$ 57,525,996	\$ 542,245,050	\$ 15,520,101

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. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

General Obligation Bonds are secured by the full faith and credit of the City and are payable from taxes levied on all property located within the City. General Obligation Serial Equipment Notes payable and obligations under capital leases are payable from General Fund and Internal Service Fund revenues. The full faith and credit of the City is pledged as payment for the notes payable.

The City has no overlapping debt with other jurisdictions. At June 30, 2003, the City had a legal debt limit of \$1,196,677,008 and a remaining debt margin of \$507,098,920. As of June 30, 2003, the City had a total of \$492,978,802 in General Obligation or Revenue Bonds authorized but not issued for funding additional capital improvement projects. Of these authorized but not issued bonds, \$394,281,766 is earmarked for self-supporting Public Utility projects and \$98,697,036 for various General Fund supported capital projects.



CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

Details of Bonds and Notes Outstanding:

	Interest Rates	Issue Date	Maturity Date	Original Issue	Balance at June 30, 2003		
					Governmental Activities	Enterprise Funds	Component Units
General Obligation Bonds							
Public Improvement Bonds 1989A	6.80% - 7.55%	1/15/1989	1/15/2009	\$ 24,520,000	\$ 4,333,407	\$ 131,197	\$ --
Public Improvement Bonds 1989B	5.80% - 6.70%	7/15/1989	1/15/2010	65,674,506	9,084,878	3,242,765	91,863
Public Improvement Refunding Bonds 1993A	3.00% - 6.50%	6/1/1993	1/15/2022	175,125,000	39,468,368	3,000,683	175,120
Public Improvement Bonds 1993B	3.00% - 6.50%	6/1/1993	7/15/2023	91,700,000	9,496,761	11,058,239	--
Public Improvement Bonds 1995A	4.05% - 5.50%	11/1/1995	1/15/2016	35,000,000	9,684,892	2,565,108	--
Public Improvement Refunding Bonds 1995B	4.05% - 6.00%	12/15/1995	1/15/2021	82,270,000	5,652,857	69,856,927	45,216
Public Improvement Bonds 1999A	4.00% - 5.375%	6/1/1999	1/15/2024	98,145,000	87,488,445	2,406,555	--
Public Improvement Refunding Bonds 1999B	4.00% - 5.125%	6/1/1999	1/15/2016	35,740,000	15,735,380	17,237,805	57,863
Public Improvement Refunding Bonds 2000A	4.50% - 5.50%	10/18/2000	1/15/2018	122,730,000	--	119,560,000	--
Public Improvement Bonds 2001A	4.00% - 5.50%	12/15/2001	7/15/2022	116,400,000	112,260,932	1,144,068	--
Public Improvement Bonds 2002A	3.00% - 5.25%	11/15/2002	7/15/2023	50,455,000	47,829,835	2,625,165	--
Public Improvement Refunding Bonds 2002B	4.00% - 5.25%	11/15/2002	7/15/2023	96,220,000	35,657,450	46,154,317	146,432
Virginia Public School Authority Bonds							
VPSA Bonds 1997A	4.35% - 5.35%	11/15/1997	7/15/2017	4,578,704	3,483,946	--	--
General Obligation Notes							
Serial Equipment Notes Series 1999	4.00% - 4.50%	6/1/1999	5/15/2004	7,630,000	1,650,000	--	--
Serial Equipment Notes Series 2000	4.00% - 4.50%	6/1/2000	5/15/2005	8,365,000	3,565,000	--	--
Hilton Note	5.00%	7/1/1983	7/1/2003	1,500,000	75,000	--	--
HUD Section 108 Notes							
HUD Section 108 Note Series 1995	4.40% - 4.70%	2/1/1995	8/1/2014	1,135,000	695,000	--	--
HUD Section 108 Note Series 1997	4.40% - 4.70%	10/28/1997	8/1/2014	2,445,000	1,670,000	--	--
HUD Section 108 Note Series 2000	4.40% - 4.70%	6/14/2000	8/1/2014	4,500,000	3,600,000	--	--
HUD Section 108 Note Series 2003	4.40% - 4.70%	6/14/2000	8/1/2014	800,000	800,000	--	--
Revenue Bonds							
Public Utility Revenue Bonds 1998A	4.20% - 5.25%	4/2/1998	7/15/2028	114,740,000	--	101,405,000	--
Public Utility Revenue Bonds 1998B - VRA	4.55%	4/15/1989	1/15/2009	10,000,000	--	4,431,480	--
Public Utility Revenue Bonds 1998C - VRA	3.00%	9/27/1996	7/15/2018	10,000,000	--	8,393,154	--
Public Utility Revenue Bonds 1998D - VRA	3.00%	8/27/1997	7/15/2019	8,600,000	--	7,260,120	--
Public Utility Revenue Bonds 2002A	5.00%	6/15/2002	1/15/2033	139,015,000	--	139,015,000	--
Certificates of Participation Series 2001A	4.00% - 5.15%	6/1/2001	8/1/2022	18,840,000	18,840,000	--	--
Richmond Redevelopment & Housing Authority							
New Housing Authority Bonds	3.13% - 5.88%	--	--	28,940,000	--	--	9,355,000
Federal Financing Bank	6.60%	--	--	6,063,704	--	--	4,486,701
Revenue Notes and Bonds	--	--	--	49,288,146	--	--	35,723,485
Downtown Redevelopment Project One	--	--	--	21,000,000	--	--	19,800,000
Other Mortgage Notes	--	--	--	419,028	--	--	285,266
EUA Citizens Conservation Service Note	5.98%	10/8/1999	12/18/2013	6,161,174	--	--	5,875,948
Rehabilitation Notes Payable	6.58% - 10.5%	10/1/1987	12/30/2017	5,966,939	--	--	3,690,370
Broad Street Community Development Authority							
2003 Revenue Bonds	7.1% - 7.5%	5/15/2003	6/1/2033	66,740,000	--	--	66,740,000
Total Outstanding Debt					\$ 411,072,151	\$ 539,487,583	\$ 146,473,264
Premium on Debt Issued				\$ 9,635,849	--	--	--
Accreted Value - Capital Appreciation Bonds				\$ 92,655	\$ 2,113,440	--	--
				\$ 420,800,655	\$ 541,601,023	\$ 146,473,264	



CITY OF RICHMOND, VIRGINIA
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The annual requirements to amortize to maturity all long-term debt outstanding (General Obligation Bonds, General Obligation Serial Equipment Notes, Virginia Public School Authority Bonds, Public Utility Revenue Bonds, Certificates of Participation and Section 108 Promissory Notes Payable), including interest payable is as follows:

Governmental Activities:

Fiscal Year (000's omitted)	General Obligation Bonds and Notes		VPSA Bonds		HUD Section 108 Notes		Certificates of Participation	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 28,634	\$ 22,969	\$ 220	\$ 175	\$ 585	\$ 435	\$ 615	\$ 851
2005	28,626	21,364	221	164	585	407	640	826
2006	28,940	19,790	222	153	575	370	665	800
2007	28,299	18,565	223	142	555	333	690	772
2008	25,716	16,837	225	130	555	297	720	744
2009-2013	94,916	56,707	1,157	468	2,780	912	4,065	3,243
2014-2018	70,296	28,293	1,216	160	1,130	84	5,045	2,231
2019-2023	68,198	11,196	--	--	--	--	6,400	831
2024-2028	8,358	379	--	--	--	--	--	--
Subtotal	<u>381,983</u>	<u>196,100</u>	<u>3,484</u>	<u>1,392</u>	<u>6,765</u>	<u>2,838</u>	<u>18,840</u>	<u>10,298</u>
Premium	9,636	--	--	--	--	--	--	--
Accreted Value - Capital Appreciation Bonds	93	--	--	--	--	--	--	--
Total	<u>\$ 391,712</u>	<u>\$ 196,100</u>	<u>\$ 3,484</u>	<u>\$ 1,392</u>	<u>\$ 6,765</u>	<u>\$ 2,838</u>	<u>\$ 18,840</u>	<u>\$ 10,298</u>

Business-type Activities:

Fiscal Year (000's omitted)	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2004	\$ 11,891	\$ 15,238	\$ 3,570	\$ 12,808
2005	12,629	15,124	3,709	12,664
2006	10,981	14,480	3,861	12,513
2007	11,428	14,315	4,040	12,334
2008	11,770	13,887	4,231	12,146
2009-2013	77,553	57,910	20,582	57,884
2014-2018	95,325	33,092	24,836	52,785
2019-2023	42,564	9,806	30,911	46,597
2024-2028	4,842	546	69,710	35,175
2029-2033	--	--	95,055	14,722
Subtotal	<u>278,983</u>	<u>174,398</u>	<u>260,505</u>	<u>269,628</u>
Accreted Value - Capital Appreciation Bonds	2,113	--	--	--
Total	<u>\$ 281,096</u>	<u>\$ 174,398</u>	<u>\$ 260,505</u>	<u>\$ 269,628</u>



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The City is in compliance with all significant financial debt covenants. The City leases equipment under non-cancelable capital leases. Future minimum lease payments are as follows:

<u>Fiscal Year (\$000's Omitted)</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2004	\$ 258	\$ 88
2005	258	88
2006	151	88
2007	151	88
2008	150	88
2009-2013	--	354
Total minimum capital lease payments	<u>\$ 968</u>	<u>\$ 796</u>
Less amounts representing interest	65	152
Present value of minimum capital lease payments	<u>\$ 903</u>	<u>\$ 644</u>

Debt Issued during the fiscal year ended June 30, 2003 is as follows:

On November 21, 2002 the City sold in a competitive bid \$45,000,000 of seasonal General Obligation Revenue Anticipation Notes. The coupon rate on these notes was 2.50% with a true interest cost to the City of 1.64%. Proceeds of these notes were used to fund ongoing operations. These notes were repaid in full on June 24, 2003.

On November 15, 2002, the City issued \$50,455,000 of General Obligation Public Improvement Bonds Series 2002A with fixed coupon interest rates ranging from 3.00% to 5.25%. Of the \$50,455,000 borrowed, \$45,611,691 funded major and non-major Capital Improvement Plan (CIP) projects and \$4,843,309 funded equipment purchases by the Internal Service-Fleet Management Fund. The remaining bond proceeds along with premiums received on the bonds were used to fund numerous capital projects adopted in the City's CIP. The Series 2002A General Obligation Bonds are repayable in annual principal amounts ranging from \$1,485,000 to \$3,640,000 per year.

Also on November 15, 2002, the City issued \$96,220,000 of General Obligation Public Improvement Refunding Bonds Series 2002B to current and advance refund portions of the outstanding Series 1993A and 1993B General Obligation Bonds. The \$96,220,000 par amount along with a premium less cost of issuing the bonds were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payment on the refunded bonds. The amount deposited to the escrow included the refunded principal, scheduled interest payments due January 15, 2003 and July 15, 2003 on the refunded bonds, and an early redemption premium. The refunded debt was originally allocated to a number of City departments including outstanding Governmental Activity debt of \$36,910,116, Business-Type (Utilities, Coliseum, and Landmark Theatre) activity debt of \$46,922,722, and \$14,261,802 of City debt that is paid from receipts of a related entity (Richmond Metropolitan Authority).

Coupon interest rates on this new debt range from 1.64% to 5.25%. The Series 2002B General Obligation Bonds are repayable in annual principal amounts ranging from \$40,000 to \$11,355,000 per year. The entire proceeds of the 2002B bonds were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. The City completed the advance refunding to reduce its total debt service payments over the next 22 years by \$12,619,073.

At the time of these two General Obligation bond issues, Moody's Investors Services upgraded their credit rating of the City's General Obligation Bond debt from A1 to Aa3, while Standard & Poors and Fitch reaffirmed their ratings at AA.

The City maintains a \$15.0 million line of credit with the U.S. Department of Housing and Urban Development (HUD) under the Section 108 Loan Guarantee Program. This Program allows communities such as the City of Richmond, to borrow against future Community Development Block Grants made available by HUD. On June 25, 2003, the City



CITY OF RICHMOND, VIRGINIA
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borrowed \$800,000 under the Section 108 Program by issuing a promissory note payable to JP Morgan Chase Bank. These HUD Guaranteed loan funds were used for eligible housing rehabilitation projects in programs administered by the Richmond Redevelopment and Housing Authority. The note's repayment begins August 1, 2003 at interest ranging from 1.21% to 4.93%, with final payment due on August 1, 2014. At June 30, 2003, the total balance of the four outstanding HUD Section 108 notes was \$ 6,765,000.

On May 15, 2003, the City entered into a five year \$716,298 Equipment Lease Purchase Agreement for the purpose of financing the purchase price of various computer equipment. The Agreement requires the City to make annual payments of \$150,287 each over a five-year period. The transaction has a fixed interest rate of 1.9%.

Prior Year Defeasance of Debt

In June 1999, the City purchased U.S. Government Securities with proceeds of the General Obligation Public Improvement Refunding Bonds Series, 1999B to advance refund portions of the City's General Obligation Public Improvement Bonds, Series 1993B and Series 1995A. These U.S. Government Securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2003, \$20,075,000 of the 1993B and 1995A Bonds outstanding are considered defeased.

Current Year Defeasance of Debt

On November 15, 2002, the City purchased U.S. Government Securities with the proceeds of General Obligation Public Improvement Refunding Bonds-Series 2002B to advance refund \$43,845,000 of the outstanding Series 1993B bonds. These U.S. Government Securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1993B bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements.

On July 15, 2003, proceeds from the escrowed funds were used to redeem the bonds. At June 30, 2003, the total amount of all bonds defeased was \$63,920,000.

Component Units

School Board

At June 30, 2003, School Board long-term obligations consisted of the following:

	Amounts Payable at July 1, 2002	Increases	Decreases	Amounts Payable at June 30, 2003	Due Within One Year
Workers' Compensation Liability	\$ 1,391,944	\$ 905,947	\$ 1,095,951	\$ 1,201,940	\$ 910,523
Vacation Pay Liability	2,661,815	449,270	408,483	2,702,602	54,209
Sick Pay Liability	9,963,720	1,076,733	1,520,852	9,519,601	637,793
Incurred But Not Reported Health Claims Liability	3,963,320	25,203,165	25,457,556	3,708,929	3,300,948
Early Retirement Benefits Plan					
Net Pension Obligation	1,199,863	1,497,699	--	2,697,562	--
Total	<u>\$ 19,180,662</u>	<u>\$ 29,132,814</u>	<u>\$ 28,482,842</u>	<u>\$ 19,830,634</u>	<u>\$ 4,903,473</u>



**CITY OF RICHMOND, VIRGINIA
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Richmond Ambulance Authority

Long-term debt comprises \$424,452 of various General Obligation Bond issues which are guaranteed by the full faith and credit of the City, of which \$27,880 is current.

Hospital Authority of Richmond

Long-term debt comprises \$92,042 of various General Obligation Bond issues which are guaranteed by the full faith and credit of the City, of which \$17,473 is current.

Richmond Behavioral Health Authority

RBHA has a \$1 million unsecured line of credit agreement with a financial institution, payable on demand with interest based on the London Interbank Offered Rate (LIBOR) plus 1.25%. The line of credit commitment expires January 31, 2004. RBHA did not draw upon this line of credit during the fiscal year ended June 30, 2003.

Richmond Redevelopment and Housing Authority

Long-term debt comprises \$79,216,770 of various General Obligation and Revenue Bonds and Notes Payable, guaranteed by the full faith and credit of the City, of which \$5,451,397 is current.

Richmond Broad Street Community Development Authority

Long-term debt comprises \$64,858,866 of Revenue Bonds payable net of discount of \$1,881,134. There is no current portion due. The first scheduled principal payment is due July 1, 2009.

9. FUND EQUITY BALANCES

The fund equity balances have been classified to reflect the limitations and restrictions placed on the respective funds. Reserved fund balance represents that portion of fund balance not available for appropriation or expenditure. Designated fund balance represents amounts that are tentatively planned for financial resource utilization in a future period. Undesignated fund balance represents the remainder of the City's equity in governmental funds fund balances. Fund balances reserved at June 30, 2003 are composed of the following:

	General Fund	Debt Service	Other NonMajor Governmental Funds
Encumbrances	\$ 5,139,373	\$ --	\$ --
Advances to Component Units	262,800	--	--
Debt Service	--	1,480,501	--
Trust Corpus	--	--	462,370
Notes Receivable	5,043,100	--	--
Other	10,883,528	--	45,040,528
Totals	<u>\$ 21,328,801</u>	<u>\$ 1,480,501</u>	<u>\$ 45,502,898</u>

Other reservations for advances to component units, collections for personal property taxes, and bank stock revenues totaled \$10,883,528.



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June 30, 2003

Fund balances designated at June 30, 2003 are composed of the following:

	General Fund	Other NonMajor Governmental Funds
Completion of approved or specified projects and activities	\$ 1,500,000	\$ 20,589,668

The Risk Management and Radio Maintenance Internal Service Funds had deficit net assets of \$9,766,503 and \$85,572, respectively, at June 30, 2003. City management anticipates eliminating the deficits over a period of time not exceeding ten years (see Note 10).

10. RISK MANAGEMENT

The City's risk management activities are conducted through the Self Insurance Internal Service Fund and have been accounted for in accordance with GASB Statement No. 10, as amended by GASB Statement No. 30 *Risk Financing Omnibus*.

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. For all retained risks, claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. There have been no significant reductions in insurance coverage from coverage in the prior year, and settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

For workers' compensation, the City assumes the first \$750,000 of any accident and pays claims filed directly from appropriations to various agencies. Excess workers' compensation coverage provides protection for accidents exceeding \$750,000. Claims for indemnity benefits may be paid over a maximum period of 500 weeks with the exception of certain legally defined cases, which may be paid for the lifetime of the claimant.

The City is self-insured for the first \$1,000,000 of any general liability, automobile liability, public officials or police professional liability claim. The City has purchased \$10,000,000 in excess liability coverage over a \$1,000,000 self-insured retention from States Self-Insurers Risk Retention Group (States), a public entity risk pool domiciled in the State of Vermont. Claims under the \$1,000,000 self-insured retention are paid through budget appropriations.

The City-owned Utilities (Gas, Water and Wastewater Proprietary Funds) are a member of the Associated Electric Gas and Insurance Services, Ltd., a member-owned company based in New Jersey. In exchange for an annual premium, the utilities are provided insurance coverage to a limit of \$35 million per occurrence for excess liability with self-insured retention of \$500,000 per occurrence for General and Employers' Liability, and \$500,000 per occurrence for Pollution Liability. The utilities are also a member of Energy Insurance Mutual Ltd, which provides excess liability coverage with limits of \$75 million in excess of the \$35 million underlying coverage.

The City also carries commercial insurance in a number of smaller, more defined risk areas such as employees' faithful performance, money and securities and medical professional liability.

During the fiscal year ended June 30, 2003, premiums for excess coverage and claims paid for self-insured coverage were recognized as revenue in the Risk Management Fund and recorded as expenditures (expenses) in the appropriate Governmental and Proprietary Funds, respectively.



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In conformity with GASB No. 10, as amended by GASB No. 30, the City's aggregate liability for uninsured workers' compensation, general liability, and automobile liability at June 30, 2003 was \$23,149,136 (undiscounted) and \$19,682,060 (discounted at 15%) as recommended by a firm of consulting actuaries. Changes in the aggregate for these liabilities for fiscal years 2002 and 2003 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes In Estimates	Claims and Premium Payments	Balance at Fiscal Year end
2002	\$ 18,024,637	\$ 7,109,798	\$ (3,943,340)	\$ 21,191,095
2003	\$ 21,191,095	\$ 416,980	\$ (1,926,015)	\$ 19,682,060

School Board Component Unit

The School Board is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School Board reports all of its risk management activities in its General Fund, and pays all claims for retained risks from General Fund resources. The School Board maintains a comprehensive property and casualty policy, a commercial general liability policy, a comprehensive liability vehicle fleet policy, and coverage for School Board errors and omissions, workers' compensation and employer's liability, and certain other risks with commercial insurance companies. The General Fund retains the risk up to \$275,000 for each worker's compensation claim and \$100,000 for each property damage claim, and retains the full risk for unemployment compensation and health care benefits. All unemployment and health care claims are paid through a third-party administrator from General Fund resources. For all retained risks, claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

At June 30, 2003 the amount of claim liabilities were \$4,910,869, which consisted of incurred but not reported health claims of \$3,708,929, and workers' compensation liabilities of \$1,201,940.

Changes in the reported liability since June 30, 2001 are as follows:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes In Estimates	Claims and Premium Payments	Balance at Fiscal Year end
2002	\$ 3,910,214	\$ 30,705,554	\$ (29,260,504)	\$ 5,355,264
2003	\$ 5,355,264	\$ 26,109,112	\$ (26,553,507)	\$ 4,910,869

11. HEALTH CARE PLAN

The City offers all active employees a Healthcare program to include a Health Maintenance Organization (HMO), a Point of Service Program (POS) and a Preferred Provider Organization (PPO) through the CIGNA organization. Under the HMO, employees must see network physicians, hospital, pharmacies and other network providers for all services.

Networks are not guaranteed and may change during the contract year. Flat dollar co-payments apply to this program. The POS program has the same network as the HMO; however, there is an out-of-network benefit plan



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that allows employees under the plan to use any provider. Deductibles apply to this program as well as flat dollar and percentage co-payments, depending on the service.

The PPO is only available to employees who live outside the CIGNA service area. If an employee is not eligible for PPO, a companion indemnity program is available. Rates for each program are as follows:

Status	HMO	POS	PPO	Indemnity	City
	Semi-Monthly	Semi-Monthly	Semi-Monthly	Semi-Monthly	Monthly
Single	\$ 13.41	\$ 26.56	\$ 56.82	\$ 139.55	\$ 192.19
Plus One	\$ 69.18	\$ 98.76	\$ 166.85	\$ 353.00	\$ 354.40
Family	\$ 112.60	\$ 155.31	\$ 253.68	\$ 522.55	\$ 486.57

12. RETIREMENTS PLANS

A. General

The City maintains a single-employer, defined benefit pension plan, Richmond Retirement System (the City Plan), which covers substantially all City employees, certain School Board employees and all RBHA employees, and certain Hospital Authority and Port of Richmond Commission employees. A majority of the employees of the School Board participate in the Virginia Retirement System (VRS), an agent and cost sharing multiple-employer retirement plan that acts as a common investment and administrative agent for certain political subdivisions in the Commonwealth of Virginia. The City Plan is considered part of the City financial reporting entity and is included in the City's financial statements as a Pension Trust Fund. The payrolls for the fiscal year ended June 30, 2003 for the employees covered by the City Plan and VRS were \$172,407,094 and \$138,998,264, respectively. The total payrolls for the fiscal year ended June 30, 2003 were \$236,189,778 for the City and \$161,564,200 for the School Board.

B. Richmond Retirement System

I. Plan Description

The RRS Board of Trustees administers the City Plan. City Council is responsible for establishing benefit provisions and funding requirements. Current membership in the City Plan at June 30, 2003 is as follows:

Retirees and beneficiaries currently receiving benefits	3,455
Vested Terminated Employees	1,735
Current Employees	
Vested	2,816
Nonvested	<u>1,268</u>
Total	<u>9,274</u>

The City's plan provides retirement benefits as well as disability benefits. All permanent full time employees must participate in RRS. All benefits vest after 5 years of credited service. All of the funds and assets of the System are credited to a single retirement account. All income from the assets of the System is credited to this account. All System benefits are paid from this account.



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A member is eligible for normal retirement on his normal retirement date. Early retirement is permitted at any time within the ten-year period prior to normal retirement date, provided the member has completed five or more years of creditable service or at any age with 30 years of creditable service (general employees) or 25 years of creditable service (police/fire employees). Police and fire employees may retire at age 50 with five or more years of service; however, the benefit amount will be reduced by 5/12% for each complete month by which retirement precedes the earlier of age 60 or the date on which the employee would have completed 25 years of service. General employees may retire at age 55 with 5 or more years of service; however, in this instance the benefit will be reduced by 5/12% for each complete month by which retirement precedes the earlier of age 65 or the date on which the employee would have completed 30 years of service.

Upon service retirement, a member becomes eligible to receive an annual allowance, payable in equal monthly installments. The annual allowance is computed as follows:

An amount equal to:

- a. General Employees - 1.75% of the member's average final compensation, multiplied by the number of years of creditable service up to 35 years.
- b. Police & Fire Employees - 1.65% of the member's average final compensation, multiplied by his number of years of creditable service up to 35 years. In addition, a supplement of .75% of the member's average final compensation, multiplied by the number of years of creditable service up to 25 years is payable from retirement to age 65.

Effective March 1, 1997, certain City officials and department heads can make contributions to the RRS. The City contribution, authorized by City Council, is actuarially determined and consists of current costs and amortization of prior service costs over a 20-year period.

RRS issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Richmond Retirement System, 900 East Broad Street, Room 400, Richmond, Virginia 23219 or by calling (804) 646-5958.

II. Funding Policy

The City Code of 1993, as amended, requires the City to contribute to the City Plan, annually, an amount as determined by the actuary (expressed as a percentage of payroll) equal to the sum of the "normal contribution" and the "accrued liability contribution." The accrued liability contribution is determined as that amount necessary to amortize the unfunded actuarial accrued liability and any increase or decrease in the unfunded actuarial accrued liability in future years due to changes in actuarial assumptions, changes in the City Plan provisions (including the granting of cost-of-living increases) or actuarial gains or losses amortized over a period of 20 years with payment increasing 4% per year.



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The following is a schedule of the City's contributions for fiscal years ended June 30, 2001 through 2003 (unaudited):

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2001	14,152,226	100.00%
2002	14,624,488	100.00%
2003	18,692,905	100.00%

The overall employer contribution rate increased from 8.78% for the fiscal year ending June 30, 2002 to 10.94% for the fiscal year ending June 30, 2003.

III. Actuarial Method, Significant Assumptions and Legislative Changes

The actuarial cost method utilized is the projected unit credit actuarial cost method. This method is an acceptable method for determining the annual required contribution in accordance with GASB Statement No. 25 *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. For purposes of determining contribution rates and asset valuation, the net realized and unrealized appreciation or depreciation in the market value of assets is recognized over a three year period with the restriction that the actuarial asset value cannot be less than 90% or greater than 110% of the market value of assets. For purposes of determining the City Plan's funded status and other required disclosures, assets are valued at market.

Significant actuarial assumptions used in determining the actuarial accrued liability include: (a) a rate of return on the investment of present and future assets of 8.0% per annum compounded annually, (b) projected salary increases ranging from approximately 6.5% per year at age 25 to 3% per year at age 60. Salary increases include a 2.5% component for inflation and a variable component for merit increases and (c) the assumption that benefits will not increase after retirement. There have been no changes in actuarial assumptions and methods during the fiscal year ended June 30, 2003.

As of the July 1, 2003 valuation date, the actuarial cost method utilized is the projected unit credit actuarial cost method. The amortization method utilized is a level percent of pay over a closed period of 20 years. The remaining amortization period is 20 years for initial unfunded accrued liability. For purposes of determining asset valuation, the realized and unrealized gains and losses are recognized over a five year period with the restriction that the resulting asset value cannot be less than 90% or greater than 110% of market value.

There was one legislative change during the fiscal year ending June 30, 2003, which had a financial impact on the RRS. Specifically, effective July 1, 2003, a 1.4% COLA was granted to members who retired on or before July 1, 2002. The impact of this change was an increase of \$4,225,378 in the accrued actuarial liability.



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IV. Schedule of Funding Progress (Unaudited)

A Schedule of Funding Progress is presented below for the current and preceding two fiscal years. This information is intended to help users assess the funded status of the City Plan and the progress made in accumulating sufficient assets to pay benefits when due.

Actuarial Valuation Date June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1998	412,971,217	462,219,904	49,248,687	89.35%	140,165,513	35.14%
1999	465,103,794	490,583,194	25,479,400	94.81%	142,065,283	17.93%
2000	527,666,622	534,981,233	7,314,611	98.63%	154,573,238	4.73%
2001	467,662,106	569,347,610	101,685,504	82.14%	158,111,509	64.31%
2002	455,321,428	616,004,735	160,683,307	73.92%	166,777,160	96.35%
2003	439,599,024	634,636,031	195,037,007	69.27%	172,407,094	113.13%

Analysis of the 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 the City Plan's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the City Plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the City 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 City Plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the City Plan.

RRS does not have investments (other than U.S. Government and agency obligations) in any one organization that represent 5% or more of net assets held in trust for pension benefits.

During the fiscal year ended June 30, 2003, the School Board contributed 9.03% of annual covered payroll. The School Board's contributions to the RRS for the years ended June 30, 2003, 2002 and 2001 were \$305,741, \$259,479, and \$264,188, respectively, equal to the required contributions for each year.

C. School Board – Virginia Retirement System

I. Plan Description

The School Board contributes to VRS, an agent and cost-sharing multiple-employer defined benefit pension plan administered by VRS. Professional and nonprofessional employees of Richmond School Board are covered by the VRS. All full-time, salaried permanent employees must participate in the VRS. The School Board's professional employees participate in the cost-sharing multiple-employer plan, and non-professional employees participate as a separate group in the agent multiple-employer plan. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with five years of service and at age 50 with 30 years of service, payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. An optional reduced retirement benefit is available to members of VRS as early as age 50 with 10 years of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living (COLA) increases beginning in their second year of retirement. The COLA



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is limited to five percent per year. AFC is defined as the highest consecutive 36 months of salary. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature. VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing VRS at P.O. Box 2500, Richmond, VA 23218-2500.

II. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5 percent of their annual salary to the VRS; however, the School Board has assumed the full amount of the member contributions. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. For professional employees participating in the VRS cost-sharing multiple employer plan, the School Board's contributions for the years ended June 30, 2003, 2002 and 2001 were \$4,796,736, \$4,556,357, and \$8,953,710, respectively, equal to the required contributions. The School Board's contribution rate applicable to non-professional employees for the fiscal year ended June 30, 2003 was 1.50% of annual covered payroll.

III. Annual Pension Cost - Non-professional Employees

For the fiscal year ended June 30, 2003, the School Board's annual pension cost applicable to School Board non-professional employees of \$170,614 was equal to the School Board's required and actual contributions. The required contribution was determined as part of the June 30, 2001 actuarial valuation using the entry age normal actuarial cost method.

The actuarial assumptions included (a) 8 percent investment rate of return, (b) projected salary increases of 4.25 percent per year, and (c) 3.0 percent per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 4 percent. The actuarial value of the School Board's assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The School Board's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis over a five-year period.

Trend Information

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1998	\$ 345,872	100%	\$ --
1999	350,864	100%	--
2000	341,157	100%	--
2001	363,838	100%	--
2002	309,502	100%	--
2003	170,614	100%	--



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Schedule of Funding Progress (Unaudited)

Actuarial Valuation Date June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Actuarial Accrued Liability (FAAL)	Funded Ratio	Covered Payroll	FAAL as a Percentage of Covered Payroll
1996	\$ 8,172,694	\$ 8,014,175	\$ 158,519	102.0%	\$ 7,422,140	2.1%
1998	12,385,862	11,807,643	578,219	104.9%	8,139,156	7.1%
1999	14,868,332	13,906,401	961,931	106.9%	8,858,067	10.9%
2000	17,804,755	14,417,856	3,386,899	123.5%	9,580,201	35.4%
2001	20,291,638	16,714,468	3,577,170	121.4%	10,316,744	34.7%
2002	21,718,560	19,380,179	2,338,381	112.1%	11,374,241	20.6%

D. School Board – Early Retirement Incentive Plan

I. Plan Description

The Early Retirement Incentive Plan (Plan) is a legally separate single-employer defined benefit pension plan established in fiscal year 1995 under the *Code of Virginia* (1950), as amended, to provide early retirement benefits for eligible School Board employees. The School Board is the sole participating employer in the Plan, functions as the Plan administrator, and has authority to establish and amend its contribution requirements and benefit provisions. The Plan does not issue a stand-alone annual financial report.

Membership in the Plan consisted of the following at July 1, 2003, the date of the latest biennial actuarial valuation:

Retirees currently receiving benefits	305
Retirees completing their service option	170
Active plan members	
Non-vested	<u>2,453</u>
Total	<u>2,928</u>

The Plan provides early retirement benefits only. All employees are eligible to participate in the Plan. Participants in the Plan become eligible for benefits when they meet the following basic requirements and have provided services immediately preceding their early retirement date in accordance with one of the three service options described below. Basic requirements prescribe that employees must (1) be an eligible retiree under either VRS or RRS, (2) be between 55 and 62 years of age, (3) have completed 10 years of service with Richmond Public Schools, at least 5 of which must immediately precede the date of retirement, and (4) meet other plan provisions. Monthly benefits are paid based on one of the following service options as elected by the participant:

Option A - The participant must provide services for 1 full academic year (175 days) and will receive 25% of final annual compensation each year for 7 years.

Option B - The participant must provide services for 1 full academic year (175 days) and will receive 35% of final annual compensation each year for 5 years.

Option C - The participant must provide services for 1/2 an academic year (105 days) and will receive 35% of final annual compensation each year for 3 years.



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The Plan does not provide for postretirement benefit increases. During the required service period, benefits are paid by the School Board's General Fund based on services rendered. Thereafter, the pension trustee pays vested benefits. All benefits vest after completion of the required service option. School Board contributions are recognized by the Plan when received. Benefits are recognized when due and payable. Investments are valued as discussed in Note 1.

II. Funding Policy

The entire cost of Plan benefits is borne by the School Board. The School Board's policy is to make Plan contributions based on actuarially determined amounts sufficient to provide the required Plan benefits. Generally, this has resulted in the School Board making annual contributions to the plan, which over time should approximate the cumulative annual required contributions determined by biennial actuarial valuations. However, in any one year, the actual contribution made may differ from the annual required contribution based on budget constraints. Most administrative costs of the Plan are borne by the School Board's General Fund.

The following is a schedule of School Board contributions for fiscal years ended June 30, 1998 through 2003:

Fiscal Year Ended June 30	Annual Required Contribution	Actual Contribution	Percentage Contributed
1998	\$ 2,956,655	\$ 2,829,048	95.7%
1999	3,154,806	3,300,000	104.6%
2000	2,978,841	2,600,000	87.3%
2001	3,899,673	3,000,000	76.9%
2002	3,899,673	3,567,000	91.5%
2003	3,899,673	2,400,000	61.5%

III. Annual Pension Cost

The School Board's annual pension cost and net pension obligation to the Plan for the year ended June 30, 2003 were as follows:

<u>Annual Pension Costs</u>	
Annual required contribution	\$ 3,899,673
Interest on net pension obligation	89,990
Adjustment to annual required contribution	(91,964)
Annual pension cost	3,897,699
Contributions made	2,400,000
Increase in net pension obligation	1,497,699
Net pension obligation, beginning of year	1,199,863
Net pension obligation, end of year	<u>\$ 2,697,562</u>

The annual required contribution (ARC) for the current year was actuarially computed at June 30, 2002, the date of the latest biennial actuarial valuation, using the entry age actuarial cost method. The actuarial value of



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the Plan's assets was determined using a market value method. The Plan's unfunded actuarial accrued liability is being amortized using the level dollar method over an open amortization period of 40 years.

Significant actuarial assumptions used in the valuation include: (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 4.5% per year, of which 3.0% annually is attributable to inflation.

Trend Information

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Assets)
1998	2,973,780	95.1%	(292,908)
1999	3,166,268	104.2%	(426,640)
2000	2,995,536	86.8%	(31,104)
2001	3,899,724	76.9%	868,620
2002	3,898,243	91.5%	1,199,863
2003	3,897,699	61.5%	2,697,562

IV. Schedule of Funding Progress (Unaudited)

A Schedule of Funding Progress is presented below for the current and preceding years since the Plan's inception in fiscal 1995. This information is intended to help users assess the funded status of the Plan and the progress made in accumulating sufficient assets to pay benefits when due.

Actuarial Valuation Date July 1	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)		Unfunded AAL (UAAL)	Funded Ratio	UAAL as a Percentage of Covered Payroll	
		Projected Unit Credit	Covered			Payroll	
1996	\$ 5,345,286	\$ 32,405,757	\$ 27,060,471	16.5%	\$ 89,149,880	30.4%	
1998	12,192,725	39,469,894	27,277,169	30.9%	93,878,996	29.1%	
2000	13,970,521	47,266,277	33,295,756	29.6%	101,126,144	32.9%	
2002	14,020,545	48,579,206	34,558,661	28.9%	95,034,768	36.4%	

At June 30, 2003, the Plan had investments representing more than 5% of Plan net assets in the Wellington Management Company (a registered investment company) Enhanced Bond Market Portfolio; totaling \$7,272,031. The Wellington Management Company Enhanced Bond Market Portfolio (Portfolio) is a collective investment fund, which invests in a diversified portfolio of U.S. Government, mortgage backed, asset backed and corporate debt securities. The Plan's share of any one underlying security in the Portfolio did not exceed 5% of Plan net assets at June 30, 2003.

E. Richmond Behavioral Health Authority – Richmond Retirement System

I. Plan Description

RBHA participates in RRS defined benefit pension plan, which covers substantially all its employees. Prior to the creation of RBHA on July 1, 1996, substantially all employees were City of Richmond employees and pursuant to the Agreement of Transfer, RBHA employees continue to be members of the RRS.



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The retirement benefit provisions are the same as those provided the City of Richmond employees (See Section B. I).

II. Contributions and Funding Policy

RBHA contributed \$932,695 as its annual required contribution equal to 100% of the contribution for the initial plan year ended June 30, 2003 as determined by the RRS actuarial valuation.

F. Other Component Units

Richmond Ambulance Authority

The RAA provides pension benefits for all its eligible full-time employees (18 employees at June 30, 2003) through a single employer defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after completion of one-half year of service. RAA contributes an amount equal to 9% of each eligible employee's compensation each month. RAA's contributions for each employee (and interest allocated to the employee's account) are vested ratably over the first three years of service. Interest forfeited by employees who leave employment before the one-half year of service is completed is used to reduce RAA's contribution requirement. RAA's payroll for 2003 and 2002 for employees covered under the plan was \$893,417 and \$766,511, respectively, and total payroll for 2003 and 2002 approximated \$901,000 and \$850,000, respectively. RAA made the required 9.00% contribution of \$85,330 and \$68,986 in 2003 and 2002, respectively.

Hospital Authority of Richmond

Under the terms of the June 30, 1993 Agreement of Transfer, the City agreed to continue to contribute to the RRS for all of the employees of the HAR that were vested in the City's retirement plan as of June 30, 1993. The retirement plan expense for the years ended June 30, 2003 and 2002 was \$35,966 and \$35,249, respectively and is included as a part of the unrestricted operating subsidy.

Port of Richmond Commission

Substantially all employees of the Port of Richmond Commission are members of the RRS.

Richmond Redevelopment and Housing Authority

RRHA contributes to the VRS, a cost-sharing multiple-employer defined benefit public employee retirement system. All full-time salaried permanent employees must participate in the VRS. Benefits vest after five years of service. All employees who rate after age 55 with at least five 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) up to \$13,200 plus 1.65 percent of AFS of \$13,200 for each year of credited service. An optional reduced retirement benefit is available to members of VRS as early as age 50 with 10 years of credited service. Employees with 35 years or more of credited service are entitled to an annual benefit equal to 1.65 percent of AFS for each year of credited service. In addition, retirees qualify for annual cost-of-living increases beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits.



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Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their salary to the VRS; however, RRHA has assumed the full amount of the member contributions. In addition, RRHA is required to contribute the remaining amounts necessary to fund the VRS using the actuarial basis specified by statute. RRHA's actual contributions to the VRS for fiscal years ended June 30, 2002, 2001, and 2000 were \$1,279,451, \$1,257,834, and \$1,355,463 respectively, and were equal to the contribution requirements.

13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described in Note 12, the City pays a portion of the cost of health-related insurance benefits, in accordance with an administrative decision made by City management. Only retirees enrolled before January 1, 2000 are eligible to participate in various health care plans. Retirees, their spouses, and eligible unmarried dependents can obtain coverage. Retirees totaling 3,385, their spouses, and eligible unmarried dependents were receiving such benefits at June 30, 2003. The City's and the retirees' shares of health-related premium contributions for the year ended June 30, 2003 were \$13,656,649 and \$2,427,976, respectively. The City's share of contributions, funded on a pay-as-you-go basis, was charged to the General fund through annual budget appropriations. For out-of-state participants, coverage was available through one carrier only and two carriers for in-state retirees.

Component Unit

The School Board provides certain postretirement health care benefits to retired employees. Substantially all of the employees may become eligible for those benefits if they retire while working for the School Board. Coverage is provided through the School Board for retirees covered under the VRS plans and through RRS for retirees under the RRS plan. (The School Board then reimburses RRS for the employer portion of these payments.) Under the School Board's policy, 1,938 retirees are currently receiving benefits at June 30, 2003. For coverage provided through RRS, 141 retirees are currently receiving benefits at June 30, 2003. The School Board's share of contributions is between 38% and 60% of the total insurance premiums. Expenditures for retiree health care benefits are recognized on a pay-as-you-go basis as insurance premiums are due. For the fiscal year ended June 30, 2003, the School Board's share of premiums approximated \$5,013,000.

Under the terms of the June 30, 1993 Agreement of Transfer, the City provided postretirement healthcare benefits to HAR retirees. The postretirement healthcare benefits expense, paid on a pay-as-you-go basis, by the City for the year ended June 30, 2003 was \$59,499.

RBHA pays a portion of the cost of health-related insurance benefits to all employees who retire from RBHA. The benefits comprise health-related group insurance policies through which retirees, their spouses, and eligible unmarried dependents can obtain coverage. Retirees totaling 15, their spouses, and eligible unmarried dependents were receiving such benefits at June 30, 2003. RBHA's share of health-related premium contributions for the year ended June 30, 2003, was \$20,499. The RBHA's share of contributions was charged to expense based on premium cost allocable to the fiscal year period.

14. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan (the plan) created in accordance with Internal Revenue Code (IRC) Section 457. The plan is available to all City employees and permits deferral until future years of up to 25% of salary with a maximum deferral of \$7,500 per year. The compensation deferred is not available to employees until termination, retirement, death, or an unforeseeable emergency. In accordance with the amended provisions of IRC Section 457, which were enacted into law in August 1996 and their subsequent adoption by the City, all assets and income of the plan were transferred to a trust during December 1996, and are held for the exclusive benefit of participants and their beneficiaries. The City is the Trustee for the plan and has contracted with a nongovernmental



CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

third party administrator to administer the plan. This plan is reported in accordance with Governmental Accounting Standards Board Statement No. 32 *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* as an Other Employee Benefits Trust Fund.

At June 30, 2003 the fair value of the plan investments was \$33,575,349.

Component Unit

RBHA offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all RBHA's employees and permits deferral until future years of 25% of salary up to a maximum of \$7,500 per year. The compensation deferred is not available to employees until termination, retirement, death, or an unforeseeable emergency. The plan is administered by a nongovernmental third party administrator and is accounted for as a restricted investment asset in trust.

15. OPERATING LEASES

Lessee

The City, School Board and RBHA lease office space, business machines, clinics, apartments for residential programs and vehicles under various operating lease agreements. Except for office space for the City, all City operating lease obligations are subject to annual appropriation of funds.

At June 30, 2003, the annual operating lease commitments are as follows:

Fiscal Year	Component Units			
	Primary Government	School Board	Richmond Behavioral Health Authority	Richmond Redevelopment and Housing Authority
2004	\$ 3,837,844	\$ 1,998,544	\$ 1,273,027	\$ 48,702
2005	3,975,290	1,754,648	1,157,248	35,641
2006	1,392,892	818,212	1,143,285	13,990
2007	626,418	784,763	1,145,637	--
2008	341,313	751,907	720,670	--
2009 - 2014	335,117	751,907	--	--
Total minimum lease payments	<u>10,508,874</u>	<u>6,859,981</u>	<u>5,439,867</u>	<u>98,333</u>
Lease expense/expenditures for the year ended				
June 30, 2003	<u>\$ 3,666,968</u>	<u>\$ 1,883,387</u>	<u>\$ 1,120,056</u>	<u>\$ --</u>

16. CONTINGENCIES, COMMITMENTS, AND OTHER MATTERS

A. Combined Sewer Overflow

The City is partially served by combined sewer lines that carry both stormwater and wastewater. Those combined sewer lines overflow after certain precipitation events, discharging combined stormwater and sanitary sewage into the James River. The City completed a study of methods of controlling CSO into the James River and submitted its final report on the study to the State Water Control Board (the "Board") on October 1, 1988. The report adopted a CSO control plan (the "CSO Plan") with an estimated total capital cost of \$295 million in 1987 dollars.



CITY OF RICHMOND, VIRGINIA
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June 30, 2003

The Board adopted the technical components of the CSO Plan, and approved on January 6, 1992 (with the concurrence of the EPA, Region III) reissuance of the City's wastewater discharge permit as well as the issuance of a consent administrative order which, among other things, provides for implementation of projects in Phase II of the CSO Plan over a ten-year compliance schedule. The final project in this phase of the plan commenced operation on May 15, 2003.

As part of the consent administrative order, the City was required to reevaluate the CSO control system at the completion of Phase II and submit a report to the Board. The purpose of the CSO Control Plan Reevaluation is to evaluate the success of the previously completed CSO control projects, re-assess the underlying assumptions used to develop the original CSO control projects using more recent data, to evaluate new CSO control technologies, develop CSO control alternatives and make recommendations for the Phase III CSO control plan. This report was submitted to the Virginia Department of Environmental Quality on January 2, 2002. The reevaluation report conforms the City's CSO Plan to EPA's 1994 National CSO Control Policy and identifies several alternatives for future CSO control. Environmental benefits and costs for all CSO control scenarios, including a "no additional CSO control" scenario, were comparatively evaluated. Scenarios providing additional CSO control ranged in cost from \$213 million to nearly \$2 billion for complete citywide separation of sanitary and storm sewers. Once the Board approves the final reevaluation report, the City and the Board will negotiate and enter into a revised agreement, which will identify the Phase III CSO control projects and their respective priorities. This agreement will take into account the City's financial capability and the availability of federal, state and local funding.

The Phase II CSO Plan, wastewater control projects required to comply with the requirements of the City's discharge permit, and other wastewater control projects planned by the City have a total capital cost of approximately \$141 million, inflated to the time of anticipated expenditure. The Department of Public Utilities plans to increase Wastewater Utility rates an average of 3% to 5% per year over the next ten years to cover the costs of the planned capital projects and inflation in other operating costs. The Department believes the projected rate increases are recoverable with no significant change in uncollectible expense.

The City is actively seeking state and federal financial assistance for the CSO program. The Phase II CSO control projects utilized \$23.6 million in low interest loans from the Virginia Revolving Loan Fund, \$14.1 million in State grants and \$15.2 million in EPA grant funding. Additionally, the City has benefited from over \$2 million that the Army Corps of Engineers has allocated for preliminary engineering studies of the projects in the Phase III CSO control plan.

B. Grants

Federal grant programs in which the City participates have been audited in accordance with the provisions of the Office of Management and Budget Circular A-133. In addition, these grant programs are subject to financial and compliance audits by the federal government, which may result in disallowed expenditures. Based on prior experience, City management believes such disallowances, if any, will be immaterial.

C. The Peumansend Creek Regional Jail Authority

The City Council, through an ordinance adopted on October 3, 1994, authorized the City to join The Peumansend Creek Regional Jail Authority (the Authority). Consequently, the City, along with five other local political jurisdictions in Virginia, signed a service agreement to construct and operate a regional correctional facility in Caroline County, Virginia. The land for this facility was donated by the United States Government to Caroline County, which agreed to lease the land to the Authority for the construction of the facility. The initial construction



CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

phase comprised space for 336 prisoner beds and began to house prisoners in January of 1999. The construction cost is estimated at \$23.8 million and will be funded through \$10,220,000 Regional Jail Facility Revenue Bonds Series 1997 and \$12,000,000 Regional Jail Facility Grant Anticipation Notes Series 1997 issued March 15, 1997. At completion, the City guaranteed to accept space for 100 prisoner beds. Annual operating costs of the facility are to be shared among the participating jurisdictions based on a formula set forth in the service agreement. The City will fund its share of the annual cost through annual budget appropriations. For fiscal year ended June 30, 2003, the City contributed \$1,317,423 for its share of costs.

D. Gas Utility Enterprise Fund

To ensure continuity of natural gas supplies and transmission facilities, the City's Gas Utility Enterprise Fund has entered into various long-term supply and transmission contracts through the year 2017. The aggregate commitments under these contracts amounted to approximately \$162 million at June 30, 2003.

E. Component Units

The School Board participates in a number of federal assistance programs. Although the School Board is audited annually in accordance with the provisions of the Office of Management and Budget Circular A-133, these programs are subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursements to the grantor agency in the event that any expenditures were to be disallowed under terms of the grants. Based on prior experience, the School Board's management believes such disallowances, if any, will be immaterial.

The RAA has a contract with American Medical Response, Inc. (AMR) for all emergency and nonemergency ambulance services for RAA through June 30, 2005. These services include establishing and paying salaries of operational personnel and maintaining vehicles and equipment. The agreement provides that AMR receive a minimum monthly payment plus additional payments for certain other services provided. Management fees paid in 2003 under this agreement amounted to \$7,705,372. The minimum future annual payment under this contract with AMR ranges from \$5,052,771 for the contractual period ending June 30, 2004 to \$5,179,090 for the contract period ending June 30, 2005 and totals approximately \$25,495,000 for the period under contract.

On January 15, 2002 the HAR entered into a contract for management services with Premier Healthcare Resources for a period of one year. Thereafter, the contract automatically renews for successive one year terms for up to two additional years unless either party terminates this agreement, with or without cause and without penalty at any time upon sixty (60) days prior written notice. The contract requires the HAR to pay \$12,500 per month with certain specified adjustments based upon actual results versus budgeted results. During the year ended June 30, 2003, the HAR expensed \$153,984 of management fees in connection with their contract with Premier Healthcare Resources. HAR provides a substantial portion of its services to beneficiaries of state and federal programs. These programs use cost related reimbursement methods, which are subject to audit and retroactive adjustments. Such audits could lead to requests for reimbursement from HAR. Based on prior experience, HAR management believes such requests, if any, will not be significant. The Agreement of Transfer from the City to HAR dated June 30, 1993, provides the City with a reversionary right to the transferred assets upon HAR's dissolution.

The RBHA operates programs, which are typically funded by grants received from federal, state or local sources. Expenditures financed by grants are subject to audit by the grantor. If expenditures are disallowed due to noncompliance with grant program regulations, RBHA may be required to reimburse the grantor. RBHA believes that the likelihood of disallowance of expenditures and subsequent reimbursement is remote and would not have a material effect on the overall financial position of RBHA. The reimbursement office of the RBHA is periodically reviewed by representatives of Federal and State authorities regarding its billing of Medicaid and Medicare. These



CITY OF RICHMOND, VIRGINIA
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June 30, 2003

reviews may result in RBHA refunding certain collections on prior claims to Medicare and Medicaid. The impact of these reviews cannot be presently determined. However, RBHA's management believes that any liability for reimbursement, which may arise as the result of these audits, is not believed to be material to the financial position of RBHA.

F. Claims and Judgments

The City is a defendant in lawsuits pertaining to matters, including claims asserted which are incidental to performing routine governmental and other functions. This litigation includes but is not limited to: actions commenced and claims asserted against the City arising out of alleged torts; alleged breaches of contracts; alleged violations of law; and condemnation proceedings. As discussed in Note 10, the estimate of the liability for certain unsettled claims has been reported in the government-wide Statement of Net Assets. The liability was estimated by categorizing the various claims and applying a historical average percentage, based primarily on actual settlements by type of claim during the preceding ten fiscal years, and supplemented by information provided by the City Attorney's Department with respect to certain large individual claims and proceedings. The recorded liability is the City's best estimate based on available information and application of the foregoing procedures.

Required Supplementary Information





EXHIBIT H-1

**CITY OF RICHMOND, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2003**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
City Taxes				
Real Estate	\$ 151,750,033	\$ 151,750,033	\$ 159,003,009	\$ 7,252,976
Sales-1% Local	23,688,296	23,688,296	20,123,954	(3,564,342)
Personal Property	44,108,157	44,108,157	41,488,407	(2,619,750)
Machinery and Tools	17,575,767	17,575,767	15,674,402	(1,901,365)
General Utility Sales	32,824,338	32,824,338	32,415,856	(408,482)
Bank Stock	4,686,269	4,686,269	2,854,562	(1,831,707)
Prepared Food	13,533,517	13,533,517	13,111,219	(422,298)
Admission	1,537,868	1,537,868	1,465,338	(72,530)
Delinquent Tax Payments-All Classes	7,939,350	8,226,109	12,546,757	4,320,648
Private Utility Poles and Conduits	91,800	91,800	93,137	1,337
Penalties and Interest	3,843,420	3,843,420	5,203,306	1,359,886
Tiling Tax-Mobile Home	20,000	20,000	10,402	(9,598)
State Recordation	785,769	785,769	675,810	(109,959)
Property Rental 1%	74,303	74,303	236,383	162,080
Vehicle Rental Tax	1,097,248	1,097,248	955,513	(141,735)
ABC Board Receipts	510,645	510,645	400,770	(109,875)
Rolling Stock Tax	121,148	121,148	33,591	(87,557)
Total City Taxes	304,187,928	304,474,687	306,292,416	1,817,729
Licenses, Permits and Privilege Fees				
Business and Professional	25,957,732	25,957,732	25,106,176	(851,556)
Vehicle	3,531,461	3,531,461	3,547,482	16,021
Dog	32,204	32,204	23,996	(8,208)
Transfers, Penalties, Interest & Delinquent Collections	--	--	1,223,135	1,223,135
Department of Social Services	65,500	65,500	55,895	(9,605)
Department of Finance	1,652,023	1,652,023	1,764,605	112,582
Department of Public Works	1,752,100	1,752,100	1,500,179	(251,921)
Department of Parks, Recreation and Community Facilities	33,000	33,000	37,669	4,669
Total Licenses, Permits and Privilege Fees	33,024,020	33,024,020	33,259,137	235,117
Intergovernmental				
Richmond Public Library	275,853	275,853	225,722	(50,131)
Juvenile and Domestic Relations District Court	16,550	16,550	6,904	(9,646)
Juvenile Justice Service	1,833,366	1,833,366	1,868,355	34,989
Department of Social Services	46,294,351	50,309,351	49,011,813	(1,297,538)
Department of Public Health	3,032,788	3,258,845	3,343,501	84,656
Department of Public Works-Street Maintenance	17,289,222	17,289,222	17,650,072	360,850
General Registrar	79,516	79,516	74,005	(5,511)
Department of Finance	970,602	970,602	831,218	(139,384)
Attorney for the Commonwealth	2,405,754	2,405,754	2,270,102	(135,652)
City Sheriff	17,994,848	17,994,848	16,741,801	(1,253,047)
State Aid to Localities	15,388,450	15,388,450	14,902,785	(485,665)
Administrative Costs - Federal Grants	420,000	420,000	516,532	96,532
Total Intergovernmental	106,001,300	110,242,357	107,442,810	(2,799,547)

(Continued)



EXHIBIT H-1, Continued

CITY OF RICHMOND, VIRGINIA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 For the Fiscal Year Ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Service Charges				
Assessor of Real Estate	\$ 28,000	\$ 28,000	\$ 25,760	\$ (2,240)
Richmond Public Library	3,000	3,000	1,913	(1,087)
Juvenile Justice Services	72,642	72,642	--	(72,642)
City Sheriff	132,503	132,503	132,614	111
Telephone Commissions	400,000	400,000	414,890	14,890
Department of Community Development	3,260,592	3,260,592	3,930,519	669,927
Department of General Services	993,092	993,092	1,054,503	61,411
Department of Finance	3,900	3,900	100,381	96,481
Department of Health	243,200	243,200	318,224	75,024
Internal Service Funds (ISF)-Indirect Costs	203,313	203,313	205,074	1,761
ISF Payment for Accounting Services	83,715	83,715	88,815	5,100
Departments of Police, Fire and Emergency Services	331,000	331,000	93,817	(237,183)
Department of Public Works	9,055,700	9,055,700	8,705,359	(350,341)
Department of Parks, Recreation and Community Facilities	160,000	160,000	85,759	(74,241)
Service Charges on Tax Exempt Property	3,074,487	3,074,487	2,753,380	(321,107)
Procurement Services	--	--	13,520	13,520
Total Service Charges	18,045,144	18,045,144	17,924,528	(120,616)
Fines and Forfeitures				
Richmond Public Library	118,000	118,000	97,828	(20,172)
Circuit Court	2,926,550	2,926,550	3,861,311	934,761
General District Court	1,210,445	1,210,445	1,141,189	(69,256)
Juvenile and Domestic Relations District Court	7,451	7,451	9,962	2,511
Parking Violations	2,641,687	2,641,687	2,639,575	(2,112)
License Code Violations	35,000	35,000	24,593	(10,407)
Total Fines and Forfeitures	6,939,133	6,939,133	7,774,458	835,325
Payment in Lieu of Taxes				
Gas Utility	16,790,600	16,790,600	5,873,907	(10,916,693)
Wastewater Utility	--	--	6,015,646	6,015,646
Water Utility	--	--	4,610,242	4,610,242
Electric Utility	55,602	55,602	501,483	445,881
Stores and Transportation Division	--	--	517,187	517,187
Total Payment in Lieu of Taxes	16,846,202	16,846,202	17,518,465	672,263
Miscellaneous Revenue				
Overhead Costs-Port of Richmond Commission	99,419	99,419	117,886	18,467
Project I Payments	50,000	50,000	--	(50,000)
Interest Income - Hilton	225,000	225,000	225,000	--
Department of Public Utilities Payment-City Service	2,350,693	2,350,693	2,356,140	5,447
Utilities Payment for Collection Service	459,822	459,822	419,364	(40,458)
Richmond Metropolitan Authority Payment	87,615	87,615	104,900	17,285
Department of Information Technology Charges	1,270,000	1,270,000	1,620,314	350,314
Paving and Lot Clearance	21,907	21,907	46,532	24,625
Sundries	557,844	748,717	827,644	78,927
Total Miscellaneous Revenues	5,122,300	5,313,173	5,717,780	404,607
Total General Fund Revenues	490,166,027	494,884,716	495,929,594	1,044,878

(Continued)



EXHIBIT H-1, Continued

CITY OF RICHMOND, VIRGINIA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 For the Fiscal Year Ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures				
Current				
General Government				
City Council and City Clerk	\$ 1,579,021	\$ 2,053,463	\$ 1,834,485	\$ 218,978
Department of Community Development	5,963,226	6,360,774	6,199,845	160,929
Assessor of Real Estate	2,097,324	2,320,315	2,180,322	139,993
City Auditor	776,504	792,332	786,264	6,068
Department of Law	1,824,624	1,926,525	2,009,350	(82,825)
Board of Review of Real Estate Assessments	26,615	32,138	32,201	(63)
General Registrar	617,018	630,893	595,606	35,287
Self - Insurance Cost	7,422,618	7,422,618	7,422,618	--
Office of Management Services	1,362,685	1,635,269	1,206,655	428,614
Department of Information Technology	9,819,100	11,381,552	9,990,591	1,390,961
City Manager	964,887	1,052,486	1,047,667	4,819
Budget and Strategic Planning	634,928	709,292	687,128	22,164
Department of General Services	1,017,598	1,127,279	1,051,931	75,348
Department of Human Resources	1,882,578	1,979,476	1,868,716	110,760
Department of Finance	6,805,149	7,961,806	7,300,185	661,621
Customer Service and Organizational Development	719,719	1,261,716	709,885	551,831
Procurement Services	675,886	699,775	699,160	615
Communications, Media Relations and Marketing	690,826	791,590	787,101	4,489
Intergovernmental Relations	178,474	184,850	161,482	23,368
Economic Development	1,294,855	1,585,847	1,555,938	29,909
Total General Government	46,353,635	51,909,996	48,127,130	3,782,866
Public Safety and Judiciary				
Judiciary	6,442,938	6,681,888	6,351,504	330,384
Juvenile and Domestic Relations District Court	343,645	415,937	391,599	24,338
City Sheriff	22,928,876	22,978,251	23,230,401	(252,150)
Juvenile Justice Services	5,478,422	5,782,286	5,606,893	175,393
Department of Police	55,832,001	58,848,779	56,702,288	2,146,491
Department of Fire and Emergency Services	31,352,173	32,121,090	31,808,444	312,646
Total Public Safety and Judiciary	122,378,055	126,828,231	124,091,129	2,737,102
Highways, Streets, Sanitation and Refuse				
Department of Public Works	43,147,427	44,797,077	45,549,587	(752,510)
Human Services				
Human Services Advocacy	403,002	417,445	392,911	24,534
Department of Social Services	57,432,865	63,081,236	55,348,282	7,732,954
Department of Public Health	6,097,805	6,851,936	6,784,378	67,558
Total Human Services	63,933,672	70,350,617	62,525,571	7,825,046
Culture and Recreation				
Richmond Public Library	4,135,515	4,325,662	4,423,109	(97,447)
Department of Parks, Recreation and Community Facilities	15,819,804	16,557,583	16,292,787	264,796
Total Culture and Recreation	19,955,319	20,883,245	20,715,896	167,349

(Continued)



EXHIBIT H-1, Concluded

**CITY OF RICHMOND, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2003**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Non-Departmental				
Crestar Projects	2,629,870	2,629,870	2,629,870	--
Civic and Cultural Activities	1,756,924	1,959,324	1,936,224	23,100
Payments to Other Government Agencies	15,075,742	10,737,508	8,887,280	1,850,228
Tax Relief for the Elderly	1,480,000	1,480,000	1,408,370	71,630
Greater Richmond Transit Company	6,115,308	6,115,308	6,114,308	1,000
Health Care	2,430,654	2,430,654	--	2,430,654
Retiree's Health Care	2,432,484	2,432,484	2,427,974	4,510
Other Non-Departmental Expenses	300,000	267,600	57,501	210,099
Total Non-Departmental	<u>32,220,982</u>	<u>28,052,748</u>	<u>23,461,527</u>	<u>4,591,221</u>
 Total General Fund Expenditures	 <u>327,989,090</u>	 <u>342,821,914</u>	 <u>324,470,840</u>	 <u>18,351,074</u>
 Excess of Revenues Over Expenditures	 <u>162,176,937</u>	 <u>152,062,802</u>	 <u>171,458,754</u>	 <u>19,395,952</u>
 Other Financing Sources (Uses)				
Proceeds from Notes Payable / Capital Leases	--	2,934,237	2,716,298	(217,939)
Transfers In - Other Funds	3,000,660	5,251,504	1,819,000	(3,432,504)
Transfers Out - Component Units	(128,823,925)	(128,823,925)	(133,409,006)	(4,585,081)
Transfers Out - Other Funds	(36,353,672)	(36,353,672)	(39,946,466)	(3,592,794)
Total Other Financing Uses, Net	<u>(162,176,937)</u>	<u>(156,991,856)</u>	<u>(168,820,174)</u>	<u>(11,828,318)</u>
 Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	 <u>--</u>	 <u>(4,929,054)</u>	 <u>2,638,580</u>	 <u>7,567,634</u>
 Fund Balance - Beginning of Year	 <u>59,242,950</u>	 <u>59,242,950</u>	 <u>59,242,950</u>	 <u>--</u>
Fund Balance- End of Year	<u>\$ 59,242,950</u>	<u>\$ 54,313,896</u>	<u>\$ 61,881,530</u>	<u>\$ 7,567,634</u>



EXHIBIT H-2

CITY OF RICHMOND, VIRGINIA
 BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
 For the Fiscal Year Ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Principal Payments				
General Obligation Bonds				
General Government	\$ 11,962,242	\$ 11,962,242	\$ 11,360,705	\$ 601,537
Streets and Bridges	1,702,913	1,702,913	1,702,913	--
Schools General Obligation Bonds	3,996,416	3,996,416	3,086,261	910,155
Schools Virginia Public Schools Authority Bonds	219,214	219,214	219,214	--
Landmark Theatre	402,603	402,603	402,603	--
Richmond Centre	1,383,545	1,383,545	1,383,545	--
Coliseum	656,426	656,426	656,426	--
Cemeteries	13,404	13,404	13,404	--
Public Utility	5,962,336	5,962,336	5,962,336	--
Richmond Metropolitan Authority - Expressway Deck	225,603	225,603	225,603	--
Richmond Redevelopment Housing Authority - Social Services Building	905,744	905,744	905,744	--
Hospital Authority of Richmond	46,043	46,043	46,043	--
Richmond Ambulance Authority	42,950	42,950	42,950	--
Total General Obligation Bonds	27,519,439	27,519,439	26,007,747	1,511,692
General Obligation Notes				
Schools - Literary Loan	133,333	133,333	133,333	--
Hilton Notes	75,000	75,000	75,000	--
Serial Equipment Notes - General Fund	1,836,775	1,836,775	1,836,775	--
Serial Equipment Notes - Internal Service Funds	8,643,225	8,643,225	8,643,225	--
Total General Obligation Notes	10,688,333	10,688,333	10,688,333	--
Section 108 Housing and Urban Development Notes				
Permanent Notes	552,000	552,000	510,000	42,000
Total Section 108 Housing and Urban Development Notes	552,000	552,000	510,000	42,000
Total Principal Payments	38,759,772	38,759,772	37,206,080	1,553,692
Interest Payments				
General Obligation Bonds				
General Government	11,287,919	11,287,919	9,947,919	1,340,000
Streets and Bridges	2,038,565	2,038,565	1,973,249	65,316
Schools General Obligation Bonds	5,742,407	5,742,407	3,884,325	1,858,082
Schools Virginia Public Schools Authority Bonds	185,787	185,787	185,786	1
Landmark Theatre	292,941	292,941	287,952	4,989
Richmond Centre	163,436	163,436	140,842	22,594
Coliseum	379,670	379,670	335,250	44,420
Cemeteries	9,399	9,399	9,398	1
Public Utility	14,669,577	14,669,577	13,999,032	670,545
Richmond Metropolitan Authority - Expressway Deck	1,075,000	1,075,000	881,114	193,886
Richmond Redevelopment Housing Authority - Social Services Building	1,241,293	1,241,293	1,093,574	147,719
Hospital Authority of Richmond	2,303	2,303	2,302	1
Richmond Ambulance Authority	44,870	44,870	21,262	23,608
Total General Obligation Bonds	37,133,167	37,133,167	32,762,005	4,371,162
General Obligation Notes				
Schools - Literary Loan	4,000	4,000	4,000	--
Hilton	5,625	5,625	7,500	(1,875)
Serial Equipment Notes - General Fund	269,161	269,161	269,159	2
Serial Equipment Notes - Internal Service Funds	1,048,504	1,048,504	1,048,503	1
Total General Obligation Notes	1,327,290	1,327,290	1,329,162	(1,872)
Section 108 Housing and Urban Development Notes				
Permanent Notes	503,619	503,619	453,619	50,000
Total Section 108 Housing and Urban Development Notes	503,619	503,619	453,619	50,000
Interest - Short Term Debt	1,750,000	1,750,000	429,376	1,320,624
Total Interest Payments	40,714,076	40,714,076	34,974,162	5,739,914
Issuance and Legal Costs	1,145,425	1,145,425	382,904	762,521
Payment of Account Receivable (Social Services Building) in Debt Service Fund	--	--	2,666,655	(2,666,655)
Total	\$ 80,619,273	\$ 80,619,273	\$ 75,229,801	\$ 5,389,472



EXHIBIT H-3

**CITY OF RICHMOND, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUNDS
For the Fiscal Year Ended June 30, 2003**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental Revenue				
Regional STP Funds (TEA-21)	\$ 1,712,000	\$ 1,712,000	\$ --	\$ (1,712,000)
VDOT Urban Funds	1,900,000	1,900,000	10,610,426	8,710,426
Total Intergovernmental Revenue	<u>3,612,000</u>	<u>3,612,000</u>	<u>10,610,426</u>	<u>6,998,426</u>
Investment Earnings and Contributions				
Local Matches and Contributions	81,250	81,250	596,786	515,536
Total Investment Earnings	<u>81,250</u>	<u>81,250</u>	<u>596,786</u>	<u>515,536</u>
Miscellaneous Revenue				
	--	--	40,884	40,884
Total Revenues	<u>3,693,250</u>	<u>3,693,250</u>	<u>11,248,096</u>	<u>7,554,846</u>
Expenditures				
Capital Outlay:				
School Board	7,000,000	7,000,000	5,191,496	1,808,504
Infrastructure	10,223,750	10,223,750	7,748,301	2,475,449
Economic Development	2,940,500	2,940,500	10,044,604	(7,104,104)
Neighborhood Development	4,030,000	4,030,000	4,667,297	(637,297)
City Facilities	18,046,000	18,046,000	7,695,634	10,350,366
Total Expenditures	<u>42,240,250</u>	<u>42,240,250</u>	<u>35,347,332</u>	<u>6,892,918</u>
Excess of Revenues Over (Under) Expenditures	<u>(38,547,000)</u>	<u>(38,547,000)</u>	<u>(24,099,236)</u>	<u>14,447,764</u>
Other Financing Sources (Uses)				
Proceeds from Refunding General Obligation Bonds	--	36,910,116	36,630,116	(280,000)
Payments to Escrow Agent	--	(36,910,116)	(36,630,116)	(280,000)
Proceeds from Issuance of General Obligation Bonds	38,547,000	45,625,004	45,625,004	--
Transfers In-Other Funds	--	4,567,235	4,567,235	--
Transfers Out-Other Funds	--	(4,567,235)	(4,567,235)	--
Total Other Financing Sources (Uses), Net	<u>38,547,000</u>	<u>45,625,004</u>	<u>45,625,004</u>	<u>--</u>
Special Item				
Gain on Sale of Land	--	--	174,264	174,264
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>--</u>	<u>7,078,004</u>	<u>21,700,032</u>	<u>14,622,028</u>
Fund Balance - Beginning of Year	23,374,996	23,374,996	23,374,996	--
Fund Balance- End of Year	<u>\$ 23,374,996</u>	<u>\$ 30,453,000</u>	<u>\$ 45,075,028</u>	<u>\$ 14,622,028</u>



**CITY OF RICHMOND, VIRGINIA
NOTE TO BUDGETARY COMPARISON SCHEDULE
GENERAL FUND, DEBT SERVICE, and CAPITAL PROJECTS
For the Fiscal Year Ended June 30, 2003**

The City follows these procedures, which comply with legal requirements, in establishing the budgetary data reflected in the financial statements.

- The General Fund and Debt Service Funds have legally adopted annual budgets. Capital Projects Funds have five-year spending plans which are legally adopted on an annual basis. On or before April 7, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means for financing those expenditures.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to May 31, the budget is legally enacted through passage of an ordinance.
- The legal level of budgetary control is the department level for the City. The City Manager is authorized to transfer budget amounts within departments in the City budget; however, any revisions that alter the total expenditures of any department or agency must be approved by the City Council.
- Formal budgetary integration is employed as a management control device during the year for all funds.
- Budgets for the General Fund, Debt Service Fund and Capital Projects Funds are principally prepared on the modified accrual basis of accounting.
- Project budgets are utilized in the City Capital Projects Funds. All appropriations not encumbered lapse at year-end for the General Fund. Appropriations for the Capital Projects Funds are continued until completion of applicable projects, even when projects extend for more than one fiscal year, or until repealed.

Budgeted amounts are as originally adopted or as amended by the City Council. No supplementary budgetary appropriations were necessary during the fiscal year, which would have affected the total budget.

The Budgetary Comparison Schedule for the General Fund reflects the original budget, revised budget and actual amounts for the City's General Fund. The General Fund revenues of \$495,929,594 exceeded expectations by \$1,044,878 for fiscal year ended June 30, 2003. The General Fund expenditures of \$324,470,840 were under budget by \$18,351,074 for fiscal year ended June 30, 2003. However, certain departments/agencies' expenditures exceeded appropriations for this fiscal year. The Board of Review of Real estate Assessment's expenditures exceeded appropriations by \$63. The Department of Law's expenditures exceeded appropriations by \$82,825. The City Sheriff's expenditures exceeded appropriations by \$252,150. The Department of Public Works' expenditures exceeded appropriations by \$752,510. The Richmond Public Library's expenditures exceeded appropriations by \$97,447.

For fiscal year 2003, Customer Service and Organizational Development, Procurement Services, Communication, Media Relations and Marketing, and Intergovernmental Relations were added to the Schedule consistent with the legally adopted budget. Office of Citizen's Services was renamed as Communications, Media Relations and Marketing. The other agencies were subsets of agencies in the prior year.



Supplementary Information



NonMajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes. Each fund is established on a functional basis and may include one or more grants or other funding sources.

Grant Revenue Funds

These funds are used to account for federal and state grants, private donations and other program revenue.

Consolidated HUD Grants

These funds account for activities for the Community Development Block Grant, Emergency Shelter, H.O.M.E. Investment Partnerships and Section 108 Loan Program administered by the Department of Community Development.

Capital Projects Funds

Capital Fund

The Capital Fund is used to account for budgeted capital projects (acquisition or construction of major facilities, other than those financed by Proprietary Funds and Trust Funds) approved by City Council. Its principal sources of funding are the sale of General Obligation Bonds and transfers from the Reserve Fund for Permanent Public Improvements.

The Reserve Fund for Permanent Public Improvements

The Reserve Fund for Permanent Public Improvements may only be used as funding for the Capital Projects Fund. Its sources are transfers from the General Fund, sales of capital assets, and other governmental (mainly state or federal) capital grants.

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Recreation

A gift to be used to maintain cemeteries. The principal of the gift is carried as a nonexpendable trust and the accumulated net revenue is the expendable trust.

Richmond Public Library

Certain bequests compose the nonexpendable trust, and the net revenue accumulated is classified as the expendable trust.

J. Fulmer Bright Park Fund.

The J. Fulmer Bright Park Fund was established to construct and maintain a park in honor of J. Fulmer Bright, a former City Mayor.

Memorial

These bequests provide specific reservation of the principal and use of the income by the City for specific memorial purposes.



**CITY OF RICHMOND, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2003**

	Special Revenue		Capital Projects	
	Grant Revenue Funds	Consolidated HUD Funds	Capital Fund	Reserve Fund for Permanent Public Improvements
Assets				
Cash and Cash Equivalents	\$ 5,928,400	\$ --	\$ 1,526,898	\$ --
Accounts Receivable, Net	1,694,790	1,282,377	--	34,500
Due From Other Governments	15,022,074	3,274,146	--	--
Restricted Assets	--	--	43,784,411	1,256,117
Total Assets	<u>\$ 22,645,264</u>	<u>\$ 4,556,523</u>	<u>\$ 45,311,309</u>	<u>\$ 1,290,617</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 996,194	\$ 1,989,868	\$ 1,526,898	\$ --
Accrued Liabilities	376,691	42,610	--	--
Due To Other Funds	--	2,467,773	--	--
Due To Other Governments	30,602	--	--	--
Deferred Revenue	708,381	--	--	--
Total Liabilities	<u>2,111,868</u>	<u>4,500,251</u>	<u>1,526,898</u>	<u>--</u>
Fund Balances:				
Fund Balance-Reserved	--	--	43,784,411	1,256,117
Fund Balance-Unreserved:				
Designated for Specific Projects	20,533,396	56,272	--	--
Undesignated	--	--	--	34,500
Total Fund Balances	<u>20,533,396</u>	<u>56,272</u>	<u>43,784,411</u>	<u>1,290,617</u>
Total Liabilities and Fund Balances	<u>\$ 22,645,264</u>	<u>\$ 4,556,523</u>	<u>\$ 45,311,309</u>	<u>\$ 1,290,617</u>



EXHIBIT I-1

Permanent Funds				
J. Flumer Bright Park Fund	Memorial	Recreation	Richmond Public Library	Total
\$ --	\$ --	\$ --	\$ --	\$ 7,455,298
--	--	--	--	3,011,667
--	--	--	--	18,296,220
395,149	30,223	25,000	11,998	45,502,898
<u>\$ 395,149</u>	<u>\$ 30,223</u>	<u>\$ 25,000</u>	<u>\$ 11,998</u>	<u>\$ 74,266,083</u>
\$ --	\$ --	\$ --	\$ --	\$ 4,512,960
--	--	--	--	419,301
--	--	--	--	2,467,773
--	--	--	--	30,602
--	--	--	--	708,381
--	--	--	--	8,139,017
395,149	30,223	25,000	11,998	45,502,898
--	--	--	--	20,589,668
--	--	--	--	34,500
395,149	30,223	25,000	11,998	66,127,066
<u>\$ 395,149</u>	<u>\$ 30,223</u>	<u>\$ 25,000</u>	<u>\$ 11,998</u>	<u>\$ 74,266,083</u>



**CITY OF RICHMOND, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2003**

	Special Revenue		Capital Projects	
	Grant Revenue Funds	Consolidated HUD Funds	Capital Fund	Reserve Fund for Permanent Public Improvements
Revenues				
Intergovernmental	\$ 24,654,724	\$ 11,612,814	\$ 10,610,426	\$ --
Investment Income	70,393	--	--	596,786
Miscellaneous	13,836,068	--	22,384	18,500
Total Revenues	38,561,185	11,612,814	10,632,810	615,286
Expenditures				
Current:				
General Government	6,493,271	11,492,183	--	--
Public Safety and Judiciary	12,222,866	--	--	--
Highways, Streets, Sanitation and Refuse	455,254	--	--	--
Human Services	23,531,585	--	--	--
Culture and Recreation	1,385,414	--	--	--
Capital Outlay	--	--	35,347,332	--
Total Expenditures	44,088,390	11,492,183	35,347,332	--
Excess of Revenues Over (Under) Expenditures	(5,527,205)	120,631	(24,714,522)	615,286
Other Financing Sources (Uses)				
Proceeds from Refunding General Obligation Bonds	--	--	36,630,116	--
Payments to Escrow Agent	--	--	(36,630,116)	--
Proceeds from Issuance of General Obligation Bonds and Notes	956,692	799,999	45,625,004	--
Transfers In-Other Funds	6,189,891	27,859	4,567,235	--
Transfers Out-Other Funds	(386,255)	(1,173,040)	--	(4,567,235)
Total Other Financing Sources (Uses), Net	6,760,328	(345,182)	50,192,239	(4,567,235)
Special Item				
Gain on Sale of Land	--	--	--	174,264
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,233,123	(224,551)	25,477,717	(3,777,685)
Fund Balance - Beginning of Year	19,300,273	280,823	18,306,694	5,068,302
Fund Balance - End of Year	\$ 20,533,396	\$ 56,272	\$ 43,784,411	\$ 1,290,617



EXHIBIT I-2

Permanent Funds				
J. Flumer Bright Park Fund	Memorial	Recreation	Richmond Public Library	Total
\$ --	\$ --	\$ --	\$ --	\$ 46,877,964
1,914	103	450	149	669,795
--	--	--	--	13,876,952
<u>1,914</u>	<u>103</u>	<u>450</u>	<u>149</u>	<u>61,424,711</u>
695	55	--	15	17,986,219
--	--	--	--	12,222,866
--	--	--	--	455,254
--	--	--	--	23,531,585
--	--	--	--	1,385,414
--	--	--	--	35,347,332
<u>695</u>	<u>55</u>	<u>--</u>	<u>15</u>	<u>90,928,670</u>
<u>1,219</u>	<u>48</u>	<u>450</u>	<u>134</u>	<u>(29,503,959)</u>
--	--	--	--	36,630,116
--	--	--	--	(36,630,116)
--	--	--	--	47,381,695
--	632	--	--	10,785,617
<u>--</u>	<u>(48)</u>	<u>(450)</u>	<u>(134)</u>	<u>(6,127,162)</u>
<u>--</u>	<u>584</u>	<u>(450)</u>	<u>(134)</u>	<u>52,040,150</u>
--	--	--	--	174,264
1,219	632	--	--	22,710,455
<u>393,930</u>	<u>29,591</u>	<u>25,000</u>	<u>11,998</u>	<u>43,416,611</u>
<u>\$ 395,149</u>	<u>\$ 30,223</u>	<u>\$ 25,000</u>	<u>\$ 11,998</u>	<u>\$ 66,127,066</u>



NonMajor Proprietary Funds

NonMajor Proprietary Funds are used for operations (a) that are financed and operated in a manner similar to private business enterprise—when the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the City has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The NonMajor Proprietary Funds are:

Richmond Coliseum

(Coliseum) promotes and operates the Coliseum facility.

Richmond Landmark Theatre

(Landmark Theatre) promotes and operates a theater for performing arts.

Cemeteries

maintains and operates cemeteries.



EXHIBIT J-1

**CITY OF RICHMOND, VIRGINIA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
June 30, 2003**

	Coliseum	Landmark Theatre	Cemeteries	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 410,532	\$ --	\$ --	\$ 410,532
Accounts Receivable, Net	74,681	1,235,312	131,969	1,441,962
Inventories of Material and Supplies	82,127	--	--	82,127
Prepaid Expenses and Other Current Assets	36,912	--	--	36,912
Total Current Assets	<u>604,252</u>	<u>1,235,312</u>	<u>131,969</u>	<u>1,971,533</u>
Noncurrent Assets:				
Capital Assets:				
Land	4,582,160	44,690	8,188,700	12,815,550
Buildings and Structures	28,576,314	9,294,597	639,873	38,510,784
Equipment	3,184,565	963,644	84,490	4,232,699
Less Accumulated Depreciation	(20,988,010)	(2,420,478)	(320,020)	(23,728,508)
Total Noncurrent Assets	<u>15,355,029</u>	<u>7,882,453</u>	<u>8,593,043</u>	<u>31,830,525</u>
Total Assets	<u>\$ 15,959,281</u>	<u>\$ 9,117,765</u>	<u>\$ 8,725,012</u>	<u>\$ 33,802,058</u>
Liabilities				
Current Liabilities:				
Accounts Payable	\$ 830,735	\$ 74,130	\$ 5,691	\$ 910,556
Accrued Liabilities	514,896	60,397	21,151	596,444
Due To Other Funds	--	1,945,145	176,605	2,121,750
Compensated Absences	--	23,865	79,840	103,705
Accrued Interest on Bonds and Notes Payable	--	142,648	18,238	160,886
General Obligation Bonds and Capital Leases	593,012	560,707	18,233	1,171,952
Total Current Liabilities	<u>1,938,643</u>	<u>2,806,892</u>	<u>319,758</u>	<u>5,065,293</u>
Noncurrent Liabilities:				
Compensated Absences	--	21,540	--	21,540
General Obligation Bonds and Capital Leases	8,726,391	5,475,515	399,146	14,601,052
Total Noncurrent Liabilities	<u>8,726,391</u>	<u>5,497,055</u>	<u>399,146</u>	<u>14,622,592</u>
Total Liabilities	<u>10,665,034</u>	<u>8,303,947</u>	<u>718,904</u>	<u>19,687,885</u>
Net Assets				
Invested In Capital Assets, Net of Related Debt	6,035,626	1,846,231	8,175,664	16,057,521
Unrestricted	(741,379)	(1,032,413)	(169,556)	(1,943,348)
Total Net Assets	<u>\$ 5,294,247</u>	<u>\$ 813,818</u>	<u>\$ 8,006,108</u>	<u>\$ 14,114,173</u>



EXHIBIT J-2

CITY OF RICHMOND, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2003

	Coliseum	Landmark Theatre	Cemeteries	Total
Operating Revenues				
Charges for Goods and Services	\$ 2,337,854	\$ 318,101	\$ 1,386,577	\$ 4,042,532
Operating Expenses				
Salaries and Wages	1,036,593	651,564	1,037,340	2,725,497
Materials and Supplies	271,874	30,603	37,533	340,010
Rents and Utilities	544,073	168,665	38,396	751,134
Maintenance and Repairs	133,631	98,952	18,557	251,140
Depreciation and Amortization	1,283,068	253,546	16,137	1,552,751
Miscellaneous Operating Expenses	314,708	36,332	178,156	529,196
Total Operating Expenses	<u>3,583,947</u>	<u>1,239,662</u>	<u>1,326,119</u>	<u>6,149,728</u>
Operating Income (Loss)	<u>(1,246,093)</u>	<u>(921,561)</u>	<u>60,458</u>	<u>(2,107,196)</u>
Non-Operating Revenues (Expenses)				
Government Subsidies and Contributions	\$ 81,338	\$ --	\$ --	\$ 81,338
Interest on Long-Term Debt	(335,250)	(340,956)	(28,667)	(704,873)
Interest Income	4,574	--	--	4,574
Miscellaneous Revenue	--	220,643	--	220,643
Miscellaneous (Expenses)	(147,254)	--	(247,820)	(395,074)
Total Non-Operating Revenues (Expenses)	<u>(396,592)</u>	<u>(120,313)</u>	<u>(276,487)</u>	<u>(793,392)</u>
Net Loss Before Transfers	<u>(1,642,685)</u>	<u>(1,041,874)</u>	<u>(216,029)</u>	<u>(2,900,588)</u>
Transfers In-Other Funds	--	804,157	22,802	826,959
Change In Net Assets	<u>(1,642,685)</u>	<u>(237,717)</u>	<u>(193,227)</u>	<u>(2,073,629)</u>
Net Assets - Beginning of Year	<u>6,936,932</u>	<u>1,051,535</u>	<u>8,199,335</u>	<u>16,187,802</u>
Net Assets - End of Year	<u>\$ 5,294,247</u>	<u>\$ 813,818</u>	<u>\$ 8,006,108</u>	<u>\$ 14,114,173</u>



EXHIBIT J-3

CITY OF RICHMOND, VIRGINIA
STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2003

	Coliseum	Landmark Theatre	Cemeteries	Total
Cash Flows From Operating Activities				
Receipts from Customers	\$ 2,541,541	\$ 295,522	\$ 1,322,130	\$ 4,159,193
Payments to Suppliers	(1,491,794)	(271,210)	(299,613)	(2,062,617)
Payments to Employees	(1,030,775)	(639,179)	(1,007,280)	(2,677,234)
Payments to Other Funds	--	615,093	--	615,093
Other Receipts (Payments)	11,697	--	(111,258)	(99,561)
Net Cash Provided By (Used In) Operating Activities	30,669	226	(96,021)	(65,126)
Cash Flows From Noncapital Financing Activities				
Transfers	--	804,157	22,802	826,959
Net Cash Provided By Noncapital Financing Activities	--	804,157	22,802	826,959
Cash Flows From Capital and Related Financing Activities				
Acquisition of Capital Assets	(4,437)	(8,065)	(151,799)	(164,301)
Proceeds from Issuance of General Obligation Bonds	--	--	247,820	247,820
Repayments of Capital Leases	--	(55,973)	--	(55,973)
Interest Paid on Capital Leases	--	(32,415)	--	(32,415)
Repayments of Revenue and General Obligation Bonds	--	(402,603)	(13,404)	(416,007)
Interest Paid on Long-Term Debt	--	(305,327)	(9,398)	(314,725)
Net Cash Provided By (Used In) Capital and Related Financing Activities	(4,437)	(804,383)	73,219	(735,601)
Cash Flows From Investing Activities				
Interest Earned on Operating Funds	4,574	--	--	4,574
Net Cash Provided By Investing Activities	4,574	--	--	4,574
Net Increase in Cash and Cash Equivalents	30,806	--	--	30,806
Cash and Cash Equivalents at July 1, 2002	379,726	--	--	379,726
Cash and Cash Equivalents at June 30, 2003	\$ 410,532	\$ --	\$ --	\$ 410,532
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities				
Operating Income (Loss)	\$ (1,246,093)	\$ (921,561)	\$ 60,458	\$ (2,107,196)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:				
Depreciation	1,283,068	253,546	16,137	1,552,751
Miscellaneous Revenues (Expenses)	11,697	220,643	(252,767)	(20,427)
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:				
Accounts Receivable	118,211	(22,579)	(64,447)	31,185
Inventories of Material and Supplies	(5,201)	--	--	(5,201)
Prepaid Expenses	(3,133)	--	--	(3,133)
Accounts Payable	(219,174)	63,342	(26,971)	(182,803)
Accrued Liabilities	91,294	(48,342)	(49,780)	(6,828)
Due to Other Funds	--	409,772	141,509	551,281
Compensated Absences	--	45,405	79,840	125,245
Total Adjustments	1,276,762	921,787	(156,479)	2,042,070
Net Cash Provided By (Used In) Operating Activities	\$ 30,669	\$ 226	\$ (96,021)	\$ (65,126)
Supplemental Cash Flow Information				
Non-cash Transactions:				
Principal payments made by City Debt Service Fund on behalf of Coliseum	656,425	--	--	656,425
Interest payments made by City Debt Service Fund on behalf of Coliseum	335,250	--	--	335,250
Proceeds from Issuance of General Obligation Bonds received on behalf of Fund	(3,368,618)	(80,792)	--	(3,449,410)
Acquisitions of Capital Assets on behalf of Coliseum	(750,763)	--	--	(750,763)
Refunded General Obligation Bonds on behalf of Fund	991,274	80,792	--	1,072,066



Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or other governments, on a cost-reimbursement basis.

The Internal Service Funds are:

Fleet Management

provides for repairs and maintenance to City-owned vehicles and related equipment, as well as monthly and daily leasing services.

Radio Maintenance

provides for installation, repairs and maintenance of radio and other emergency communication equipment in City-owned vehicles.

Risk Management

provides for the accumulation and allocation of costs associated with risk and insurance for the City.

Public Works Stores

provides supplies primarily for Schools, Department of Public Works, and Utilities departments of a bulk nature such as sand, bricks and construction materials.

Electric Utility

provides street lighting and other electric service to part of the City.

Stores and Transportation Division

provides supplies and vehicles for the utilities departments.



EXHIBIT K-1

**CITY OF RICHMOND, VIRGINIA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2003**

	Fleet Management	Radio Maintenance	Risk Management	Public Works Stores	Electric Utility	Stores and Transportation Division	Total
Assets							
Current Assets:							
Cash and Cash Equivalents	\$ 145,415	\$ --	\$ 9,778,438	\$ 434,861	\$ --	\$ 30,635,648	\$ 40,994,362
Accounts Receivable, Net	277,816	170,235	--	--	2,727,483	2,628	3,178,162
Due From Other Governments	12,359	4,602	--	--	--	--	16,961
Inventory	4,607	87,902	--	394,207	--	3,415,229	3,901,945
Prepaid Expenses	--	--	486,000	--	164,958	280,311	931,269
Total Current Assets	440,197	262,739	10,264,438	829,068	2,892,441	34,333,816	49,022,699
Noncurrent Assets:							
Advances to Other Funds	--	--	--	--	3,294,908	--	3,294,908
Deferred Expenses	--	--	--	--	110,657	35,248	145,905
Capital Assets:							
Land	98,000	--	--	--	--	--	98,000
Buildings and Structures	723,080	66,419	--	--	35,937,851	53,673,515	90,400,865
Equipment	55,940,484	21,739	--	22,136	--	--	55,984,359
Less Accumulated Depreciation	(31,437,740)	(88,158)	--	(20,503)	(16,822,488)	(29,274,626)	(77,643,515)
Construction in Progress	--	--	--	--	2,367,332	5,614,420	7,981,752
Total Capital Assets	25,323,824	--	--	1,633	21,482,695	30,013,309	76,821,461
Total Noncurrent Assets	25,323,824	--	--	1,633	24,888,260	30,048,557	80,262,274
Total Assets	\$ 25,764,021	\$ 262,739	\$ 10,264,438	\$ 830,701	\$ 27,780,701	\$ 64,382,373	\$ 129,284,973
Liabilities							
Current Liabilities:							
Accounts Payable	\$ 504,896	\$ --	\$ 199,723	\$ 82,567	\$ 260,341	\$ 684,168	\$ 1,731,695
Accrued Liabilities	503,409	17,622	79,112	9,482	1,358,432	129,653	2,097,710
Due to Other Funds	--	312,879	--	--	3,563,867	--	3,876,746
Accrued Interest on Bonds and Notes Payable	--	--	--	--	1,375,606	--	1,375,606
General Obligation Bonds Payable	3,371,608	--	--	--	96,769	--	3,468,377
Notes Payable	2,546,773	--	--	--	--	--	2,546,773
Compensated Absences	49,061	637	9,814	13,291	90,579	17,875	181,257
Other Liabilities and Claims	--	--	5,582,181	--	--	--	5,582,181
Total Current Liabilities	6,975,747	331,138	5,870,830	105,340	6,745,594	831,696	20,860,345
Noncurrent Liabilities:							
Accreted Interest	--	--	--	--	92,655	--	92,655
Deferred Revenue	--	--	--	--	387,455	35,248	422,703
General Obligation Bonds Payable	11,083,700	--	--	--	2,186,229	--	13,269,929
Notes Payable	1,386,408	--	--	--	--	--	1,386,408
Compensated Absences	130,053	17,173	60,232	52,030	12,503	--	271,991
Other Liabilities and Claims	--	--	14,099,879	--	--	--	14,099,879
Advances from Other Funds	150	--	--	--	--	63,515,429	63,515,579
Total Noncurrent Liabilities	12,600,311	17,173	14,160,111	52,030	2,678,842	63,550,677	93,059,144
Total Liabilities	19,576,058	348,311	20,030,941	157,370	9,424,436	64,382,373	113,919,489
Net Assets							
Invested In Capital Assets, Net of Related Debt	6,935,335	--	--	1,633	19,107,042	30,013,309	56,057,319
Unrestricted	(747,372)	(85,572)	(9,766,503)	671,698	(750,777)	(30,013,309)	(40,691,835)
Total Net Assets	\$ 6,187,963	\$ (85,572)	\$ (9,766,503)	\$ 673,331	\$ 18,356,265	\$ --	\$ 15,365,484



EXHIBIT K-2

CITY OF RICHMOND, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2003

	Fleet Management	Radio Maintenance	Risk Management	Public Works Stores	Electric Utility	Stores and Transportation Division	Total
Operating Revenues							
Charges for Goods and Services	\$ 14,632,551	\$ 963,155	\$ 9,533,622	\$ 1,622,909	\$ 6,611,867	\$ 4,561,098	\$ 37,925,202
Operating Expenses							
Cost of Goods and Services Sold	5,855,817	684,878	--	1,167,037	--	--	7,707,732
Salaries and Wages	1,090,553	111,379	252,680	185,362	1,408,986	528,589	3,577,549
Data Processing	108,503	1,954	--	--	--	--	110,457
Materials and Supplies	141,501	8,136	4,157	1,819	511,669	17,247	684,529
Rents and Utilities	257,853	28,666	8,679	39,452	1,860,162	15,123	2,209,935
Maintenance and Repairs	94,876	10,280	83	37,731	442,966	--	585,936
Depreciation and Amortization	5,032,954	--	--	724	1,243,256	3,270,637	9,547,571
Claims and Settlements	--	--	6,429,801	--	--	--	6,429,801
Miscellaneous Operating Expenses	1,302,133	50,095	1,621,026	--	601,278	840,413	4,414,945
Total Operating Expenses	13,884,190	895,388	8,316,426	1,432,125	6,068,317	4,672,009	35,268,455
Operating Income (Loss)	748,361	67,767	1,217,196	190,784	543,550	(110,911)	2,656,747
Non-Operating Revenues (Expenses)							
Government Subsidies and Contributions	--	--	--	--	181,163	--	181,163
Interest on Long-Term Debt	(1,337,378)	--	--	--	(464,799)	--	(1,802,177)
Miscellaneous Revenue	427,203	--	205,532	--	41,534	110,911	785,180
Miscellaneous (Expense)	(205,000)	(74)	--	(722)	(11,156)	--	(216,952)
Total Non-Operating Revenues (Expenses)	(1,115,175)	(74)	205,532	(722)	(253,258)	110,911	(1,052,786)
Net Income (Loss) Before Transfers	(366,814)	67,693	1,422,728	190,062	290,292	--	1,603,961
Transfers Out-Other Funds	--	--	--	--	(22,000)	--	(22,000)
Change In Net Assets	(366,814)	67,693	1,422,728	190,062	268,292	--	1,581,961
Net Assets - Beginning of Year	6,554,777	(153,265)	(11,189,231)	483,269	18,087,973	--	13,783,523
Net Assets - End of Year	\$ 6,187,963	\$ (85,572)	\$ (9,766,503)	\$ 673,331	\$ 18,356,265	\$ --	\$ 15,365,484



**CITY OF RICHMOND, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2003**

	Fleet Management	Radio Maintenance	Risk Management	Public Works Stores	Electric Utility	Stores and Transportation Division	Total
Cash Flows From Operating Activities							
Receipts from Customers	\$ 14,566,353	\$ 861,085	\$ 9,533,622	\$ 1,622,909	\$ 6,506,071	\$ 4,561,098	\$ 37,651,138
Payments to Suppliers	(7,786,887)	(794,203)	(4,799,249)	(127,029)	(2,673,673)	(52,749)	(16,233,790)
Payments to Employees	(1,184,229)	(105,075)	(4,906,852)	(179,613)	(1,355,457)	(490,542)	(8,221,768)
Receipts from Other Funds	--	--	--	--	(581,244)	(573,293)	(1,154,537)
Other Receipts or (Payments)	331,563	38,193	205,530	(1,180,161)	(13,998)	75,662	(543,211)
Net Cash Provided By Operating Activities	5,926,800	--	33,051	136,106	1,881,699	3,520,176	11,497,832
Cash Flows From Capital and Related Financing Activities							
Acquisition of Fixed Assets	(2,984,135)	--	--	--	(1,842,996)	(3,580,656)	(8,407,787)
Proceeds from Issuance of GO Bonds	4,843,308	--	--	--	99,400	--	4,942,708
Repayments of Revenue and General Obligation Bonds	(2,368,000)	--	--	--	(140,529)	--	(2,508,529)
Repayments of Notes Payable	(6,275,225)	--	--	--	--	--	(6,275,225)
Interest Paid on Long-Term Debt	(1,150,234)	--	--	--	(156,737)	--	(1,306,971)
Net Cash (Used In) Capital and Related Financing Activities	(7,934,286)	--	--	--	(2,040,862)	(3,580,656)	(13,555,804)
Cash Flows From Noncapital Financing Activities							
Transfers - Government Subsidies	--	--	--	--	181,163	--	181,163
Transfers - Out Other Funds	--	--	--	--	(22,000)	--	(22,000)
Net Cash Provided By Noncapital Financing Activities	--	--	--	--	159,163	--	159,163
Net Increase (Decrease) in Cash and Cash Equivalents	(2,007,486)	--	33,051	136,106	--	(60,480)	(1,898,809)
Cash and Cash Equivalents at July 1, 2002	2,152,901	--	9,745,387	298,755	--	30,696,128	42,893,171
Cash and Cash Equivalents at June 30, 2003	\$ 145,415	\$ --	\$ 9,778,438	\$ 434,861	\$ --	\$ 30,635,648	\$ 40,994,362
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities							
Operating Income (Loss)	\$ 748,361	\$ 67,767	\$ 1,217,196	\$ 190,784	\$ 543,550	\$ (110,911)	\$ 2,656,747
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities:							
Depreciation	5,032,954	--	--	724	1,243,256	3,270,637	9,547,571
Miscellaneous Revenues (Expenses)	34,559	(74)	205,532	(722)	30,379	110,911	380,585
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:							
Accounts Receivable	(65,808)	(98,430)	--	--	152,972	--	(11,266)
Due From Other Governments	(390)	(3,640)	--	--	--	--	(4,030)
Inventories of Material and Supplies	(235)	(10,194)	--	(12,403)	--	124,667	101,835
Prepaid Expenses	--	--	--	--	(11,057)	16,106	5,049
Deferred Expenses	--	--	--	--	(44,284)	(35,248)	(79,532)
Accounts Payable	(171,413)	--	108,186	(48,026)	195,864	105,968	190,579
Accrued Liabilities	363,060	(11,505)	15,438	4,551	(185,305)	34,035	220,274
Due to Other Funds	--	38,266	--	--	17,605	--	55,871
Deferred Revenue	--	--	--	--	(126,828)	--	(126,828)
Compensated Absences	(14,288)	17,810	(4,266)	1,198	65,547	4,011	70,012
Other Liabilities and Claims	--	--	(1,509,035)	--	--	--	(1,509,035)
Total Adjustments	5,178,439	(67,767)	(1,184,145)	(54,678)	1,338,149	3,631,087	8,841,085
Net Cash Provided By Operating Activities	\$ 5,926,800	\$ --	\$ 33,051	\$ 136,106	\$ 1,881,699	\$ 3,520,176	\$ 11,497,832

Fiduciary Funds

Fiduciary Funds are used to account for resources held for resources held for the benefit of parties outside the government. The City maintains two Fiduciary Funds: 1) Trust Funds and 2) Agency Funds. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the city's own programs.

The Fiduciary Funds Are:

Trust Funds

The Richmond Retirement System

provides retirement and disability benefits for all vested permanent full time employees.

Other Employee Benefits

is a deferred compensation plan created in accordance with the Internal Revenue Code (IRC) Section 457. The plan is available to all City employees and permits deferral until future years on up to 25% of salary with a maximum deferral of \$7,500 per year.

Agency Funds

Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. The Agency Funds consist of the assets and liabilities of several organizations for which the city serves as fiscal agent, such as the Department of Welfare, the Department of Recreation and Parks, the Department of Public Works and the Law Department.



EXHIBIT L-1

**CITY OF RICHMOND, VIRGINIA
COMBINING STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2003**

	Richmond Retirement System	Other Employee Benefits	Total
Assets:			
Cash and Short-term Investments	\$ 26,334,491	\$ --	\$ 26,334,491
Receivables	27,438,528	770,534	28,209,062
Due From Other Governments	691,396	--	691,396
Other Assets	3,986	--	3,986
Investments, at Fair Value:			
U.S. Domestic and Agency	51,261,013	33,575,349	84,836,362
Corporate Bonds	52,239,245	--	52,239,245
Common Stock	181,519,796	--	181,519,796
International Stocks	79,824,108	--	79,824,108
International Bonds	20,613,689	--	20,613,689
Cash Collateral Received - Security Lending Program	28,115,630	--	28,115,630
Total Investments, at Fair Value	<u>413,573,481</u>	<u>33,575,349</u>	<u>447,148,830</u>
Total Assets	<u>468,041,882</u>	<u>34,345,883</u>	<u>502,387,765</u>
Liabilities:			
Accounts Payable	874,624	--	874,624
Payable for Collateral Received - Security Lending Program	28,115,630	--	28,115,630
Due to Other Governments	2,049,753	--	2,049,753
Due to Various Agents	37,366,399	--	37,366,399
Total Liabilities	<u>68,406,406</u>	<u>--</u>	<u>68,406,406</u>
Net Assets Held in Trust for Pension Benefits and Other Purposes	<u>\$ 399,635,476</u>	<u>\$ 34,345,883</u>	<u>\$ 433,981,359</u>



EXHIBIT L-2

CITY OF RICHMOND, VIRGINIA
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2003

	Richmond Retirement System	Other Employee Benefits	Total
Additions:			
Contributions	\$ 18,692,905	\$ 3,836,906	\$ 22,529,811
Investment Income:			
Depreciation in fair value of investments	3,398,144	445,400	3,843,544
Interest	2,619,392	15,858	2,635,250
Dividends	6,835,238	--	6,835,238
Net Income Earned On Securities Lending Transactions:			
Securities Lending Income	380,785	--	380,785
Securities Lending Expense	(324,646)	--	(324,646)
Total Net Income Earned on Securities Lending Transactions	56,139	--	56,139
Investment Income	12,908,913	461,258	13,370,171
Less Investment Expense	2,049,753	--	2,049,753
Net Investment Income	10,859,160	461,258	11,320,418
Total additions	29,552,065	4,298,164	33,850,229
Deductions:			
Benefits	43,078,571	2,132,264	45,210,835
Administrative Expenses	766,589	8,835	775,424
Total deductions	43,845,160	2,141,099	45,986,259
Net (Decrease) Increase	(14,293,095)	2,157,065	(12,136,030)
Net Assets Held In Trust For Pension Benefits and Other Purposes - Beginning of Year	413,928,571	32,188,818	446,117,389
Net Assets Held In Trust For Pension Benefits and Other Purposes - End of Year	\$ 399,635,476	\$ 34,345,883	\$ 433,981,359



EXHIBIT L-3

**CITY OF RICHMOND, VIRGINIA
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year June 30, 2003**

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Deposits				
Assets				
Cash and Cash Equivalents	\$ 1,811,049	\$ 6,924,961	\$ 7,194,325	\$ 1,541,685
Total Assets	<u>\$ 1,811,049</u>	<u>\$ 6,924,961</u>	<u>\$ 7,194,325</u>	<u>\$ 1,541,685</u>
Liabilities:				
Accounts Payable	133,910	158,206	133,910	158,206
Refundable Deposits	295,215	835,139	718,655	411,699
Due to Various Agents	1,381,924	5,901,870	6,312,014	971,780
Total Liabilities	<u>\$ 1,811,049</u>	<u>\$ 6,895,215</u>	<u>\$ 7,164,579</u>	<u>\$ 1,541,685</u>



**CITY OF RICHMOND, VIRGINIA
MISCELLANEOUS STATISTICAL DATA
June 30, 2003**

DATE OF INCORPORATION

Richmond was founded by William Byrd in 1737, established as a town in May 1742, and incorporated as a City on July 19, 1782.

AREA OF CITY

The area of the City consists of 62.55 square miles.

POPULATION

United States Census 1980 ⁽¹⁾	219,214
United States Census 1990 ⁽¹⁾	202,798
United States Census 2000 ⁽¹⁾	197,790

⁽¹⁾ Source: U.S. Department of Commerce. U.S. Census Bureau.

FORM OF GOVERNMENT

Richmond is organized under the Council-Manager form of government. The governing body is City Council that makes policies for proper administration of the City. The Council is composed of nine members elected on a single member district basis. The Mayor and Vice-Mayor are chosen by a majority vote of all members of Council from their own members. The Council appoints a City Manager to act as chief executive and administrative officer of the City. He serves at the pleasure of Council, carries out its policies, directs business procedures and has the power of appointment and removal of the heads of all administrative departments as well as other officers and employees of the administration. Council has the right of removal of all agency heads and employees appointed by it.

SEGREGATION OF TAXABLE SUBJECTS FOR LOCAL TAXATION ONLY

By an Act of the General Assembly of Virginia, approved March 31, 1926, all real estate, tangible personal property, and machinery used for manufacturing and mining purposes, were segregated to the City, and these subjects are not liable to any general tax except the City tax.

During the year 1926, the Commonwealth of Virginia turned over to the City the state tax rate of 25 cents per \$100 of valuation on real estate and tangible personal property then existing.

ASSESSMENTS

The City Assessor of Real Estate assesses real estate annually at "fair market value". This value is currently estimated to be 98% of recorded sales.

Areas, vaults, marquees, gasoline tanks, electric wires and conduits on, above and under public property are assessed by the City Assessor of Real Estate, as certified to the Assessor by the Department of Public Works, since taxes on these subjects are included in the real estate tax bill.



Special assessments for sidewalk and alley paving, demolition of unsafe structures, and lot clearance, if not paid during the current year, are added to the real estate tax bill of the ensuing year and become a lien upon the property.

The Director of Finance as required by the State Code assesses tangible personal property and machinery and tools in manufacturing and mining. The City prorates personal property taxes on a monthly basis.

TAX RATES

Real Estate:

- \$1.37955 per \$100 of Assessed Value: 2003
- \$1.38975 per \$100 of Assessed Value: 2002
- \$1.410 per \$100 of Assessed Value: 2001
- \$1.430 per \$100 of Assessed Value: 1997 - 2000
- \$1.445 per \$100 of Assessed Value: 1994 - 1996
- \$1.45 per \$100 of Assessed Value: 1992 - 1993
- \$1.46 per \$100 of Assessed Value: 1990 - 1991

Tangible Personal Property:

- \$3.70 per \$100 of Assessed Value: 1992 - 2003
- \$3.65 per \$100 of Assessed Value: 1990 - 1991
- \$3.59 per \$100 of Assessed Value: 1988 - 1989

Machinery and Tools Used for Manufacturing and Mining:

- \$2.30 per \$100 of Assessed Value: 1992 - 2003
- \$2.10 per \$100 of Assessed Value: 1991
- \$2.00 per \$100 of Assessed Value: 1990
- \$1.90 per \$100 of Assessed Value: 1988 - 1989

Utility Consumers' Tax:

- Monthly Residential Billing:
 - Electricity – \$1.40 plus .015116 per kilowatt-hour and the amount of tax shall not exceed \$ 4.00 per month.
 - Gas – \$1.78 plus .010091 per 100 CCF delivered per month and the amount of tax shall not exceed \$ 4.00 per month.
 - Telephone – 25% of first \$20; no tax on amount over \$20
 - Competitive Telephone – 4% of the first \$625; 5% of excess of \$625



- Monthly Commercial and Industrial Billing:
 - Commercial Metered Electricity- \$2.75 plus .016462 per kilowatt-hour (kWh) first 8,945, and .002160 per kWh in excess of 8,945 kWh.
 - Industrial Metered Electricity- \$2.75 plus .0119521 per kilowatt-hour (kWh) first 1,232, .001837 per kWh in excess of 1,232 kWh.
 - Commercial Gas - \$2.88 plus \$.01739027 per CCF delivered (small volume).
 - Commercial Gas- \$ 24.00 plus \$.07163081 per CCF delivered (large volume).
 - Industrial Metered Gas- \$ 125.00 plus \$.0011835 per CCF delivered.
 - Commercial Telephone - 25% of first \$625; 5% of excess of \$625

- Electric Utility Consumption Tax:
 - Less than 2,500 kWh per month .00038 per kWh
 - Excess of 2,501 kWh per month but not in excess of 50,000 kWh per month .00024 per kWh
 - All excess of 50,000 kWh per month .00018 per kWh

Business and Professional Licenses:

For Business with Receipts Exceeding Threshold:

- Wholesale Merchants
\$.22 per \$100 of gross purchases
- Retail Merchants
\$.20 per \$100 of gross receipts
- Professional Occupations
\$.58 per \$100 of gross receipts
- Contractors
\$.19 per \$100 gross contracts and/or 1.50% of fees from contracts on a fee basis
- Personal Service Contracts
\$.36 per \$100 gross receipts
- Threshold
Receipts less than \$5,000, no tax, no \$30 fee
Receipts greater than \$5,000, less than \$100,000, \$30 fee only
Receipts greater than \$100,000, rate per merchant classification times receipts

Motor Vehicle License:

- Private passenger vehicles - \$23 on 4,000 lbs. or less; \$28 on 4,001 lbs. or more
- Trucks - Rates graduated in accordance with gross weight; minimum rate \$24; maximum rate \$250



Admission Tax:

- A tax of 7% of any charge for admission of a place of amusement or entertainment where such charge is \$.50 or more

Bank Stock Tax:

- \$.80 on each \$100 of value of bank stock

Sales and Use Tax:

- 3 1/2% State and 1% Local

Prepared Meals Tax:

- A tax of 5% on prepared meals sold in the City in addition to the Sales Tax

Lodging Tax:

- A tax of 8% of the charge made for each room rented by a transient in a hotel or motel
- 3% goes to Greater Richmond Convention Center Authority

Cable TV Tax:

- A tax of 5% of the charge made for Cable TV services

TAXES DUE

Real estate taxes are assessed as of the first day of January of each year. The full tax bill must be paid on or before June 15th to avoid penalty and interest. If paid thereafter, a 10% penalty and interest at the rate of 10% per annum is added.

Personal property taxes are assessed as of the first day of January of each year. Personal property taxes on motor vehicles are prorated on a monthly basis for vehicles acquiring taxable situs in the City after January 1.

DELINQUENT TAXES

Real estate taxes are reported as delinquent on June 16th of the tax year for which assessed. Personal property taxes are reported as delinquent on May 2nd of the tax year for which assessed or 61 days after acquiring taxable situs. A penalty of 10% is added to all delinquent taxes. Interest at the rate of 10% per annum is added to the delinquent tax.

OVERLAPPING AREAS AND DEBT

The City of Richmond is autonomous and entirely independent of any county or any other political subdivision of the state, being a separate and distinct political unit.

It is not coterminous with, nor subject to any county or school district taxation, and is not liable for any indebtedness other than its own. It has the power to levy taxes on all real estate and tangible personal property without limitation of rate or amount.



CITY INDEBTEDNESS

All indebtedness of the City with the exception of the Enterprise Fund's revenue and refunding bonds, are a direct obligation, and the full faith and credit of the City is pledged for the payment of all its obligations.

Enterprise Funds and Internal Service Funds pay the principal and interest on certain debt (general obligation bonds, revenue and refunding bonds and serial equipment notes), issued for the program purposes of each fund, from user fees. All other debt redemption and interest requirements are appropriated in the General Fund budget. No long-term bonds are sold to finance current operations.

There are neither special assessments nor special revenue bonds issued or outstanding.

Bonds of the City are legal investments for savings banks and trust funds in New York.

DEBT MANAGEMENT POLICIES

The City Council adopted a resolution in 1989 that was amended in 1991, establishing guidelines for the planning, issuance and management of debt, for and on behalf of, the City of Richmond. The City will issue debt for the purpose of acquiring or constructing capital projects and for making major renovations to existing capital projects. It is the policy of the City to provide operating funds to the extent possible for projects that are perennial and/or primarily of an on-going maintenance type activity.

General Obligation Debt:

- The amount of required for general obligation bond debt service will not exceed 10% of the total general fund budget.
- Per capita general fund supported debt will not exceed 7% of per capital income.
- The City will not incur general obligation debt in excess of 7.5% of its total taxable real estate value.
- To the extent that general obligation issued and authorized debt does not exceed 7.5% of the total assessed valuation of the City, the general obligation authority may be used for enterprise fund capital projects. When the general obligation authority is used in lieu of revenue bonds, coverage will be maintained and provisions of capitalized interest will be met as though the bonds are on a parity basis with the outstanding revenue bonds.
- The City will issue general fund supported debt with an average life that is consistent with the useful life of the project with a maximum of maturity of 30 years.
- General Fund supported debt will be structured in a manner such that not less than 60% of the outstanding debt will be retired within 10 years.

FUND BALANCE POLICY

The City Council adopted a Fund Balance Policy on March 14, 1988, which established major policy goals. On October 26, 1992, the City Council amended the Fund Balance Policy, raising the required level of the undesignated fund balance from 3% to 5% of budgeted General Fund expenditures over a period of years. Implementation of the increased fund balance goal began July 1, 1993. On November 26, 2001 the City Council approved a further increase of the required level of undesignated fund balance to 7% of budgeted General Fund expenditures. The Fund Balance Policy states:



- The City Manager will prepare and administer General Fund budgets that will provide operating surpluses on one-half of one percent of expenditures until the Undesignated Fund Balance reaches at least 7% of budgeted expenditures. As of June 30, 2003, the Undesignated Fund Balance was \$39.0 million, which is 7.5% of budgeted General Fund expenditures or \$2.6 million more than the 7% goal.
- The City Council, in adoption of a General Fund budget, will provide that General Fund budget operating surpluses be no less than those recommended by the City Manager in the submission of the General Fund budget.
- The City will not appropriate any amount from the Undesignated Fund Balance until at least one year subsequent to the accumulation of the 7% Undesignated Fund Balance, and then only if faced with an unusual, unanticipated and otherwise seemingly insurmountable hardship.

BUDGET ADOPTION POLICY

The Charter requires that the General Fund budget be prepared in accordance with accepted principles of municipal accounting and budgetary procedures and techniques. The budget is prepared in the manner described below.

- On or about April 7, the City Manager submits to the Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget, including a transfer to the schools, contains proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to May 31, the budget is legally enacted through passage of an ordinance. If the Council does not adopt a budget prior to May 31, the budget submitted by the City Manager shall be in full force and effect as if it had been adopted by the Council.
- The City Manager is authorized to transfer budget amounts within departments; however, the Council must approve any revisions that alter the total expenditures of any department or agency.
- Formal budgetary integration is employed as a management control device during the year for all funds.
- Budgets for the General, Debt Service, Special Revenue, and Capital Projects Funds are principally prepared on the modified accrual basis of accounting, except those encumbrances that do not lapse at the end of a fiscal year, are included as budgetary expenditures.



**CITY OF RICHMOND, VIRGINIA
PERCENTAGE OF BONDED DEBT TO ASSESSED VALUES AND
BONDED DEBT PER CAPITA FOR THE LAST TEN YEARS**

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value of Real Estate</u>	<u>Bonded Debt</u>	<u>Percentage of Bonded Debt to Assessed Value</u>	<u>Bonded Debt Per Capita</u>
			<u>General Fund Supported⁽¹⁾</u>	<u>General Fund Supported</u>	<u>General Fund Supported</u>
1994	197,700	8,351,160,673	284,275,000	3.40%	1,431
1995	196,200	8,460,573,384	267,470,585	3.16%	1,346
1996	193,000	8,472,296,789	282,617,124	3.34%	1,422
1997	193,700	8,702,958,300	290,771,757	3.34%	1,498
1998	192,500	8,990,721,251	286,774,537	3.19%	1,490
1999	191,300	9,240,351,691	346,954,547	3.75%	1,814
2000	197,790	9,518,353,167	380,556,417	4.00%	2,023
2001	197,800	10,280,051,773	368,029,833	3.58%	1,861
2002	197,456	11,179,941,738	392,701,369	3.51%	N/A
2003	N/A	11,966,770,076	400,596,129	3.35%	N/A

Source: Department of Finance.

⁽¹⁾ Does not include general obligation self supporting public utility debt totalling \$263,853,882, public utility revenue debt of \$260,504,755, and other component unit debt not paid from the general fund.

**PERCENTAGE OF DEBT SERVICE TO TOTAL GENERAL FUND
EXPENDITURES AND TRANSFERS FOR THE LAST TEN YEARS**

<u>Fiscal Year</u>	<u>General Fund Expenditures and Transfers</u>	<u>General Fund Supported Debt Service⁽¹⁾</u>	<u>Percentage of General Fund Debt Service to Total Expenditures and Transfers</u>
1994	\$ 379,206,960	\$ 29,554,964	7.87%
1995	391,371,470	30,791,873	7.87%
1996	393,277,961	29,570,455	7.52%
1997	414,735,667	31,189,392	7.52%
1998	429,713,847	26,911,503	6.26%
1999	428,312,535	22,433,170	5.24%
2000	451,550,625	30,624,711	6.78%
2001	462,649,312	31,873,548	6.89%
2002	485,228,846	32,634,406	6.73%
2003	497,826,312	33,881,575	6.81%

Source: Department of Finance.

⁽¹⁾ Starting FY 2001, General Fund Supported Debt Service includes the net cost of short-term borrowing and cost of issuance.



**CITY OF RICHMOND, VIRGINIA
COMPARATIVE SCHEDULE OF DEBT
FOR THE LAST TEN YEARS**

<u>Fiscal Year</u>	<u>Debt at Beginning of Year</u>	<u>Debt Issued in Year</u>	<u>Debt Retired in Year</u>	<u>Debt at End of Year</u>
1993-94	\$ 701,870,838	\$ 4,900,000	\$ 36,858,729	\$ 669,912,109
1994-95	669,912,109	5,235,000	39,249,035	635,898,074
1995-96	635,898,074	122,720,000	111,197,550	647,420,524
1996-97	647,420,524	92,726,238	41,906,114	698,240,648
1997-98	698,240,648	173,923,026	155,347,732	716,815,942
1998-99	716,815,942	142,552,075	73,002,265	786,365,752
1999-00	786,365,752	83,395,000	38,743,689	831,017,063
2000-01	831,017,063	172,030,000	153,042,798	850,004,265
2001-02	850,004,265	255,415,000	164,603,245	940,816,020 ⁽¹⁾
2002-03	940,816,020	147,475,000	138,208,209	950,082,811 ⁽¹⁾

BONDS AND NOTES AUTHORIZED BUT UNISSUED

Total General Obligation Bonds and Notes Authorized but Unissued	\$ 507,694,802 ⁽²⁾
Less: Public Utility Authorized to be issued as Revenue Bonds	(394,281,766)
Net General Obligation Bonds and Notes Authorized but Unissued	<u>\$ 113,413,036</u>

**SCHEDULE OF LEGAL DEBT MARGIN
For the Fiscal Year Ended June 30, 2003**

Legal Debt Limit

10% of Assessed Value of Taxable

Real Estate as of January 1, 2003 (\$11,966,770,076) ⁽³⁾ \$ 1,196,677,008

Deduct

Bonds and Notes Payable ⁽⁴⁾

Legal Margin for Creating Additional General Obligation Debt 689,578,088

\$ 507,098,920

⁽¹⁾ Does not include Certificates of Participation of \$18,840,000

⁽²⁾ Including \$394,281,766 General Obligation Bonds or Revenue Bonds authorized but unissued to finance self-supporting public utility projects and \$98,697,036 for General Fund Supported activities.

⁽³⁾ Source: City Assessor for Real Estate.

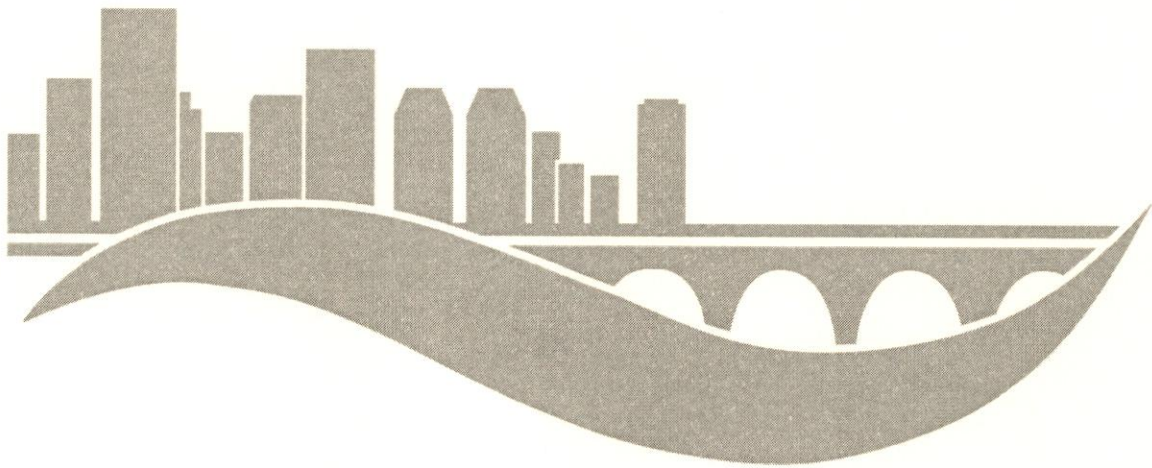
⁽⁴⁾ Does not include \$260,504,755 City of Richmond Public Utility Revenue bonds, which, by State law, are not required to be included in calculations for legal margin for creation of additional debt.

GENERAL OBLIGATION BOND CREDIT RATING

Moody's Investor's Service (For October 2002)	Aa 3
Standard and Poor's Ratings Group	AA
Fitch IBCA	AA

UTILITY REVENUE BOND CREDIT RATING

Moody's Investor's Service	A1
Standard and Poor's Ratings Group	A+
Fitch IBCA	AA-





CITY OF RICHMOND, VIRGINIA
RETIREMENT SCHEDULE OF GENERAL OBLIGATION DEBT BY SOURCE
June 30, 2003

Fiscal Year	Secured By Pledge Of Public Utility Revenue - Enterprise Funds			To be Paid From Project Revenue from RAA, RMA, & HAR			Total Principal
	Principal	Interest	Total	Principal	Interest	Total	
2004	10,875,205	14,330,416	25,205,621	341,084	974,381	1,315,465	11,216,289
2005	11,484,379	13,629,003	25,113,382	427,754	956,528	1,384,282	11,912,133
2006	10,043,087	13,510,413	23,553,500	666,557	936,438	1,602,995	10,709,644
2007	10,483,275	13,114,054	23,597,329	718,055	903,779	1,621,834	11,201,330
2008	10,875,824	13,233,875	24,109,699	789,098	867,443	1,656,541	11,664,922
2009	12,981,019	11,396,358	24,377,377	706,577	826,649	1,533,226	13,687,596
2010	13,763,814	11,499,598	25,263,412	917,048	768,177	1,685,225	14,680,862
2011	15,014,299	9,582,674	24,596,973	1,053,649	692,727	1,746,376	16,067,948
2012	15,482,560	8,852,308	24,334,868	1,004,480	632,219	1,636,699	16,487,040
2013	16,342,560	8,027,187	24,369,747	1,100,332	579,599	1,679,931	17,442,892
2014	17,293,878	7,152,162	24,446,040	1,117,919	528,992	1,646,911	18,411,797
2015	16,603,051	6,294,784	22,897,835	1,245,820	468,632	1,714,452	17,848,871
2016	17,496,559	5,403,785	22,900,344	1,387,484	399,692	1,787,176	18,884,043
2017	20,288,878	4,380,592	24,669,470	1,494,468	322,349	1,816,817	21,783,346
2018	21,333,878	3,300,548	24,634,426	1,655,338	239,667	1,895,005	22,989,216
2019	10,588,878	2,164,585	12,753,463	1,780,547	149,475	1,930,022	12,369,425
2020	11,128,935	1,621,315	12,750,250	1,956,867	51,368	2,008,235	13,085,802
2021	11,578,935	1,065,707	12,644,642	--	--	--	11,578,935
2022	4,033,935	496,100	4,530,035	--	--	--	4,033,935
2023	4,148,935	302,617	4,451,552	--	--	--	4,148,935
2024	4,295,000	102,006	4,397,006	--	--	--	4,295,000
Total	\$ 266,136,884	\$ 149,460,087	\$ 415,596,971	\$ 18,363,077	\$ 10,298,115	\$ 28,661,192	\$ 284,499,961



Self Supporting Debt Service		Paid From Ad Valorem Taxes			Total Outstanding General Obligation Debt		
<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
15,304,797	26,521,086	29,617,447	24,181,122	53,798,569	40,833,736	39,485,919	80,319,655
14,585,531	26,497,664	29,992,244	22,462,783	52,455,027	41,904,377	37,048,314	78,952,691
14,446,851	25,156,495	30,099,001	20,811,758	50,910,759	40,808,645	35,258,609	76,067,254
14,017,833	25,219,163	29,466,770	19,525,129	48,991,899	40,668,100	33,542,962	74,211,062
14,101,318	25,766,240	26,835,537	17,727,546	44,563,083	38,500,459	31,828,864	70,329,323
12,223,007	25,910,603	22,307,179	17,952,026	40,259,205	35,994,775	30,175,033	66,169,808
12,267,775	26,948,637	22,121,038	13,948,669	36,069,707	36,801,900	26,216,444	63,018,344
10,275,401	26,343,349	20,508,607	10,295,598	30,804,205	36,576,555	20,570,999	57,147,554
9,484,527	25,971,567	17,421,669	9,284,079	26,705,748	33,908,709	18,768,606	52,677,315
8,606,786	26,049,678	17,682,787	8,383,202	26,065,989	35,125,679	16,989,988	52,115,667
7,681,154	26,092,951	15,551,077	7,529,995	23,081,072	33,962,874	15,211,149	49,174,023
6,763,416	24,612,287	15,781,436	6,737,692	22,519,128	33,630,307	13,501,108	47,131,415
5,803,477	24,687,520	16,153,827	5,897,010	22,050,837	35,037,870	11,700,487	46,738,357
4,702,941	26,486,287	13,137,254	5,058,382	18,195,636	34,920,600	9,761,323	44,681,923
3,540,215	26,529,431	13,449,293	4,389,756	17,839,049	36,438,509	7,929,971	44,368,480
2,314,060	14,683,485	13,535,576	3,711,469	17,247,045	25,905,001	6,025,529	31,930,530
1,672,683	14,758,485	13,884,198	3,028,646	16,912,844	26,970,000	4,701,329	31,671,329
1,065,707	12,644,642	14,136,065	2,333,503	16,469,568	25,715,000	3,399,210	29,114,210
496,100	4,530,035	14,516,065	1,629,663	16,145,728	18,550,000	2,125,763	20,675,763
302,617	4,451,552	13,211,065	944,408	14,155,473	17,360,000	1,247,025	18,607,025
102,006	4,397,006	8,905,000	397,119	9,302,119	13,200,000	499,125	13,699,125
<u>\$ 159,758,202</u>	<u>\$ 444,258,163</u>	<u>\$ 398,313,135</u>	<u>\$ 206,229,555</u>	<u>\$ 604,542,690</u>	<u>\$ 682,813,096</u>	<u>\$ 365,987,757</u>	<u>\$ 1,048,800,853</u>



**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF UTILITY REVENUE BOND COVERAGE
LAST TEN YEARS**

Fiscal Year	Gross Revenue	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1994*	166,019,218	123,222,226	42,796,992	11,302,963	20,063,398	31,366,361	1.36
1995	164,264,564	117,472,186	46,792,378	11,341,798	20,810,595	32,152,393	1.46
1996	184,622,305	136,438,998	48,183,307	10,850,403	20,151,566	31,001,969	1.55
1997	190,484,595	143,085,020	47,399,575	10,984,814	19,711,880	30,696,694	1.54
1998	191,538,870	142,658,548	48,880,322	10,850,531	20,808,929	31,659,460	1.54
1999	191,320,575	137,714,447	53,606,128	9,540,396	22,318,631	31,859,027	1.68
2000	205,211,193	152,502,199	52,708,994	9,783,219	22,590,360	32,373,579	1.63
2001	256,742,259	207,777,182	48,965,077	11,369,282	20,070,628	31,439,910	1.56
2002	225,453,460	194,386,487	31,066,973	8,960,865	22,384,497	31,345,362	0.99
2003	262,214,691	204,791,470	57,423,221	9,600,485	29,552,039	39,152,524	1.47

* Since 1994, the calculation for Utility Revenue Bond coverage for this schedule was revised to conform to the calculation provided for the bonded indentures. (Does not include Revenue Bond and General Obligation Bond indebtedness of the Electricity Utility Fund.)

**DEMOGRAPHIC STATISTICS
FOR THE LAST TEN YEARS**

Fiscal Year	Population ⁽¹⁾	Per Capita Personal Income ⁽²⁾	School Enrollment ⁽³⁾	Percentage Unemployment Rate ⁽⁴⁾		
				City	State	U.S.
1994	197,700	27,643	27,654	6.0%	4.9%	6.1%
1995	196,200	29,311	27,736	5.4%	4.5%	5.6%
1996	193,000	31,041	28,131	5.5%	4.4%	5.4%
1997	193,700	31,207	28,318	5.0%	4.0%	4.9%
1998	192,500	29,439	28,126	3.8%	2.9%	4.5%
1999	191,300	30,900	28,182	3.4%	2.8%	4.3%
2000	197,790	31,524	27,556	3.2%	2.6%	4.2%
2001	197,800	32,184	27,157	4.3%	4.3%	4.7%
2002	197,456	N/A	26,284	6.2%	4.1%	5.8%
2003	N/A	N/A	26,136	N/A	N/A	N/A

⁽¹⁾ Source: U.S. Census Bureau, Population Estimates Program, released June 30, 2001

⁽²⁾ Source: U.S. Department of Commerce, Economic and Statistics Administration, Bureau of Economic Analysis

⁽³⁾ Source: The School Board of the City of Richmond, Virginia, Average Daily Membership at September 30.

⁽⁴⁾ Source: Virginia Employment Commission & U.S. Department of Labor, Bureau of Labor Statistics; as of June 2001



**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF PRINCIPAL TAXPAYERS
2003 Assessed Values as of January 1, 2003**

	<u>Assessment</u>	
Philip Morris, Inc. & Philip Morris, USA	\$ 238,732,000	1.99%
Boston Properties	176,000,000	1.47%
Sun Trust Banks, Inc.	158,477,700	1.32%
Federal Reserve Bank of Richmond	75,357,300	0.63%
One James Center Associates	64,500,000	0.54%
Orton Val T Trustee	63,667,900	0.53%
Chippenham Hospital, Inc.	59,286,000	0.50%
First States Investors 3500 LLC	57,257,500	0.48%
Ethyl Corporation	56,553,000	0.47%
Two James Center Associates	52,000,000	0.43%
Dominion Resources, Inc.	44,391,500	0.37%
American Retirement Corp.	41,041,400	0.34%
AH Robins	40,320,000	0.34%
AAPOP, LLP	37,000,000	0.31%
Alleghany Warehouse Co., Inc.	36,641,100	0.31%
Eighth & Main LP	31,741,000	0.27%
Highwood Forsyth Limited	30,463,000	0.25%
S J W Limited Partnership	29,499,200	0.25%
Richmond Center Associates	29,140,000	0.24%
Historic Hoters LLC	25,735,300	0.22%
SCDHC-Southwood, LLC	24,618,000	0.21%
Total	1,372,421,900	11.47%
All Other Properties	10,594,348,176	88.53%
Total Taxable Assessed Value	\$ 11,966,770,076	100.00%

Source: City Real Estate Assessor

**LARGEST EMPLOYERS*
As of June 30, 2003**

	<u>Approximate No. of Employees</u>
Commonwealth of Virginia	40,500
Federal Government	15,200
Chesterfield County	10,064
Henrico County	9,282
Capital One Financial Corp.	9,279
Richmond City	8,490
Philip Morris, USA	6,570
Virginia Commonwealth University Health System	6,056
HCA, Inc.	5,762
Wal-mart Stores, Inc.	5,429
Wachovia Corporation	4,500
Sun Trust Banks, Inc.	4,200
Ukrop's Super Markets, Inc.	3,938
Bon Secours Richmond Health System	3,885
Dominion Resources, Inc.	3,749
Circuit City Stores, Inc.	3,590
Hanover County	3,371
DuPont	3,197
Anthem, Inc.	3,118
Verizon Virginia, Inc.	3,000
Bank of America Corporation	2,950
Honeywell International Inc.	2,190
Delhaize America (Food Lion)	1,975
Infineon Technologies Richmond	1,750
Federal Reserve Bank of Richmond	1,693

Source: Department of Economic Development, City of Richmond & Greater Richmond Chamber of Commerce; Metropolitan Statistical Area



**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES
FOR THE LAST TEN YEARS**

<u>Source</u>	<u>1993-94</u>	<u>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>
City Taxes	\$ 249,664,672	\$ 257,887,297	\$ 258,852,626	\$ 267,350,285
Licenses, Permits and Privilege Fees	27,173,911	25,790,501	26,119,721	26,068,055
Intergovernmental	58,626,823	62,231,400	64,767,814	70,195,356
Service Charges	16,602,892	17,427,439	17,621,351	17,021,893
Fines and Forfeitures	4,802,816	5,082,150	4,744,014	4,873,149
Investment Income	--	--	--	--
Miscellaneous	20,243,349	21,767,966	24,539,473	24,647,537
Total Revenues	<u>377,114,463</u>	<u>390,186,753</u>	<u>396,644,999</u>	<u>410,156,275</u>
Other Financing Sources	7,986,336	6,602,488	4,152,400	7,245,547
Total Revenues and Financing Sources	<u>\$ 385,100,799</u>	<u>\$ 396,789,241</u>	<u>\$ 400,797,399</u>	<u>\$ 417,401,822</u>

**SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES
FOR THE LAST TEN YEARS**

<u>Function</u>	<u>1993-94⁽¹⁾</u>	<u>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>
General Government	\$ 30,443,863	\$ 30,513,806	\$ 30,629,191	\$ 33,842,474
Public Safety and Judiciary	87,020,620	91,063,881	91,260,162	97,298,435
Highways, Streets, Sanitation and Refuse	32,553,104	32,990,128	32,821,024	33,052,079
Human Services	31,380,272	32,005,123	33,681,283	38,187,379
Culture and Recreation	18,512,097	18,368,558	16,272,958	16,813,876
Non-departmental	15,892,582	18,557,495	23,420,261	26,794,101
Education	--	--	--	--
Debt Service	--	30,791,873	29,570,455	31,189,392
Total Expenditures	<u>215,802,538</u>	<u>254,290,864</u>	<u>257,655,334</u>	<u>277,177,736</u>
Other Financing Uses	163,404,422	137,080,606	135,622,627	137,557,931
Total Expenditures and Other Financing Uses	<u>\$ 379,206,960</u>	<u>\$ 391,371,470</u>	<u>\$ 393,277,961</u>	<u>\$ 414,735,667</u>

⁽¹⁾ Debt Service Fiscal Year 1993-94 expenditures is included in Other Financing Uses function.



	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
\$	274,117,048	\$ 265,002,918	\$ 276,103,556	\$ 292,646,985	\$ 299,399,915	\$ 306,292,416
	26,679,229	28,133,557	29,873,435	30,799,567	32,890,826	33,259,137
	79,349,158	85,464,283	97,876,497	102,352,886	106,275,069	107,442,810
	14,776,154	16,370,280	17,277,579	16,251,466	16,866,068	17,924,528
	5,173,020	6,018,244	6,194,670	6,376,530	8,646,605	7,774,458
	--	18,801,872	17,120,170	16,179,103	16,518,950	17,518,465
	24,199,426	4,926,941	6,752,282	8,565,983	6,302,317	5,717,780
	<u>424,294,035</u>	<u>424,718,095</u>	<u>451,198,189</u>	<u>473,172,520</u>	<u>486,899,750</u>	<u>495,929,594</u>
	6,571,177	4,882,580	4,296,160	3,062,706	6,309,172	4,535,298
\$	<u><u>430,865,212</u></u>	<u><u>429,600,675</u></u>	<u><u>455,494,349</u></u>	<u><u>476,235,226</u></u>	<u><u>493,208,922</u></u>	<u><u>500,464,892</u></u>

	<u>1997-98</u>	<u>1998-99</u>	<u>1999-2000</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
\$	28,143,537	\$ 29,264,696	\$ 32,260,046	\$ 35,431,321	\$ 45,431,159	\$ 48,127,130
	104,723,624	111,644,647	117,959,864	113,906,257	122,182,062	127,096,129
	40,143,984	40,880,893	40,068,426	43,046,276	43,917,326	45,549,587
	44,005,632	47,168,525	53,709,928	55,452,961	60,319,298	64,105,652
	16,519,762	16,481,775	18,949,357	20,092,430	20,819,038	20,715,896
	29,074,152	29,219,373	31,017,235	32,195,041	26,410,541	23,461,527
	--	--	--	--	125,669,753	128,823,925
	26,911,503	22,433,170	27,703,813	31,861,806	33,753,474	33,881,575
	<u>289,522,194</u>	<u>297,093,079</u>	<u>321,668,669</u>	<u>331,986,092</u>	<u>478,502,651</u>	<u>491,761,421</u>
	140,191,653	131,219,456	129,881,956	130,663,220	6,726,195	6,064,891
\$	<u><u>429,713,847</u></u>	<u><u>428,312,535</u></u>	<u><u>451,550,625</u></u>	<u><u>462,649,312</u></u>	<u><u>485,228,846</u></u>	<u><u>497,826,312</u></u>



**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF REAL ESTATE TAX LEVIES AND
COLLECTIONS FOR THE LAST TEN YEARS
AS OF AUGUST 31, 2003**

<u>Tax Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Total Tax Levy</u>
1994	1.445	122,465,857	119,240,771	97.4%	3,445,183	122,685,954	100.2%	373,494	0.3%
1995	1.445	121,695,693	117,845,681	96.8%	3,769,217	121,614,898	99.9%	647,327	0.5%
1996	1.445	123,789,439	119,568,500	96.6%	3,902,346	123,470,846	99.7%	296,112	0.2%
1997	1.430	124,519,766	120,128,286	96.5%	2,898,599	123,026,885	98.8%	766,699	0.6%
1998	1.430	129,118,215	125,300,720	97.0%	2,107,690	127,408,410	98.7%	884,991	0.7%
1999	1.430	132,833,908	128,308,498	96.6%	1,451,563	129,760,061	97.7%	1,461,203	1.1%
2000	1.430	136,171,412	131,041,226	96.2%	7,940,112	138,981,338	102.1%	1,246,719	0.9%
2001	1.410	147,235,718	139,820,593	95.0%	4,336,433	144,157,026	97.9%	4,028,506	2.7%
2002	1.390	162,359,912	153,719,867	94.7%	5,221,188	158,941,055	97.9%	8,761,333	5.4%
2003	1.380	175,100,400	165,330,253	94.4%	9,498,935	174,829,188	99.8%	10,274,339	5.9%

**SCHEDULE OF PERSONAL PROPERTY TAX LEVIES AND
COLLECTIONS FOR THE LAST TEN YEARS
AS OF AUGUST 31, 2003**

<u>Tax Year</u>	<u>Tax Rate</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections (1)</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Tax Collections (2)</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>	<u>Outstanding Delinquent Taxes (3)</u>	<u>Ratio of Delinquent Taxes to Total Tax Levy</u>
1994	3.70	33,916,582	30,968,340	91.3%	2,559,211	33,527,551	98.9%	--	0.0%
1995	3.70	37,397,138	35,554,138	95.1%	1,382,403	36,936,541	98.8%	--	0.0%
1996	3.70	40,304,709	37,620,022	93.3%	1,527,719	39,147,741	97.1%	--	0.0%
1997	3.70	41,713,686	37,600,532	90.1%	3,199,894	40,800,426	97.8%	1,639,895	3.9%
1998	3.70	43,833,317	40,399,621	92.2%	3,038,805	43,438,426	99.1%	2,262,077	5.2%
1999	3.70	43,204,634	39,211,559	90.8%	3,577,421	42,788,980	99.0%	1,935,115	4.5%
2000	3.70	48,336,851	43,201,233	89.4%	4,865,852	48,067,085	99.4%	2,714,908	5.6%
2001	3.70	50,255,928	41,719,428	83.0%	5,835,595	47,555,023	94.6%	3,751,171	7.5%
2002	3.70	49,798,693	42,133,029	84.6%	4,985,632	47,118,661	94.6%	8,584,039	17.2%
2003	3.70	45,967,435	41,662,589	90.6%	3,504,544	45,167,133	98.3%	9,595,660	20.9%

- (1) This column represents tax collections on the tax levy within the reporting period. These numbers do not include levy collected on behalf of other governments.
- (2) This column represents delinquent taxes collected within the reporting period.
- (3) These numbers are a part of taxes and licenses receivables (net of allowance for doubtful accounts) as reported on the balance sheet. They are not cumulative, representing only the outstanding delinquent taxes for each tax year.



**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS
FOR THE LAST TEN YEARS**

<u>Year</u>	<u>Property Values</u> ⁽¹⁾	<u>Construction</u> ⁽²⁾	<u>Bank Deposits</u> ⁽³⁾
1994	10,360,099,050	104,989,584	9,038,976,000
1995	10,550,731,984	35,635,600	9,638,265,000
1996	10,562,455,389	33,475,700	10,595,362,000
1997	10,762,128,460	68,624,039	12,934,034,000
1998	11,040,511,896	70,614,000	10,426,543,000
1999	11,246,816,741	109,816,650	8,257,605,000
2000	11,758,618,817	39,764,240	8,940,102,000
2001	12,490,349,425	12,589,260	9,421,537,000
2002	13,476,573,675	13,584,664	10,104,000,000
2003	15,047,852,451	26,150,000	11,098,000,000

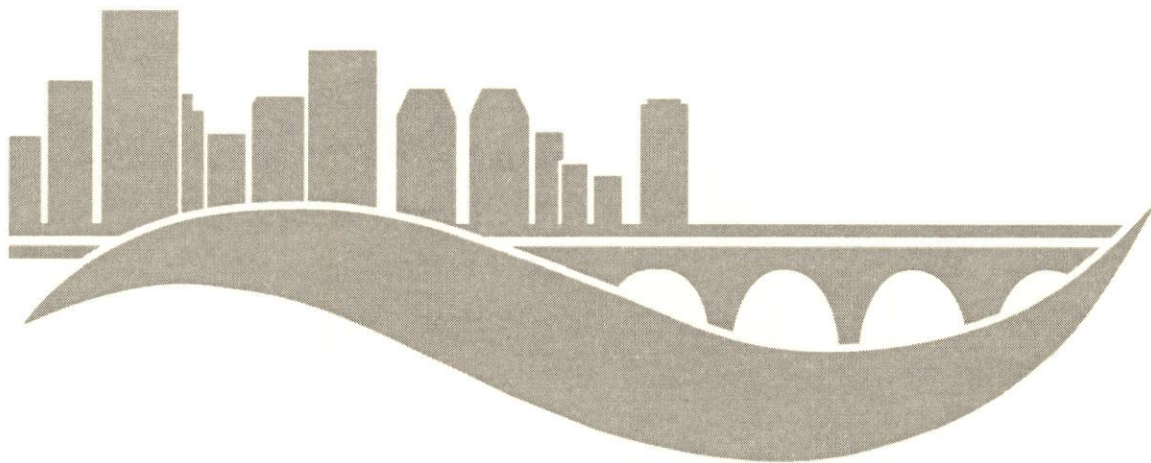
- ⁽¹⁾ Source: Real property valuations from City Assessor of Real Estate (total taxable and total tax exempt).
⁽²⁾ Source: "Assessment of New Buildings, Repairs and Alterations" as provided by City Assessor of Real Estate.
⁽³⁾ Source: Federal Deposit Insurance Corporation-FDIC and the Richmond Statistical Digest 2002.
⁽⁴⁾ Bank balances as of 6-30-02 are not available until the first week of December, per Federal Reserve Bank
^{*)} Alterations and Repairs only. New construction included with General Reassessment Figure.

**SCHEDULE OF PROPERTY VALUATIONS
ASSESSED VALUATIONS OF CITY PROPERTY
FOR THE LAST TEN YEARS**

<u>Year</u>	<u>Real</u> ⁽¹⁾	<u>Personal</u> ⁽²⁾	<u>Machinery</u>	<u>Total</u>
1994	\$ 8,351,000,000	\$ 1,262,043,894	\$ 693,826,961	\$ 10,306,870,855
1995	8,460,573,384	1,281,941,130	689,297,849	10,431,812,363
1996	8,472,296,789	1,444,297,466	636,780,506	10,553,374,761
1997	8,703,958,300	1,318,678,054	653,797,627	10,676,433,981
1998	8,990,721,251	1,338,184,516	657,256,317	10,986,162,084
1999	9,240,351,691	1,360,589,993	809,994,254	11,410,935,938
2000	9,518,353,167	1,457,324,132	829,049,430	11,804,726,729
2001	10,280,051,773	1,478,905,318	821,122,856	12,580,079,947
2002	11,179,941,738	1,507,088,801	790,901,800	13,477,932,339
2003	11,966,770,076	1,393,327,487	678,581,056	14,038,678,619

Source: Real Property valuations from City Assessor for Real Estate. Personal Property and Machinery valuations from the Office of the Director of Finance.

- ⁽¹⁾ Values for each fiscal year were determined as of January 1 of the respective calendar year. Virginia law requires assessment at 100% of fair market value. Due to the lag between reassessments and inflation, the City Assessor estimates the current assessments approximate 96.5% of market value for real property.
⁽²⁾ Taxable personal property is predominantly automobiles, trucks, boats and business furniture and fixtures.





ACKNOWLEDGEMENTS

This report was prepared by the City of Richmond Department of Finance under the direction of Andrew T. Rountree, CPA, CGFM, Director of Finance and Betty J. Burrell, Deputy Director of Finance. It was prepared under the leadership of Stacey Fayson, CPA, Controller and Melvinia P. Wilson, MBA, CGFM, Assistant Controller with assistance from:

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The Department of Finance wishes to express its appreciation to all City of Richmond Departments, component units of the City, and other related organizations, for their cooperation and assistance. We extend a special thanks to the City's General Services Department for printing this document.

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The Jefferson Hotel (photo courtesy of The Jefferson Hotel)
Canal Walk
City Skyline (photo by John Henley)
State Capital (photo courtesy of Marianne Jorgensen)
Greater Richmond Convention Center (photo courtesy of Richmond Renaissance)

Back

Main Street Station
Byrd Park fountain
Arthur Ashe statue on Monument Avenue
Stony Point Fashion Park entrance
Rafting on the James River (photo courtesy of Parks and Recreation Department)

This report is dedicated to the memory of The Honorable Joseph Brooks, Fourth District Councilman and Finance Committee Chairperson. (1929-2003)

