

CITY OF RICHMOND, VIRGINIA

COMPREHENSIVE
ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2004





CITY OF RICHMOND, VIRGINIA

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2004

CITY MANAGER
Calvin D. Jamison, Ed.D.

DEPUTY CITY MANAGER
Bernard W. Wray

DIRECTOR OF FINANCE
Andrew T. Rountree, CPA, CGFM

DEPUTY DIRECTOR OF FINANCE
Betty J. Burrell

CITY CONTROLLER
Stacey Fayson, CPA

ASSISTANT CITY CONTROLLER
Melvinia P. Wilson, MBA, CGFM

CITY COUNCIL

Rudolph C. McCollum, Jr.
Mayor

Rev. Delores L. McQuinn
Vice Mayor

G. Manoli Loupassi

William J. Pantele

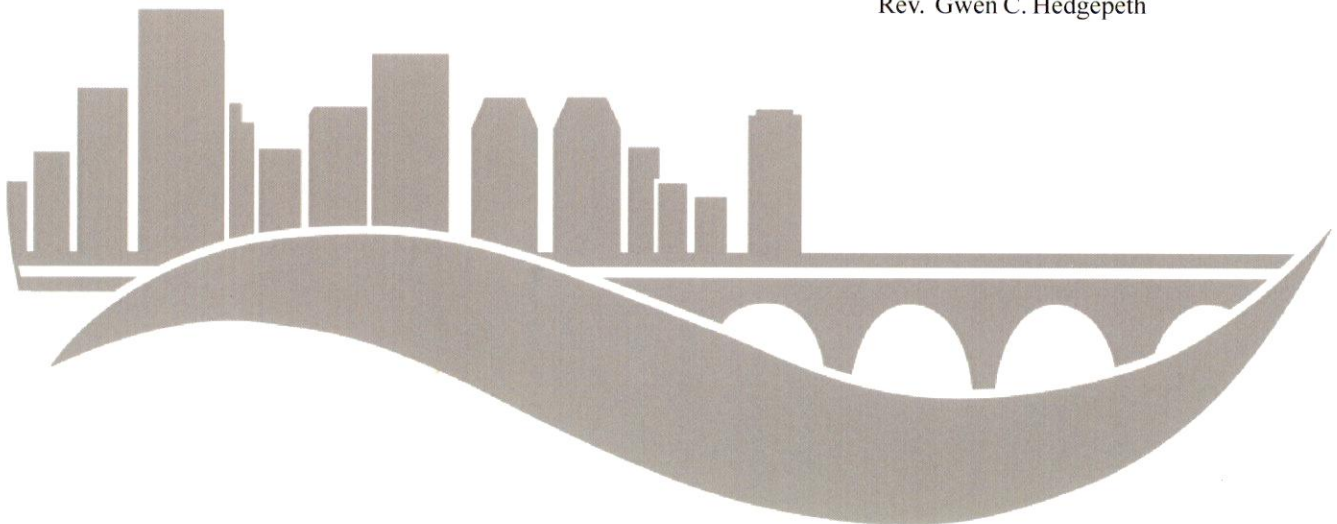
W. Randolph Johnson, Jr.

The Late Peter Grimm

Ellen Robertson

Jacqueline M. Jackson

Rev. Gwen C. Hedgepeth





**THE CITY OF RICHMOND, VIRGINIA
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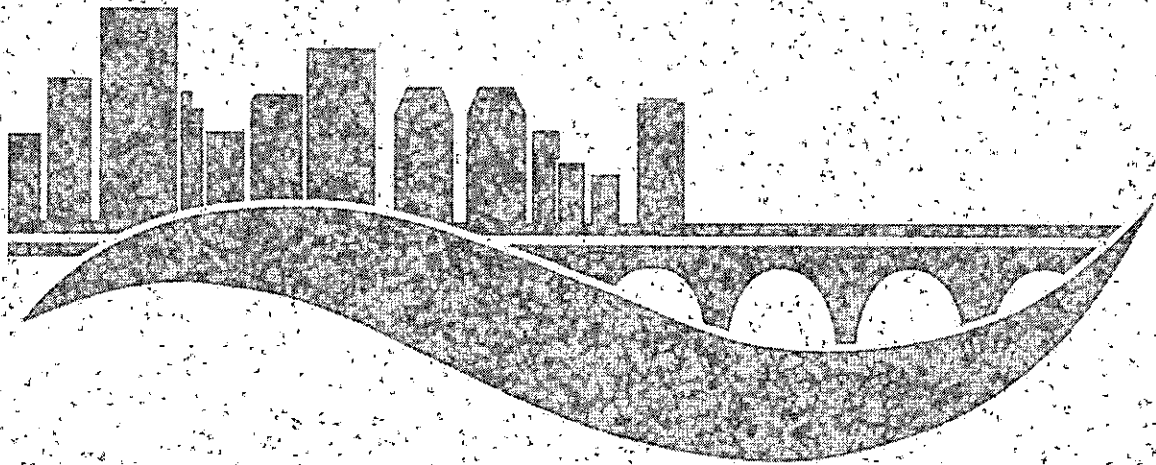
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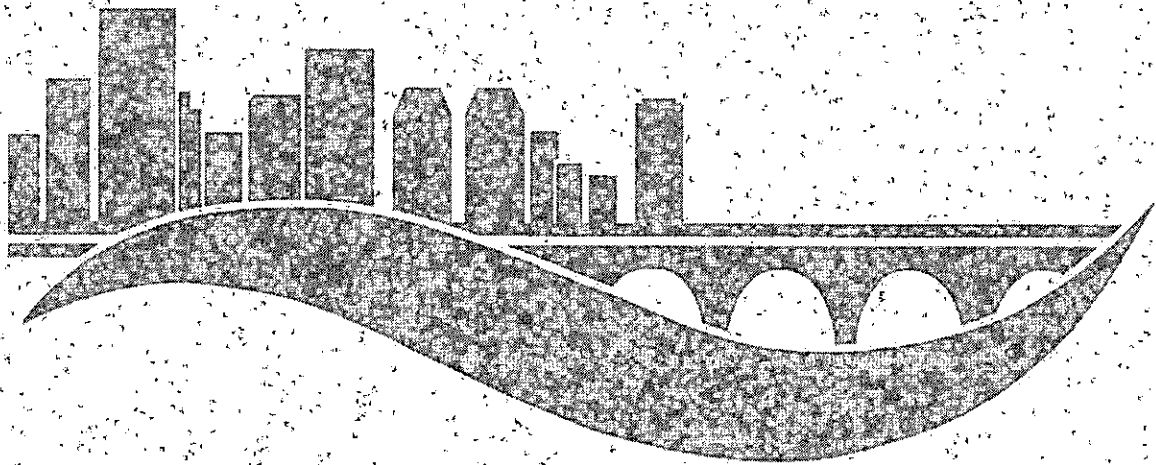
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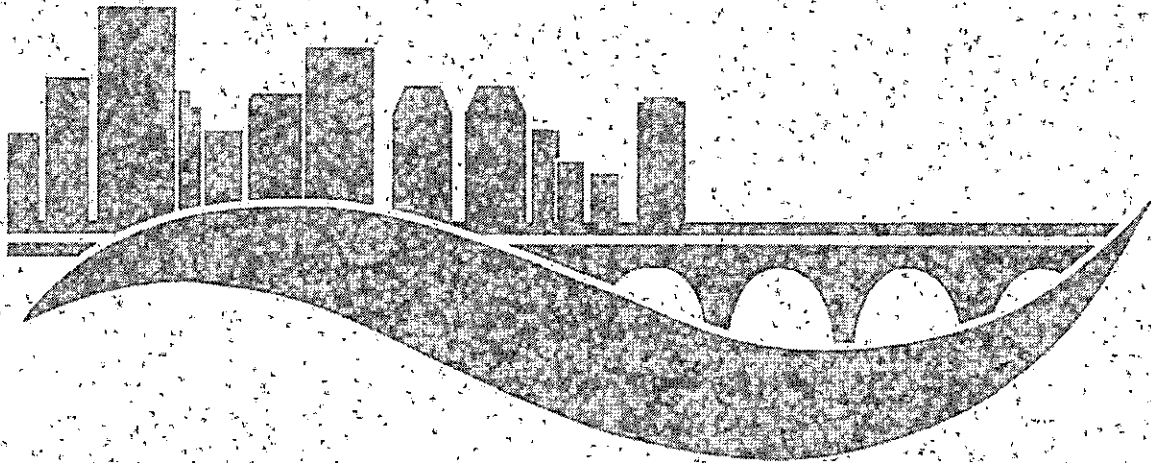




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CITY OF RICHMOND

OFFICE OF THE CITY MANAGER

November 18, 2004

To the Citizens of the City of Richmond, Virginia

The Comprehensive Annual Financial Report (CAFR) of the City of Richmond, Virginia (City) for the fiscal year ended June 30, 2004 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 basic 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 (MD&A), basic financial statements, required supplementary information (which is unaudited) and supplemental combining fund financial statements (which are audited in relation to the basic financial statements taken as a whole).

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 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, 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.

At June 30, 2004 the City government was organized under the Council-Manager form of government with the City Council (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.

On April 15, 2004, the General Assembly approved a new form of government for the City of Richmond. Effective January 1, 2005, the City government will be organized under a Mayoral form of government, the City Council setting policies for the administration of the City. Under the Mayoral form of government, the Mayor will be the Chief Executive Officer of the City and will be responsible for the proper administration of City government. The Mayor is elected at large for a four-year term. The Mayor shall appoint a Chief Administrative Officer, subject to the consent of a majority of the members of Council. The Chief Administrative Officer serves at the pleasure of the Mayor, carries out the City Council's policies, directs daily operations and appoints administrative department heads as well as other officers and employees of the administration.

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 (School Board), Richmond Ambulance Authority, Hospital Authority of Richmond, Port of Richmond Commission, Richmond Redevelopment and Housing Authority, 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 2004, 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. Now regarded as an industrial and financial center, the City is emerging into the country's newest high-technology location. The array of industries includes semiconductor, biotechnology, pharmaceutical, food processing and distribution.

The City has a variety of economic development initiatives and projects that will 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 three 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. There are a total of seven Fortune 500 companies in the Greater Richmond area. In the first two quarters of 2004, dozens of companies announced their initiative of locating or expanding in the Greater Richmond area, creating nearly 2,489 new jobs and investing more than \$1 billion. Phillip Morris USA Inc., one of America's largest corporations, relocated its New York based corporate headquarters to the

Richmond metropolitan area. This development includes \$50 million for new buildings and \$250 million for capital infrastructure (i.e. machinery and tools) within the City. In 2004, Phillip Morris completed the relocation of about 400 employees from New York City. Wachovia Securities merged its retail brokerage with Prudential Securities and moved its headquarters to Richmond creating 1,200 new jobs while expanding Richmond's role as a financial service center.

The Greater Richmond area 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 Bank in addition to numerous securities and investments firms including the new headquarters of Wachovia Securities, the nation's third largest retail brokerage.

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 expansion will double Evergreen's facility. Ride-Away Corporation, a New Hampshire-based manufacturer of modified vehicles for disabled persons, moved its operations to Richmond creating 20 new jobs in the City with a capital investment of \$1.3 million. Infineon Technologies, a leading innovator in the semiconductor industry, announced it would expand its operations in the Greater Richmond area. The expansion will create a \$5.3 million investment, adding up to 470 new jobs to the company's Richmond operations. Other companies include Ashford Court (manufacturer of textiles), Hawkeye Manufacturing (manufacturer of hot tubs), and Packaging Corporation of America (manufacturer of corrugated packaging). These companies created a total of 243 jobs and capital investments totaling \$6.6 million.

An attraction for labor, Richmond's workforce is over 560,000, drawing from more than 50 localities statewide. The City's unemployment rate for the fiscal year 2004 remains steady at 4.4% coinciding with the Commonwealth of Virginia's rate – a rate lower than the national unemployment rate of 5.6%. Also, the per capita personal income of Virginia has increased to \$33,671– an income healthier than the national per capita personal income of \$31,632.

The majority of business space for occupancy remains in the office, office warehouse, retail, and industrial classes. The occupancy rate for the office, office warehouse, and industrial classes increased from last year (86% – 88%) remaining at 2004 occupancy rate of 89.3%. The occupancy rate of retail was steady at 93% as of the end of the second quarter of the 2004 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, public works, refuse collection and human services. To better target spending in an effort to achieve strategic goals, Council and the 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

The Department of Parks, Recreation and Community Facilities Department supports the City's goal of Youth and Family Success and continues to grow and add to its programs. This past year, the Department started a new venture by obtaining daycare licenses for two After School Programs and adding two new and licensed Before

School Programs. The programs were established as part of Governor Mark Warner's PASS Initiative (Partnership for Achieving Successful Schools) and included a focus on reading, life skills and character building. The Department also received a \$25,000 Virginia School Age Child Care Grant that will be used to help the Department obtain licenses for 16 additional After School sites.

The Department expanded its Summer Great Escape program for children ages 6 through 12, which operates at 26 sites on Monday through Friday throughout the summer, to include a Teen Great Escape with programs targeting teenage interests. The new Summer Teen Great Escape Program is for youth ages 13 through 17 and operates Monday through Friday throughout the summer at seven sites. In addition, the Department will participate in the Work It program and provide summer jobs and work experience for more than 200 youth at sites throughout the Department. The Department's Summer Meals for Kids program (funded through U.S.D.A) continues to grow and is currently operating at 128 sites. Last summer, the program served approximately 500,000 free and nutritious meals to youth ages 1 through 18.

The Department also continues to expand its impact through partnerships. In 2003, the Department partnered with the Boys & Girls Clubs of Metro Richmond, Capital One and Henrico County to build a new facility in Providence Park that now serves both City and nearby county children. In May, through a partnership with Goodwill Industries Inc., a newly-constructed greenhouse opened that will provide training opportunities for Goodwill clients and learning opportunities for City children in the Department's Junior Master Gardener program.

The Department promotes an active and healthy lifestyle through its athletic programs. Soccer continues to grow with the addition of more teams and an indoor soccer program, and hundreds of City children now have the opportunity to take up golf through the Department's Hook-a-Kid on Golf program. The Department provides basketball, tennis, baseball and football programs throughout the City, and free swimming at 8 outdoor pools during the summer.

The Department of Social Services continually seeks to provide every citizen with excellent service. The Department of Social Services established a successful, collaborative effort to target volunteer Temporary Assistance to Needy Families (TANF) recipients who are attempting to eliminate their dependence on TANF program payments. During fiscal year 2004 over 215 TANF recipients volunteered for the Giving Opportunities to Achieve Lifelong Success (GOALS) Program. The GOALS Program provides TANF recipients with a General Equivalency Diploma, Adult Basic and Vocational Education training in becoming Emergency Medical Assistants, and in child day care and computer technology. Richmond Public Schools, Goodwill Industries, Richmond Behavioral Health Authority, Richmond Career Advancement Center and the Richmond Community Action Program collaborate with the Department of Social Services to operate GOALS.

The Department of Social Services implemented the new state-mandated Child Protective Service (CPS) approach for dealing with allegations of child abuse. The new approach is called Differential Response because allegations of child abuse may be addressed using two different approaches. Differential Response allows social workers in local departments of social services to respond to allegations of child abuse based upon the severity of the complaint. It differentiates between children in immediate harms way versus children with other family needs. An expected outcome is that child protective service professionals must partner with parents and community-based organizations to keep children in Richmond safe from maltreatment.

The City's Welfare To Work Program continues to exceed the statewide average for hourly wages, monthly wages and job retention.

	<u>State of Virginia</u>	<u>Richmond, Virginia</u>
Hourly Wage	\$6.14	\$6.34
Monthly Wage	\$823.00	\$883.00
Six Month Retention	60%	63%

Public Safety

Public safety initiatives are a high priority for Council and the City Administration. Special crime fighting initiatives are at the forefront of the Police Department's enforcement efforts as the Department continues to aggressively combat crime, and particularly violent crime. For these efforts the Police Department has received State and Federal recognition for its public safety efforts over the past several years, including award recognition in 2003 from the International Association of Chiefs of Police.

The Police Department is committed to develop state of the arts police programs, while aggressively fighting violent crime. New and innovative crime fighting efforts such as the Firearms and Drug Enforcement Unit, Blue Wave Unit, Weapons Enforcement Blitz, and Robbery Task Force are just a few examples of special enforcement initiatives operating in fiscal year 2004 to address crime, illegal firearms and drugs in our community.

Enforcement strategies such as these flourished in the fight against crime and have resulted in removing hundreds of illegal guns, arrests of many hardcore criminals, a reduction in the availability of drugs, and improvement of the overall quality of life for citizens.

Neighborhood Focus / Infrastructure & Improvements

The City's Neighborhood in Bloom (NIB) program is a focused and aggressive neighborhood investment partnership to restore and beautify neighborhoods. This plan pools Federal, City and other funds in six targeted City neighborhoods. 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 will benefit from a better image, improvements in public safety, a restoration in pride, investment in neighborhoods, an increase in home ownership, and an increase in revenue by returning structures to productive use.

The first five years of the program have resulted in the construction and sale to new homeowners of 109 new single family homes; the rehabilitation of 100 vacant houses that have been sold for homeownership; substantial rehabilitation of 38 owner occupied houses; repairs addressing safety code violations to 131 homes; and financial assistance to an additional 43 families to purchase homes. In addition, over 900 housing and environmental code violations have been resolved.

Necessary infrastructure improvements have been made using capital improvement funds. Sidewalks, curbs, and gutters have been repaired or added. Added amenities include attractive streetscapes and more open space. Efforts have also been focused on improvements of the NIB neighborhood commercial areas with assistance for working capital as well as physical improvements.

In 2003, the Neighborhoods In Bloom Revolving Loan Fund was created to promote economic revitalization in the Neighborhoods in Bloom (NIB) with commercial strips providing goods and services to area residents. The Revolving Loan Fund fosters economic growth and stability through low interest loans to existing businesses and to new business start-ups in the target areas. To date, nine Neighborhood In Bloom loans have been approved totaling \$180,000.

In conjunction with the City's focused attempt to invigorate, revitalize, and beautify the neighborhoods. The Fresh Start program was the designation of funds for City gateway improvements. This year an additional fifteen "Welcome to Richmond" signs were installed with additional six sites adopted and beautified through private/public partnerships. Four "Welcome to Oregon Hill" neighborhood signs were installed at the entrances to that community.

A Citywide volunteer litter cleanup day was held on Saturday, March 20, 2004. More than 6,400 volunteers representing over 300 groups pre-registered for the event. Four thousand trash "picker uppers" and 1,000 orange trash bags were distributed to volunteers. Preliminary estimates show that more than 260 tons of litter was disposed of. This is roughly equivalent to the volume of household refuse generated by 14,000 Richmond homes in one week, or on average approximately 83 pounds of trash per volunteer.

In September 2003, Hurricane Isabel struck the City of Richmond with strong winds and rain resulting in widespread damage. Thousands of trees were uprooted, power lines were downed and fallen trees damaged numerous homes. The City responded quickly to the disaster, establishing emergency shelters, food distribution points, began the cleanup effort, and began the repair of damaged infrastructure. The City worked closely with the Federal Emergency Management Agency (FEMA) and the Virginia Department of Emergency Management (VDEM) to assure the work was properly completed and eligible for maximum reimbursement. FEMA and VDEM will reimburse the City of Richmond for 97% of eligible costs. Working with FEMA the City extended tree and stump removal to include those on private property. To date 464 trees, 396 stumps, and 4,020 cubic yards of vegetative debris have been removed from 150 private properties. The City has already received \$8.4 million from FEMA and anticipates recovering an additional \$5.1 million from FEMA. In addition, the City anticipates recovering \$ 2.5 million from the Federal Highway Administration.

In late August 2004, subsequent to fiscal year end, Tropical Storm Gaston impacted the City of Richmond. Tropical Storm Gaston left flooded and damaged infrastructure (buildings and roadways) and private property in several areas of the City. The area most devastated by the storm was Shockoe Bottom. This area is known for its dining and nightlife activity. It is estimated that the total repair costs for the City's infrastructure could be as high as \$20 million. The City has qualified for public assistance from FEMA, and it is expected that the majority of costs incurred will be reimbursed by FEMA.

Transportation

The Greater Richmond Transit Company (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. 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 fare box-generated transfers, and realigning services to better meet the needs of riders.

In conjunction with GRTC Transit System/Ride Finder, the City of Richmond funded and implemented the Employee Trip Reduction Program in January 2004. The program provides free bus transportation to city employees to and from work. The program meets the City's current Strategic Priorities by supporting alternative forms of transportation while supporting economic growth by reducing the demand for commuter parking downtown. The City received a Federal Highway Administration Grant in the amount of \$597,000 for FY2004 thru FY2006 for the implementation of this program. In addition, the City Manager was recognized by VDOT as a leader in developing the Employee Trip Reduction Program. To date, over 700 of the city's workforce has enrolled in the program and is riding to and from work for free.

The City's policy on public transportation includes a focus on improving the infrastructure of the City and also includes the development and implementation of a strategic plan that includes parking and other transportation

issues for the City. During fiscal year 2004, the City created the Office of Transportation Services. The City's Office of Transportation Services has developed the Neighborhood Traffic Management Program in collaboration with other agencies and neighborhood teams. The Neighborhood Traffic Management Program represents a commitment by the Office of Transportation Services to promote and maintain the safety and livability of the City's neighborhoods.

In addition, 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 the cities' needs are in the area of infrastructure maintenance.

The Main Street Station Phase I restoration was completed and the station was opened to passenger rail service in December 2003. Over 1,000 Amtrak passengers use the station on a monthly basis. The Grand Opening events included an Open House on December 5, 2003, and the Ceremonial Grand Opening on December 17, 2003. The City's Congressional and State leaders and thousands of residents attended these successful events. In addition, Amtrak revised its service schedule to provide improved service to the station. The staff is working diligently with the Secretary of Transportation, Virginia Department of Rail & Public Transportation (VDRPT), Amtrak, VDOT and CSX for the later phases of the Main Street Station renovation. The City secured \$4.8 million for the Main Street Station capital development and \$1.8 million for Main Street Station Operations. The City has secured over \$50 million for design and construction of the Main Street Station.

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 the modern Federal Reserve to Main Street Station, the transportation hub, are at the center of the River District, a popular entertainment and dining enclave. Entertainment, dining and nightlife activity continues to grow in Shockoe Slip and Shockoe Bottom.

The momentum of progress continues as Richmond builds upon recent successes. The City has benefited from more than \$2.5 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 year 2003, the CDA issued bonds totaling \$66.7 million to finance the development of new parking decks, new streetscaping and improved utilities. In addition, it catalyzed the renovation of the old Miller & Rhoads department store into a boutique hotel, as well as many other private developments directly adjacent to the CDA area. The momentum of the development has pushed plans for the hotel from a 218 room, \$30 million project to a 329 room, \$70 million project.

The Greater Richmond Convention Center completed its major construction phase of its 605,000 square foot display space with a new 500 space attached to the parking deck. 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 with the City paying 50% of the costs to build and operate the facility, and the three counties paying the remaining share. In addition to the construction of the Convention Center, there are several projects that have been completed or are underway. The Richmond Marriott's \$12 million renovation project was completed in Fall 2003. Projects that are underway are 1) the \$26 million renovation project

for City Hall, which will be completed in early 2005, 2) the demolition and construction of a new \$83 million United States Courthouse will be complete by 2007, and 3) the Commonwealth's work on over \$200 million in improvements to the Capitol and State Office buildings. Completion of the convention center, parking facilities, hotel renovations, streetscapes and the Courthouse, will significantly enhance the image downtown Richmond.

Dominion Resources, a Fortune 200 company headquartered in downtown Richmond, completed construction of Phase I of its headquarter expansion. Phase I was a \$30 million project that included 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. The mixed-use project is the first of its kind in the Richmond area and includes approximately 230,000 square feet of new office space construction; 70,000 square feet of entertainment/retail space; 122 upscale apartments and 800 parking spaces. A major law firm and a financial services company have already leased more than 75% of the office space. The City of Richmond will contribute \$4.6 million in infrastructure improvements to the area; a 15-year tax abatement to the project which will provide more than 1,000 permanent jobs and approximately \$800,000 annually in new revenue for the City.

Main Street Station, Richmond's most visible historic landmark reopened in December 2003 with commuter trains now 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.

Downtown Richmond is attracting individuals and families who enjoy the benefits of city life. The City is continuing its development efforts converting existing warehouses, factories, and office buildings into midrange and luxury apartments. The adaptive re-use of historic buildings has become a very popular practice of developers all over the City because of a compelling combination of City, State and Federal tax credit programs. The River District continues to see a high level of demand for luxury apartments. The River District project has recently completed Phase II with the opening of River Lofts II. This project cost approximately \$19 million. The development of River Lofts II has been so successful, that the developer has announced plans for Phase III of the River lofts at Tobacco Row. Phase I of Canal Walk Lofts were recently completed. The \$10 million development has 90 market-rate apartments and a large pool in its courtyard.

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. Anchor tenants are the region's flagship Dillard's department store, Galyan's, an upscale sporting goods store, and the first Saks Fifth Avenue to locate between the Washington area and Charleston, South Carolina. The initial private investment totals \$110 million, plus a \$13.5 million investment by the City in infrastructure improvements. Benefits to the City of Richmond include an estimated \$4 million annually in new tax revenue and approximately 1,800 new jobs.

To further encourage economic development, by the action of Council, the City began a substantially expanded Tax Abatement for the 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. Originally established as a five-year program, it has been extended for an additional five years due to its success. The program provides 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. During 2004, 2,610 properties qualified for the tax abatement. The value of the abatement for these properties is \$9.2 million, an increase of over \$.7 million from the prior year.

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's 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 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 level 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 revenues and expenditures by function).

Financial Condition

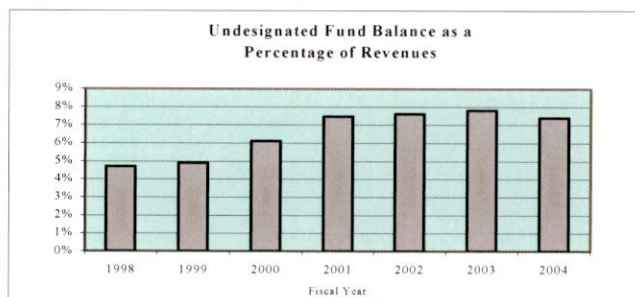
In July 2004, the City received a revenue bond rating upgrade from A+ to AA- from Standard & Poors for its Public Utility revenue bonds. The rating increase reflects the Utility's newly adopted purchased gas cost adjustment levy ability, reduced uncertainty associated with the phase - III combined sewer overflow (CSO) elimination project and a strong cash position and working capital policy. In addition, Moody's Investors Service has assigned an A1 rating with a positive outlook and Fitch has re-affirmed its AA- rating.

Standard and Poors last affirm the City's General Obligation Bonds Ratings in June 2004. Fitch and Moody's last affirmed the City's General Obligation Bond Ratings in November 2004. 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 latest Utility Revenue Bond Upgrade from Standard & Poors represents an unprecedented third bond credit rating upgrade the City has received in a two-year period.

- June 2002 - Public Utility Revenue Bond credit rating upgrade by Fitch to AA-
- October 2002 - General Obligation Bond credit rating upgrade to Aa3 by Moody's
- July 2004 - Public Utility Revenue Bond credit rating upgrade to AA- by Standard & Poors

The City's commitment to improving its financial condition is exhibited in its year-end results. Expenditures outpaced revenues, including other financing sources during fiscal year 2004 by \$40 thousand and the undesignated fund balance remained the same as prior year (see the chart that follows). The undesignated fund balance has increased from 4.7% in fiscal 1998 to 7.4% in fiscal year 2004. Although expenditures outpaced revenues by \$40 thousand, 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. The Gas and Water utilities are regional in scope, providing services to the City and the surrounding Counties of Chesterfield, Henrico and Hanover. Henrico County has built a water treatment plant, which is projected to reduce the maximum daily water use demands on the City's system from approximately 59 mgd in the year 2004 to 28 MGD in the year 2005. The reduced demand from Henrico is expected to be offset somewhat by customer growth elsewhere. 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. The City has a wastewater contract with Goochland to provide up to 5 MGD of wastewater treatment.

In fiscal year 2004, the Hampton McCloy Retention Tunnel (part of the City's Combined Sewer Overflow Control program) took top honors in a Virginia engineering design competition. The American Council of Engineering Companies (ACEC) awarded Virginia's Grand Conceptor Award for the tunnel. In addition, the City of Richmond's Wastewater Plant was awarded the 2003 Gold Peak Performance Award from the Association of Metropolitan Sewerage Agencies during the calendar year 2003. This award is awarded to member agency facilities that consistently meet all National Pollutant Discharge Elimination System permit limits during a given calendar year. The Department of Public Utilities was featured in the August 2003 issue of US Business Review Magazine. The article highlighted the Department of Public Utilities' impact on the economic development of the Richmond Metropolitan area and the department's solutions to handling the changes that come with being a growing municipal utility.

Cash Management

The City's cash and investments are managed in accordance with the requirements set forth by the Code of Virginia. The City minimizes 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.

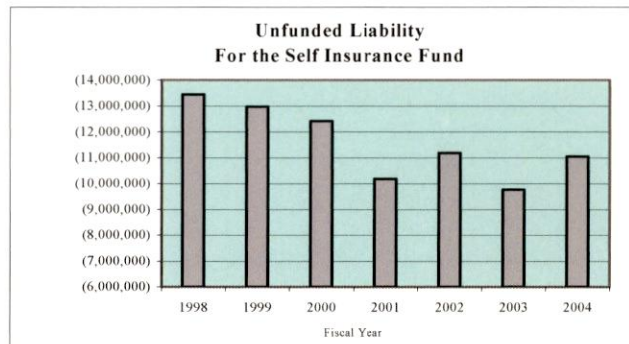
The City's cash that remained temporarily idle during the year was invested in one of the approved investment instruments as outlined above. The average yield on the City's investments for fiscal year 2004 was 1.15%. The City earned interest revenue of \$981,418.

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 \$10,000,000 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 \$135,000,000 are purchased for the gas utility. Changes in the actuarially determined self-insurance liabilities for fiscal years 2003 and 2004 were:

Fiscal Year	Liability at Beginning of Fiscal Year	Claims and Changes in Estimates	Claims and Premium Payments	Liability at End of Fiscal Year
2003	\$ 21,191,095	\$ 416,980	\$ (1,926,015)	\$ 19,682,060
2004	\$ 19,682,060	\$ 8,089,342	\$ (5,798,608)	\$ 21,972,794

The unfunded liability has decreased over the last several years (Fiscal 1998 to Fiscal 2004).



Pension Trust Fund Operations

During fiscal year 2004, the City established a defined contribution pension plan, which is non-contributory, and an enhanced defined benefit pension plan, which is a contributory plan. Both plans were established on October 1, 2003 and were effective January 1, 2004. The City continued to maintain its noncontributory defined benefit plan.

Under the existing Defined Benefit Retirement Plan, which is non-contributory for employees, the City pays a monthly benefit at retirement based on years of creditable service and a three-year average final compensation. The Enhanced Defined Benefit Retirement Plan, which is contributory for employees, also pays a monthly benefit at retirement based on years of creditable service and a three-year average final compensation formula. Employees are required to make contributions of 3 percent of their creditable compensation until they terminate employment. For both plans, the City of Richmond contributes an amount each year that varies according to the contribution rate as determined by an annual actuarial study.

Under the 401(a) Defined Contribution Retirement Plan, the City of Richmond contributes a percentage of an employee's creditable compensation, based on year of service, to a portable account for investment by the employee. The plan is non-contributory for employees. The contribution rate for this plan is computed on the basis of an annual actuarial study.

The Richmond Retirement System (RRS) is financed through contributions made by the City as well as earned income from RRS investments.

In addition to establishing two new retirement plans, the City established the Deferred Retirement Option Program (DROP). DROP is a program in which public safety members eligible for an unreduced retirement allowance may elect to participate for a maximum of five years, deferring receipt of unreduced retirement benefits while continuing employment with the City of Richmond without loss of any other employee benefits.

At June 30, 2004, the RRS was funded at 63.31% on an actuarial basis and at 71.18% on a Market Value basis, with an unfunded accrued actuarial liability of \$248,806,672, and an unfunded Market Value basis liability of \$195,417,219. Earnings from the investment portfolio produced a very competitive average yield of 17.0% 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, 2004, is as follows:

<u>Classification</u>	<u>Vested</u>	<u>Non-Vested</u>	<u>Retired</u>	<u>Vested Termination</u>	<u>Defined Contribution Participants with Frozen Benefits</u>	<u>Total</u>
Municipal employees	2,664	990	3,632	1,705	361	9,352

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, 2003. This was the 20th 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 awarded the City its Award for Outstanding Achievement in Popular Annual Financial Reporting for its popular annual financial report for the fiscal year ended June 30, 2003. This was the 2nd consecutive year that the City has achieved this prestigious award.

Other Recognition

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

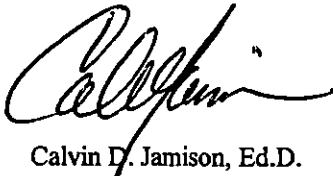
- **1st Among State and Local Government for Citizens' Request System at www.RichmondGov.com, *FOSE 2004 Award***
- **10th Among Best Metropolitan Areas to Do Business, *Forbes Magazine, 2004***
- **One of America's 30 Most Livable Communities, *Partners for Livable Communities, 2004***
- **10th Best Business Climate Among Major Cities, *National Policy Research Center, 2004***
- **17th of Top 25 Large Metros for Doing Business, *Inc. Magazine, 2004***
- **12th Among America's 50 Hottest Cities for Expansions and Relocations, *Expansion Management Magazine, 2004***
- **Designated "Tree City USA" for 14th consecutive year, *National Arbor Day Foundation***
- **Award for "Best Preservation of a Scenic River Corridor", *Scenic Virginia, 2003***
- **12th Among America's 50 Hottest Cities for Expansions and Relocations, *Expansion Management Magazine, 2003***
- **12th for Best Places for Businesses and Careers, *Forbes Magazine, 2003***
- **11th 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 Makers, *Moviemaker Magazine, 2003***
- **1st Among Top 50 U.S. Metro Areas for European Business Expansion, *Expansion Management Magazine, 2002***
- **2nd of Top 60 U.S. Metro Areas for Singles, *America Online Report, 2002***
- **2nd 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***

Acknowledgments

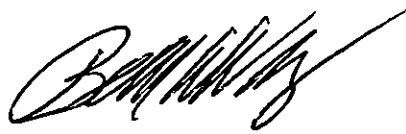
The preparation of the CAFR was made possible by the dedicated service of the entire staff of the Controller's Division of the Finance Department. All individuals who assisted in this effort have our sincere appreciation for the contributions made in the preparation of this report.

Appreciation is also expressed to the Mayor, City Council, City Manager, Deputy City Managers, City Department Directors and Bureau Chiefs 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
Director of Finance

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, 2003

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



President

Executive Director



CITY OF RICHMOND, VIRGINIA
COUNCIL-MANAGER FORM OF GOVERNMENT

June 30, 2004

CITY COUNCIL

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

G. Manoli Loupassi
William J. Pantele
W. Randolph Johnson, Jr.
Peter Grimm

Ellen Robertson
Jacqueline M. Jackson
Rev. Gwen C. Hedgepath

CITY MANAGER'S OFFICE

Calvin D. Jamison, Ed.D
Bernard W. Wray, *Deputy City Manager*
William Harrell, *Deputy City Manager*
William Johnson, *Deputy City Manager*

CITY AUDITOR

Lance J. Kronzer, CPA

CITY ATTORNEY

John A. Rupp, Esquire

**SUPERINTENDENT
OF SCHOOLS**

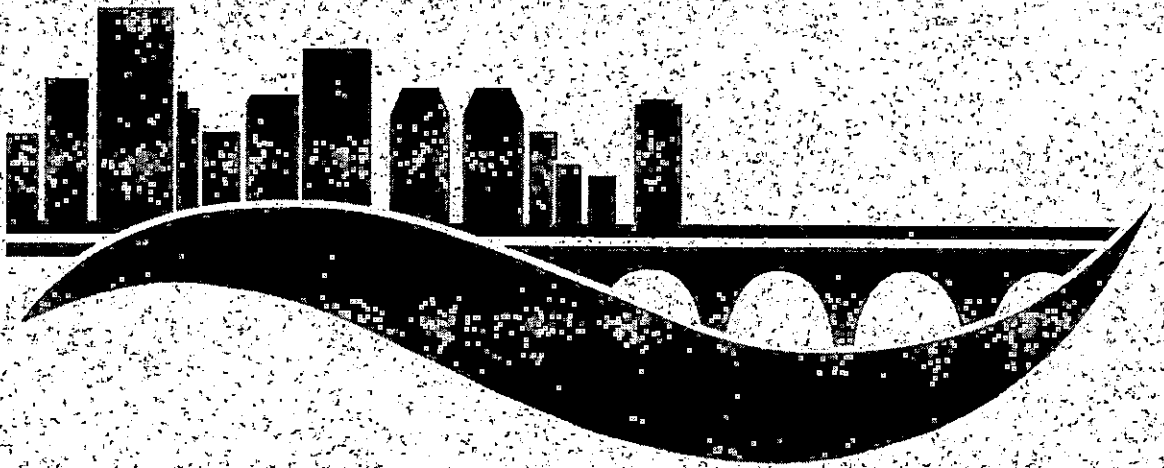
Deborah Jewell-Sherman, Ed.D

DEPARTMENT OF FINANCE

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

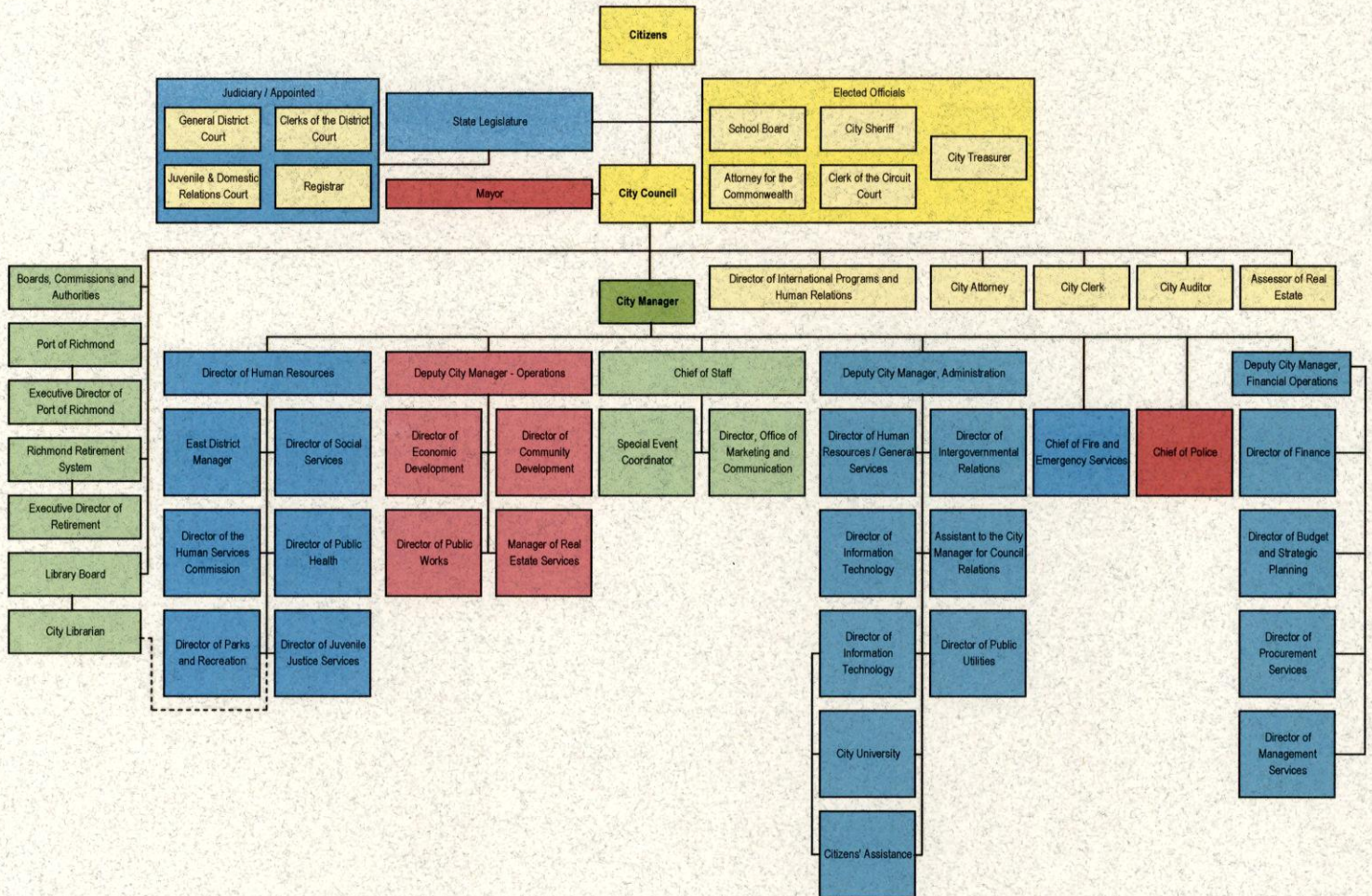
KPMG LLP

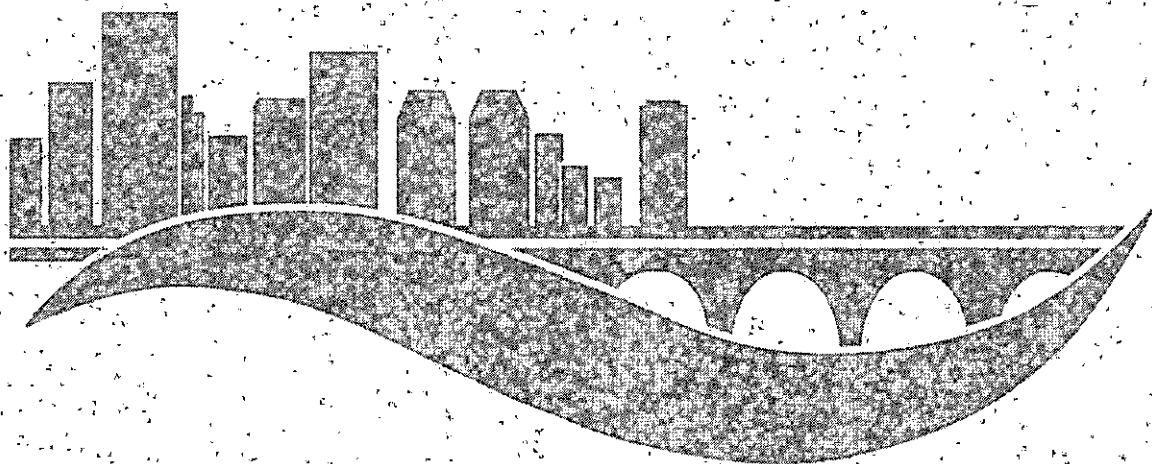




CITY OF RICHMOND, VIRGINIA

ORGANIZATION CHART







CITY OF RICHMOND

OFFICE OF THE CITY MANAGER

November 18, 2004

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, 2004, 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.

A handwritten signature in black ink, appearing to read "Calvin D. Jamison".

Calvin D. Jamison, Ed.D.
City Manager

A handwritten signature in black ink, appearing to read "Bernard W. Wray".

Bernard W. Wray
Deputy City Manager

A handwritten signature in black ink, appearing to read "Andrew T. Rountree".

Andrew T. Rountree, CPA, CGFM
Director of Finance



CITY OF RICHMOND
CITY AUDITOR

November 18, 2004

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, 2004 were Richard P. Pontynen, CPA, Chairman; George E. Calvert, Jr., Vice Chairman; Barry C. Faison, CPA; the Honorable Gwen C. Hedgepeth (resigned); the Honorable Lewis Coates and the Honorable Manoli G. Loupassi. The Committee held four meetings during the fiscal year ended June 30, 2004.

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. During the year, the Committee has monitored the contract with the independent certified accountants.

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



KPMG LLP
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, 2004, 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'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 1.46% and 1.82%, 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, or the Richmond Redevelopment and Housing Authority, which represent 61.72% and 28.26%, 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, 2004, 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.



In accordance with *Government Auditing Standards*, we have also issued a report dated November 18, 2004, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

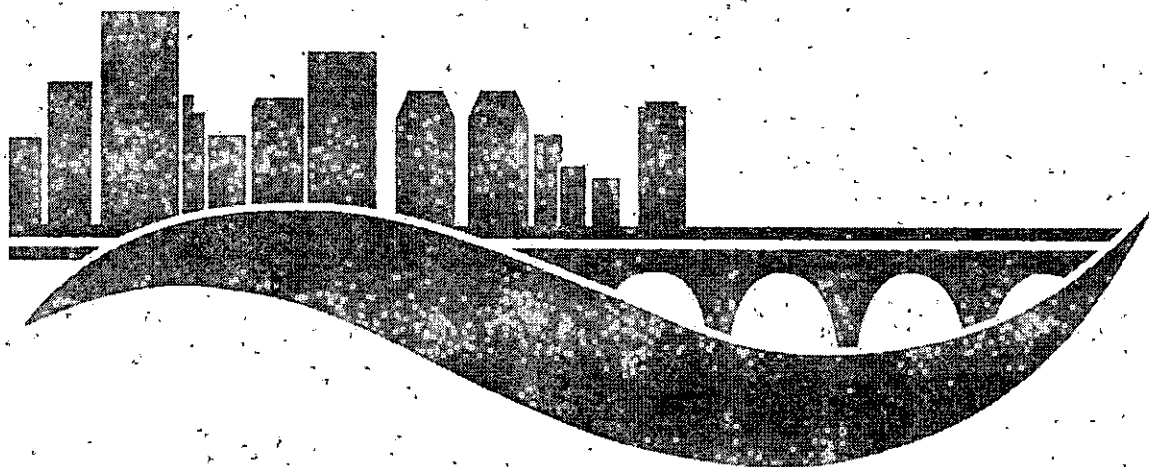
The Management's Discussion and Analysis on pages 10 through 25, the budgetary comparison schedules on pages 94 through 98, and the trend information in note 12 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted 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.

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

November 18, 2004





**CITY OF RICHMOND, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2004**

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 28).

Financial Highlights

Government-wide Financial Statements

- At the close of the fiscal year, the assets of the City exceeded its liabilities by \$603,364,695. Of this amount, \$59,265,437, (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, 2004 with \$352,934,947 in net assets, an increase of \$9,898,753 in comparison with the prior year. \$69,315,730 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 \$250,429,748, a decrease of \$27,795,062, in comparison with the prior year. \$10,050,293 of net negative assets is reported as unrestricted governmental net assets.

Fund Financial Statements

- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$143,024,865, an increase of \$13,524,307 in comparison with the prior year. Forty-two percent of this total amount, \$59,951,532, 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 \$47,690,533 or 9% of total fund expenditures, inclusive of transfers to other funds and disaster costs related to Hurricane Isabel.

Debt Offering

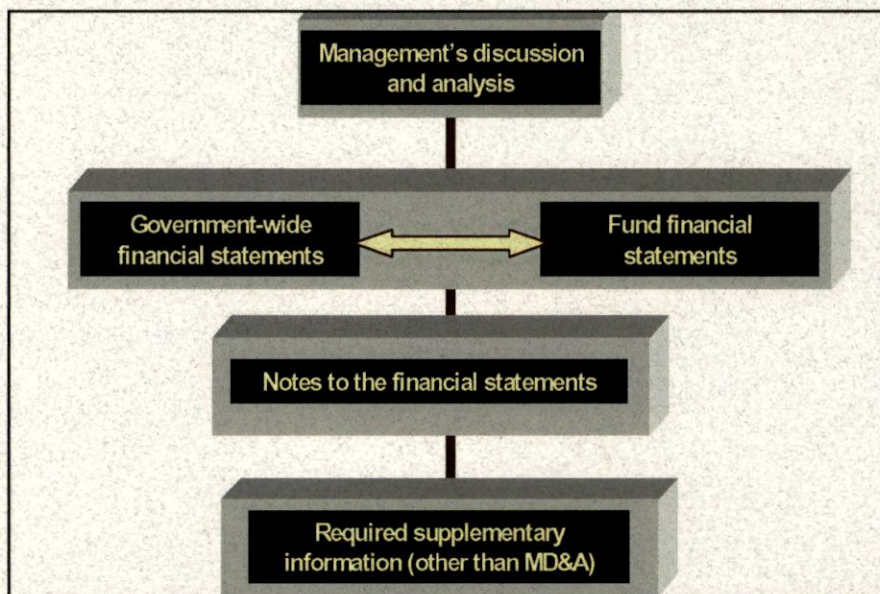
- The City's total debt increased by approximately \$30.5 million (approximately 3.2%) during the current fiscal year as the City issued \$13.5 million of General Obligation Public Improvement Bonds Series 2003 to fund the City's contractual investment in the newly opened Stony Point Fashion Park and \$55,655,000 of General Obligation Public Improvement Bonds Series 2004A to fund new capital improvement projects. At the time of this bond issue, Moody's, Standard & Poor's, and Fitch Ratings reaffirmed their respective Aa3, AA, and AA credit ratings of the City's General Obligation debt. During the year the City also issued \$2,142,167 of zero percent interest, Qualified Zone Academy Bonds to finance specific capital improvement projects of the Richmond Public Schools.
- During fiscal year 2004, the City undertook three debt refundings to achieve reductions in overall debt service requirements. In December 2003, \$3,730,000 of Public Utility Revenue Refunding Bonds Series 2003 was issued to refund a similar amount of the outstanding Series 1998B Utility Revenue Bonds, resulting in a \$191,771 reduction of debt service costs over the remaining five-year life of the bonds. In June 2004, \$9,300,000 of General Obligation Public Improvement Refunding Bonds Series

2004B were issued to refund \$8,750,000 of the outstanding 1995A General Obligation Bonds at lower interest rates. This refinancing produced overall debt service savings of \$786,703 over the remaining eleven-year life of the bonds. Finally, in June the City issued a new \$585,000 Series 2004 HUD Guaranteed Section 108 Note to refund a similar outstanding Note. Due to lower interest rates on the new financing, the City will save \$138,491 in debt service over the remaining ten years to maturity of this note.

- State statutes limit the amount of General Obligation debt a government entity may issue to 10% of its total assessed valuation. At June 30, 2004, the City had a legal debt limit of \$1,325,845,739 and a remaining legal debt margin of \$587,614,219.
- Additional detailed information on the City's long-term debt can be found in Note 8 beginning on page 68 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, 2004. 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 28-31 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 32-35 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 36-40 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 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 basic Fiduciary Fund financial statements can be found on pages 42-43 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 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 94 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 102 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 \$603,364,695 at the June 30, 2004.



The largest portion of the City's net assets (77.3%) 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 uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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's net assets (12.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted net assets (9.8%), which may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the fiscal year, the City 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, 2004
(In Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Current and Other Assets	\$ 271.4	\$ 262.7	\$ 191.9	\$ 224.1	\$ 463.3	\$ 486.8
Capital Assets	583.2	575.0	798.4	773.6	1,381.6	1,348.6
Total Assets	\$ 854.6	\$ 837.7	\$ 990.3	\$ 997.7	\$ 1,844.9	\$ 1,835.4
Current and Other Liabilities	125.4	76.5	59.4	43.4	184.8	119.9
Long-Term Debt Outstanding	478.8	483.0	577.9	602.6	1,056.7	1,085.6
Total Liabilities	\$ 604.2	\$ 559.5	\$ 637.3	\$ 646.0	\$ 1,241.5	\$ 1,205.5
Net Assets:						
Invested in Capital Assets, Net of Related Debt	191.6	199.9	275.0	280.9	466.6	480.8
Restricted	68.9	46.9	8.6	49.5	77.5	96.4
Unrestricted	(10.1)	31.4	69.3	21.3	59.2	52.7
Total Net Assets	\$ 250.4	\$ 278.2	\$ 352.9	\$ 351.7	\$ 603.3	\$ 629.9



Table 2
City of Richmond's Schedule of Activities
For the Fiscal Year Ended June 30, 2004
(In Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program Revenues:						
Charges for Services	\$ 65.6	\$ 62.3	\$ 283.1	\$ 264.3	\$ 348.7	\$ 326.6
Operating Grants and Contributions	133.7	143.7	3.6	7.0	137.3	150.7
Capital Grants and Contributions	10.5	10.6	--	--	10.5	10.6
General Revenues:						
Property Taxes	214.1	102.1	--	--	214.1	102.1
Intergovernmental	0.6	0.1	--	--	0.6	0.1
Other Taxes	111.2	216.4	--	--	111.2	216.4
Investment Income	0.4	0.7	0.8	1.9	1.2	2.6
Miscellaneous	47.1	45.0	3.0	2.8	50.1	47.8
Total Revenues	\$ 583.2	\$ 580.9	\$ 290.5	\$ 276.0	\$ 873.7	\$ 856.9
Expenses:						
Primary Government:						
General Government	102.2	85.3	--	--	102.2	85.3
Public Safety and Judiciary	147.1	141.5	--	--	147.1	141.5
Highway, Street, Sanitation, and Refuse	76.7	76.6	--	--	76.7	76.6
Human Services	91.3	89.3	--	--	91.3	89.3
Culture and Recreation	24.8	26.1	--	--	24.8	26.1
Education	137.8	138.1	--	--	137.8	138.1
Transportation	6.7	6.1	--	--	6.7	6.1
Interest and Fiscal Charges	40.5	35.7	--	--	40.5	35.7
Business-type Activities	--	--	262.6	247.1	262.6	247.1
Total Expenses	\$ 627.1	\$ 598.7	\$ 262.6	\$ 247.1	\$ 889.7	\$ 845.8
Increase (Decrease) in net assets before transfers, special item, and extraordinary item						
	\$ (43.9)	\$ (17.8)	\$ 27.9	\$ 28.9	\$ (16.0)	\$ 11.1
Transfers	18.0	17.2	(18.0)	(17.2)	--	--
Special Item - Disaster Recovery	12.8	0.2	--	--	12.8	0.2
Extraordinary Item - Disaster Costs	(14.7)	--	--	--	(14.7)	--
Changes in Net Assets	\$ (27.8)	\$ (0.4)	\$ 9.9	\$ 11.7	\$ (17.9)	\$ 11.3
Net Assets, Beginning of Year, Restated	278.2	278.6	343.0	340.0	621.2	618.6
Net Assets, End of Year	\$ 250.4	\$ 278.2	\$ 352.9	\$ 351.7	\$ 603.3	\$ 629.9

During the current year, it was determined that RRHA had title to the Richmond Coliseum's physical structure and surrounding land. As a result, the land, building, and accumulated depreciation related to the building have been removed from the Coliseum's financial statements by restating prior year building and structures by \$8,258,334.

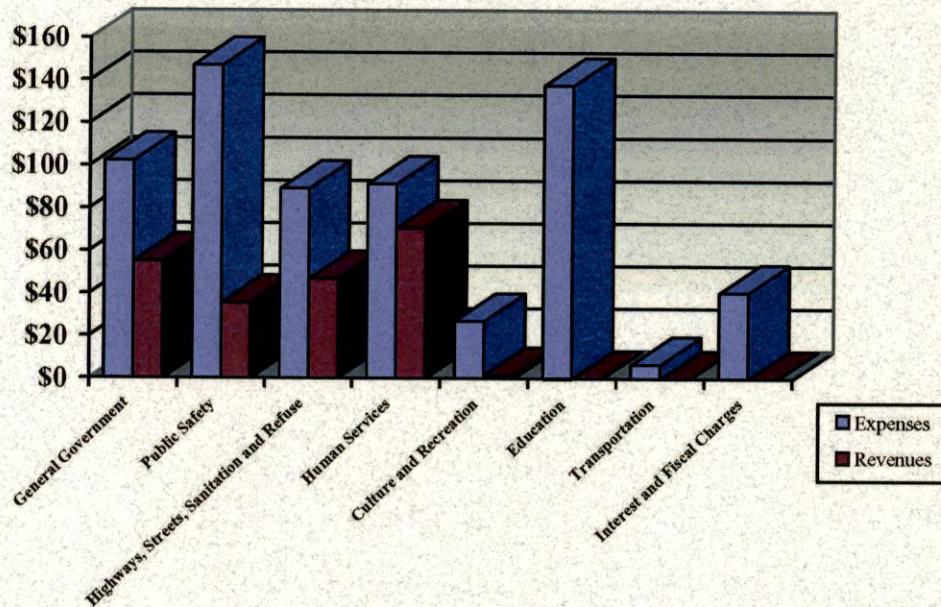
Additionally, the Richmond Coliseum did not record accrued interest on the outstanding debt, the effect of which is a restatement of prior year current liabilities by \$379,869, increasing prior period interest by \$59,696, and decreasing prior year, Net Assets Invested in Capital Assets, Net of Related Debt by \$379,869.



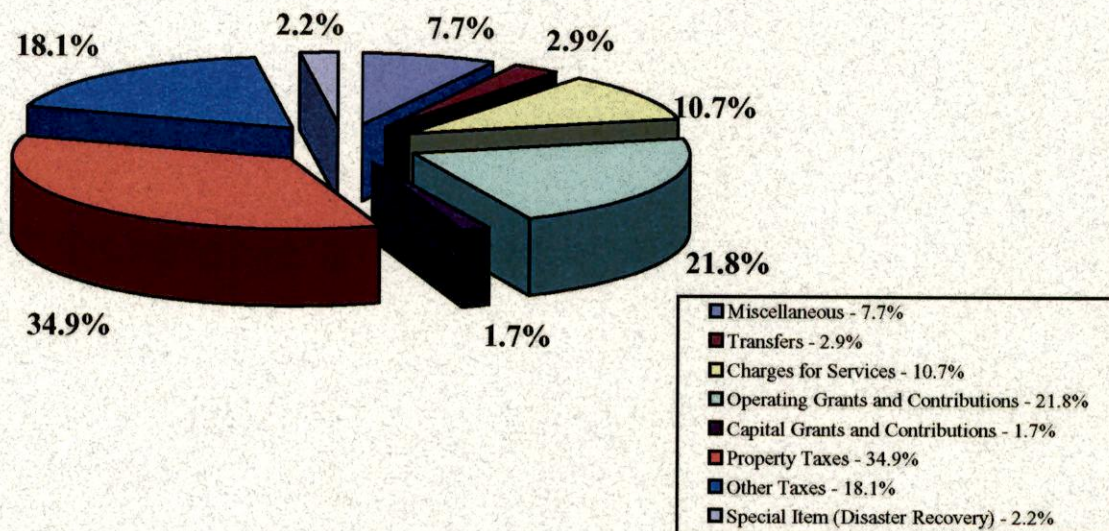
Governmental Activities

Governmental Activities decreased the City of Richmond's net assets by \$27,795,062. Revenues from governmental activities including transfers and disaster recovery revenue associated with hurricane Isabel totaled \$614,014,919; with property taxes (34.9%), other local taxes (18.1%), and operating grants (21.8%) being the major revenue sources contributing over \$458,903,647 of the City's revenues. Expenses for governmental activities were \$641,809,981, of which thirty-three percent was supported from program revenues and sixty-seven percent from general revenues. Expenses for Public Safety (23%), Education (22%), Human Services (15%), General Government (16%), and Interest (6%) make up eighty-two percent of the total governmental expenses.

Expenses and Program Revenues – Governmental Activities (In Millions)



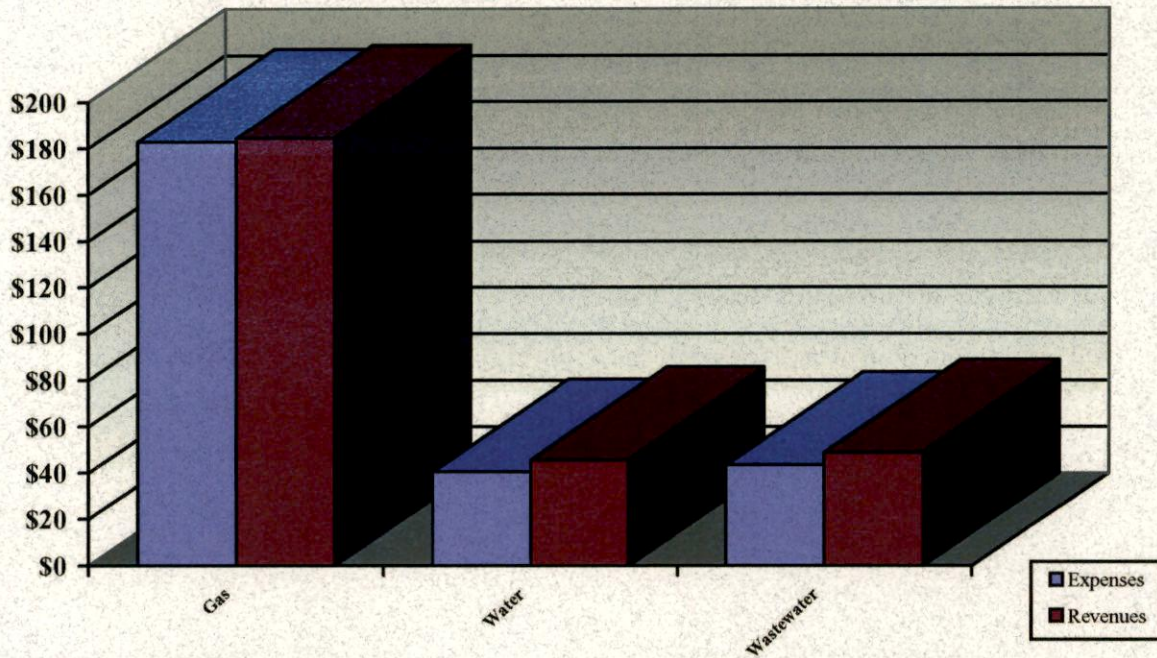
Revenues by Source – Governmental Activities



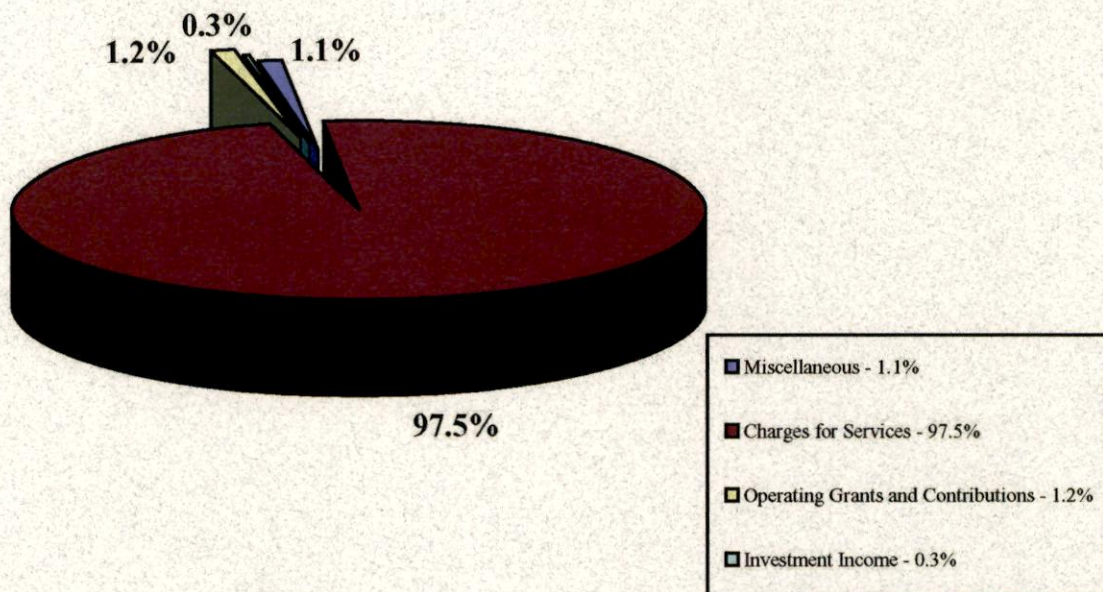
Business-type Activities

Business-type activities increased the City of Richmond's net assets by \$9,898,753. At June 30, 2004, total business-type net assets were \$352,934,947 of which \$8,650,941 was restricted for capital projects and \$69,315,730 was unrestricted. Revenues totaled \$290,470,645, of which ninety-seven percent is from charges for services (program revenue). Total expenses were \$262,578,246 and transfers out were \$17,993,646.

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 \$143,024,865, an increase of \$13,524,307 in comparison with the prior year. Forty-two percent (\$59,951,532) constituted unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance (\$83,073,333) 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 (\$6,126,872), 2) to pay debt service (\$1,480,501), 3) reappropriation (\$60,853,529), or 4) for a variety of other restricted purposes (\$14,612,431).

The General Fund is the chief operating fund of the City and as of June 30, 2004, the unreserved fund balance in the general fund was \$47,690,533; the total fund balance was \$61,840,820. 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 ten percent of the total general fund expenditures, while total fund balance represents thirteen percent of that same amount. When transfers out are added to expenditures, the unreserved fund balance represents nine percent of expenditures plus transfers, while the total fund represents twelve percent of this amount. Funding for component units (\$136,517,289) represent the City's support of 1) Public Schools (\$131,762,289), 2) Richmond Ambulance Authority (\$3,290,000) and 3) Richmond Behavioral Health Authority (\$1,465,000). Transfers out to other funds (\$45,602,176) include General Fund support of 1) Debt Service (\$37,565,084) and 2) Grants (\$7,469,086). The remaining amount of the General Fund transfers out to other funds (\$568,006) is identified as interfund activity.

The City's General Fund revenues and other financing sources including special items were below the amended budgeted appropriations by \$2,983,783 (See Exhibit H-1). Some of the key factors were:

- City taxes were above budget estimates by \$2,010,243. This is primarily the result of additional real estates (\$4,009,573) and local sales tax revenues (\$1,841,262) that are offset by reduction in revenues for machinery and tools (\$2,751,814), general utility sales tax (\$1,681,696), and bank stock taxes (\$2,560,650).
- Intergovernmental revenues were below budget estimates by \$1,784,531. This is primarily the result of the following:
 1. Social Services revenues were less than budgeted by \$3,833,377. The agency did not spend full expenditure authorization and accordingly, had equivalent expenditure savings.
 2. The above reductions were offset by an increase in City Sheriff revenues of \$1,046,543. The City Sheriff received additional allocation from the Compensation Board at the end of the fiscal year that was not budgeted.
- Licenses, Permits, and Privilege Fees revenues were below budget estimates by \$2,646,030. This is primarily due to a reduction in business and professional license fees (\$3,206,427).
- Special Item – Disaster Recovery is below budget estimates by \$1,442,993 as there was a delay in revenue reimbursement from the Federal Highway to the City by \$1,442,993. During fiscal 2004, Hurricane Isabel struck the City with strong winds and rain resulting in widespread damage. The City worked closely with the Federal Emergency Management Agency (FEMA) and the Virginia Department of Emergency Management (VDEM) to assure the work was properly completed and eligible for maximum reimbursement. The City has already received \$8.4 million from FEMA and anticipates recovering an additional \$5.1 million from FEMA. In addition, the City anticipates recovering \$2 million from the



Federal Highway Administration (FHA). Although \$2 million was budgeted as a reimbursement from the Federal Highway Administration, it was neither received nor accrued during fiscal 2004. It is anticipated that the City will not receive the funds from the FHA until a subsequent fiscal year.

The City's General Fund expenditures and other financing uses were below the amended budgeted appropriations by \$11,254,914 (See Exhibit H-1). Some of the key factors were:

- General government expenditures were lower than planned by \$4,622,079. This is primarily the result of budgets in excess of expenditures or deferral in expenditures for the Department of Information Technology (\$1,232,036), the Department of Finance (\$604,639), the General Registrar Office (\$848,233), the Department of Customer Service and Organizational Development (\$494,003), the Department of Community Development (\$398,642), and the City Manager's Office (\$339,942).
- Highways, Streets, Sanitation and Refuse expenditures were lower than planned by \$ 2,152,271. This is primarily due to a budget in excess of expenditures or deferral in expenditures for the Department of Works.
- During fiscal 2004, Hurricane Isabel struck the City of Richmond with strong winds and rain resulting in widespread damage. All of the funds appropriated (\$12.0 million) for Hurricane Isabel within the Department of Public Works were not utilized in fiscal 2004.
- Human Services expenditures were lower than planned by \$1,986,752. This is primarily due to a budget in excess of \$2,047,863 of expenditures for the Department of Social Services as result of a reduction in the state allocation for the Child Day Care program. As a result of the reduced funding, there was a reduction in the number of clients being serviced.
- Non-Departmental expenditures were lower than planned by \$ 2,900,477. This is primarily due to a budget in excess of expenditures for payments to other government agencies (\$1,620,206) which was primarily a result of less than anticipated expenditures for Richmond Metropolitan Authority (RMA) and some personnel reserves. In addition, retiree's health care was lower than planned by (\$802,985).

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. Interest expenditures also increased during the current period (\$5,330,321) as the result of new indebtedness incurred during last fiscal year.

The Capital Projects Fund has a total fund of \$66,980,401, all of which is reserved for capital projects. The net increase in fund balance during the current year in the capital projects fund was \$21,905,373. This is primarily due to receipt of various debt proceeds totaling approximately \$74,600,000, of which \$9,300,000 was to refund existing debt. Capital outlay totaled \$58,250,207.

Utility Proprietary Funds

For fiscal year 2004 (FY 2004), net income before operating transfers showed a decrease of \$5.4 million or 34.6% compared with fiscal year 2003 (FY 2003). Combined operating revenues increased \$10.7 million or 7.2% (net of gas purchases), but this was offset by an increase in total operating expenses of \$11.5 million or 10.1% (net of gas costs) and a decrease in non-operating revenue of \$5.8 million or 49.5%. A small decrease in non-operating expense of \$1.2 million or 3.8% helped to boost the bottom line. (NOTE: 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.)

Gas revenues (net of gas purchases) increased \$4.9 million or 9.4% from FY 2003. This was due primarily to an increase in rates of 13.5% as well as an increase in our customer base of 1.7%. Water revenues increased \$2.9 million or 6.9% and wastewater revenues increased \$1.4 million or 3.3%. Both of these increases were due to rate increases of 8.0% and 5.0% respectively.



Operating and maintenance (O&M) expenses increased in a variety of categories, primarily led by the expensing of funds for rate stabilization; with an increase of \$6.1 million or 100% over the prior year. Other large increases were power usage, \$1.7 million or 30.7%, as well as gas storage costs of \$1.6 million or 1.2%. Depreciation expense increased \$2.5 million or 10.0% over FY 2003 as it includes the first full year of \$30.8 million of net additions to plant placed in service during FY 2003 and a partial year's depreciation on \$27.6 million of net additions to plant placed in service during FY 2004. Combined Payment in Lieu of Taxes and Licenses increased \$3 million or 1.8% over FY 2003.

Non-operating revenues decreased in FY 2004 due almost entirely to a \$4.9 million or 69.0% decrease in federal and state grants received for the water and wastewater utilities. Non-operating expenses decreased in FY 2004 primarily due to a decrease in amortization expense of \$600k or 18.5%.

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 \$28,103,513 in additional appropriations. Of this increase, \$5,064,373 was funded from FY 2003 appropriations for obligations incurred in FY 2003 with final payments in FY 2004. An additional \$3,803,882 from fiscal year 2003 excess funds was appropriated for various programs in fiscal year 2004. \$371,020 in state revenue and \$2,429,692 in additional delinquent real estate and personal property revenue also funded increases. Appropriations for reimbursement from FEMA and FHA totaled \$11,697,660 and \$2,500,040 respectively. \$622,847 from reserved fund balance funded cleanup and reconstruction following Hurricane Isabel. The remaining \$39,000 was funded by miscellaneous, unanticipated revenue.

The changes to the City agencies appropriations are indicated below.

General Government	\$ 5,258,776
Public Safety and Judiciary	6,199,245
Highways, Streets, Sanitation and Refuse	275,125
Human Services	1,352,710
Culture and Recreation	1,857,407
Non-Departmental	(1,568,225)
Extraordinary Item - Disaster Costs	14,728,475
	<u>\$ 28,103,513</u>



Table 3
City of Richmond's Budgetary Comparison
General Fund
For the Fiscal Year Ended June 30, 2004
(In Millions)

	Original Budget		Amended Budget		Actual		Positive (Negative) Variance	
	2004	2003	2004	2003	2004	2003	2004	2003
Revenues:								
Property Taxes	\$ 208.6	\$ 213.4	\$ 210.9	\$ 213.4	\$ 212.1	\$ 216.2	\$ 1.2	\$ 2.8
Other Taxes	104.2	90.8	104.3	91.1	105.1	90.1	0.8	(1.0)
Intergovernmental	111.9	106.0	112.3	110.2	110.5	107.4	(1.8)	(2.8)
Investment Income	0.2	0.2	0.2	0.2	0.2	0.2	-	-
Miscellaneous	81.2	79.8	81.1	80.0	79.0	82.1	(2.1)	2.1
Other Financing Sources	8.0	3.0	8.1	8.2	8.4	4.5	0.3	(3.7)
Special Item - Disaster Recovery	-	-	14.2	-	12.8	-	(1.4)	-
Total Revenues	\$ 514.1	\$ 493.2	\$ 531.1	\$ 503.1	\$ 528.1	\$ 500.5	\$ (3.0)	\$ (2.6)
Expenses:								
General Government	49.6	46.4	54.9	51.9	50.2	48.1	4.7	3.8
Public Safety and Judiciary	123.8	122.4	130.0	126.8	130.5	124.1	(0.5)	2.7
Highway, Street, Sanitation, and Refuse	45.3	43.1	45.5	44.8	43.4	45.5	2.1	(0.7)
Human Services	60.5	63.9	61.9	70.3	59.9	62.5	2.0	7.8
Culture and Recreation	21.2	20.0	23.1	20.9	22.1	20.7	1.0	0.2
Non-Departmental	29.6	32.2	28.1	28.1	25.2	23.5	2.9	4.6
Other Financing Uses	181.3	165.2	181.2	165.2	182.2	173.4	(1.0)	(8.2)
Extraordinary Item - Disaster Costs	-	-	14.7	-	14.7	-	-	-
Total Expenses	\$ 511.3	\$ 493.2	\$ 539.4	\$ 508.0	\$ 528.2	\$ 497.8	\$ 11.2	\$ 10.2

For analysis on significant budgetary variances between the final amended budget and actual results, see page 18.
 For analysis on significant budgetary variances between the original and the final amended budget, see page 20.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2004, the City's investment in capital assets for its governmental and business type activities amounted to \$1.4 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 \$33 million (a 1.4% increase for governmental activities and a 3.2% increase for business-type activities).

Major capital asset expenditures during fiscal year 2004 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, 2004 of \$16.7 million.
- Renovation of the Main Street Multi-Modal Center in the downtown area, with construction in progress at June 30, 2004 of \$17.8 million.
- Renovation of City Hall with construction in progress at June 30, 2004 of \$11.2 million.
- The City's contribution to a city-parking facility of \$2.9 million.
- Renovations to the City Jail with construction in progress of \$3.7 million at June 30, 2004.



- The City's contribution of \$5.6 million in repairs to the Richmond Coliseum at June 30, 2004.
- Major park renovations of \$1.3 million dollars at June 30, 2004.
- 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, 2004 amounted to \$14.3 million.
- A variety of renovation projects for the Richmond Public Schools, with construction in progress at June 30, 2004 of \$1 million.
- Various infrastructure and system improvements primarily for the Gas, Water, and Wastewater utilities at a cost of \$20.7 million, \$23.7 million and \$29.6 million, respectively.

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

Table 4
City of Richmond's Capital Assets
For the Fiscal Year Ended June 30, 2004
(In Millions)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Capital Assets Not Being Depreciated:						
Land and Land Improvements	\$ 21.0	\$ 21.0	\$ 8.2	\$ 12.8	\$ 29.2	\$ 33.8
Construction In Progress	80.2	55.7	80.4	112.8	160.6	168.5
Works of Art / Historical Treasures	1.2	0.9	—	—	1.2	0.9
Total Assets Not Being Depreciated	102.4	77.6	88.6	125.6	191.0	203.2
Capital Assets Being Depreciated:						
Infrastructure	654.1	653.7	—	—	654.1	653.7
Buildings and Structures	327.5	325.9	996.2	934.5	1,323.7	1,260.4
Equipment	94.1	87.5	5.9	4.2	100.0	91.7
Improvements other than Buildings	4.3	4.0	—	—	4.3	4.0
Total Other Assets	1,080.0	1,071.1	1,002.1	938.7	2,082.1	2,009.8
Less Accumulated Depreciation For:						
Infrastructure	360.7	349.4	—	—	360.7	349.4
Buildings and Structures	186.9	178.7	291.7	290.2	478.6	468.9
Equipment	51.3	45.6	0.6	0.5	51.9	46.1
Improvements other than Buildings	0.3	0.0	—	—	0.3	0.0
Total Accumulated Depreciation	599.2	573.7	292.3	290.7	891.5	864.4
Total Capital Assets Being Depreciated, Net	480.8	497.4	709.8	648.0	1,190.6	1,145.3
Total Capital Assets, Net	\$ 583.2	\$ 575.0	\$ 798.4	\$ 773.6	\$ 1,381.6	\$ 1,348.6



Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding, exclusive of compensated absences, of \$994,497,263 comprised mainly of General Obligation Bonds (\$712,006,519), Public Utility Revenue Bonds (\$256,891,626), Notes Payable (\$7,945,000) and Certificates of Participation (\$18,225,000).

Table 5
City of Richmond's Long-Term Debt Obligations
For the Fiscal Year Ended June 30, 2004

Primary Government - Governmental Activities

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004	Due Within One Year
General Obligation Bonds/BANs	\$ 376,693,205	\$ 76,622,780	\$ 35,240,210	\$ 418,075,775	\$ 26,924,100
Premium on Debt Issued	9,635,849	2,905,527	507,150	12,034,226	655,683
Accreted Value - Capital Appreciation					
General Obligation Bonds	92,655	12,171	-	104,826	-
General Obligation Serial Equipment					
Notes Payable	5,290,000	-	3,470,000	1,820,000	1,820,000
Certificates of Participation	18,840,000	-	615,000	18,225,000	640,000
Qualified Zone Academy Bonds	-	2,142,167	-	2,142,167	114,145
Virginia Public Service Authority Bonds	3,483,945	-	220,424	3,263,521	221,132
Section 108 Notes Payable	6,765,000	585,000	1,225,000	6,125,000	530,000
Compensated Absences	13,743,750	869,222	370,416	14,242,556	9,178,000
Capital Leases	903,138	-	236,071	667,067	232,809
Total Long-Term Debt Obligations	<u>\$ 435,447,542</u>	<u>\$ 83,136,867</u>	<u>\$ 41,884,271</u>	<u>\$ 476,700,138</u>	<u>\$ 40,315,869</u>

Primary Government - Business-Type Activities

General Obligation Bonds:					
Gas	\$ 119,969,983	\$ -	\$ 4,590,410	\$ 115,379,573	\$ 4,848,809
Water	93,142,572	-	3,597,724	89,544,848	3,823,507
Wastewater	50,741,297	-	2,590,273	48,151,024	2,714,368
Other Nonmajor Enterprise Funds	15,128,977	5,243,591	2,944,950	17,427,618	1,495,804
Accreted Value - Capital Appreciation:					
Gas	649,475	85,309	-	734,784	-
Water	1,039,070	136,482	-	1,175,552	-
Wastewater	424,895	55,810	-	480,705	-
Revenue Bonds:					
Gas	116,574,253	-	781,376	115,792,877	812,928
Water	36,340,337	-	65,255	36,275,082	67,890
Wastewater	107,590,164	3,730,000	6,496,497	104,823,666	2,850,210
Capital Leases:					
Other Nonmajor Enterprise Funds	644,027	1,670,000	60,075	2,253,952	210,266
Total Long-Term Debt Obligations	<u>\$ 542,245,050</u>	<u>\$ 10,921,192</u>	<u>\$ 21,126,560</u>	<u>\$ 532,039,681</u>	<u>\$ 16,823,782</u>

In May 2004, credit analyst from the three major bond-rating agencies visited the City prior to the 2004 General Obligation bond issues. Moody's, Standard and Poors, and Fitch Ratings reaffirmed their respective Aa3, AA, and AA General Obligation bond rating of the City's debt. Sited in the credit reports were the City's diverse economy, effective management, consistent financial performance, and prudent debt and financial policies. Subsequent to the fiscal year end in July 2004, Standard and Poors also upgraded its rating on the City's Public Utility Revenue Bonds from A+ to AA-, and Moody's assigned a "positive outlook" to its A1 rating.

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:

- \$13.5 million of General Obligation Public Improvement Bonds, Series 2003 to finance the City's contractual obligation to purchase a portion of the real estate at the Stony Point Fashion Park upon its completion.
- \$55.7 million of General Obligation Public Improvement and Refunding Bonds, Series 2004A, sold at a premium of \$2.9 million, to fund capital improvement projects and equipment purchases.
- \$9.3 million of General Obligation Public Improvement Refunding Bonds, Series 2002B to refund \$8.8 million of outstanding General Obligation Bond debt of the City at lower interest rates.
- \$3.7 million of Public Utility Revenue Bonds, Series 2003 to refund outstanding 1998B Public Utility Revenue Bond debt and generate debt service savings.
- \$2.1 million of Qualified Zone Academy Bonds, Series 2004 to fund specific Richmond Public Schools capital projects.
- \$585,000 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.

Enterprise Funds and Internal Service Funds pay, from user fees, the principal of and interest on certain General Obligation Bonds, Revenue and Refunding Bonds, and Serial Equipment Notes issued for the program purposes of each fund. All other monies for the principal of and interest on such debt are appropriated in the General Fund budget. No long-term bonds are sold to finance current operations.

Additional detailed information on the City's long-term debt can be found in Note 8 beginning on page 68 of this report.

Economic Factors and Next Year's Budget Rates

The unemployment rate for Richmond for the fiscal year ended June 30, 2004 was 6.5%, compared to an annual rate of 6.2% for fiscal year 2003.

During the fiscal year ended June 30, 2004, the City experienced gradual improvement in the regional economy and discretionary spending in general, and continued growth in real estate revenue resulting from a strong real estate market and citywide reassessment efforts. Real estate tax collections were approximately \$6.0 million more than collections for FY 2003. Meanwhile, revenue shortfalls relative to budget were recognized in personal property taxes (approximately \$3.1 million), bank stock taxes (\$2.5 million), and business license taxes (\$2.0 million). Some of these shortfalls were anticipated at the beginning of the fiscal years, as revenue reserves were designed for personal property (approximate \$2.9 million) and bank stock taxes (\$1.5 million) from surplus funds from the FY 2003. Fiscal year 2005 revenue forecasts have been revised to include trends noted from the prior year.

The extended budget impasse of the 2004 General Assembly session left many localities at a loss for specific information regarding support for localities at the time of the adoption of local budgets. In the end, tax reform at the State level generated increased resources for education beginning in the 2004-05 fiscal year, allowing for several of new initiatives in support of Richmond Public Schools. The gains were not as significant for the City's General Fund, as moderate increase were noted in House Bill 599 public safety funds and jail per diems, but not enough to offset reductions made in prior years.

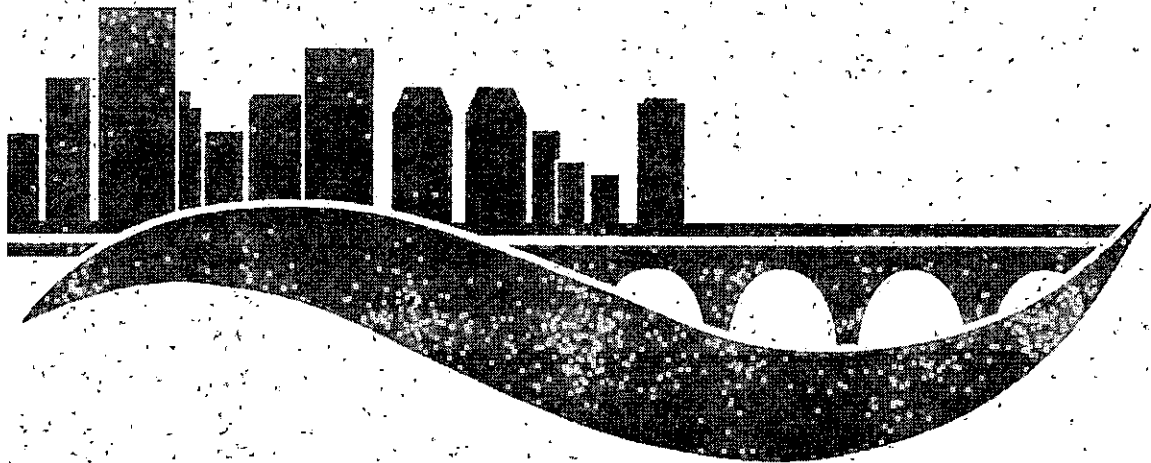
Rates for all utilities increased during the FY 2004. The water and wastewater rates increased 8.0% and 5.0% respectively while gas utility rates increased by 13.5%. The Director of Public Utilities calculates the cost of natural gas each month and prepares a pro forma forecast of total gas commodity cost. The PCG rate may increase or decrease during the year to recover the cost of purchased gas. 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: New Gas Main Extensions (\$3.9 million), Charles City Road High Pressure Gas Main Installation (\$1.0 million), Gas Mains and Services Replacement Program (\$14.0 million), Water Automatic Meter Reading Project Phase II (\$3.7 million), Cleaning and Lining of Cast Iron Water Mains (\$1.9 million); Haxall and Nine Mile Water Flow Control Gate Replacement (\$1.7 million), CSO 4&5-Hampton Street Retention Tunnel (\$50.4 million), Sanitary Sewer Rehabilitation (\$1.2 million).

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, 2004

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Current Assets:				
Cash and Cash Equivalents (Note 3)	\$ 77,413,919	\$ 103,525,746	\$ 180,939,665	\$ 19,732,493
Receivables (Net of Allowance for Doubtful Accounts):				
Taxes and Licenses	36,018,613	—	36,018,613	—
Accounts	24,556,766	31,261,904	55,818,670	32,751,543
Internal Balances, Net	2,983,848	(2,983,848)	—	—
Due From Primary Government	—	—	—	33,493,041
Due From Component Units	6,229,166	—	6,229,166	—
Due From Other Governments	30,734,843	—	30,734,843	8,802,316
Inventories of Materials and Supplies	446,144	20,362,440	20,808,584	300,303
Prepaid Assets	640,778	(5,119,490)	5,760,268	—
Other Assets	49,387	—	49,387	502,139
Non-Current Assets:				
Restricted Assets - Cash and Investments (Note 3)	71,281,364	8,650,941	79,932,305	35,159,346
Advances To Component Units	12,800	—	12,800	—
Deferred Expenses	—	25,966,785	25,966,785	—
Notes Receivable (Note 6)	4,243,100	—	4,243,100	—
Mortgage Loans Receivable and Other Non-Current Assets	—	—	—	67,717,447
Due From Component Units	16,797,860	—	16,797,860	—
Total Non-Current Assets	92,335,124	34,617,726	126,952,850	102,876,793
Capital Assets, Net (Note 7):				
Land and Works of Art/Historical Treasures	22,209,747	8,233,390	30,443,137	25,457,660
Infrastructure, Net	293,358,618	—	293,358,618	272,597
Buildings, Structures, and Equipment, Net	187,473,929	709,679,686	897,153,615	156,640,707
Construction in Progress	80,153,120	80,443,940	160,597,060	21,537,638
Total Capital Assets, Net	583,195,414	798,357,016	1,381,552,430	203,908,602
Total Assets	854,604,002	990,260,474	1,844,864,476	402,367,230



EXHIBIT A

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
Liabilities				
Current Liabilities:				
Accounts Payable	15,969,951	17,787,846	33,757,797	11,282,373
Accrued Liabilities	7,491,686	5,470,098	12,961,784	25,174,722
Due To Primary Government	--	--	--	6,229,166
Due To Other Governments	8,217,833	--	8,217,833	1,772,212
Due To Various Agents	1,918,545	--	1,918,545	--
Due To Component Units	33,493,041	--	33,493,041	--
Accrued Interest on Bonds and Notes Payable	12,148,071	12,384,346	24,532,417	--
Deferred Revenue	--	--	--	3,660,354
Advances from Primary Government	--	--	--	12,800
Non-Current Liabilities (Notes 8 and 10):				
Liabilities to be Paid From Restricted Assets:				
Customers' Deposits	--	3,003,368	3,003,368	475,944
Accreted Interest on Bonds Payable	104,826	2,391,041	2,495,867	--
Due Within One Year:				
General Obligation Bonds, Certificates of Participation, Serial Notes Payable, and Capital Leases				
Revenue Bonds Payable	31,137,869	13,092,754	44,230,623	3,974,768
Compensated Absences	--	3,731,028	3,731,028	--
Other Liabilities and Claims Payable	9,178,000	1,572,492	10,750,492	2,257,166
Due In More Than One Year:	5,713,070	--	5,713,070	4,001,617
General Obligation Bonds, Certificates of Participation, Serial Notes Payable and Capital Leases				
Discount on Revenue Bonds Payable	431,214,887	259,664,260	690,879,147	139,400,516
Due To Primary Government	--	--	--	(1,807,946)
Revenue Bonds Payable	--	253,160,598	253,160,598	16,797,860
Deferred Revenue	--	--	--	--
Compensated Absences	26,262,195	64,651,570	90,913,765	150,155
Other Liabilities and Claims Payable	5,064,556	416,126	5,480,682	14,141,961
Early Retirement Plan Net Pension Obligation	16,259,724	--	16,259,724	853,412
	--	--	--	3,792,796
Total Liabilities	604,174,254	637,325,527	1,241,499,781	232,169,876
Net Assets				
Invested In Capital Assets, Net of Related Debt	191,556,995	274,968,276	466,525,271	90,392,135
Restricted for:				
Capital Projects	66,980,401	8,650,941	75,631,342	10,460,430
Debt Service	1,480,501	--	1,480,501	202,966
Reserves	--	--	--	1,539,953
Customers' Deposits	--	--	--	344,025
Permanent Funds:				
Expendable	425,146	--	425,146	567,582
Nonexpendable	36,998	--	36,998	203,472
Unrestricted	(10,050,293)	69,315,730	59,265,437	66,486,791
Total Net Assets	\$ 250,429,748	\$ 352,934,947	\$ 603,364,695	\$ 170,197,354

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, 2004

Functions/Program Activities	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental:				
General Government	\$ 102,182,099	\$ 37,367,491	\$ 17,718,732	\$ --
Public Safety and Judiciary	147,054,040	9,816,424	25,639,095	--
Highways, Streets, Sanitation and Refuse	76,654,334	17,476,876	18,869,189	10,516,738
Human Services	91,316,190	378,018	70,364,702	--
Culture and Recreation	24,856,175	611,105	1,058,392	--
Education	137,780,535	--	--	--
Transportation	6,699,852	--	--	--
Interest and Fiscal Charges	40,538,281	--	--	--
Total Governmental Activities	627,081,506	65,649,914	133,650,110	10,516,738
Business-type:				
Gas	178,520,751	187,051,036	19,523	--
Water	36,523,533	45,205,312	715,861	--
Wastewater	40,115,362	46,317,014	1,462,130	--
Coliseum	4,152,274	2,358,184	1,381,465	--
Landmark Theater	1,876,343	724,250	--	--
Cemeteries	1,389,982	1,440,051	--	--
Total Business-type Activities	262,578,246	283,095,847	3,578,979	--
Total Primary Government	\$ 889,659,752	\$ 348,745,761	\$ 137,229,089	\$ 10,516,738
Component Units:				
School Board	277,502,374	3,498,552	74,624,186	7,391,300
Richmond Ambulance Authority	11,543,406	10,066,506	--	--
Hospital Authority of Richmond	8,868,000	8,690,973	--	--
Port of Richmond Commission	1,861,788	1,042,895	--	--
Richmond Behavioral Health Authority	28,634,609	11,415,189	15,470,188	--
Richmond Redevelopment and Housing Authority	72,885,827	24,202,238	43,259,658	5,293,122
Broad Street Community Development Authority	6,922,976	1,698,412	--	--
Total Component Units	\$ 408,218,980	\$ 60,614,765	\$ 133,354,032	\$ 12,684,422
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				
Rolling Stock Tax				
Total City Taxes				
Intergovernmental Revenue Not Restricted to Specific Programs				
Payment From Primary Government				
Investment Earnings				
Miscellaneous				
Transfers				
Special Item - Disaster Recovery (Note 16)				
Extraordinary Item - Disaster Costs (Note 16)				
Total General Revenues, Transfers, Special Item, and Extraordinary Item				
Changes in Net Assets				
Net Assets - Beginning of Year, Restated (Note 7)				
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 Activities	Business-type Activities	Totals	Component Units
\$ (47,095,876)	\$ --	\$ (47,095,876)	\$ --
(111,598,521)	--	(111,598,521)	--
(29,791,531)	--	(29,791,531)	--
(20,573,470)	--	(20,573,470)	--
(23,186,678)	--	(23,186,678)	--
(137,780,535)	--	(137,780,535)	--
(6,699,852)	--	(6,699,852)	--
(40,538,281)	--	(40,538,281)	--
<u>(417,264,744)</u>	<u>--</u>	<u>(417,264,744)</u>	<u>--</u>
--	8,549,808	8,549,808	--
--	9,397,639	9,397,639	--
--	7,663,782	7,663,782	--
--	(412,625)	(412,625)	--
--	(1,152,093)	(1,152,093)	--
--	50,069	50,069	--
--	<u>24,096,580</u>	<u>24,096,580</u>	<u>--</u>
<u>(417,264,744)</u>	<u>24,096,580</u>	<u>(393,168,164)</u>	<u>--</u>
--	--	--	(191,988,336)
--	--	--	(1,476,900)
--	--	--	(177,027)
--	--	--	(818,893)
--	--	--	(1,749,232)
--	--	--	(130,809)
--	--	--	<u>(5,224,564)</u>
--	--	--	<u>(201,565,761)</u>
172,166,634	--	172,166,634	--
24,067,131	--	24,067,131	--
41,918,417	--	41,918,417	--
14,831,660	--	14,831,660	--
33,405,551	--	33,405,551	--
2,362,154	--	2,362,154	--
16,078,165	--	16,078,165	--
1,804,701	--	1,804,701	--
10,303,069	--	10,303,069	--
93,506	--	93,506	--
4,564,352	--	4,564,352	--
7,324	--	7,324	--
605,153	--	605,153	--
158,960	--	158,960	--
868,115	--	868,115	--
2,018,645	--	2,018,645	--
<u>325,253,537</u>	<u>--</u>	<u>325,253,537</u>	<u>--</u>
575,697	--	575,697	57,409,581
--	--	--	140,042,377
360,647	750,057	1,110,704	1,705,322
47,259,923	3,045,762	50,305,685	586,718
17,993,646	(17,993,646)	--	--
12,754,707	--	12,754,707	--
(14,728,475)	--	(14,728,475)	--
<u>389,469,682</u>	<u>(14,197,827)</u>	<u>375,271,855</u>	<u>199,743,998</u>
<u>(27,795,062)</u>	<u>9,898,753</u>	<u>(17,896,309)</u>	<u>(1,821,763)</u>
<u>278,224,810</u>	<u>343,036,194</u>	<u>621,261,004</u>	<u>172,019,117</u>
\$ 250,429,748	\$ 352,934,947	\$ 603,364,695	\$ 170,197,354



EXHIBIT C

CITY OF RICHMOND, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

	General	Debt Service	Other Governmental Funds	Total
Assets				
Cash and Cash Equivalents (Note 3)	\$ 55,141,577	\$ 77,460	\$ 11,340,264	\$ 66,559,301
Receivables (Net of Allowance for Doubtful Accounts):				
Taxes and Licenses	36,018,613	--	--	36,018,613
Accounts	19,002,841	296,212	2,881,150	22,180,203
Due From Other Funds (Note 4)	7,257,299	--	--	7,257,299
Due From Component Units	23,027,026	--	--	23,027,026
Due From Other Governments (Note 5)	17,832,312	--	12,883,133	30,715,445
Restricted Assets - Cash and Investments (Note 3)	--	1,480,501	69,800,863	71,281,364
Advances To Other Funds (Note 4)	150	--	--	150
Advances To Component Units	12,800	--	--	12,800
Notes Receivable (Note 6)	4,243,100	--	--	4,243,100
Total Assets	\$ 162,535,718	\$ 1,854,173	\$ 96,905,410	\$ 261,295,301
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 7,175,074	\$ 5,130	\$ 8,039,591	\$ 15,219,795
Accrued Liabilities	6,328,734	--	285,564	6,614,298
Due To Other Funds (Note 4)	--	--	2,674,100	2,674,100
Due To Other Governments	4,533,297	--	3,684,536	8,217,833
Due To Various Agents	1,918,545	--	--	1,918,545
Due To Component Units	33,493,041	--	--	33,493,041
Deferred Revenue	47,246,207	357,081	2,529,536	50,132,824
Total Liabilities	100,694,898	362,211	17,213,327	118,270,436
Fund Balances:				
Fund Balance - Reserved (Note 9):				
General Fund	14,150,287	--	--	14,150,287
Debt Service Fund	--	1,480,501	--	1,480,501
NonMajor - Capital Projects Funds	--	--	66,980,401	66,980,401
NonMajor - Permanent Funds	--	--	462,144	462,144
Fund Balance - Unreserved:				
Designated for Specific Projects (Note 9):				
General Fund	8,637,804	--	--	8,637,804
NonMajor Special Revenue Funds	--	--	12,249,538	12,249,538
Undesignated:				
General Fund	39,052,729	--	--	39,052,729
Debt Service Fund	--	11,461	--	11,461
Total Fund Balances	61,840,820	1,491,962	79,692,083	143,024,865
Total Liabilities and Fund Balances	\$ 162,535,718	\$ 1,854,173	\$ 96,905,410	\$ 261,295,301

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



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, 2004

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

Total fund balances for governmental funds		\$	143,024,865
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:			
Land	\$	22,111,747	
Infrastructure, net		293,358,618	
Buildings, structures, and equipment, net		143,381,456	
Construction in progress		<u>76,671,157</u>	+ 535,522,978
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.			24,219,180
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		(10,021,818)	
Governmental bonds payable		(444,696,418)	
Compensated absences		<u>(13,893,460)</u>	(468,611,696)
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>16,274,421</u>
Net Assets of governmental activities		\$	<u>250,429,748</u>

See note I (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, 2004

	General	Debt Service	Other Governmental Funds	Total
Revenues				
City Taxes				
Real Estate	\$ 170,251,093	\$ --	\$ --	\$ 170,251,093
Sales-1% Local	24,067,131	--	--	24,067,131
Personal Property	41,918,417	--	--	41,918,417
Machinery and Tools	14,831,660	--	--	14,831,660
General Utility Sales	30,272,507	--	--	30,272,507
Bank Stock	2,362,154	--	--	2,362,154
Prepared Food	14,548,707	--	--	14,548,707
Admission	1,804,701	--	--	1,804,701
Delinquent Tax Payments-All Classes	10,303,069	--	--	10,303,069
Private Utility Poles and Conduits	93,506	--	--	93,506
Penalties and Interest	4,564,352	--	--	4,564,352
Titling Tax-Mobile Home	7,324	--	--	7,324
State Recordation	605,153	--	--	605,153
Property Rental 1%	158,960	--	--	158,960
Vehicle Rental Tax	868,115	--	--	868,115
Telephone Commissions	547,411	--	--	547,411
Total City Taxes	317,204,260	--	--	317,204,260
Licenses, Permits and Privilege Fees	31,821,328	--	--	31,821,328
Intergovernmental	110,466,292	105,755	36,398,855	146,970,902
Service Charges	14,933,169	--	--	14,933,169
Fines and Forfeitures	8,559,606	--	--	8,559,606
Payment in Lieu of Taxes	18,102,353	--	--	18,102,353
Investment Income	--	--	365,825	365,825
Miscellaneous	5,846,143	43,682,550	23,334,026	72,862,719
Total Revenues	506,933,151	43,788,305	60,098,706	610,820,162
Expenditures				
Current				
General Government	50,240,734	--	18,738,038	68,978,772
Public Safety and Judiciary	133,796,611	--	11,713,096	145,509,707
Highways, Streets, Sanitation and Refuse	43,393,419	--	660,723	44,054,142
Human Services	61,343,351	--	27,701,160	89,044,511
Culture and Recreation	22,140,574	--	1,399,038	23,539,612
Education	131,762,289	--	--	131,762,289
Non-Departmental	25,153,039	--	--	25,153,039
Capital Outlay	--	--	58,250,207	58,250,207
Debt Service:				
Principal Retirement	--	41,473,735	--	41,473,735
Interest Payments	--	40,304,483	--	40,304,483
Issuance Costs	--	683,283	--	683,283
Total Expenditures	467,830,017	82,461,501	118,462,262	668,753,780
Excess of Revenues Over (Under) Expenditures	39,103,134	(38,673,196)	(58,363,556)	(57,933,618)
Other Financing Sources (Uses)				
Proceeds from Refunding Bonds	--	--	9,300,000	9,300,000
Payment to Escrow Agent	--	--	(9,300,000)	(9,300,000)
Proceeds from Issuance of Bonds	3,005,000	--	65,292,167	68,297,167
Premium on Issuance of Bonds	339,490	--	2,566,036	2,905,526
Transfers In-Other Funds	5,087,610	38,673,196	10,143,849	53,904,655
Transfers Out-Other Funds	(45,602,176)	--	(6,073,479)	(51,675,655)
Total Other Financing Sources (Uses), Net	(37,170,076)	38,673,196	71,928,573	73,431,693
Special Item				
Disaster Recovery, (Note 16)	12,754,707	--	--	12,754,707
Extraordinary Item				
Disaster Costs, (Note 16)	(14,728,475)	--	--	(14,728,475)
Net Change in Fund Balances	(40,710)	--	13,565,017	13,524,307
Fund Balances - July 1, 2003	61,881,530	1,491,962	66,127,066	129,500,558
Fund Balances - June 30, 2004	\$ 61,840,820	\$ 1,491,962	\$ 79,692,083	\$ 143,024,865

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



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, 2004

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

Table with 3 columns: Description, Amount, and Total. Rows include: Net change in fund balances - total governmental funds (\$ 13,524,307); Governmental funds report capital outlays as expenditures... (Purchases of assets 8,987,808; Depreciation expense (21,722,323) = (12,734,515)); The issuance of long term debt... (Proceeds from the sale of bonds, notes and capital leases (68,297,167); Principal payments of bonds, net 41,473,735; Issuance Costs 683,283 = (26,140,149)); Some revenues in the statement of activities do not provide the use of current financial resources... (3,735,137); Some expenditures in the statement of activities do not require the use of current financial resources... 381,495; Internal service funds are used by the City to charge costs of certain activities to individual funds... 908,937; Change in net assets of governmental activities \$ (27,795,062)

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



EXHIBIT E-1

**CITY OF RICHMOND, VIRGINIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2004**

	Enterprise Funds					Governmental Activities - Internal Service Funds
	Gas	Water	Wastewater	Other	Total	
Assets						
Current Assets:						
Cash and Cash Equivalents (Note 3)	\$ 31,717,844	\$ 5,117,193	\$ 35,102,877	\$ 99,857	\$ 72,037,771	\$ 42,342,593
Accounts Receivables (Net of Allowance for Doubtful Accounts)	15,796,683	9,046,766	5,992,570	425,817	31,261,836	2,376,631
Due From Other Funds (Note 4)	1,055,465	136,761	1,428,223	--	2,620,449	--
Inventories of Materials and Supplies	16,434,792	143,099	60,714	93,372	16,731,977	4,076,607
Prepaid Expenses and Other Current Assets	1,899,000	1,324,614	1,561,719	56,604	4,841,937	918,331
Total Current Assets	66,903,784	15,768,433	44,146,103	675,650	127,493,970	49,733,560
Noncurrent Assets:						
Restricted Assets - Cash and Investments (Note 3)	2,811,017	350,699	5,489,225	--	8,650,941	--
Advances To Other Funds (Notes 4)	19,605,111	19,081,068	21,534,342	--	60,220,521	3,294,908
Deferred Expenses	8,742,741	9,213,728	8,010,316	--	25,966,785	49,388
Capital Assets (Note 7):						
Land	--	--	--	8,233,390	8,233,390	98,000
Buildings and Structures	--	--	--	15,036,537	15,036,537	94,732,605
Equipment	--	--	--	5,936,957	5,936,957	59,088,087
Plant Held for Future Use	25,813	--	207,075	--	232,888	--
Plant-in-Service	300,515,745	253,661,482	214,044,829	--	768,222,056	--
Completed Construction	15,574,710	14,737,598	124,667,852	--	154,980,160	--
Less: Accumulated Depreciation	(83,292,203)	(70,279,082)	(103,401,825)	(2,181,486)	(259,154,596)	(85,302,535)
Construction in Progress	20,652,916	23,724,477	29,571,214	1,360,328	75,308,935	8,616,968
Total Capital Assets, Net Accumulated Depreciation	253,476,981	221,844,475	265,089,145	28,385,726	768,796,327	77,233,125
Total Noncurrent Assets	284,635,850	250,489,970	300,123,028	28,385,726	863,634,574	80,577,421
Total Assets	\$ 351,539,634	\$ 266,258,403	\$ 344,269,131	\$ 29,061,376	\$ 991,128,544	\$ 130,310,981
Liabilities:						
Current Liabilities:						
Accounts Payable	\$ 8,862,156	\$ 3,419,299	\$ 3,761,706	\$ 533,064	\$ 16,576,225	\$ 1,961,777
Accrued Liabilities	993,451	1,657,793	2,192,722	476,508	5,320,474	1,027,012
Due To Other Funds (Note 4)	--	--	--	2,309,389	2,309,389	4,894,259
Accrued Interest on Bonds Payable	5,316,802	2,861,219	3,770,741	435,584	12,384,346	2,126,253
General Obligation Bonds and Capital Leases (Note 8)	4,848,809	3,823,507	2,714,368	1,706,070	13,092,754	4,855,703
Revenue Bonds Payable (Note 8)	812,928	67,890	2,850,210	--	3,731,028	--
Compensated Absences	681,273	317,279	408,370	106,072	1,512,994	243,401
Other Liabilities and Claims Payable (Note 10)	--	--	--	--	--	5,713,070
Total Current Liabilities	21,515,419	12,146,987	15,698,117	5,566,687	54,927,210	20,821,475
Noncurrent Liabilities:						
Liabilities to be Repaid from Restricted Assets:						
Customers' Deposits	2,811,017	192,351	--	--	3,003,368	--
Accreted Interest on Bonds Payable (Note 8)	734,784	1,175,552	480,705	--	2,391,041	104,826
Deferred Revenue	9,963,963	35,777,452	18,910,058	--	64,651,473	348,649
General Obligation Bonds and Capital Lease Liabilities (Note 8)	110,530,764	85,721,341	45,436,656	17,975,499	259,664,260	12,800,635
Revenue Bonds Payable (Note 8)	114,979,949	36,207,192	101,973,457	--	253,160,598	--
Compensated Absences	21,054	228,976	137,885	7,732	395,647	185,672
Other Liabilities and Claims Payable (Note 10)	--	--	--	--	--	16,259,724
Advances from Other Funds	--	--	--	--	--	63,515,579
Total Noncurrent Liabilities	239,041,531	159,302,864	166,938,761	17,983,231	583,266,387	93,215,085
Total Liabilities	260,556,950	171,449,851	182,636,878	23,549,918	638,193,597	114,036,560
Net Assets:						
Invested in Capital Assets, Net of Related Debt	24,380,764	95,199,692	117,122,974	8,704,157	245,407,587	59,471,961
Restricted for Capital Projects	2,811,017	350,699	5,489,225	--	8,650,941	--
Unrestricted	63,790,903	(741,839)	39,020,054	(3,192,699)	98,876,419	(43,197,540)
Total Net Assets	\$ 90,982,684	\$ 94,808,552	\$ 161,632,253	\$ 5,511,458	\$ 352,934,947	\$ 16,274,421

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, 2004

	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)	\$ 72,037,771	\$ 31,487,975	\$ 103,525,746
Accounts Receivables (Net of Allowance for Doubtful Accounts):	31,261,836	68	31,261,904
Due From Other Funds (Note 4)	2,620,449	--	2,620,449
Inventories of Materials and Supplies	16,731,977	3,630,463	20,362,440
Prepaid Expenses and Other Current Assets:	4,841,937	277,553	5,119,490
Total Current Assets	127,493,970	35,396,059	162,890,029
Noncurrent Assets:			
Restricted Assets - Cash and Investments (Note 3)	8,650,941	--	8,650,941
Advances To Other Funds	60,220,521	(63,515,429)	(3,294,908)
Deferred Expenses	25,966,785	--	25,966,785
Capital Assets (Note 7):			
Land	8,233,390	--	8,233,390
Buildings and Structures	15,036,537	57,558,114	72,594,651
Equipment	5,936,957	--	5,936,957
Plant Held for Future Use	232,888	--	232,888
Plant-in-Service	768,222,056	--	768,222,056
Completed Construction	154,980,160	--	154,980,160
Less Accumulated Depreciation	(259,154,596)	(33,132,430)	(292,287,026)
Construction in Progress	75,308,935	5,135,005	80,443,940
Total Capital Assets, Net Accumulated Depreciation	768,796,327	29,560,689	798,357,016
Total Noncurrent Assets	863,634,574	(33,954,740)	829,679,834
Total Assets	\$ 991,128,544	\$ 1,441,319	\$ 992,569,863
Liabilities:			
Current Liabilities:			
Accounts Payable	16,576,225	1,211,621	17,787,846
Accrued Liabilities	5,320,474	149,624	5,470,098
Due To Other Funds (Note 4)	2,309,389	--	2,309,389
Accrued Interest on Bonds Payable	12,384,346	--	12,384,346
General Obligation Bonds and Capital Leases (Note 8)	13,092,754	--	13,092,754
Revenue Bonds Payable (Note 8)	3,731,028	--	3,731,028
Compensated Absences	1,512,994	59,498	1,572,492
Total Current Liabilities	54,927,210	1,420,743	56,347,953
Noncurrent Liabilities:			
Liabilities to be Repaid from Restricted Assets:			
Customers' Deposits	3,003,368	--	3,003,368
Accrued Interest on Bonds Payable (Note 8)	2,391,041	--	2,391,041
Deferred Revenue	64,651,473	97	64,651,570
General Obligation Bonds and Capital Leases (Note 8)	259,664,260	--	259,664,260
Revenue Bonds Payable (Note 8)	253,160,598	--	253,160,598
Compensated Absences	395,647	20,479	416,126
Total Noncurrent Liabilities	583,266,387	20,576	583,286,963
Total Liabilities	638,193,597	1,441,319	639,634,916
Net Assets:			
Invested in Capital Assets, Net of Related Debt	245,407,587	29,560,689	274,968,276
Restricted for Capital Projects	8,650,941	--	8,650,941
Unrestricted	98,876,419	(29,560,689)	69,315,730
Total Net Assets	\$ 352,934,947	\$ --	\$ 352,934,947

Amounts related to interfund 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, 2004

	Enterprise Funds				Total	Governmental Activities - Internal Service Funds
	Gas	Water	Wastewater	Other		
Operating Revenues						
Charges for Goods and Services	\$ 183,460,419	\$ 44,337,554	\$ 45,427,916	\$ 4,522,485	\$ 277,748,374	\$ 41,881,405
Operating Expenses						
Purchased Gas	125,943,210	--	--	--	125,943,210	--
Intragovernmental Goods and Services Sold	--	--	--	--	--	8,098,076
Salaries and Wages	8,609,809	6,665,078	6,742,376	2,810,918	24,828,181	3,586,661
Data Processing	741,183	243,011	230,860	--	1,215,054	106,151
Materials and Supplies	677,205	1,271,221	539,833	379,427	2,867,686	803,487
Rents and Utilities	198,284	3,523,547	2,097,985	240,382	6,060,198	2,430,888
Maintenance and Repairs	6,611,998	3,682,343	2,418,602	271,564	12,984,507	542,535
Depreciation and Amortization	9,431,215	5,258,912	7,850,736	1,416,088	23,956,951	10,319,501
Claims and Settlements	--	--	--	--	--	11,589,498
Miscellaneous Operating Expenses	17,495,946	12,550,752	14,643,562	1,209,568	45,899,828	3,841,000
Total Operating Expenses	169,708,850	33,194,864	34,523,954	6,327,947	243,755,615	41,317,797
Operating Income (Loss)	13,751,569	11,142,690	10,903,962	(1,805,462)	33,992,759	563,608
Non-Operating Revenues (Expenses)						
Government Subsidies	19,523	715,861	1,462,130	1,381,465	3,578,979	20,750
Interest on Long-Term Debt	(12,012,393)	(6,644,468)	(8,293,097)	(334,907)	(27,284,865)	(1,338,314)
Interest Income	337,604	80,201	330,173	2,079	750,057	--
Interest Expense	(7,382)	--	--	--	(7,382)	--
Amortization of Debt Discount and Expense	(1,016,032)	(772,255)	(779,123)	--	(2,567,410)	--
Miscellaneous Revenue	563,155	543,156	1,766,992	172,459	3,045,762	1,886,777
Miscellaneous Expenses	--	--	--	(755,745)	(755,745)	(223,884)
Total Non-Operating Revenues (Expenses)	(12,115,525)	(6,077,505)	(5,512,925)	465,351	(23,240,604)	345,329
Net Income (Loss) Before Transfers	1,636,044	5,065,185	5,391,037	(1,340,111)	10,752,155	908,937
Transfers In-Other Funds	--	--	--	1,375,598	1,375,598	--
Transfers Out-Other Funds	(150,000)	(1,238,000)	(841,000)	--	(2,229,000)	--
Change In Net Assets	1,486,044	3,827,185	4,550,037	35,487	9,898,753	908,937
Net Assets - Beginning of Year, Restated (Note 7)	89,496,640	90,981,367	157,082,216	5,475,971	343,036,194	15,365,484
Net Assets - End of Year	\$ 90,982,684	\$ 94,808,552	\$ 161,632,253	\$ 5,511,458	\$ 352,934,947	\$ 16,274,421

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, 2004

	Enterprise Funds			Totals
	Gas	Water	Wastewater	
Operating Revenues				
Charges for Goods and Services	\$ 183,460,419	\$ 44,337,554	\$ 45,427,916	273,225,889
Internal Service Fund Allocation - Stores and Transportation Division	3,590,617	867,758	889,098	5,347,473
Charges for Services - Statement of Activities	187,051,036	45,205,312	46,317,014	278,573,362
Operating Expenses				
Purchased Gas	125,943,210	-	-	125,943,210
Salaries and Wages	8,609,809	6,665,078	6,742,376	22,017,263
Data Processing	741,183	243,011	230,860	1,215,054
Materials and Supplies	677,205	1,271,221	539,833	2,488,259
Rents and Utilities	198,284	3,523,547	2,097,985	5,819,816
Maintenance and Repairs	6,611,998	3,682,343	2,418,602	12,712,943
Depreciation and Amortization	9,431,215	5,258,912	7,850,736	22,540,863
Miscellaneous Operating Expenses	17,495,946	12,550,752	14,643,562	44,690,260
Total Operating Expenses	169,708,850	33,194,864	34,523,954	237,427,668
Non-Operating Expenses				
Interest on Long-Term Debt	12,012,393	6,644,468	8,293,097	26,949,958
Interest Expense	7,382	-	-	7,382
Amortization of Debt Discount and Expense	1,016,032	772,255	779,123	2,567,410
Total Expenses	182,744,657	40,611,587	43,596,174	266,952,418
Internal Service Fund Allocation - Stores and Transportation Division	3,660,660	813,513	873,299	5,347,473
Reclass As Transfers to Governmental Activities - Payments in Lieu of Taxes	(7,884,566)	(4,901,567)	(4,354,111)	(17,140,244)
Program Expenses - Statement of Activities	\$ 178,520,751	\$ 36,523,533	\$ 40,115,362	\$ 255,159,647

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, 2004

	Enterprise Funds				Total	Governmental Activities - Internal Service Funds
	Gas	Water	Wastewater	Other		
Cash Flows From Operating Activities						
Receipts from Customers	\$ 187,120,803	\$ 43,929,784	\$ 46,638,989	\$ 4,252,680	\$ 281,942,256	\$ 42,869,098
Payments to Suppliers	(149,077,585)	(17,151,069)	(12,071,148)	(2,370,524)	(180,670,326)	(18,184,285)
Payments to Employees	(9,119,765)	(6,871,913)	(8,307,292)	(2,844,053)	(27,143,023)	(9,630,706)
Payments to Other Funds	(7,110,866)	(5,388,234)	(4,798,435)	—	(17,297,535)	(2,250,023)
Other Receipts or (Payments)	10,214,236	2,385,862	2,824,378	(682,841)	14,741,635	3,236,196
Net Cash Provided By (Used In) Operating Activities	32,026,823	16,904,430	24,286,492	(1,644,738)	71,573,007	16,040,280
Cash Flows From Noncapital Financing Activities						
Transfers In and Government Subsidies	19,523	715,861	1,462,130	1,375,598	3,573,112	-20,750
Transfers Out - Other Funds	(150,000)	(1,238,000)	(841,000)	—	(2,229,000)	—
Net Cash Provided By (Used In) Noncapital Financing Activities	(130,477)	(522,139)	621,130	1,375,598	1,344,112	20,750
Cash Flows From Capital and Related Financing Activities						
Acquisition of Capital Assets	(20,924,265)	(14,870,861)	(15,355,521)	(43,614)	(51,194,261)	(10,746,671)
Proceeds From Bond Sale	—	—	3,730,000	—	3,730,000	3,000,000
Repayments of Revenue and General Obligation Bonds	(5,371,786)	(3,662,979)	(9,086,770)	—	(18,121,535)	(3,468,377)
Repayments of Notes Payables	—	—	—	—	—	(2,546,773)
Interest Paid on Long-Term Debt	(12,067,879)	(6,601,422)	(8,382,138)	—	(27,051,439)	(950,978)
Net Cash (Used In) Capital and Related Financing Activities	(38,363,930)	(25,135,262)	(29,094,429)	(43,614)	(92,637,235)	(14,712,799)
Cash Flows From Investing Activities						
Interest Earned on Operating Funds	337,604	80,201	330,173	2,079	750,057	—
Interest Paid on Customers' Deposits	(7,382)	—	—	—	(7,382)	—
Net Cash Provided By Investing Activities	330,222	80,201	330,173	2,079	742,675	—
Net Increase (Decrease) in Cash and Cash Equivalents	(6,137,362)	(8,672,770)	(3,856,634)	(310,675)	(18,977,441)	1,348,231
Cash and Cash Equivalents at July 1, 2003	40,666,223	14,140,662	44,448,736	410,532	99,666,153	40,994,362
Cash and Cash Equivalents at June 30, 2004	\$ 34,528,861	\$ 5,467,892	\$ 40,592,102	\$ 99,857	\$ 80,688,712	\$ 42,342,593
Adjustments to Reconcile Operating Income (Loss)						
-To Net Cash Provided By (Used In) Operating Activities	\$ 13,751,569	\$ 11,142,690	\$ 10,903,962	\$ (1,805,462)	\$ 33,992,759	\$ 563,608
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:						
Depreciation	9,431,215	5,258,912	7,850,736	1,416,088	23,956,951	10,319,301
Miscellaneous Income	532,745	343,156	1,766,993	(1,919,342)	943,552	2,053,882
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:						
Accounts Receivable	3,464,380	(655,643)	758,706	1,016,145	4,583,588	801,531
Due From Other Funds	(252,541)	109,717	1,086,242	—	943,418	—
Due From Other Governments	—	—	—	—	—	(2,437)
Estimated Unbilled Service Revenues	466,632	247,874	452,367	—	1,166,893	—
Inventories of Material and Supplies	(3,594,745)	(9,644)	—	(11,245)	(3,615,634)	(174,662)
Prepaid Expenses	(83,925)	(86,236)	(240,094)	(19,692)	(429,948)	12,938
Deferred Expenses	8,595,881	186,687	(9,282)	—	8,773,286	96,517
Accounts Payable	(2,700,411)	(143,933)	1,629,648	(377,492)	(1,592,188)	230,082
Accrued Liabilities	(208,578)	75,625	(1,571,573)	(119,936)	(1,824,462)	(1,070,698)
Deferred Revenue	2,350,990	136,168	1,702,626	—	4,189,784	(74,054)
Customers' Deposits	186,842	192,351	—	—	379,193	—
Due to Other Funds	—	—	—	187,639	187,639	1,017,513
Compensated Absences	66,750	(93,294)	(43,839)	(11,441)	(81,824)	(24,175)
Outstanding Liabilities and Claims	—	—	—	—	—	2,290,734
Total Adjustments	18,275,254	5,761,740	13,382,530	160,724	37,580,248	15,476,672
Net Cash Provided By (Used In) Operating Activities	\$ 32,026,823	\$ 16,904,430	\$ 24,286,492	\$ (1,644,738)	\$ 71,573,007	\$ 16,040,280
Supplemental Cash Flow Information						
Non-cash Transactions:						
GO Bonds Principal payments made by City Debt Service Fund on behalf of Fund	—	—	—	1,112,730	1,112,730	—
GO Bonds Interest payments made by City Debt Service Fund on behalf of Fund	—	—	—	1,143,674	1,143,674	—
Capital Lease Principal payments made by City Debt Service Fund on behalf of Fund	—	—	—	59,222	59,222	—
Capital Lease Interest payments made by City Debt Service Fund on behalf of Fund	—	—	—	29,166	29,166	—
Capital Assets acquired on behalf of Fund	—	—	—	1,360,328	1,360,328	—
GO Bonds refunded on behalf of Fund	—	—	—	1,832,221	1,832,221	—
Debt allocation to Fund	—	—	—	3,411,371	3,411,371	—

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

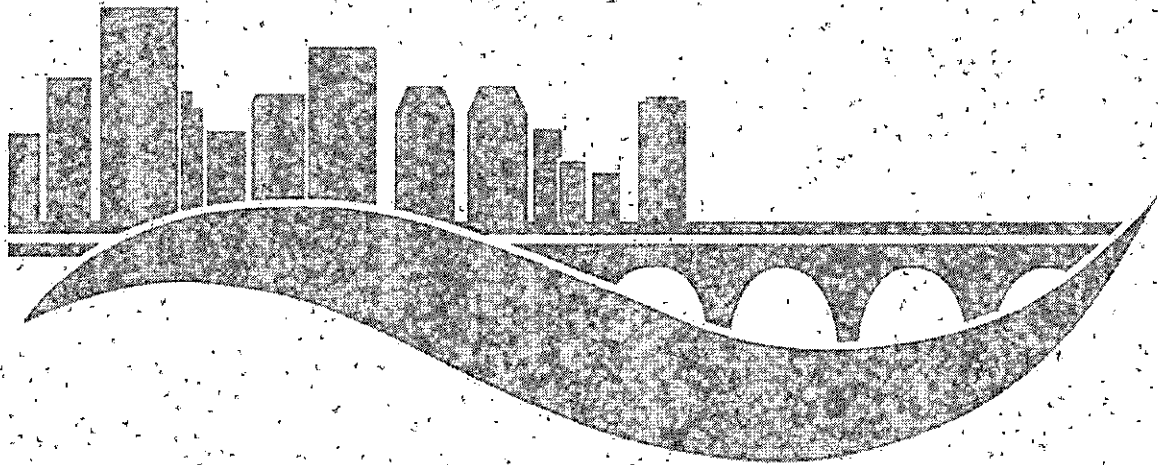




EXHIBIT F-1

**CITY OF RICHMOND, VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2004**

	Pension Trust Funds	Agency Funds
Assets:		
Cash and Short-term Investments	\$ 14,556,538	\$ 1,256,098
Receivables:		
Due from Brokers on Sale of Securities	9,975,921	-
Due From Other Governments	973,267	-
Interest and dividends	2,203,022	-
Employee Loans Receivable	973,075	-
Investments, at Fair Value:		
U.S. Government and Agency Securities	94,739,282	-
Corporate Bonds	43,040,147	-
Common Stock	199,445,639	-
International Stocks	74,970,148	-
International Bonds	34,443,332	-
Real Estate Investment Trusts	21,033,086	-
Cash Collateral Received - Security Lending Program	40,141,337	-
Total Investments, at Fair Value	<u>507,812,971</u>	<u>-</u>
Total Assets	<u>536,494,794</u>	<u>1,256,098</u>
Liabilities:		
Accounts Payable	1,061,227	30,105
Refundable Deposits	-	393,148
Payable for Collateral Received - Security Lending Program	40,141,337	-
Due to Other Governments	2,336,189	-
Due to Various Agents for Securities Purchased	11,385,499	-
Funds Held for Others	-	832,845
Total Liabilities	<u>54,924,252</u>	<u>1,256,098</u>
Net Assets Held in Trust for Pension Benefits and Other Purposes	<u>\$ 481,570,542</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, 2004

	<u>Pension Trust Funds</u>
Additions:	
Contributions:	
Other Governments	\$ 24,008,737
Richmond Behavioral Health Authority	1,040,095
Richmond Public Schools	323,845
Plan members	735,365
Investment Income:	
Net Appreciation in Fair Value of Investments	58,932,935
Interest	10,252,670
Dividends	2,838,892
Net Increase in the Fair Value of Investments	<u>72,024,497</u>
Net Income Earned On Securities Lending Transactions:	
Securities Lending Income	421,155
Securities Lending Expense	(363,114)
Total Net Income Earned On Securities Lending Transactions	<u>58,041</u>
Investment Income	<u>72,082,538</u>
Less: Investment Expense	<u>2,336,189</u>
Net Investment Income	<u>69,746,349</u>
Total additions	<u>95,854,391</u>
Deductions:	
Benefits	47,297,536
Administrative Expenses	967,672
Total deductions	<u>48,265,208</u>
Net Increase	47,589,183
Net Assets Held In Trust For Pension Benefits and Other Purposes - Beginning of Year	433,981,359
Net Assets Held In Trust For Pension Benefits and Other Purposes - End of Year	<u>\$ 481,570,542</u>

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

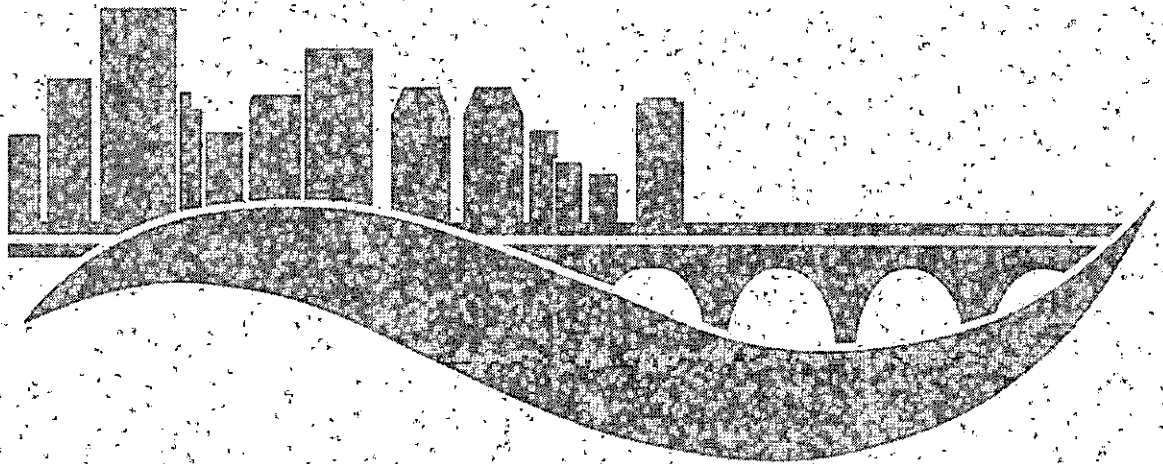




EXHIBIT G-1

CITY OF RICHMOND, VIRGINIA
STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2004

	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)	\$ 1,204,746	\$ 3,168,706	\$ 2,755,561	\$ 3,014,839	\$ 1,577,544	\$ 8,011,097	\$ --	\$ 19,732,493
Due From Primary Government	33,493,041	--	--	--	--	--	--	33,493,041
Due From Other Governments (Note 5)	8,802,316	--	--	--	--	--	--	8,802,316
Accounts Receivable	14,789,313	3,133,811	1,107,923	82,650	2,235,469	11,138,655	263,722	32,751,543
Inventories of Materials and Supplies	147,430	120,068	32,805	--	--	--	--	300,303
Prepaid Expenses and Other Current Assets	--	88,052	85,825	--	328,262	--	--	502,139
Restricted Assets	4,545,587	--	81,891	--	394,053	2,086,944	28,050,871	35,159,346
Mortgage Loans Receivable and Other Non-Current Assets	--	--	--	--	--	67,717,447	--	67,717,447
Capital Assets (Note 7):								
Land	--	--	111,508	157,337	--	20,397,715	4,791,100	25,457,660
Infrastructure	--	--	--	272,597	--	--	--	272,597
Buildings and Structures	--	1,863,581	7,538,436	3,470,354	--	201,475,931	28,594,549	242,942,851
Plant-in-Service	--	--	--	14,623,403	--	--	--	14,623,403
Equipment	32,372,222	6,200,724	1,802,909	2,706,108	3,360,021	2,820,778	--	39,262,762
Less: Accumulated Depreciation	(16,631,083)	(4,490,962)	(3,466,958)	(10,249,196)	(2,269,536)	(100,264,963)	(815,611)	(140,188,309)
Construction in Progress	--	--	--	258,464	--	21,279,174	--	21,537,638
Total Capital Assets	5,741,139	3,573,343	3,985,895	11,239,067	1,090,485	145,708,635	32,570,038	203,908,602
Total Assets	68,723,572	10,083,980	8,049,900	14,336,556	5,625,813	234,662,778	60,884,631	402,367,230
Liabilities								
Accounts Payable	4,193,660	--	779,505	13,900	1,647,441	4,273,890	373,977	11,282,373
Accrued Liabilities	18,219,801	947,676	--	10,757	--	5,582,167	414,321	25,174,722
Due To Primary Government	--	--	--	--	--	6,229,166	--	6,229,166
Due To Other Governments	1,623,740	--	--	--	--	148,472	--	1,772,212
Deferred Revenue	2,783,415	54,118	--	--	822,821	--	--	3,660,354
Advances from Primary Government	12,800	--	--	--	--	--	--	12,800
Liabilities to be Paid From Restricted Assets:								
Customers' Deposits	--	--	81,891	--	394,053	--	--	475,944
Non-Current Liabilities (Notes 8 and 10):								
Due Within One Year:								
Bonds, Notes Payable and Capital Leases	--	29,073	14,596	--	--	3,931,099	--	3,974,768
Compensated Absences	939,764	--	--	23,986	--	1,293,416	--	2,257,166
Workers' Compensation	759,184	--	--	--	--	--	--	759,184
Incurred But Not Reported Claims	3,242,433	--	--	--	--	--	--	3,242,433
Due In More Than One Year:								
Bonds, Notes Payable and Capital Leases	--	367,499	59,973	--	--	72,233,044	66,740,000	139,400,516
Less Discount on Revenue Bonds Payable	--	--	--	--	--	--	(1,807,946)	(1,807,946)
Due To Primary Government	--	--	--	--	--	16,797,860	--	16,797,860
Compensated Absences	12,407,160	--	--	7,366	711,177	1,016,258	--	14,141,961
Deferred Revenue	--	--	--	--	--	150,155	--	150,155
Workers' Compensation	452,662	--	--	--	--	--	--	452,662
Incurred But Not Reported Claims	400,750	--	--	--	--	--	--	400,750
Early Retirement Plan Net Pension Obligation	3,792,796	--	--	--	--	--	--	3,792,796
Total Liabilities	48,828,165	1,398,366	935,965	56,009	3,575,492	111,655,527	65,720,352	232,169,876
Net Assets								
Invested in Capital Assets, Net of Related Debt	5,741,139	3,176,771	3,911,326	11,239,067	1,090,485	69,544,492	(4,311,145)	90,392,135
Restricted for:								
Capital Projects	10,460,430	--	--	--	--	--	--	10,460,430
Reserve for Encumbrances	--	--	--	--	--	1,539,953	--	1,539,953
Debt Service	--	--	--	--	--	202,966	--	202,966
Customers' Deposits	--	--	--	--	--	344,025	--	344,025
Permanent Funds:								
Expendable	567,582	--	--	--	--	--	--	567,582
Nonexpendable	203,472	--	--	--	--	--	--	203,472
Unrestricted	2,922,784	5,508,843	3,202,609	3,041,480	959,836	51,375,815	(524,576)	66,486,791
Total Net Assets	\$ 19,895,407	\$ 8,685,614	\$ 7,113,935	\$ 14,280,547	\$ 2,050,321	\$ 123,007,251	\$ (4,835,721)	\$ 170,197,334

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



CITY OF RICHMOND, VIRGINIA
STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Fiscal Year Ended June 30, 2004

Functions/Program Activities	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
School Board	\$ 277,502,374	\$ 3,498,552	\$ 74,624,186	\$ 7,391,300
Richmond Ambulance Authority	11,543,406	10,066,506	--	--
Hospital Authority of Richmond	8,868,000	8,690,973	--	--
Port of Richmond Commission	1,861,788	1,042,895	--	--
Richmond Behavioral Health Authority	28,634,609	11,415,189	15,470,188	--
Richmond Redevelopment and Housing Authority	72,885,827	24,202,238	43,259,658	5,293,122
Broad Street Community Development Authority	6,922,976	1,698,412	--	--
Total Component Units	\$ 408,218,980	\$ 60,614,765	\$ 133,354,032	\$ 12,684,422

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, Restated (Note 7)

Net Assets - End of Year

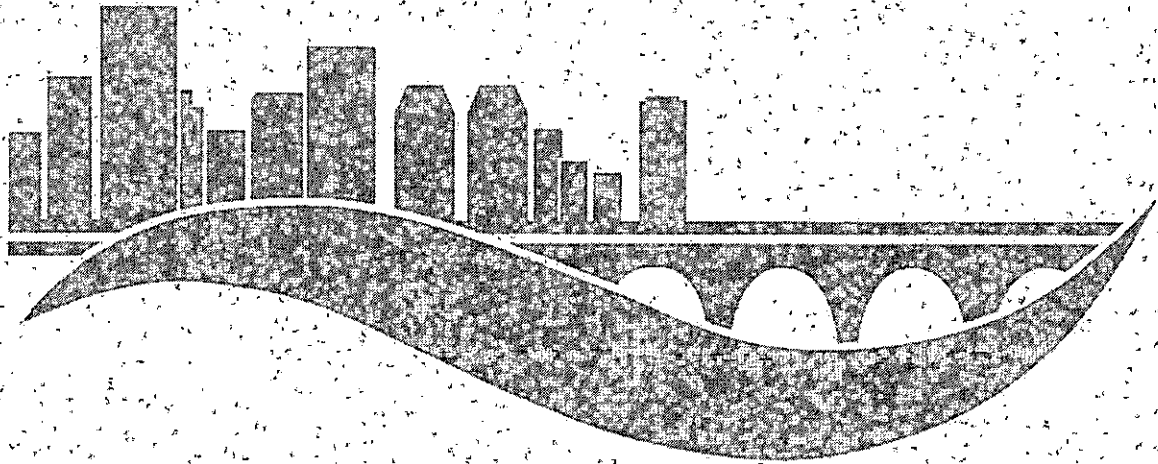
The accompanying notes are an integral part of the basic financial statements.



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
\$ (191,988,336)	\$ (1,476,900)	\$ (177,027)	\$ (818,893)	\$ (1,749,232)	\$ (130,809)	\$ (5,224,564)	\$ (201,565,761)
131,762,289	3,290,000	163,895	28,135	1,465,000	3,525,088	588,727	140,042,377
56,886,680	345,923	19,250	28,135	15,260	359,006	588,727	57,409,581
292,279	14,558	19,072	28,135	139,773	708,027	588,727	1,705,322
188,941,248	3,650,481	202,217	28,135	1,620,033	4,713,157	588,727	199,743,998
(3,047,088)	2,173,581	25,190	(790,758)	(129,199)	4,582,348	(4,635,837)	(1,821,763)
22,942,495	6,512,033	7,088,745	15,071,305	2,179,520	118,424,903	(199,884)	172,019,117
\$ 19,895,407	\$ 8,685,614	\$ 7,113,935	\$ 14,280,547	\$ 2,050,321	\$ 123,007,251	\$ (4,835,721)	\$ 170,197,354





CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

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 Governmental Accounting Standards Board (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 of the School Board 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 for RAA may be obtained at Post Office Box 26286, Richmond, VA 23260.



CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

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 for HAR 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 for Port 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 for RBHA 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, 2003 year-end financial statements are included within the City's component unit combining financial statements. Complete financial statements for RRHA 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 City Council. Complete financial statements for CDA 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, 2004

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 \$6,699,852 for subsidies for bus routes within the City for the year ended June 30, 2004. 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 Commission. If, however, actual revenues are less than estimated revenues identified in the budget (resulting in a



**CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

deficit), the City and Counties may, at their discretion, appropriate funds necessary to fund the deficit. The City provided \$11,500 in funding to the Commission during the fiscal year ended June 30, 2004.

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, 2004 were \$1,342,745.

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, 2004.

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 \$783,800 to RCVB for the year ended June 30, 2004.

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 \$115,800 for the year ended June 30, 2004.

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 \$4,360,000 for the year ended June 30, 2004.

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 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. 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



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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 governmental fund financial statements are presented on 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.



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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 the Richmond Coliseum (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.



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- *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 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 when the underlying exchange transaction takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue



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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, 2004 were as follows:

General Fund	\$ 20,611,534
Enterprise Funds:	
Utilities:	
Gas Utility	1,192,183
Water Utility	207,312
Wastewater Utility	183,287
Total Enterprise Funds	<u>\$ 22,194,316</u>
Component Units:	
Richmond Ambulance Authority	\$ 2,080,000
Hospital Authority of Richmond	95,714
Richmond Behavioral Health Authority	128,602
Richmond Redevelopment and Housing Authority	2,757,165
Total Component Units	<u>\$ 5,061,481</u>



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G. Inventories

Inventories on hand at June 30, 2004 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 an initial 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 or estimated historical cost based on appraisals or on other acceptable methods when historical cost is not available. Infrastructure acquired prior to fiscal years ended after June 30, 1980 is reported. Donated capital 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 discounted present value of net minimum lease payments at the inception of the lease. Accumulated depreciation and amortization are reported as reductions of capital 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 utilities plant in service facilities. During fiscal 2004, net interest costs of approximately \$27,565,000 were incurred with approximately \$2,878,000 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 self-insured 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.

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).



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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, 2004, the Utilities Enterprise Funds, which are considered rate regulated entities under GAAP, credited \$6,100,000 to the rate stabilization fund and used \$0 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) are recorded as deferred expenses and are amortized over the shorter of the remaining life of the old debt or the life of the new debt, whichever is shorter.

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



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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, 2004 are intended to finance operations of the fiscal year ended June 30, 2004.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

A. Cash and Cash Equivalents

Primary Government

At June 30, 2004, cash on hand, cash items and petty cash totaled \$38,679 and the carrying value of the City's demand deposits, savings accounts and time certificates of deposit with financial institutions totaled \$34,796,559. The bank balance of the City's deposits, totaling \$41,890,215, was covered by Federal depository insurance or was insured in accordance with provisions of the Virginia Security for Public Deposit Act. 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, 2004, Component Units' cash on hand totaled \$800; and the carrying value of Component Units' demand, savings accounts, and time certificates of deposit with financial institutions totaled \$14,766,421. All amounts held by financial institutions were covered by Federal depository insurance or were 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 \$4,965,272. Restricted Assets include the RHA customer cash deposits of \$81,891, the School Board's \$4,545,587, RBHA's \$394,053, RRHA's \$2,086,944, and the CDA's \$28,050,871.

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



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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, money market funds, Local Government Investment Pool (LGIP), and State Non-Arbitrage Program (SNAP) 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			Total
	Risk Category			
	1	2	3	
Repurchase agreements	\$ 12,621	\$ -	\$ -	\$ 12,621
U.S. Government securities (on loan \$29,656)	55,075	-	-	55,075
Corporate bonds (on loan \$7,557)	43,040	-	-	43,040
Common stocks (on loan \$2,336)	199,446	-	-	199,446
International bonds	34,443	-	-	34,443
International stocks	74,970	-	-	74,970
Real Estate Investment Trusts	21,033	-	-	21,033
	<u>\$ 440,628</u>	<u>\$ -</u>	<u>\$ -</u>	<u>440,628</u>
Cash collateral received under securities lending program				40,141
Deferred compensation plan mutual funds				39,664
Cash and money market funds				34,797
LGIP and SNAP				<u>229,268</u>
Total Cash and Investments				<u>\$ 784,498</u>

	Government-wide Statement of Net Assets	Fiduciary Funds Statement of Net Assets	Total
Cash and cash equivalents	\$ 180,940	\$ 15,813	\$ 196,753
Investments	-	507,813	507,813
Restricted assets	79,932	-	79,932
Total	<u>\$ 260,872</u>	<u>\$ 523,626</u>	<u>\$ 784,498</u>

C. Securities Lending Program

RRS lends securities to brokerage firms on a temporary basis through its custodian bank, State Street Bank & Trust Company (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, 2004



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was 52 days with an average weighted maturity of 118 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, 2004 were \$40,141,337 and \$39,549,062, 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, 2004 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 by borrowers because the amounts the RRS owes the borrowers exceed the amounts the borrowers owe the RRS. The gross earnings for securities lending were \$421,155, and the related expenses were \$324,421 in borrowers rebates and \$38,693 in agent fees, netting \$58,041 in securities lending income.

4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

		Due from			Total
		NonMajor Proprietary	Internal Service	NonMajor Governmental	
Due to	General Fund	\$ 2,309,389	\$ 2,273,810	\$ 2,674,100	\$ 7,257,299
	Major Proprietary Funds:				
	Gas	--	1,055,465	--	1,055,465
	Water	--	136,761	--	136,761
	Wastewater	--	1,428,223	--	1,428,223
	Total	\$ 2,309,389	\$ 4,894,259	\$ 2,674,100	\$ 9,877,748

The balance of \$2,273,810 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 2005.

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.

The City reports interfund transfers between many of its funds. Interfund transfers for the year ended June 30, 2004, consisted of the following:

		Transfer from						Total
		General Fund	Major Proprietary Funds			NonMajor Governmental	All Others	
			Gas	Water	Wastewater			
Transfer to	General Fund	\$ 568,006	\$ 150,000	\$ 1,238,000	\$ 841,000	\$ 2,290,604	\$ --	\$ 5,087,610
	Debt Service	37,565,084	--	--	--	1,108,112	--	38,673,196
	NonMajor Governmental	7,469,086	--	--	--	2,674,763	--	10,143,849
	NonMajor Proprietary	--	--	--	--	--	1,375,598	1,375,598
	Total	\$ 45,602,176	\$ 150,000	\$ 1,238,000	\$ 841,000	\$ 6,073,479	\$ 1,375,598	\$ 55,280,253

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



**CITY OF RICHMOND, VIRGINIA
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revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

5. DUE FROM AND DUE TO OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2004 are as follows:

Primary Government	Federal	State	Total
General Fund	\$ —	\$ 17,832,312	\$ 17,832,312
NonMajor Governmental Funds	7,905,482	4,977,651	12,883,133
	<u>\$ 7,905,482</u>	<u>\$ 22,809,963</u>	<u>\$ 30,715,445</u>
Component Unit			
School Board	\$ 7,079,782	\$ 1,722,534	\$ 8,802,316

Amounts due to other governments totaled \$4,533,297 for the General Fund and \$3,684,536 for the NonMajor Governmental funds at June 30, 2004.

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.	\$ 3,700,000
A non-interest bearing promissory note due on demand from Greater Richmond-Transit Company	543,100
	<u>\$ 4,243,100</u>



CITY OF RICHMOND, VIRGINIA
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7. CAPITAL ASSETS

Primary Government - Governmental Activities

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 21,047,360	\$ —	\$ 46,900	\$ 21,000,460
Construction In Progress	55,697,766	39,621,146	15,165,792	80,153,120
Works of Art/Historical Treasures	862,261	347,026	—	1,209,287
Total Capital Assets Not Being Depreciated	<u>77,607,387</u>	<u>39,968,172</u>	<u>15,212,692</u>	<u>102,362,867</u>
Capital Assets Being Depreciated:				
Infrastructure	653,703,422	347,306	—	654,050,728
Building and Structures	325,861,481	1,970,827	288,100	327,544,208
Equipment	87,539,527	10,015,029	3,393,137	94,161,419
Improvements other than Buildings	4,002,426	282,064	21,122	4,263,368
Total Other Capital Assets	<u>1,071,106,856</u>	<u>12,615,226</u>	<u>3,702,359</u>	<u>1,080,019,723</u>
Less Accumulated Depreciation For:				
Infrastructure	349,314,274	11,377,836	—	360,692,110
Building and Structures	178,714,557	8,172,136	—	186,886,693
Equipment	45,628,089	8,202,150	2,492,667	51,337,572
Improvements other than Buildings	8,987	261,814	—	270,801
Total Accumulated Depreciation	<u>573,665,907</u>	<u>28,013,936</u>	<u>2,492,667</u>	<u>599,187,176</u>
Total Capital Assets Being Depreciated, Net	<u>497,440,949</u>	<u>(15,398,710)</u>	<u>1,209,692</u>	<u>480,832,547</u>
Governmental Activities, Capital Assets, Net	<u>\$ 575,048,336</u>	<u>\$ 24,569,462</u>	<u>\$ 16,422,384</u>	<u>\$ 583,195,414</u>

Depreciation expense was charged to functions as follows:

General Government	\$ 2,580,032
Public Safety and Judiciary	3,430,933
Highways, Streets, Sanitation and Refuse	9,847,458
Human Services	440,532
Culture and Recreation	657,668
Education	4,765,700
Subtotal	<u>21,722,323</u>
Allocation related to Internal Services Funds	6,291,613
Total	<u>\$ 28,013,936</u>



**CITY OF RICHMOND, VIRGINIA
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Primary Government - Business-type Activities

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<i>Gas Utility:</i>				
Capital Assets Not Being Depreciated -				
Construction in Progress	\$ 23,061,532	\$ 18,400,703	\$ 20,809,319	\$ 20,652,916
Capital Assets Being Depreciated -				
Plant Held for Future Use	25,813			25,813
Plant-in-service	295,358,557	34,307,054	13,575,156	316,090,455
Total Capital Assets Being Depreciated	295,384,370	34,307,054	13,575,156	316,116,268
Less - Accumulated Depreciation For:				
Plant-in-service	76,472,381	9,581,155	2,761,333	83,292,203
Total Accumulated Depreciation	76,472,381	9,581,155	2,761,333	83,292,203
Total Capital Assets Being Depreciated, Net	218,911,989	24,725,899	10,813,823	232,824,065
Gas Utility, Capital Assets, Net	\$ 241,973,521	\$ 43,126,602	\$ 31,623,142	\$ 253,476,981
<i>Water Utility:</i>				
Capital Assets Not Being Depreciated -				
Construction in Progress	\$ 20,477,193	\$ 7,204,145	\$ 3,956,861	\$ 23,724,477
Capital Assets Being Depreciated -				
Plant-in-service	257,476,970	13,491,694	2,569,584	268,399,080
Total Capital Assets Being Depreciated	257,476,970	13,491,694	2,569,584	268,399,080
Less - Accumulated Depreciation For:				
Plant-in-service	65,721,637	5,680,488	1,123,043	70,279,082
Total Accumulated Depreciation	65,721,637	5,680,488	1,123,043	70,279,082
Total Capital Assets Being Depreciated, Net	191,755,333	7,811,206	1,446,541	198,119,998
Water Utility, Capital Assets, Net	\$ 212,232,526	\$ 15,015,351	\$ 5,403,402	\$ 221,844,475
<i>Wastewater Utility:</i>				
Capital Assets Not Being Depreciated -				
Construction in Progress	\$ 63,686,082	\$ 14,515,228	\$ 48,630,096	\$ 29,571,214
Capital Assets Being Depreciated -				
Plant Held for Future Use	207,075			207,075
Plant-in-service	289,242,292	49,498,884	28,495	338,712,681
Total Capital Assets Being Depreciated	289,449,367	49,498,884	28,495	338,919,756
Less - Accumulated Depreciation For:				
Plant-in-service	95,551,089	8,276,043	425,307	103,401,825
Total Accumulated Depreciation	95,551,089	8,276,043	425,307	103,401,825
Total Capital Assets Being Depreciated, Net	193,898,278	41,222,841	(396,812)	235,517,931
Wastewater Utility, Capital Assets, Net	\$ 257,584,360	\$ 55,738,069	\$ 48,233,284	\$ 265,089,145
<i>Other Business-type Activity:</i>				
Capital Assets Not Being Depreciated -				
Land and Land Improvements	\$ 12,815,550		\$ 4,582,160	\$ 8,233,390
Construction in Progress		1,360,328		1,360,328
Capital Assets Being Depreciated -				
Buildings and Structures	38,510,784	3,203,480	18,419,393	23,294,871
Equipment and Other Fixed Assets	4,232,699	1,705,245	987	5,936,957
Total Capital Assets Being Depreciated	42,743,483	4,908,725	18,420,380	29,231,828
Less - Accumulated Depreciation For:				
Buildings and Structures	23,204,471	1,123,241	14,475,196	9,852,516
Equipment and Other Fixed Assets	524,037	63,267		587,304
Total Accumulated Depreciation	23,728,508	1,186,508	14,475,196	10,439,820
Total Capital Assets Being Depreciated, Net	19,014,975	3,722,217	3,945,184	18,792,008
Other Business-type Activity, Capital Assets, Net	\$ 31,830,525	\$ 5,082,545	\$ 8,527,344	\$ 28,385,726
Business-type Activities, Capital Assets, Net	\$ 743,620,932	\$ 118,962,567	\$ 93,787,172	\$ 768,796,327
Allocation of Internal Service Fund - Stores Utility, Net (Exhibit E-2)				\$ 29,560,689
				\$ 798,357,016



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School Board Component Unit - Governmental Activities

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Capital Assets Being Depreciated:				
Vehicles	\$ 16,177,164	\$ 982,815	\$ 515,059	\$ 16,644,920
Other Equipment	5,472,476	347,335	92,509	5,727,302
Total Other Capital Assets	<u>21,649,640</u>	<u>1,330,150</u>	<u>607,568</u>	<u>22,372,222</u>
Less Accumulated Depreciation For:				
Vehicles	11,669,423	1,084,219	515,059	12,238,583
Other Equipment	4,292,823	189,445	89,768	4,392,500
Total Accumulated Depreciation	<u>15,962,246</u>	<u>1,273,664</u>	<u>604,827</u>	<u>16,631,083</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 5,687,394</u>	<u>\$ 56,486</u>	<u>\$ -2,741</u>	<u>\$ 5,741,139</u>

Richmond Redevelopment and Housing Authority Component Unit - Business-type Activities

	Balance October 1, 2002	Prior Period Adjustment	Restated Balance as of October 1, 2002	Additions	Deletions	Balance September 30, 2003
Capital Assets Not Being Depreciated:						
Land	\$ 21,713,833	\$ (7,965,577)	\$ 13,748,256	\$ -	\$ 844,250	\$ 12,904,006
Construction In Progress	31,701,648	-	31,701,648	5,301,291	15,723,765	21,279,174
Total Capital Assets Not Being Depreciated	<u>53,415,481</u>	<u>(7,965,577)</u>	<u>45,449,904</u>	<u>5,301,291</u>	<u>16,568,015</u>	<u>34,183,180</u>
Capital Assets Being Depreciated:						
Land Improvements	13,517,271	(6,023,562)	7,493,709	-	-	7,493,709
Building and Structures	227,751,033	(29,030,550)	198,720,483	6,506,606	3,751,158	201,475,931
Equipment	10,499,138	(7,959,732)	2,539,406	399,761	118,389	2,820,778
Total Other Capital Assets	<u>251,767,442</u>	<u>(43,013,844)</u>	<u>208,753,598</u>	<u>6,906,367</u>	<u>3,869,547</u>	<u>211,790,418</u>
Less Accumulated Depreciation For:						
Land Improvements	-	4,539,886	4,539,886	-	-	4,539,886
Building and Structures	131,522,463	(40,777,865)	90,744,598	4,949,034	1,659,635	94,033,997
Equipment	8,400,541	(7,171,510)	1,229,031	485,450	23,401	1,691,080
Total Accumulated Depreciation	<u>139,923,004</u>	<u>(43,409,489)</u>	<u>96,513,515</u>	<u>5,434,484</u>	<u>1,683,036</u>	<u>100,264,963</u>
Total Capital Assets Being Depreciated, Net	<u>111,844,438</u>	<u>395,645</u>	<u>112,240,083</u>	<u>1,471,883</u>	<u>2,186,511</u>	<u>111,525,455</u>
Total Capital Assets, Net	<u>\$ 165,259,919</u>	<u>\$ (7,569,932)</u>	<u>\$ 157,689,987</u>	<u>\$ 6,773,174</u>	<u>\$ 18,754,526</u>	<u>\$ 145,708,635</u>

Component Unit Restatements:

During the current year, it was determined that RRHA had title to the Richmond Coliseum's physical structure and surrounding land. As a result, the land, building, and accumulated depreciation related to the building have been removed from the Coliseum's financial statements by restating prior year building and structures by \$8,258,334.

Additionally, the Richmond Coliseum did not record accrued interest on the outstanding debt, the effect of which is a restatement of prior year current liabilities by \$379,869, increasing prior period interest by \$59,696, and decreasing prior year, Net Assets Invested in Capital Assets, Net of Related Debt by \$379,869.



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The RRHA recently completed a physical inventory of its property and equipment, including estimating values for original cost using appraisal industry trending techniques. The related adjustments decreased reported property and equipment, total assets and net assets by \$4,571,057 (\$7,569,932 decrease relates to capital assets; \$2,813,386 increase relates to Land Held for Resale and \$185,489 increase relates to other adjustments). RRHA management believes the effects of these adjustments are not material in relation to reported operations for the year ended September 30, 2003.

8. OBLIGATIONS

Changes in the short-term liabilities during the fiscal year ended June 30, 2004 are summarized below:

Primary Government - Governmental Activities

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
General Obligation Revenue Anticipation Notes	\$ -	45,000,000	45,000,000	\$ -



CITY OF RICHMOND, VIRGINIA
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Changes in the long-term liabilities during the fiscal year ended June 30, 2004 are summarized below:

**Primary Government -
Governmental Activities**

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004	Due Within One Year
General Obligation Bonds (GO)					
Governmental Funds:					
Existing Debt	\$ 359,954,900	\$ --	\$ 21,442,684	\$ 338,512,216	\$ 22,899,805
New Debt Issued:					
Series 2003 GO Bonds	--	13,500,000	--	13,500,000	555,000
Series 2004 A GO Bonds ¹	--	52,655,000	--	52,655,000	--
Debt Refunding ²	--	7,467,780	6,917,780	550,000	--
Debt Allocated to Business Activities ⁴	--	--	3,411,371	(3,411,371)	--
Internal Service Funds:					
Existing Debt	16,738,305	--	3,468,375	13,269,930	3,469,295
New Debt Issued:					
Series 2004 A GO Bonds ¹	--	3,000,000	--	3,000,000	--
Total General Obligation Bonds	<u>\$ 376,693,205</u>	<u>\$ 76,622,780</u>	<u>\$ 35,240,210</u>	<u>\$ 418,075,775</u>	<u>\$ 26,924,100</u>
Premium on Debt Issued ³	9,635,849	2,905,527	507,150	12,034,226	655,683
Accreted Value - Capital Appreciation					
General Obligation Bonds	92,655	12,171	--	104,826	--
General Obligation Serial					
Equipment Notes Payable	5,290,000	--	3,470,000	1,820,000	1,820,000
Certificates of Participation	18,840,000	--	615,000	18,225,000	640,000
Qualified Zone Academy Bonds	--	2,142,167	--	2,142,167	114,145
Virginia Public Service Authority Bonds	3,483,945	--	220,424	3,263,521	221,132
Section 108 Notes Payable	6,765,000	585,000	1,225,000	6,125,000	530,000
Compensated Absences	13,743,750	869,222	370,416	14,242,556	9,178,000
Capital Leases	903,138	--	236,071	667,067	232,809
Totals	<u>\$ 435,447,542</u>	<u>\$ 83,136,867</u>	<u>\$ 41,884,271</u>	<u>\$ 476,700,138</u>	<u>\$ 40,315,869</u>

Notes:

1. The \$55,655,000 Series 2004 A General Obligation Bonds included \$35,650,000 for General Government capital expenditures, \$8,000,000 for Streets and Bridge Infrastructure, \$6,000,000 for Richmond Public Schools' capital expenditures, \$3,005,000 for General Government Equipment, and \$3,000,000 for Internal Service Fund Equipment.
2. The \$9,300,000 Series B General Obligation Refunding Bonds included \$7,467,780 for refunding Governmental Activities debt and \$1,832,220 for refunding Business-Type Activities debt.
3. The City received \$2,905,527 of net bond premiums.
4. \$3,411,371 of debt previously reported as Primary Government - Government Activities has been reallocated to the Coliseum (\$3,195,112) and Cemeteries (\$216,259) Enterprise Funds and is reported in the Business-Type Activities shown on the following page.



**CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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**Primary Government -
Business-Type Activities**

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004	Due Within One Year
General Obligation Bonds:					
Gas	\$ 119,969,983	\$ --	\$ 4,590,410	\$ 115,379,573	\$ 4,848,809
Water	93,142,572	--	3,597,724	89,544,848	3,823,507
Wastewater	50,741,297	--	2,590,273	48,151,024	2,714,368
Other NonMajor Enterprise Funds	15,128,977	5,243,591	2,944,951	17,427,617	1,495,804
Accreted Value - Capital Appreciation					
General Obligation Bonds:					
Gas	649,475	85,309	--	734,784	--
Water	1,039,070	136,482	--	1,175,552	--
Wastewater	424,895	55,810	--	480,705	--
Revenue Bonds:					
Gas	116,574,253	--	781,376	115,792,877	812,928
Water	36,340,337	--	65,255	36,275,082	67,890
Wastewater	107,590,164	3,730,000	6,496,497	104,823,667	2,850,210
Total Bonded Debt	541,601,023	9,251,192	21,066,486	529,785,729	16,613,516
Capital Leases:					
Other NonMajor Enterprise Funds	644,027	1,670,000	60,075	2,253,952	210,266
Totals	\$ 542,245,050	\$ 10,921,192	\$ 21,126,561	\$ 532,039,681	\$ 16,823,782

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, the General Fund generally liquidates claims and judgments and compensated absences.

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, 2004, the City had a legal debt limit of \$1,325,845,739 and a remaining debt margin of \$587,614,219. As of June 30, 2004, the City had a total of \$541,389,802 in General Obligation or Revenue Bonds authorized but not issued for funding additional capital improvement projects. Of these authorized but not issued bonds, \$437,631,766 is earmarked for self-supporting Public Utility projects and \$103,758,036 for various General Fund supported capital projects.



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Details of Bonds and Notes Outstanding:

	Interest Rates	Issue Date	Maturity Date	Original Issue	Balance at June 30, 2004		
					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	\$ 3,458,854	\$ 104,744	\$ -
Public Improvement Bonds 1989B	5.80% - 6.70%	7/15/1989	1/15/2010	65,674,506	7,152,847	2,829,995	74,390
Public Improvement Refunding Bonds 1993A	3.00% - 6.50%	6/1/1993	1/15/2022	175,125,000	35,963,944	2,952,289	173,424
Public Improvement Bonds 1993B	3.00% - 6.50%	6/1/1993	7/15/2023	91,700,000	8,140,081	9,914,919	-
Public Improvement Bonds 1995A	4.05% - 5.50%	6/2/1993	1/15/2016	35,000,000	1,383,556	366,444	-
Public Improvement Refunding Bonds 1995B	4.05% - 6.00%	6/3/1993	1/15/2021	82,270,000	3,344,435	66,762,280	23,285
Public Improvement Bonds 1999A	4.00% - 5.375%	6/4/1993	1/15/2024	98,145,000	85,035,907	2,339,093	-
Public Improvement Refunding Bonds 1999B	4.00% - 5.125%	6/5/1993	1/15/2016	35,740,000	14,530,165	15,917,518	53,431
Public Improvement Refunding Bonds 2000A	4.50% - 5.50%	6/6/1993	1/15/2018	122,730,000	-	114,210,000	-
Public Improvement Bonds 2001A	4.00% - 5.50%	6/7/1993	7/15/2022	116,400,000	103,852,290	1,082,710	-
Public Improvement Bonds 2002A	3.00% - 5.25%	6/8/1993	7/15/2023	50,455,000	41,275,000	6,036,535	-
Public Improvement Refunding Bonds 2002B	4.00% - 5.25%	6/9/1993	7/15/2023	96,220,000	37,315,916	46,154,315	146,432
Public Improvement Bonds 2003	4.42%	11/13/2003	7/15/2018	13,500,000	13,500,000	-	-
Public Improvement Bonds 2004A	3.00% - 5.50%	6/15/2004	7/15/2024	55,655,000	55,655,000	-	-
Public Improvement Refunding Bonds 2004B	3.00% - 5.00%	6/15/2004	7/15/2015	9,300,000	7,467,780	1,832,220	-
Virginia Public School Authority Bonds							
VPSA Bonds 1997A	4.35% - 5.35%	11/15/1997	7/15/2017	4,578,704	3,263,521	-	-
2004 Qualified Academy Zone Bonds	0%	5/6/2004	5/6/2019	2,142,167	2,142,167	-	-
General Obligation Notes							
Serial Equipment Notes Series 2000	4.00% - 4.50%	6/1/2000	5/15/2005	8,365,000	1,820,000	-	-
HUD Section 108 Notes							
HUD Section 108 Note Series 1997	5.87% - 6.98%	10/28/1997	8/1/2014	2,445,000	1,515,000	-	-
HUD Section 108 Note Series 2000	5.56% - 7.76%	6/14/2000	8/1/2014	4,500,000	3,300,000	-	-
HUD Section 108 Note Series 2003	1.21% - 4.93%	8/7/2003	8/1/2014	800,000	725,000	-	-
HUD Section 108 Note Series 2003	2.31% - 5.19%	6/30/2004	8/1/2014	585,000	585,000	-	-
Revenue Bonds							
Public Utility Revenue Bonds 1998A	4.20% - 5.25%	4/2/1998	7/15/2028	114,740,000	-	99,300,000	-
Public Utility Revenue Bonds 1998C - VRA	3.00%	9/27/1996	7/15/2018	10,000,000	-	7,960,636	-
Public Utility Revenue Bonds 1998D - VRA	3.00%	8/27/1997	7/15/2019	8,600,000	-	6,885,990	-
Public Utility Revenue Bonds 2002A	5.00%	6/15/2002	1/15/2033	139,015,000	-	139,015,000	-
Public Utility Revenue Refunding Bonds 2003 - VRA	2.10% - 3.82%	12/4/2004	10/1/2008	3,730,000	-	3,730,000	-
Certificates of Participation Series 2001A	4.00% - 5.15%	6/1/2001	8/1/2022	18,840,000	18,225,000	-	-
Richmond Redevelopment & Housing Authority							
New Housing Authority Bonds	3.13% - 5.88%	-	-	28,940,000	-	-	8,405,000
Federal Financing Bank ¹	6.60%	-	-	6,063,704	-	-	4,357,378
Revenue Notes and Bonds	-	-	-	49,288,146	-	-	33,436,476
Downtown Redevelopment Project One	-	-	-	21,000,000	-	-	19,800,000
Other Mortgage Notes ¹	-	-	-	419,028	-	-	271,766
EUA Citizens Conservation Service Note ¹	5.98%	10/8/1999	12/18/2013	6,161,174	-	-	5,432,543
Rehabilitation Notes Payable ¹	-	-	-	-	-	-	4,460,980
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 Bonded Debt					\$ 449,651,463	\$ 527,394,688	\$ 143,375,105
Premium on Debt Issued	-	-	-	\$ 12,034,225	\$ -	\$ -	-
Accreted Value - Capital Appreciation Bonds	-	-	-	104,827	-	2,391,041	-
					\$ 461,790,515	\$ 529,785,729	\$ 143,375,105

Notes:

1. Does not include GO debt allocated to and paid by RMA.



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
2005	\$ 29,169	\$ 23,460	\$ 221	\$ 164	\$ 530	\$ 368	\$ 640	\$ 826
2006	33,347	22,960	222	153	575	346	665	799
2007	32,747	21,573	223	142	555	312	690	772
2008	30,189	19,656	225	130	555	278	720	744
2009	25,705	19,694	227	118	555	243	750	715
2010-2014	107,296	56,640	1,168	407	2,785	671	4,235	3,068
2015-2019	86,529	30,543	977	102	570	20	5,285	1,983
2020-2024	74,575	10,167	-	-	-	-	5,240	540
2025-2029	2,481	62	-	-	-	-	-	-
Subtotal	422,038	204,755	3,263	1,216	6,125	2,238	18,225	9,447
Premium	12,034	-	-	-	-	-	-	-
Accreted Value - Capital Appreciation Bonds	105	-	-	-	-	-	-	-
Total	\$ 434,177	\$ 204,755	\$ 3,263	\$ 1,216	\$ 6,125	\$ 2,238	\$ 18,225	\$ 9,447

Business-type Activities:

Fiscal Year (000's omitted)	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2005	\$ 12,784	\$ 14,508	\$ 3,731	\$ 12,605
2006	11,136	14,355	3,856	12,466
2007	11,583	13,909	4,032	12,293
2008	11,925	13,970	4,209	12,115
2009	14,014	12,093	4,396	11,933
2010-2014	81,837	47,284	20,683	56,934
2015-2019	89,551	22,485	25,364	51,618
2020-2024	37,673	3,925	34,635	45,038
2025-2029	-	-	78,130	31,650
2030-2034	-	-	77,856	9,969
Subtotal	270,503	142,529	256,892	256,621
Accreted Value - Capital Appreciation Bonds	2,391	-	-	-
Total	\$ 272,894	\$ 142,529	\$ 256,892	\$ 256,621



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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>
2005	\$ 258	\$ 299
2006	151	299
2007	150	299
2008	150	299
2009	-	299
2010-2014	-	1,315
Total minimum capital lease payments	<u>\$ 709</u>	<u>\$ 2,810</u>
Less amounts representing interest	42	556
Present value of minimum capital lease payments	<u>\$ 667</u>	<u>\$ 2,254</u>

Debt issued during the fiscal year ended June 30, 2004 is as follows:

On November 13, 2003 the City sold \$45,000,000 of seasonal General Obligation Revenue Anticipation Notes through a competitive bid. Moody's, Standard & Poors and Fitch Ratings gave these notes their highest short-term credit ratings of MIG-1, SP-1+, and F1+, respectively. The coupon interest rate of these notes was 2.00%, however an upfront premium was paid by the investor resulting in a true interest cost to the City of 1.07%. Proceeds of these notes were used to fund ongoing operations. The notes were repaid in full on June 29, 2004.

On November 4, 2003, the City issued \$3,730,000 of Public Utility Revenue Refunding Bonds, Series 2003 as part of a pooled refunding bond issue through the Virginia Resources Authority. The new debt is payable semi-annually at interest rates ranging between 2.10% and 3.82%, and with a final maturity on October 1, 2008. Bond proceeds of \$3,730,000, along with a premium received of \$118,679 and cash in escrow of \$354,049, were used to current refund all of the City's outstanding Series 1998B Utility Revenue Bonds amounting to \$4,106,149 in principal and \$72,137 in interest due. The remaining \$24,442 was used to pay the issuance costs of the refunding. The refunding has reduced total debt service of the City's Utilities over the next five years by \$266,348 and produced an economic gain of \$202,969. Like other outstanding City of Richmond Public Utility Revenue Bond Debt, the new Series 2003 Bonds are also subject to the terms and conditions of a Master Indenture Agreement dated April 1, 1998.

On November 13, 2003 the City of Richmond issued \$13,500,000 of General Obligation Public Improvement Bonds, Series 2003 through a competitive private placement with a local bank. The bonds carry a fixed interest rate of 4.42% and have a fifteen-year maturity. The debt is payable semi-annually in annual principal and interest payments of between \$1,231,630 and \$1,246,920 over the fifteen-year period. The proceeds of the bond issue were used to fund the purchase of a portion of the real estate at the Stony Point Fashion Park through an Agreement with the Industrial Development Authority of the City of Richmond and the Developer.

November 14, 2003 the City entered into a \$1,670,000 Lease Purchase Agreement with a local bank to finance upgrades and replacements to the Heating, Ventilation, and Air Conditioning Systems of the Richmond Coliseum. The Lease Purchase Agreement calls for the Coliseum Enterprise Fund to make twenty fixed Principal and interest payments of \$105,132.40 every July 15th and January 15th over a ten-year period beginning July 15, 2004. The fixed interest rate on the transaction is 4.37%. Lease payments will be paid from energy and maintenance operating savings to be realized from the installation of the new equipment.

On May 6, 2004 the City issued \$2,142,167 of Qualified Zone Academy Bonds ("QZABs") to finance specific capital projects of the Richmond Public Schools. A local bank purchased the bonds. The QZABs are zero percent interest bonds



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with principal payments due in annual installments each May 6 through the year 2019. No interest is due throughout the life of this debt.

On June 15, 2004, the City issued \$55,655,000 of General Obligation Public Improvement Bonds Series, 2004A with a true interest cost of fixed serial coupon interest rates ranging from 3.00% to 5.50%. The bond amount borrowed included \$6,005,000 to reimburse the City for spending on equipment and vehicles, \$3,005,000 of which was credited to the General Fund, and \$3,000,000 to 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 Capital Improvement Plan (CIP). The Series 2004A GO Bonds are repayable in annual principal amounts ranging from \$2,480,000 to \$3,690,000 per year.

Also on June 15, 2004, the City issued \$9,300,000 of General Obligation Public Improvement Refunding Bonds Series 2004B to refund portions of the outstanding Series 1995A General Obligation Bonds. The \$9,300,000 par amount along with a premium on the new issue was used to create an irrevocable trust with an escrow agent to provide for all future debt service payment on the refunded Series 1995A bonds. The amount deposited to the escrow included the refunded par principal amount of \$8,750,000, scheduled interest payments due July 15, 2004 and January 15, 2005 on the refunded bonds, and an early redemption premium. The debt that was refunded was originally allocated to a number of City departments, which included outstanding Governmental Activity debt of \$6,917,780 and Business-Type (Coliseum, Cemeteries, and Landmark Theatre) debt of \$1,832,220.

Coupon interest rates on this new debt range from 3.00% to 5.00%. The Series 2004B GO Bonds are repayable in annual principal amounts ranging from \$50,000 to \$1,840,000 per year. The entire proceeds of the 2004B bonds were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. The refunding has reduced the total debt service payments over the remaining eleven year life of the bonds by \$776,934, and produced an economic gain of \$507,244.

The City maintains a \$15.0 million Line 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. These HUD Guaranteed loan funds are used for eligible housing rehabilitation projects in programs administered by the Richmond Redevelopment and Housing Authority. On June 30, 2004 the City refunded one of its outstanding 1995 HUD Section 108 Notes at lower interest rates to derive debt service savings. A new \$585,000 Series 2004 HUD Section 108 Refunding Note was issued to refund the 1995 HUD Note in a like amount. The new debt amortizes with the same annual principal payment requirements and maturities of between \$55,000 and \$75,000 per year plus semi-annual interest payments at rates ranging from 2.31% to 5.19%. The final maturity of the 2004 HUD Section 108 Note is August 1, 2014. The refunding has reduced total debt service of the City's over the next 10 years by \$138,491.

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 \$10,500,000 of the City's General Obligation Public Improvement Bonds, Series 1995A. In June 2004, the City purchased U.S. Government Securities with proceeds of the General Obligation Public Improvement Bonds, Series 2004B to refund another \$8,750,000 of the City's General Obligation Public Improvement Bonds, 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 1995A 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, 2004, \$19,250,000 of the 1995A Bonds outstanding are considered defeased.



CITY OF RICHMOND, VIRGINIA
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Component Units

School Board

At June 30, 2004, School Board long-term obligations consisted of the following:

	Amounts Payable at July 1, 2003	Increases	Decreases	Amounts Payable at June 30, 2004	Due Within One Year
Workers' Compensation Liability	\$ 1,201,940	\$ 862,373	\$ 852,467	\$ 1,211,846	\$ 759,184
Vacation Pay Liability	2,702,602	899,321	422,879	3,179,044	93,250
Sick Pay Liability	9,519,601	2,942,428	2,294,149	10,167,880	846,514
Incurred But Not Reported Health Claims Liability	3,708,929	25,947,063	26,012,809	3,643,183	3,242,433
Early Retirement Benefits Plan					
Net Pension Obligation	2,697,562	1,095,234	-	3,792,796	-
Total	<u>\$ 19,830,634</u>	<u>\$ 31,746,419</u>	<u>\$ 29,582,304</u>	<u>\$ 21,994,749</u>	<u>\$ 4,941,381</u>

Richmond Ambulance Authority

Long-term debt comprises \$396,572 of various General Obligation Bond issues that are guaranteed by the full faith and credit of the City, of which \$29,073 is current.

Hospital Authority of Richmond

Long-term debt comprises \$74,569 of various General Obligation Bond issues, which are guaranteed by the full faith, and credit of the City, of which \$14,596 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 2.375%. The line of credit commitment has no expiration date. RBHA did not draw upon this line of credit during the fiscal year ended June 30, 2004.

Richmond Redevelopment and Housing Authority

Long-term debt comprises \$76,164,143 of various General Obligation and Revenue Bonds and Notes Payable, guaranteed by the full faith and credit of the City, of which \$3,931,099 is current.

Richmond Broad Street Community Development Authority

Long-term debt comprises \$64,932,054 of Revenue Bonds payable, net of discount of \$1,807,946. There is no current portion due. The first scheduled principal payment is due July 1, 2009.



**CITY OF RICHMOND, VIRGINIA
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June 30, 2004

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, 2004 are composed of the following:

	General Fund	Debt Service	Other NonMajor Governmental Funds
Encumbrances	\$ 6,126,872	\$ -	\$ -
Advances to Component Units	12,800	-	-
Debt Service	-	1,480,501	-
Trust Corpus	-	-	462,144
Notes Receivable	4,243,100	-	-
Other	3,767,515	-	66,980,401
Totals	\$ 14,150,287	\$ 1,480,501	\$ 67,442,545

Other reservations for the General Fund related to collections for personal property taxes and totaled \$3,767,515.

Fund balances designated at June 30, 2004 are composed of the following:

	General Fund	Other NonMajor Governmental Funds
Completion of approved or specified projects and activities	\$ 8,637,804	\$ 12,249,538

The Risk Management and Radio Maintenance Internal Service Funds had deficit net assets of \$11,155,354 and \$207,749, respectively, at June 30, 2004. 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



**CITY OF RICHMOND, VIRGINIA
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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 \$1,000,000 per occurrence for General and Employers' Liability, and \$1,000,000 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, 2004, 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.

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, 2004 was \$26,216,512 (undiscounted) and \$21,972,794 (discounted at 16%) as recommended by a firm of consulting actuaries. Changes in the aggregate for these liabilities for fiscal years 2003 and 2004 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes In Estimates	Claims and Premium Payments	Balance at Fiscal Year end
2003	\$ 21,191,095	\$ 416,980	\$ (1,926,015)	\$ 19,682,060
2004	\$ 19,682,060	\$ 8,089,342	\$ (5,798,608)	\$ 21,972,794

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 \$350,000 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.



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At June 30, 2004 the amount of claim liabilities were \$4,855,029, which consisted of incurred but not reported health claims of \$3,643,183, and workers' compensation liabilities of \$1,211,846.

Changes in the reported liability since June 30, 2002 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
2003	\$ 5,355,264	\$ 26,109,112	\$ (26,553,507)	\$ 4,910,869
2004	\$ 4,910,869	\$ 26,809,436	\$ (26,865,276)	\$ 4,855,029

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 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	\$ 15.08	\$ 29.86	\$ 15.08	\$ 15.08	\$ 216.08
Plus One	\$ 87.25	\$ 120.50	\$ 87.25	\$ 87.25	\$ 379.50
Family	\$ 142.50	\$ 190.51	\$ 142.50	\$ 142.50	\$ 515.24

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, 2004 for the employees covered by the City Plan and VRS were \$157,890,046 and \$142,291,317, respectively. The total payrolls for the fiscal year ended June 30, 2004 were \$244,925,555 for the City and \$168,558,604 for the School Board.



CITY OF RICHMOND, VIRGINIA
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June 30, 2004

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, 2004 is as follows:

Retirees and beneficiaries currently receiving benefits	3,632
Vested Terminated Employees	1,705
Current Employees	
Vested	2,664
Nonvested	990
DC Plan Participants with Frozen Benefits	<u>361</u>
Total	<u>9,352</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.

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.



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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.

The following is a schedule of the City's contributions for fiscal years ended June 30, 2002 through 2004 (unaudited):

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2002	14,624,488	100.00%
2003	18,692,905	100.00%
2004	21,448,527	100.00%

The overall employer contribution rate increased from 10.94% for the fiscal year ending June 30, 2003 to 12.92% for the fiscal year ending June 30, 2004.

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 3.5% 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, 2004.

As of the July 1, 2004 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



**CITY OF RICHMOND, VIRGINIA
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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, 2004, which had a financial impact on the RRS. Specifically, effective July 1, 2004, a 1.9% COLA was granted to members who retired on or before July 1, 2003. The impact of this change was an increase of \$5,998,552 in the accrued actuarial liability.

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
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%
2004	429,316,772	678,123,444	248,806,672	63.31%	157,890,046	157.58%

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, 2004, the School Board contributed 10.57% of annual covered payroll. The School Board's contributions to the RRS for the years ended June 30, 2004, 2003 and 2002 were \$323,843, \$305,741, and \$259,479, respectively, equal to the required contributions for each year.

C. School Board – Virginia Retirement System

I. Plan Description

The School Board contributes to VRS, a 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



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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 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, 2004, 2003 and 2002 were \$4,930,213, \$4,796,736, and \$4,556,357, respectively, equal to the required contributions. The School Board's contribution rate applicable to non-professional employees for the fiscal year ended June 30, 2004 was 1.50% of annual covered payroll.

III. Annual Pension Cost - Non-professional Employees

For the fiscal year ended June 30, 2004, the School Board's annual pension cost applicable to School Board non-professional employees of \$176,891 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.



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Trend Information

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1999	\$ 350,864	100%	\$ -
2000	341,157	100%	-
2001	363,838	100%	-
2002	309,502	100%	-
2003	170,614	100%	-
2004	176,891	100%	-

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
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%
2003	22,533,316	21,536,582	996,734	104.6%	11,792,737	8.5%

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, 2004, 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



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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.

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, 1999 through 2004:

Fiscal Year Ended June 30	Annual Required Contribution	Actual Contribution	Percentage Contributed
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%
2004	3,899,673	2,800,000	71.8%



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III. Annual Pension Cost - Non-professional Employees

The School Board's annual pension cost and net pension obligation to the Plan for the year ended June 30, 2004 were as follows:

<u>Annual Pension Costs</u>	
Annual required contribution	\$ 3,899,673
Interest on net pension obligation	202,317
Adjustment to annual required contribution	<u>(206,756)</u>
Annual pension cost	3,895,234
Contributions made	<u>(2,800,000)</u>
Increase in net pension obligation	1,095,234
Net pension obligation, beginning of year	<u>2,697,562</u>
Net pension obligation, end of year	<u>\$ 3,792,796</u>

The annual required contribution (ARC) for the current year was actuarially computed at July 1, 2000, the date of the latest biennial actuarial valuation, using the entry age actuarial cost method. The actuarial value of 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

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Annual Pension Cost</u> <u>(APC)</u>	<u>Percentage of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation (Assets)</u>
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
2004	3,895,234	71.9%	3,792,796



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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) Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of 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, 2004, 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 \$5,816,293. 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, 2004.

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 employees and pursuant to the Agreement of Transfer, RBHA employees continue to be members of the RRS.

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

II. Contributions and Funding Policy

RBHA contributed \$1,014,586 as its annual required contribution equal to 100% of the contribution for the initial plan year ended June 30, 2004 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 (20 employees at June 30, 2004) 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 2004 and 2003 for employees covered under the plan was \$957,000 and \$893,417, respectively, and total payroll for 2004



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and 2003 approximated \$989,000 and \$901,000, respectively. RAA made the required 9% contribution of \$70,416 and \$85,330 in 2004 and 2003, 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, 2004 and 2003 was \$32,148 and \$35,966, 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.

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 September 30, 2003, 2002, and 2001 were \$1,341,062, \$1,279,451, and \$1,257,834 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 3,632, their spouses, and eligible unmarried dependents were receiving such benefits at June 30, 2004. The City's and the retirees' shares of health-related premium contributions for the year ended June 30, 2004 were \$14,933,684 and \$2,608,699, 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



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Board's policy, 1937 retirees are currently receiving benefits at June 30, 2004. For coverage provided through RRS, 132 retirees are currently receiving benefits at June 30, 2004. The School Board's share of contributions is between 38% and 58% 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, 2004, the School Board's share of premiums approximated \$4,881,000.

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, 2004 was \$70,550.

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 8, their spouses, and eligible unmarried dependents were receiving such benefits at June 30, 2004. RBHA's share of health-related premium contributions for the year ended June 30, 2004, was \$30,078. 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 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, 2004 the fair value of the plan investments was \$39,663,613.

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, 2004, the annual operating lease commitments are as follows:



**CITY OF RICHMOND, VIRGINIA
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June 30, 2004**

Fiscal Year	Component Units			
	Primary Government	School Board	Richmond Behavioral Health Authority	Richmond Redevelopment and Housing Authority
2005	\$ 4,387,291	\$ 1,764,351	\$ 1,168,387	\$ 100,347
2006	1,655,199	1,744,416	1,154,404	100,812
2007	731,352	1,734,456	1,156,756	103,832
2008	418,625	838,600	727,156	106,948
2009	106,540	838,600	10,213	--
2010 - 2015	109,736	838,600	--	--
Total minimum lease payments	<u>7,408,743</u>	<u>7,759,023</u>	<u>4,216,916</u>	<u>411,939</u>
Lease expense/expenditures for the year ended June 30, 2004	<u>\$ 3,688,803</u>	<u>\$ 1,563,053</u>	<u>\$ 1,194,136</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. The total cost of the City of Richmond's CSO Plan is currently \$512 million (2004 dollars).

The Board adopted the technical components of the CSO Plan, and continues to regulate and monitor the City's program through the current Virginia Pollutant Discharge Elimination System (VPDES) permit and CSO Special Order issued by the Virginia Department of Environmental Quality (DEQ) with oversight from the Environmental Protection Agency (EPA). Phase III of the CSO Plan will begin in 2005.

As part of the CSO Special 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. The City and the Board have negotiated a revised Special Order, which will identify the Phase III CSO control projects and their respective priorities. This agreement will take into account the City's financial capability (defined in the Special Agreement as wastewater rates equal 1.25% of median household income) and the availability of federal, state and local funding. It is expected that current draft CSO Special Order will be signed in the last calendar quarter of 2004 or first calendar quarter of 2005. This agreement is subject to approval by the EPA.



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June 30, 2004

The Phase III 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 \$287 million (2004 dollars), inflated to the time of anticipated expenditure. The Department of Public Utilities plans to increase Wastewater Utility rates an average of 5% per year over the next five years, in compliance with the negotiated revised special order, 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 required by the current draft CSO Special Order to 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 phase comprised space for 336 prisoner beds and began to house prisoners in January of 1999. The construction cost of the project was \$23.8 million and was 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, 2004, the City contributed \$1,308,473 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 \$730 million at June 30, 2004.

E. Component Units

The RAA has a contract with American Medical Response, Inc. (AMR) for all emergency and nonemergency ambulance services for RAA through June 30, 2006. 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 2004 under this agreement amounted to \$8,279,800. The minimum final annual payment under this contract with AMR is \$5,179,090.



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June 30, 2004

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, 2004, the HAR expensed \$150,000 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.

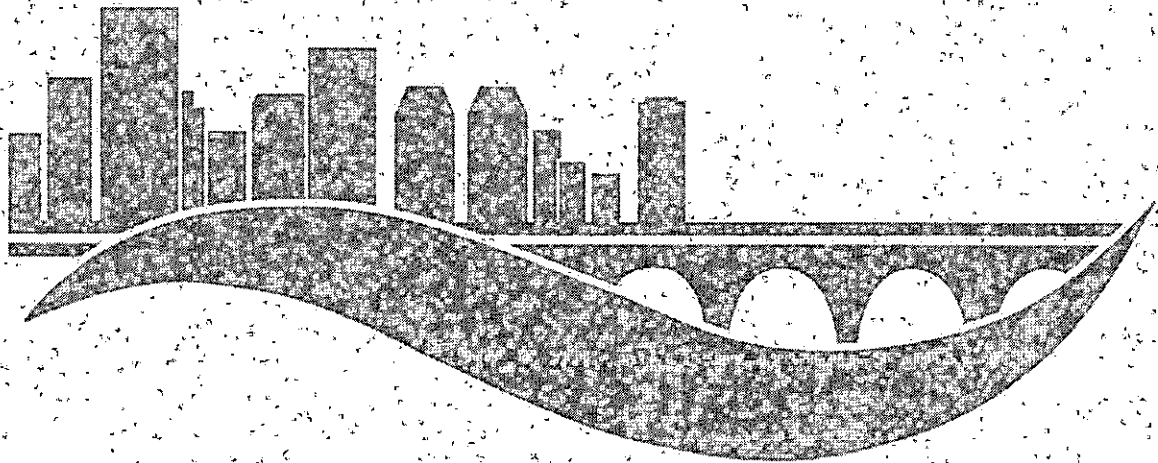
The RBHA operates programs, which are typically funded by grants received from federal, state or local sources. Expenditures financed by grants are subject to audit by the grantor. If expenditures are disallowed due to noncompliance with grant program regulations, RBHA may be required to reimburse the 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 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.

G. Disaster Recovery – Hurricane Isabel

During fiscal 2004, Hurricane Isabel struck the City with strong winds and rain resulting in widespread damage. The City worked closely with the Federal Emergency Management Agency (FEMA) and the Virginia Department of Emergency Management (VDEM) to assure the work was properly completed and eligible for maximum reimbursement. The City incurred \$14,728,475 in expenditures in the departments of Public Works, Parks and Recreation and Community Facilities. Approximately \$7,650,675 has been reimbursed as of June 30, 2004. Additional reimbursement requests from the FEMA are equal to expenditures incurred as of June 30, 2004.





Required Supplementary Information



EXHIBIT H-1

**CITY OF RICHMOND, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
City Taxes				
Real Estate	\$ 163,890,992	\$ 166,241,520	\$ 170,251,093	\$ 4,009,573
Sales-1% Local	22,225,869	22,225,869	24,067,131	1,841,262
Personal Property	44,670,231	44,670,231	41,918,417	(2,751,814)
Machinery and Tools	14,942,434	14,942,434	14,831,660	(110,774)
General Utility Sales	31,954,203	31,954,203	30,272,507	(1,681,696)
Bank Stock	4,922,804	4,922,804	2,362,154	(2,560,650)
Prepared Food	13,732,529	13,732,529	14,548,707	816,178
Admission	1,597,470	1,597,470	1,804,701	207,231
Delinquent Tax Payments-All Classes	8,282,081	8,361,245	10,303,069	1,941,824
Private Utility Poles and Conduits	91,800	91,800	93,506	1,706
Penalties and Interest	4,301,624	4,301,624	4,564,352	262,728
Titling Tax-Mobile Home	15,000	15,000	7,324	(7,676)
State Recordation	711,609	711,609	605,153	(106,456)
Property Rental 1%	88,275	88,275	158,960	70,685
Vehicle Rental Tax	737,404	737,404	868,115	130,711
Telephone Commissions	600,000	600,000	547,411	(52,589)
Total City Taxes	312,764,325	315,194,017	317,204,260	2,010,243
Licenses, Permits and Privilege Fees				
Business and Professional	27,373,314	27,373,314	24,166,887	(3,206,427)
Vehicle	3,591,837	3,591,837	3,398,061	(193,776)
Dog	29,204	29,204	28,546	(658)
Transfers, Penalties, Interest & Delinquent Collections	500	500	882,320	881,820
Department of Social Services	73,000	73,000	67,570	(5,430)
Department of Finance	1,764,503	1,764,503	1,898,262	133,759
Department of Public Works	1,602,000	1,602,000	1,347,541	(254,459)
Department of Parks, Recreation and Community Facilities	33,000	33,000	32,141	(859)
Total Licenses, Permits and Privilege Fees	34,467,358	34,467,358	31,821,328	(2,646,030)
Intergovernmental				
Richmond Public Library	225,722	225,722	217,849	(7,873)
Juvenile and Domestic Relations District Court	14,050	14,050	8,531	(5,519)
Juvenile Justice Service	1,897,735	1,897,735	1,945,337	47,602
Department of Social Services	50,403,749	50,659,749	46,826,372	(3,833,377)
Department of Public Health	2,932,945	2,985,765	3,081,495	95,730
Department of Public Works-Street Maintenance	18,023,238	18,023,238	18,447,113	423,875
General Registrar	76,557	138,757	72,781	(65,976)
Department of Finance	1,009,191	1,009,191	1,008,741	(450)
Attorney for the Commonwealth	2,219,656	2,219,656	2,223,386	3,730
City Sheriff	16,428,570	16,428,570	17,475,113	1,046,543
State Aid to Localities	14,902,801	14,902,801	14,951,028	48,227
Service Charges on Tax Exempt Property	2,875,974	2,875,974	3,102,323	226,349
Administrative Costs - Federal Grants	520,000	520,000	593,283	73,283
ABC Distribution	237,510	237,510	405,463	167,953
Rolling Stock Distribution	112,105	112,105	107,477	(4,628)
Total Intergovernmental	111,879,803	112,250,823	110,466,292	(1,784,531)

(Continued)

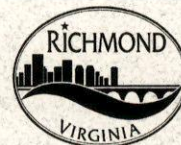


EXHIBIT H-1, Continued

**CITY OF RICHMOND, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Service Charges				
Assessor of Real Estate	\$ 49,000	\$ 49,000	\$ 20,164	\$ (28,836)
Richmond Public Library	3,131	3,131	1,108	(2,023)
City Sheriff	132,500	132,500	142,249	9,749
Department of Community Development	3,810,592	3,810,592	4,049,174	238,582
Department of General Services	542,092	542,092	756,410	214,318
Department of Finance	225,807	225,807	113,943	(111,864)
Department of Health	341,555	341,555	310,294	(31,261)
Departments of Police, Fire and Emergency Services	131,500	131,500	72,109	(59,391)
Department of Public Works	9,639,000	9,639,000	9,372,861	(266,139)
Department of Parks, Recreation and Community Facilities	160,000	160,000	88,886	(71,114)
Procurement Services	--	--	5,971	5,971
Total Service Charges	<u>15,035,177</u>	<u>15,035,177</u>	<u>14,933,169</u>	<u>(102,008)</u>
Fines and Forfeitures				
Richmond Public Library	118,000	118,000	110,347	(7,653)
Circuit Court	3,577,931	3,577,931	4,058,047	480,116
General District Court	1,200,445	1,200,445	1,368,109	167,664
Juvenile and Domestic Relations District Court	7,500	7,500	10,327	2,827
Parking Violations	3,025,275	3,025,275	2,994,021	(31,254)
License Code Violations	35,000	35,000	18,755	(16,245)
Total Fines and Forfeitures	<u>7,964,151</u>	<u>7,964,151</u>	<u>8,559,606</u>	<u>595,455</u>
Payment in Lieu of Taxes				
Gas Utility	17,668,500	17,668,500	7,884,566	(9,783,934)
Wastewater Utility	--	--	4,901,567	4,901,567
Water Utility	--	--	4,354,111	4,354,111
Electric Utility	55,602	55,602	443,529	387,927
Stores and Transportation Division	--	--	518,580	518,580
Total Payment in Lieu of Taxes	<u>17,724,102</u>	<u>17,724,102</u>	<u>18,102,353</u>	<u>378,251</u>
Miscellaneous Revenue				
Overhead Costs-Port of Richmond Commission	109,319	109,319	64,148	(45,171)
Interest Income - Hilton	225,000	225,000	225,000	--
Department of Public Utilities Payment-City Service	2,490,793	2,490,793	2,111,519	(379,274)
Utilities Payment for Collection Service	414,200	414,200	450,000	35,800
Richmond Metropolitan Authority Payment	88,000	88,000	110,900	22,900
Department of Information Technology Charges	1,271,800	1,271,800	1,273,458	1,658
Administrative Payments to the General Fund	791,287	791,287	818,527	27,240
Sundries	746,130	785,130	792,591	7,461
Total Miscellaneous Revenues	<u>6,136,529</u>	<u>6,175,529</u>	<u>5,846,143</u>	<u>(329,386)</u>
Total General Fund Revenues	<u>505,971,445</u>	<u>508,811,157</u>	<u>506,933,151</u>	<u>(1,878,006)</u>

(Continued)



EXHIBIT H-1, Continued

**CITY OF RICHMOND, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For the Fiscal Year Ended June 30, 2004

Expenditures	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Current				
General Government				
City Council and City Clerk	\$ 1,466,910	\$ 1,379,515	\$ 1,413,954	\$ (34,439)
Department of Community Development	6,242,445	6,407,586	6,008,944	398,642
Assessor of Real Estate	2,194,715	2,394,715	2,240,708	154,007
City Auditor	826,853	847,799	839,294	8,505
Department of Law	1,888,115	2,055,677	2,049,621	6,056
Board of Review of Real Estate Assessments	26,576	26,576	26,439	137
General Registrar	638,398	1,574,511	726,278	848,233
Self - Insurance Cost	7,851,385	7,851,385	7,851,385	-
Office of Management Services	1,397,940	1,734,768	1,602,992	131,776
Department of Information Technology	10,286,613	11,678,713	10,446,677	1,232,036
City Manager	1,015,530	1,417,203	1,077,261	339,942
Budget and Strategic Planning	667,011	688,199	685,164	3,035
Department of General Services	1,158,894	1,250,269	1,173,072	77,197
Department of Human Resources	1,854,259	2,050,734	1,947,381	103,353
Department of Finance	7,338,124	8,059,380	7,454,741	604,639
Customer Service and Organizational Development	878,019	1,343,480	849,477	494,003
Procurement Services	1,026,814	1,026,814	878,251	148,563
Communications, Media Relations and Marketing	586,760	599,828	613,839	(14,011)
Intergovernmental Relations	230,761	241,852	219,137	22,715
Economic Development	1,691,733	1,841,879	1,733,509	108,370
City Mayor's Office	336,182	391,930	402,610	(10,680)
Total General Government	49,604,037	54,862,813	50,240,734	4,622,079
Public Safety and Judiciary				
Judiciary	7,069,299	7,146,366	6,857,282	289,084
Juvenile and Domestic Relations District Court	338,239	393,655	343,184	50,471
City Sheriff	22,885,536	23,630,366	25,389,409	(1,759,043)
Juvenile Justice Services	5,528,177	5,653,913	5,518,092	135,821
Department of Police	56,022,567	60,365,631	59,927,329	438,302
Department of Fire and Emergency Services	31,756,353	32,557,779	32,207,570	350,209
Department of Transportation	191,981	243,687	263,745	(20,058)
Total Public Safety and Judiciary	123,792,152	129,991,397	130,506,611	(515,214)
Highways, Streets, Sanitation and Refuse				
Department of Public Works	45,270,565	45,545,690	43,393,419	2,152,271
Human Services				
Human Services Advocacy	439,788	479,236	476,417	2,819
Department of Social Services	54,254,227	55,427,379	53,379,516	2,047,863
Department of Public Health	5,818,378	5,958,488	6,022,418	(63,930)
Total Human Services	60,512,393	61,865,103	59,878,351	1,986,752
Culture and Recreation				
Richmond Public Library	4,327,797	4,395,690	4,516,835	(121,145)
Department of Parks, Recreation and Community Facilities	16,859,913	18,649,427	17,623,739	1,025,688
Total Culture and Recreation	21,187,710	23,045,117	22,140,574	904,543

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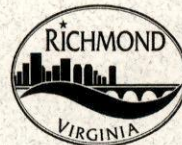


EXHIBIT H-1, Concluded

**CITY OF RICHMOND, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Non-Departmental				
Crestar Projects	2,634,850	2,634,850	2,712,295	(77,445)
Payments to Other Government Agencies	15,419,487	12,770,970	11,150,764	1,620,206
Tax Relief for the Elderly	1,476,837	1,476,837	1,684,885	(208,048)
Greater Richmond Transit Company	6,379,524	6,700,852	6,699,852	1,000
Health Care	--	200,000	6,896	193,104
Retiree's Health Care	3,411,684	3,411,684	2,608,699	802,985
Other Non-Departmental Expenses	299,359	858,323	289,648	568,675
Total Non-Departmental	<u>29,621,741</u>	<u>28,053,516</u>	<u>25,153,039</u>	<u>2,900,477</u>
Total General Fund Expenditures	<u>329,988,598</u>	<u>343,363,636</u>	<u>331,312,728</u>	<u>12,050,908</u>
Excess of Revenues Over Expenditures	<u>175,982,847</u>	<u>165,447,521</u>	<u>175,620,423</u>	<u>10,172,902</u>
Other Financing Sources (Uses)				
Proceeds from Issuance of Bonds	2,794,319	2,794,319	3,005,000	210,681
Premium on Issuance of Bonds	--	--	339,490	339,490
Transfers In - Other Funds	5,300,265	5,300,565	5,087,610	(212,955)
Transfers Out - Component Units	(136,502,289)	(136,502,289)	(136,517,289)	(15,000)
Transfers Out - Other Funds	(44,821,182)	(44,821,182)	(45,602,176)	(780,994)
Total Other Financing Uses, Net	<u>(173,228,887)</u>	<u>(173,228,587)</u>	<u>(173,687,365)</u>	<u>(458,778)</u>
Special Item				
Disaster Recovery	--	14,197,700	12,754,707	(1,442,993)
Extraordinary Item				
Disaster Costs	--	(14,728,475)	(14,728,475)	--
Excess of Revenues, Other Financing Sources, and Special Item Over (Under) Expenditures, Other Financing Uses, and Extraordinary Item	<u>2,753,960</u>	<u>(8,311,841)</u>	<u>(40,710)</u>	<u>8,271,131</u>
Fund Balance - Beginning of Year	61,881,530	61,881,530	61,881,530	--
Fund Balance- End of Year	<u>\$ 64,635,490</u>	<u>\$ 53,569,689</u>	<u>\$ 61,840,820</u>	<u>\$ 8,271,131</u>



Exhibit H-2

**CITY OF RICHMOND, VIRGINIA
NOTE TO BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2004**

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, special item, and other financing sources of \$528,119,958 were under expectations by \$2,983,783 for fiscal year ended June 30, 2004. The General Fund expenditures, extraordinary item, and other financing uses of \$528,160,668 under budget by \$11,254,914 for fiscal year ended June 30, 2004. However, certain departments/agencies' expenditures exceeded appropriations for this fiscal year. The City Council and City Clerk's expenditures exceeded appropriations by \$34,439. Communications, Media Relations and Marketing's expenditures exceeded appropriations by \$14,011. The City Mayor's Office's expenditures exceeded appropriations by \$10,680. The City Sheriff's expenditures exceeded appropriations by \$1,759,043. Transportation's expenditures exceeded appropriations by \$20,058. The Department of Public Health's expenditures exceeded appropriations by \$63,930. The Richmond Public Library's expenditures exceeded appropriations by \$121,145. Other Non-Departmental expenditures related to Crestar Projects and Tax Relief for the Elderly exceeded appropriations by \$77,445 and \$208,048, respectively.

For fiscal year 2004, 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



Non-major 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, 2004**

	Special Revenue		Capital Projects	
	Grant Revenue Funds	Consolidated HUD Funds	Capital Fund	Reserve Fund for Permanent Public Improvements
Assets				
Cash and Cash Equivalents	\$ 5,808,693	\$ -	\$ 5,531,571	\$ -
Accounts Receivable, Net	1,464,060	874,604	542,486	-
Due From Other Governments	9,094,568	3,788,565	-	-
Restricted Assets	-	-	69,015,280	323,382
Total Assets	\$ 16,367,321	\$ 4,663,169	\$ 75,089,337	\$ 323,382
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 1,258,428	\$ 1,848,788	\$ 4,932,318	\$ -
Accrued Liabilities	234,384	51,180	-	-
Due To Other Funds	-	2,674,100	-	-
Due To Other Governments	151,707	32,829	3,500,000	-
Deferred Revenue	2,529,536	-	-	-
Total Liabilities	4,174,055	4,606,897	8,432,318	-
Fund Balances:				
Fund Balance-Reserved	-	-	66,657,019	323,382
Fund Balance-Unreserved:				
Designated for Specific Projects	12,193,266	56,272	-	-
Total Fund Balances	12,193,266	56,272	66,657,019	323,382
Total Liabilities and Fund Balances	\$ 16,367,321	\$ 4,663,169	\$ 75,089,337	\$ 323,382



EXHIBIT I-1

Permanent Funds

J. Flumer Bright Park Fund	Memorial	Recreation	Richmond Public Library	Total
\$ --	\$ --	\$ --	\$ --	\$ 11,340,264
--	--	--	--	2,881,150
--	--	--	--	12,883,133
394,588	30,615	25,000	11,998	69,800,863
<u>\$ 394,588</u>	<u>\$ 30,615</u>	<u>\$ 25,000</u>	<u>\$ 11,998</u>	<u>\$ 96,905,410</u>
\$ --	\$ 57	\$ --	\$ --	\$ 8,039,591
--	--	--	--	285,564
--	--	--	--	2,674,100
--	--	--	--	3,684,536
--	--	--	--	2,529,536
--	57	--	--	17,213,327
394,588	30,558	25,000	11,998	67,442,545
--	--	--	--	12,249,538
394,588	30,558	25,000	11,998	79,692,083
<u>\$ 394,588</u>	<u>\$ 30,615</u>	<u>\$ 25,000</u>	<u>\$ 11,998</u>	<u>\$ 96,905,410</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, 2004**

	Special Revenue		Capital Projects	
	Grant Revenue Funds	Consolidated HUD Funds	Capital Fund	Reserve Fund for Permanent Public Improvements
Revenues				
Intergovernmental	\$ 14,586,313	\$ 11,295,804	\$ 10,516,738	\$ -
Investment Income	34,257	-	23,779	307,058
Miscellaneous	22,120,224	-	848,095	365,707
Total Revenues	36,740,794	11,295,804	11,388,612	672,765
Expenditures				
Current:				
General Government	7,999,178	10,737,903	-	-
Public Safety and Judiciary	11,713,096	-	-	-
Highways, Streets, Sanitation and Refuse	660,723	-	-	-
Human Services	27,701,160	-	-	-
Culture and Recreation	1,399,038	-	-	-
Capital Outlay	-	-	58,250,207	-
Total Expenditures	49,473,195	10,737,903	58,250,207	-
Excess of Revenues Over (Under) Expenditures	(12,732,401)	557,901	(46,861,595)	672,765
Other Financing Sources (Uses)				
Proceeds from Refunding General Obligation Bonds	-	-	9,300,000	-
Payments to Escrow Agent	-	-	(9,300,000)	-
Proceeds from Issuance of General Obligation Bonds and Notes	-	-	65,292,167	-
Premium on Issuance of Bonds	-	-	2,566,036	-
Transfers In-Other Funds	7,709,556	557,901	1,876,000	-
Transfers Out-Other Funds	(3,317,285)	(1,115,802)	-	(1,640,000)
Total Other Financing Sources (Uses), Net	4,392,271	(557,901)	69,734,203	(1,640,000)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(8,340,130)	-	22,872,608	(967,235)
Fund Balance - Beginning of Year	20,533,396	56,272	43,784,411	1,290,617
Fund Balance - End of Year	\$ 12,193,266	\$ 56,272	\$ 66,657,019	\$ 323,382



EXHIBIT I-2

Permanent Funds				
J. Flumer Bright Park Fund	Memorial	Recreation	Richmond Public Library	Total
\$ -	\$ -	\$ -	\$ -	\$ 36,398,855
339	6	307	79	365,825
-	-	-	-	23,334,026
339	6	307	79	60,098,706
900	57	-	-	18,738,038
-	-	-	-	11,713,096
-	-	-	-	660,723
-	-	-	-	27,701,160
-	-	-	-	1,399,038
-	-	-	-	58,250,207
900	57	-	-	118,462,262
(561)	(51)	307	79	(58,363,556)
-	-	-	-	9,300,000
-	-	-	-	(9,300,000)
-	-	-	-	65,292,167
-	392	-	-	2,566,036
-	(6)	(307)	(79)	10,143,849
-	386	(307)	(79)	(6,073,479)
(561)	335	-	-	71,928,573
395,149	30,223	25,000	11,998	13,565,017
\$ 394,588	\$ 30,558	\$ 25,000	\$ 11,998	\$ 66,127,066
				\$ 79,692,083



EXHIBIT I-3

**CITY OF RICHMOND, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2004**

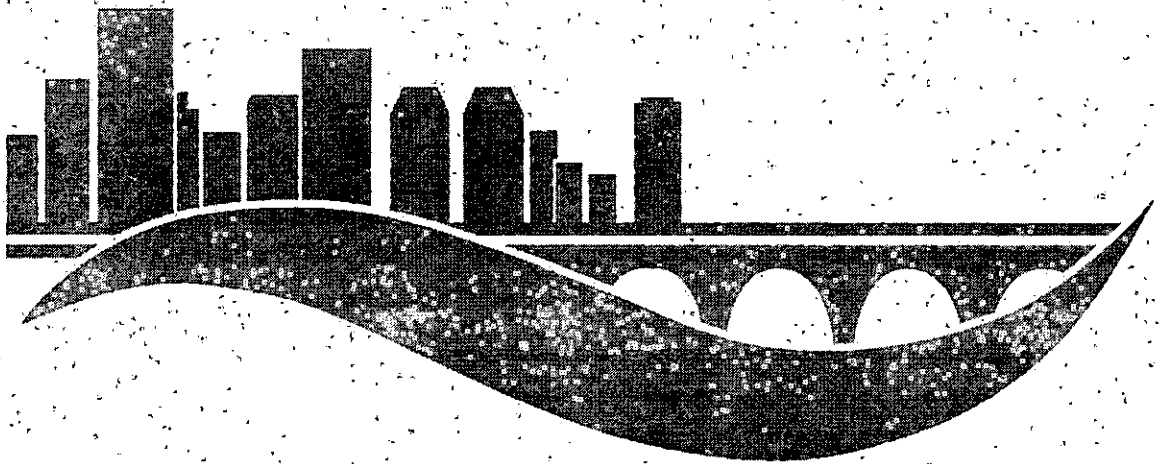
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Principal Payments				
General Obligation Bonds				
General Government	\$ 13,872,189	\$ 13,872,189	\$ 13,872,188	\$ 1
Streets and Bridges	2,338,390	2,338,390	2,338,390	--
Schools General Obligation Bonds	4,344,196	4,344,196	4,344,196	--
Schools Virginia Public Schools Authority Bonds	220,424	220,424	220,424	--
Landmark Theatre	501,485	501,485	501,485	--
Richmond Centre	642,920	642,920	642,920	--
Coliseum	593,013	593,013	593,012	1
Cemeteries	18,233	18,233	18,233	--
Public Utilities	10,875,205	10,875,205	10,875,205	--
Richmond Metropolitan Authority - Expressway Deck	295,731	295,731	295,731	--
Richmond Redevelopment Housing Authority - Theater Row Building	244,990	244,990	244,990	--
Hospital Authority of Richmond	17,473	17,473	17,473	--
Richmond Ambulance Authority	27,880	27,880	27,880	--
Internal Service Fund - Fleet Management	3,371,609	3,371,609	3,371,608	1
Total General Obligation Bonds	37,363,738	37,363,738	37,363,735	3
General Obligation Notes				
Hilton Notes	75,000	75,000	75,000	--
Serial Equipment Notes - General Fund	848,227	848,227	848,227	--
Serial Equipment Notes - Internal Service Funds	2,546,773	2,546,773	2,546,773	--
Total General Obligation Notes	3,470,000	3,470,000	3,470,000	--
Section 108 Housing and Urban Development Notes				
Permanent Notes	510,000	510,000	640,000	(130,000)
Total Section 108 Housing and Urban Development Notes	510,000	510,000	640,000	(130,000)
Total Principal Payments	41,343,738	41,343,738	41,473,735	(129,997)
Interest Payments				
General Obligation Bonds				
General Government	13,021,987	13,021,987	13,079,597	(57,610)
General Government Equipment	234,738	234,738	234,737	1
Streets and Bridges	2,344,429	2,344,429	2,344,428	1
Schools General Obligation Bonds	4,408,892	4,408,892	4,408,892	--
Schools Virginia Public Schools Authority Bonds	174,576	174,576	174,575	1
Landmark Theatre	311,450	311,450	311,450	--
Richmond Centre	839,503	839,503	839,503	--
Coliseum	783,564	783,564	788,453	(4,889)
Cemeteries	43,771	43,771	43,771	--
Public Utilities	14,330,416	14,330,416	14,330,416	--
Richmond Metropolitan Authority - Expressway Deck	926,186	926,186	926,186	--
Richmond Redevelopment Housing Authority - Theater Row Building	1,116,336	1,116,336	1,116,336	--
Hospital Authority of Richmond	26,279	26,279	26,278	1
Richmond Ambulance Authority	21,917	21,917	21,917	--
Internal Service Fund - Fleet Management	658,338	658,338	658,338	--
Total General Obligation Bonds	39,242,382	39,242,382	39,304,877	(62,495)
General Obligation Notes				
Hilton	3,750	3,750	3,750	--
Serial Equipment Notes - General Fund	58,705	58,705	58,704	1
Serial Equipment Notes - Internal Service Funds	181,090	181,090	181,090	--
Total General Obligation Notes	243,545	243,545	243,544	1
Section 108 Housing and Urban Development Notes				
Permanent Notes	418,072	418,072	468,112	(50,040)
Total Section 108 Housing and Urban Development Notes	418,072	418,072	468,112	(50,040)
Interest - Short Term Debt	1,312,500	1,312,500	287,950	1,024,550
Total Interest Payments	41,216,499	41,216,499	40,304,483	912,016
Issuance and Legal Costs	1,114,165	1,114,165	683,283	430,882
Total	\$ 83,674,402	\$ 83,674,402	\$ 82,461,501	\$ 1,212,901



EXHIBIT I-4

CITY OF RICHMOND, VIRGINIA
 BUDGETARY COMPARISON SCHEDULE
 CAPITAL PROJECTS FUNDS
 For the Fiscal Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental Revenue				
Regional STP Funds (TEA-21)	\$ 3,048,000	\$ 3,048,000	\$ -	\$ (3,048,000)
VDOT Urban Funds	1,000,000	1,000,000	10,516,738	9,516,738
Total Intergovernmental Revenue	4,048,000	4,048,000	10,516,738	6,468,738
Investment Earnings and Contributions				
Local Matches and Contributions	45,000	45,000	330,837	285,837
Total Investment Earnings	45,000	45,000	330,837	285,837
Miscellaneous Revenue	1,000,000	1,000,000	1,213,802	213,802
Total Revenues	5,093,000	5,093,000	12,061,377	6,968,377
Expenditures				
Capital Outlay:				
School Board	7,000,000	7,000,000	5,072,145	1,927,855
Infrastructure	12,371,000	12,371,000	10,982,936	1,388,064
Economic Development	19,310,000	19,310,000	6,035,867	13,274,133
Neighborhood Development	2,285,000	2,285,000	20,291,769	(18,006,769)
City Facilities	28,875,000	28,875,000	15,867,490	13,007,510
Total Expenditures	69,841,000	69,841,000	58,250,207	11,590,793
Excess of Revenues Over (Under) Expenditures	(64,748,000)	(64,748,000)	(46,188,830)	18,559,170
Other Financing Sources (Uses)				
Proceeds from Refunding General Obligation Bonds	-	6,917,780	9,300,000	2,382,220
Payments to Escrow Agent	-	(6,917,780)	(9,300,000)	2,382,220
Proceeds from Issuance of General Obligation Bonds	64,748,000	67,858,203	65,292,167	(2,566,036)
Premium on Issuance of Bonds	-	-	2,566,036	2,566,036
Transfers In-Other Funds	-	1,876,000	1,876,000	-
Transfers Out-Other Funds	-	(1,640,000)	(1,640,000)	-
Total Other Financing Sources, Net	64,748,000	68,094,203	68,094,203	4,764,440
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	3,346,203	21,905,373	23,323,610
Fund Balance - Beginning of Year	45,075,028	45,075,028	45,075,028	-
Fund Balance- End of Year	\$ 45,075,028	\$ 48,421,231	\$ 66,980,401	\$ 23,323,610





Non-major Proprietary Funds

Non-major 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 Non-major 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, 2004

	Coliseum	Landmark Theatre	Cemeteries	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 79,324	\$ --	\$ 20,533	\$ 99,857
Accounts Receivable, Net	284,404	25,949	115,464	425,817
Inventories of Material and Supplies	93,372	--	--	93,372
Prepaid Expenses and Other Current Assets	56,604	--	--	56,604
Total Current Assets	513,704	25,949	135,997	675,650
Noncurrent Assets:				
Capital Assets:				
Land	--	44,690	8,188,700	8,233,390
Buildings and Structures	13,398,845	9,294,597	601,429	23,294,871
Equipment	4,889,810	962,657	84,490	5,936,957
Less Accumulated Depreciation	(7,191,904)	(2,904,130)	(343,786)	(10,439,820)
Construction in Progress	--	1,144,069	216,259	1,360,328
Total Noncurrent Assets	11,096,751	8,541,883	8,747,092	28,385,726
Total Assets	\$ 11,610,455	\$ 8,567,832	\$ 8,883,089	\$ 29,061,376
Liabilities				
Current Liabilities:				
Accounts Payable	\$ 500,866	\$ 854	\$ 31,344	\$ 533,064
Accrued Liabilities	353,386	100,850	22,272	476,508
Due To Other Funds	100,000	2,209,389	--	2,309,389
Compensated Absences	--	26,610	79,462	106,072
Accrued Interest on Bonds and Notes Payable	319,202	100,616	15,766	435,584
General Obligation Bonds and Capital Leases	1,160,224	497,125	48,721	1,706,070
Total Current Liabilities	2,433,678	2,935,444	197,565	5,566,687
Noncurrent Liabilities:				
Compensated Absences	--	7,732	--	7,732
General Obligation Bonds and Capital Leases	12,431,278	4,977,537	566,684	17,975,499
Total Noncurrent Liabilities	12,431,278	4,985,269	566,684	17,983,231
Total Liabilities	14,864,956	7,920,713	764,249	23,549,918
Net Assets				
Invested In Capital Assets, Net of Related Debt	(2,494,751)	3,067,221	8,131,687	8,704,157
Unrestricted	(759,750)	(2,420,102)	(12,847)	(3,192,699)
Total Net Assets	\$ (3,254,501)	\$ 647,119	\$ 8,118,840	\$ 5,511,458



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, 2004

	Coliseum	Landmark Theatre	Cemeteries	Total
Operating Revenues				
Charges for Goods and Services	\$ 2,358,184	\$ 724,250	\$ 1,440,051	\$ 4,522,485
Operating Expenses				
Salaries and Wages	1,132,190	683,891	994,837	2,810,918
Materials and Supplies	329,116	15,903	34,408	379,427
Rents and Utilities	-	198,791	41,591	240,382
Maintenance and Repairs	113,434	153,526	4,604	271,564
Depreciation and Amortization	908,670	483,652	23,766	1,416,088
Miscellaneous Operating Expenses	917,241	42,850	249,477	1,209,568
Total Operating Expenses	3,400,651	1,578,613	1,348,683	6,327,947
Operating Income (Loss)	(1,042,467)	(854,363)	91,368	(1,805,462)
Non-Operating Revenues (Expenses)				
Government Subsidies and Contributions	\$ 1,381,465	\$ -	\$ -	\$ 1,381,465
Interest Income	2,079	-	-	2,079
Interest on Long-Term Debt	-	(297,730)	(37,177)	(334,907)
Miscellaneous Revenue	-	172,459	-	172,459
Miscellaneous (Expenses)	(751,623)	-	(4,122)	(755,745)
Total Non-Operating Revenues (Expenses)	631,921	(125,271)	(41,299)	465,351
Net Income (Loss) Before Transfers	(410,546)	(979,634)	50,069	(1,340,111)
Transfers In-Other Funds	500,000	812,935	62,663	1,375,598
Change in Net Assets	89,454	(166,699)	112,732	35,487
Net Assets - Beginning of Year, Restated	(3,343,955)	813,818	8,006,108	5,475,971
Net Assets - End of Year	\$ (3,254,501)	\$ 647,119	\$ 8,118,840	\$ 5,511,458



EXHIBIT J-3

**CITY OF RICHMOND, VIRGINIA
STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2004**

	Coliseum	Landmark Theatre	Cemeteries	Total
Cash Flows From Operating Activities				
Receipts from Customers	\$ 2,006,580	\$ 789,544	\$ 1,456,556	\$ 4,252,680
Payments to Suppliers	(1,620,597)	(483,944)	(265,983)	(2,370,524)
Payments to Employees	(1,151,819)	(698,140)	(994,094)	(2,844,053)
Other (Payments)	(23,837)	(420,395)	(238,609)	(682,841)
Net Cash (Used In) Operating Activities	(789,673)	(812,935)	(42,130)	(1,644,738)
Cash Flows From Noncapital Financing Activities				
Transfers	500,000	812,935	62,663	1,375,598
Net Cash Provided By Noncapital Financing Activities	500,000	812,935	62,663	1,375,598
Cash Flows From Capital and Related Financing Activities				
Acquisition of Capital Assets	(43,614)	--	--	(43,614)
Net Cash Provided By (Used In) Capital and Related Financing Activities	(43,614)	--	--	(43,614)
Cash Flows From Investing Activities				
Interest Earned on Operating Funds	2,079	--	--	2,079
Net Cash Provided By Investing Activities	2,079	--	--	2,079
Net Increase (Decrease) in Cash and Cash Equivalents	(331,208)	--	20,533	(310,675)
Cash and Cash Equivalents at July 1, 2003	410,532	--	--	410,532
Cash and Cash Equivalents at June 30, 2004	\$ 79,324	\$ --	\$ 20,533	\$ 99,857
Adjustments to Reconcile Operating Income (Loss) To Net Cash (Used In) Operating Activities				
Operating Income (Loss)	\$ (1,042,467)	\$ (854,363)	\$ 91,368	\$ (1,805,462)
Adjustment to Reconcile Operating Income (Loss) to Net Cash (Used In) Operating Activities:				
Depreciation	908,670	483,652	23,766	1,416,088
Miscellaneous Expenses	(23,837)	(1,871,945)	(23,560)	(1,919,342)
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:				
Accounts Receivable	(209,723)	1,209,263	16,505	1,016,145
Inventories of Material and Supplies	(11,245)	--	--	(11,245)
Prepaid Expenses	(19,692)	--	--	(19,692)
Accounts Payable	(329,869)	(73,276)	25,653	(377,492)
Accrued Liabilities	(161,510)	40,453	1,121	(119,936)
Due to Other Funds	100,000	264,244	(176,605)	187,639
Compensated Absences	--	(11,063)	(378)	(11,441)
Total Adjustments	252,794	41,428	(133,498)	160,724
Net Cash (Used In) Operating Activities	\$ (789,673)	\$ (812,935)	\$ (42,130)	\$ (1,644,738)
Supplemental Cash Flow Information				
Non-cash Transactions:				
GO Bonds Principal payments made by City Debt Service Fund on behalf of Fund	593,012	501,485	18,233	1,112,730
GO Bonds Interest payments made by City Debt Service Fund on behalf of Fund	788,453	311,450	43,771	1,143,674
Capital Lease Principal payments made by City Debt Service Fund on behalf of Fund	--	59,222	--	59,222
Capital Lease Interest payments made by City Debt Service Fund on behalf of Fund	--	29,166	--	29,166
Capital Assets acquired on behalf of Fund	--	1,144,069	216,259	1,360,328
GO Bonds refunded on behalf of Fund	533,806	1,236,995	61,420	1,832,221
Debt allocation to Fund	3,195,112	--	216,259	3,411,371



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, 2004**

	Fleet Management	Radio Maintenance	Risk Management	Public Works Stores	Electric Utility	Stores and Transportation Division	Total
Assets							
Current Assets:							
Cash and Cash Equivalents	\$ --	\$ --	\$ 10,415,850	\$ 438,768	\$ --	\$ 31,487,975	\$ 42,342,593
Accounts Receivable, Net	355,772	188,657	--	--	1,832,134	68	2,376,631
Due From Other Governments	14,249	5,149	--	--	--	--	19,398
Inventory	7,611	29,767	--	408,766	--	3,630,463	4,076,607
Prepaid Expenses	--	--	486,000	--	154,778	277,553	918,331
Total Current Assets	377,632	223,573	10,901,850	847,534	1,986,912	35,396,059	49,733,560
Noncurrent Assets:							
Advances to Other Funds	--	--	--	--	3,294,908	--	3,294,908
Deferred Expenses	--	--	--	--	49,388	--	49,388
Capital Assets:							
Land	98,000	--	--	--	--	--	98,000
Buildings and Structures	988,093	--	--	--	36,186,398	57,558,114	94,732,605
Equipment	58,969,843	96,108	--	22,136	--	--	59,088,087
Less Accumulated Depreciation	(33,934,377)	(96,108)	--	(21,229)	(18,118,391)	(33,132,430)	(85,302,535)
Construction in Progress	--	--	--	--	3,481,963	5,135,005	8,616,968
Total Capital Assets	26,121,559	--	--	907	21,549,970	29,560,689	77,233,125
Total Noncurrent Assets	26,121,559	--	--	907	24,894,266	29,560,689	80,577,421
Total Assets	\$ 25,499,191	\$ 223,573	\$ 10,901,850	\$ 848,441	\$ 26,881,178	\$ 64,956,748	\$ 130,310,981
Liabilities							
Current Liabilities:							
Accounts Payable	\$ 448,991	\$ 65,177	\$ 21,375	\$ 57,582	\$ 157,031	\$ 1,211,621	\$ 1,961,777
Accrued Liabilities	59,086	9,233	41,286	4,150	763,633	149,624	1,027,012
Due to Other Funds	1,937,232	336,578	--	--	2,620,449	--	4,894,259
Accrued Interest on Bonds and Notes Payable	259,077	--	--	--	1,867,176	--	2,126,253
General Obligation Bonds Payable	3,371,600	--	--	--	97,695	--	3,469,295
Notes Payable	1,386,408	--	--	--	--	--	1,386,408
Compensated Absences	50,453	2,885	15,371	10,642	104,552	59,498	243,401
Other Liabilities and Claims	--	--	5,713,070	--	--	--	5,713,070
Total Current Liabilities	7,512,847	413,873	5,791,102	72,374	5,610,536	1,420,743	20,821,475
Noncurrent Liabilities:							
Accreted Interest	--	--	--	--	104,826	--	104,826
Deferred Revenue	--	--	--	--	348,552	97	348,649
General Obligation Bonds Payable	10,712,100	--	--	--	2,088,535	--	12,800,635
Compensated Absences	123,559	17,449	6,378	5,304	12,503	20,479	185,672
Other Liabilities and Claims	--	--	16,259,724	--	--	--	16,259,724
Advances from Other Funds	150	--	--	--	--	63,515,429	63,515,579
Total Noncurrent Liabilities	10,835,809	17,449	16,266,102	5,304	2,554,416	63,536,005	93,215,085
Total Liabilities	18,348,656	431,322	22,057,204	77,678	8,164,952	64,956,748	114,036,560
Net Assets							
Invested in Capital Assets, Net of Related Debt Unrestricted	10,651,451	(207,749)	(11,155,354)	907	19,258,914	29,560,689	59,471,961
	(2,500,916)	(207,749)	(11,155,354)	769,856	(542,688)	(29,560,689)	(43,197,540)
Total Net Assets	\$ 8,150,535	\$ (207,749)	\$ (11,155,354)	\$ 770,763	\$ 18,716,226	\$ --	\$ 16,274,421



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, 2004

	Fleet Management	Radio Maintenance	Risk Management	Public Works Stores	Electric Utility	Stores and Transportation Division	Total
Operating Revenues							
Charges for Goods and Services	\$ 15,908,750	\$ 928,936	\$ 11,299,841	\$ 1,140,265	\$ 7,324,684	\$ 5,278,929	\$ 41,881,405
Operating Expenses							
Cost of Goods and Services Sold	6,583,194	733,125	--	781,757	--	--	8,098,076
Salaries and Wages	1,220,888	166,214	256,322	185,741	1,235,092	522,404	3,586,661
Data Processing	106,151	--	--	--	--	--	106,151
Materials and Supplies	127,858	10,326	4,260	2,360	650,166	8,517	803,487
Rents and Utilities	243,337	41,525	9,592	43,464	2,076,112	16,858	2,430,888
Maintenance and Repairs	80,966	41,175	--	28,785	391,609	--	542,535
Depreciation and Amortization	4,987,034	7,950	--	726	1,295,903	4,027,888	10,319,501
Claims and Settlements	--	--	11,589,498	--	--	--	11,589,498
Miscellaneous Operating Expenses	1,328,740	50,724	962,333	--	727,397	771,806	3,841,000
Total Operating Expenses	14,678,168	1,051,039	12,822,005	1,042,833	6,376,279	5,347,473	41,317,797
Operating Income (Loss)	1,230,582	(122,103)	(1,522,164)	97,432	948,405	(68,544)	563,608
Non-Operating Revenues (Expenses)							
Government Subsidies and Contributions	--	--	--	--	20,750	--	20,750
Interest on Long-Term Debt	(723,021)	--	--	--	(615,293)	--	(1,338,314)
Miscellaneous Revenue	1,670,010	--	133,313	--	14,910	68,544	1,886,777
Miscellaneous (Expense)	(214,999)	(74)	--	--	(8,811)	--	(223,884)
Total Non-Operating Revenues (Expenses)	731,990	(74)	133,313	--	(588,444)	68,544	345,329
Net Income (Loss) Before Transfers	1,962,572	(122,177)	(1,388,851)	97,432	359,961	--	908,937
Change In Net Assets	1,962,572	(122,177)	(1,388,851)	97,432	359,961	--	908,937
Net Assets - Beginning of Year	6,187,963	(85,572)	(9,766,503)	673,331	18,356,265	--	15,365,484
Net Assets - End of Year	\$ 8,150,535	\$ (207,749)	\$ (11,155,354)	\$ 770,763	\$ 18,716,226	\$ --	\$ 16,274,421



EXHIBIT K-3

**CITY OF RICHMOND, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2004**

	Fleet Management	Radio Maintenance	Risk Management	Public Works Stores	Electric Utility	Stores and Transportation Division	Total
Cash Flows From Operating Activities							
Receipts from Customers	\$ 15,828,904	\$ 1,098,565	\$ 11,299,841	\$ 1,140,265	\$ 8,220,034	\$ 5,281,489	\$ 42,869,098
Payments to Suppliers	(8,529,155)	(869,833)	(5,469,917)	(98,766)	(3,216,614)	--	(18,184,285)
Payments to Employees	(1,411,086)	(304,433)	(5,325,825)	(240,449)	(1,828,291)	(520,622)	(9,630,706)
Payments to Other Funds	--	--	--	--	(1,691,751)	(558,272)	(2,250,023)
Other Receipts or (Payments)	3,524,005	83,651	133,313	(797,143)	67,370	225,000	3,236,196
Net Cash Provided By Operating Activities	9,412,668	7,950	637,412	3,907	1,550,748	4,427,595	16,040,280
Cash Flows From Capital and Related Financing Activities							
Acquisition of Fixed Assets	(5,800,275)	(7,950)	--	--	(1,363,178)	(3,575,268)	(10,746,671)
Proceeds from Issuance of GO Bonds	3,000,000	--	--	--	--	--	3,000,000
Repayments of Revenue and GO Bonds	(3,371,608)	--	--	--	(96,769)	--	(3,468,377)
Repayments of Notes Payable	(2,546,773)	--	--	--	--	--	(2,546,773)
Interest Paid on Long-Term Debt	(839,427)	--	--	--	(111,551)	--	(950,978)
Net Cash (Used In) Capital and Related Financing Activities	(9,558,083)	(7,950)	--	--	(1,571,498)	(3,575,268)	(14,712,799)
Cash Flows From Noncapital Financing Activities							
Government Subsidies and Contributions	--	--	--	--	20,750	--	20,750
Net Cash Provided By Noncapital Financing Activities	--	--	--	--	20,750	--	20,750
Net Increase (Decrease) in Cash and Cash Equivalents	(145,415)	--	637,412	3,907	--	852,327	1,348,231
Cash and Cash Equivalents at July 1, 2003	145,415	--	9,778,438	434,861	--	30,635,648	40,994,362
Cash and Cash Equivalents at June 30, 2004	\$ --	\$ --	\$ 10,415,850	\$ 438,768	\$ --	\$ 31,487,975	\$ 42,342,593
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities							
Operating Income (Loss)	\$ 1,230,582	\$ (122,103)	\$ (1,522,164)	\$ 97,432	\$ 948,405	\$ (68,544)	\$ 563,608
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities:							
Depreciation	4,987,034	7,950	--	726	1,295,903	4,027,888	10,319,501
Miscellaneous Revenues (Expenses)	1,846,000	(74)	133,313	--	6,099	68,544	2,053,882
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:							
Accounts Receivable	(77,956)	(18,422)	--	--	895,349	2,560	801,531
Due From Other Governments	(1,890)	(547)	--	--	--	--	(2,437)
Inventories of Material and Supplies	(3,004)	58,135	--	(14,559)	--	(215,234)	(174,662)
Prepaid Expenses	--	--	--	--	10,180	2,758	12,938
Deferred Expenses	--	--	--	--	61,269	35,248	96,517
Accounts Payable	(55,905)	65,177	(178,348)	(24,985)	(103,310)	527,453	230,082
Accrued Liabilities	(444,323)	(8,389)	(37,826)	(5,332)	(594,799)	19,971	(1,070,698)
Due to Other Funds	1,937,232	23,699	--	--	(943,418)	--	1,017,513
Deferred Revenue	--	--	--	--	(38,903)	(35,151)	(74,054)
Compensated Absences	(5,102)	2,524	(48,297)	(49,375)	13,973	62,102	(24,175)
Other Liabilities and Claims	--	--	2,290,734	--	--	--	2,290,734
Total Adjustments	8,182,086	130,053	2,159,576	(93,525)	602,343	4,496,139	15,476,672
Net Cash Provided By Operating Activities	\$ 9,412,668	\$ 7,950	\$ 637,412	\$ 3,907	\$ 1,550,748	\$ 4,427,595	\$ 16,040,280



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 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, 2004

	Richmond Retirement System	Other Employee Benefits	Total
Assets:			
Cash and Short-term Investments	\$ 14,556,538	\$ -	\$ 14,556,538
Receivables			
Due from Brokers on Sale of Securities	9,975,921	-	9,975,921
Due From Other Governments	973,267	-	973,267
Interest and dividends	2,203,022	-	2,203,022
Employee Loans Receivable	-	973,075	973,075
Investments, at Fair Value:			
U.S. Domestic and Agency	55,075,669	39,663,613	94,739,282
Corporate Bonds	43,040,147	-	43,040,147
Common Stock	199,445,639	-	199,445,639
International Stocks	74,970,148	-	74,970,148
International Bonds	34,443,332	-	34,443,332
Real Estate Investment Trusts	21,033,086	-	21,033,086
Cash Collateral Received - Security Lending Program	40,141,337	-	40,141,337
Total Investments, at Fair Value	468,149,358	39,663,613	507,812,971
Total Assets	495,858,106	40,636,688	536,494,794
Liabilities:			
Accounts Payable	1,061,227	-	1,061,227
Payable for Collateral Received - Security Lending Program	40,141,337	-	40,141,337
Due to Other Governments	2,336,189	-	2,336,189
Due to Various Agents	11,385,499	-	11,385,499
Total Liabilities	54,924,252	-	54,924,252
Net Assets Held in Trust for Pension Benefits and Other Purposes	\$ 440,933,854	\$ 40,636,688	\$ 481,570,542



EXHIBIT L-2

**CITY OF RICHMOND, VIRGINIA
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2004**

	Richmond Retirement System	Other Employee Benefits	Total
Additions:			
Contributions:			
Other Governments	\$ 20,077,785	\$ 3,930,952	\$ 24,008,737
Richmond Behavioral Health Authority	1,040,095	-	1,040,095
Richmond Public Schools	323,845	-	323,845
Plan members	735,365	-	735,365
Investment Income:			
Appreciation in fair value of investments	58,932,935	-	58,932,935
Interest	5,607,835	4,644,835	10,252,670
Dividends	2,799,431	39,461	2,838,892
Net Income Earned On Securities Lending Transactions:			
Securities Lending Income	421,155	-	421,155
Securities Lending Expense	(363,114)	-	(363,114)
Total Net Income Earned on Securities Lending Transactions	58,041	-	58,041
Investment Income	67,398,242	4,684,296	72,082,538
Less Investment Expense	2,336,189	-	2,336,189
Net Investment Income	65,062,053	4,684,296	69,746,349
Total additions	87,239,143	8,615,248	95,854,391
Deductions:			
Benefits	44,980,578	2,316,958	47,297,536
Administrative Expenses	960,187	7,485	967,672
Total deductions	45,940,765	2,324,443	48,265,208
Net Increase	41,298,378	6,290,805	47,589,183
Net Assets Held In Trust For Pension Benefits and Other Purposes - Beginning of Year	399,635,476	34,345,883	433,981,359
Net Assets Held In Trust For Pension Benefits and Other Purposes - End of Year	\$ 440,933,854	\$ 40,636,688	\$ 481,570,542



EXHIBIT L-3

CITY OF RICHMOND, VIRGINIA
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year June 30, 2004

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Assets				
Cash and Cash Equivalents	\$ 1,541,685	\$ 7,529,686	\$ 7,815,273	\$ 1,256,098
Total Assets	<u>\$ 1,541,685</u>	<u>\$ 7,529,686</u>	<u>\$ 7,815,273</u>	<u>\$ 1,256,098</u>
Liabilities:				
Accounts Payable	158,206	30,105	158,206	30,105
Refundable Deposits	411,699	408,008	426,559	393,148
Due to Various Agents	971,780	7,070,693	7,209,628	832,845
Total Liabilities	<u>\$ 1,541,685</u>	<u>\$ 7,508,806</u>	<u>\$ 7,794,393</u>	<u>\$ 1,256,098</u>



**CITY OF RICHMOND, VIRGINIA
MISCELLANEOUS STATISTICAL DATA
June 30, 2004**

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. Effective January 2005, the Virginia General Assembly authorized an elected Mayor form of government.

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 - 2004
- \$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

Tangible Personal Property:

- \$3.70 per \$100 of Assessed Value: 1992 - 2004
- \$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 - 2004
- \$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 6% on prepared meals sold in the City in addition to the Sales Tax, effective January 1 2004. The 1% increase from the prior meals tax will be deposited into a special fund for the development of a downtown performing arts center.

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:

It is the policy of the City that general fund supported debt, including bonds authorized and unissued, will be limited by any one of the following:

- The amount 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**

Fiscal Year	Population	Assessed Value of Real Estate	Bonded Debt	Percentage of Bonded Debt to Assessed Value	Bonded Debt Per Capita
			General Fund Supported ⁽¹⁾	General Fund Supported	General Fund Supported
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%	1,924
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%	1,989
2003	194,729	11,966,770,076	400,596,129	3.35%	2,057
2004	N/A	13,258,457,394	442,729,081	3.34%	N/A

Source: Department of Finance.

⁽¹⁾ Does not include general obligation self supporting public utility debt totalling \$253,075,415, public utility revenue debt of \$256,891,626, 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**

Fiscal Year	General Fund Expenditures and Transfers	General Fund Supported Debt Service ⁽¹⁾	Percentage of General Fund Debt Service to Total Expenditures and Transfers
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%
2004	528,160,668	37,565,084	7.11%

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>
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
2003-04	950,082,811	84,912,167	58,151,832	976,843,146 ⁽¹⁾

BONDS AND NOTES AUTHORIZED BUT UNISSUED

Total General Obligation Bonds and Notes Authorized but Unissued	\$ 541,389,802 ⁽²⁾
Less: Public Utility Authorized to be issued as Revenue Bonds	(437,631,766)
Net General Obligation Bonds and Notes Authorized but Unissued	<u>\$ 103,758,036</u>

**SCHEDULE OF LEGAL DEBT MARGIN
For the Fiscal Year Ended June 30, 2004**

Legal Debt Limit	
10% of Assessed Value of Taxable Real Estate as of January 1, 2004 (\$13,258,457,394) ⁽³⁾	\$ 1,325,845,739
Deduct	
Bonds and Notes Payable ⁽⁴⁾	738,231,520
Legal Margin for Creating Additional General Obligation Debt	<u>\$ 587,614,219</u>

⁽¹⁾ Does not include Certificates of Participation of \$18,225,000

⁽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.

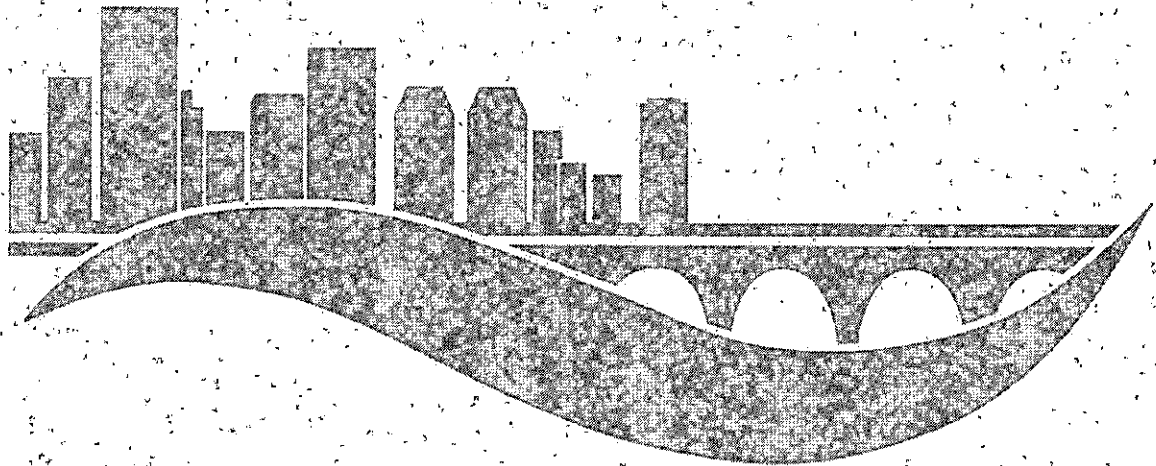
⁽⁴⁾ Does not include \$256,891,626 City of Richmond Public Utility Revenue bonds, which, by State law, are not required to be included in calculations for legal margin for creation of additional debt.

GENERAL OBLIGATION BOND CREDIT RATING

Moody's Investor's Service (For October 2002)	Aa3
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	AA-
Fitch IBCA	AA-





CITY OF RICHMOND, VIRGINIA
RETIREMENT SCHEDULE OF GENERAL OBLIGATION DEBT BY SOURCE
June 30, 2004

Fiscal Year	Secured By Pledge Of Public Utility Revenue - Enterprise Funds			To be Paid From Project Revenue from RAA, RMA, & HAR			Total
	Principal	Interest	Total	Principal	Interest	Total	
2005	\$ 11,408,218	\$ 13,557,236	\$ 24,965,454	\$ 427,754	\$ 956,528	\$ 1,384,282	\$ 11,835,972
2006	9,906,333	13,429,972	23,336,304	666,557	936,438	1,602,995	10,572,890
2007	10,342,669	13,040,546	23,383,215	718,055	903,779	1,621,834	11,060,724
2008	10,739,589	13,167,234	23,906,823	789,098	867,443	1,656,541	11,528,687
2009	12,846,852	11,336,744	24,183,596	706,577	826,649	1,533,226	13,553,429
2010	13,625,377	11,447,054	25,072,431	917,048	768,177	1,685,225	14,542,425
2011	14,864,412	9,537,507	24,401,919	1,053,649	692,727	1,746,376	15,918,061
2012	15,327,981	8,814,663	24,142,644	1,004,480	638,466	1,642,946	16,332,461
2013	16,182,906	7,997,299	24,180,205	1,100,332	585,845	1,686,177	17,283,238
2014	17,128,848	7,130,289	24,259,137	1,117,919	528,992	1,646,911	18,246,767
2015	16,432,724	6,281,161	22,713,884	1,245,820	468,632	1,714,452	17,678,544
2016	17,433,868	5,398,658	22,832,525	1,387,484	399,692	1,787,176	18,821,352
2017	20,225,934	4,378,581	24,604,514	1,494,468	322,349	1,816,817	21,720,402
2018	21,324,429	3,300,323	24,624,752	1,655,338	239,667	1,895,005	22,979,767
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
2025	--	--	--	--	--	--	--
Total	\$ 253,564,751	\$ 134,569,598	\$ 388,134,349	\$ 18,021,993	\$ 9,336,228	\$ 27,358,221	\$ 271,586,744



Self Supporting Debt Service		Paid From Ad Valorem Taxes			Total Outstanding General Obligation Debt		
Interest	Total	Principal	Interest	Total	Principal	Interest	Total
\$ 14,513,764	\$ 26,349,736	\$ 30,766,216	\$ 12,566,712	\$ 43,332,927	\$ 42,602,188	\$ 27,080,475	\$ 69,682,663
14,366,410	24,939,300	34,798,566	24,038,882	58,837,447	45,371,455	38,405,292	83,776,747
13,944,325	25,005,049	34,210,187	22,583,712	56,793,900	45,270,911	36,528,037	81,798,948
14,034,678	25,563,364	31,599,583	20,588,583	52,188,167	43,128,270	34,623,261	77,751,531
12,163,393	25,716,822	27,099,158	20,568,112	47,667,270	40,652,586	32,731,505	73,384,092
12,215,231	26,757,656	26,957,286	16,327,390	43,284,676	41,499,711	28,542,622	70,042,332
10,230,235	26,148,295	24,201,306	12,473,882	36,675,188	40,119,366	22,704,117	62,823,483
9,453,129	25,785,589	21,184,060	11,247,952	32,432,011	37,516,520	20,701,081	58,217,601
8,583,144	25,866,382	21,470,253	10,185,497	31,655,750	38,753,490	18,768,641	57,522,132
7,659,281	25,906,048	19,358,918	9,169,598	28,528,515	37,605,684	16,828,879	54,434,563
6,749,793	24,428,336	19,614,574	8,213,490	27,828,063	37,293,117	14,963,283	52,256,400
5,798,350	24,619,701	19,899,329	7,205,202	27,104,531	38,720,680	13,003,552	51,724,232
4,700,930	26,421,331	16,933,009	6,243,987	23,176,995	38,653,410	10,944,916	49,598,326
3,539,990	26,519,757	17,241,553	5,399,392	22,640,945	40,221,319	8,939,383	49,160,702
2,314,060	14,683,485	17,363,387	4,544,599	21,907,986	29,732,811	6,858,659	36,591,470
1,672,683	14,758,485	16,369,198	3,711,021	20,080,219	29,455,000	5,383,704	34,838,704
1,065,707	12,644,642	16,621,065	2,891,628	19,512,693	28,200,000	3,957,334	32,157,334
496,100	4,530,035	16,996,065	2,063,664	19,059,729	21,030,000	2,559,764	23,589,764
302,617	4,451,552	15,691,065	1,254,408	16,945,473	19,840,000	1,557,025	21,397,025
102,006	4,397,006	11,385,000	583,119	11,968,119	15,680,000	685,125	16,365,125
		2,480,000	62,000	2,542,000	2,480,000	62,000	2,542,000
\$ 143,905,826	\$ 415,492,571	\$ 442,239,775	\$ 201,922,828	\$ 644,162,603	\$ 713,826,519	\$ 345,828,654	\$ 1,059,655,174



**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	
1995	164,264,000	117,472,000	46,792,000	11,341,000	20,810,000	32,151,000	1.46
1996	184,622,000	136,438,000	48,184,000	10,850,000	20,151,000	31,001,000	1.55
1997	190,484,000	143,085,000	47,399,575	10,984,000	19,711,000	30,696,694	1.54
1998	191,538,000	142,658,000	48,880,000	10,850,000	20,808,000	31,658,000	1.54
1999	185,353,000	133,333,000	52,020,000	11,006,000	22,289,000	33,295,000	1.56
2000	199,211,000	148,082,000	51,129,000	11,338,000	22,381,000	33,719,000	1.52
2001	250,206,000	202,824,000	47,382,000	13,568,000	23,693,000	37,261,000	1.27
2002	222,446,000	174,450,000	47,996,000	11,625,000	19,252,000	30,877,000	1.55
2003	257,454,000	199,971,000	57,483,000	18,358,000	20,795,000	39,153,000	1.47
2004	280,923,000	216,656,000	64,267,000	18,456,000	20,606,000	39,062,000	1.65

* 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.
1995	196,200	25,537	27,736	5.4%	4.5%	5.6%
1996	193,000	26,361	28,131	5.5%	4.4%	5.4%
1997	193,700	26,863	28,318	5.0%	4.0%	4.9%
1998	192,500	27,433	28,126	3.9%	2.9%	4.5%
1999	191,300	27,985	28,182	3.5%	2.8%	4.2%
2000	197,450	29,852	27,556	2.9%	2.2%	4.0%
2001	197,478	31,443	27,157	4.9%	3.4%	4.7%
2002	196,571	32,237	26,284	6.2%	4.1%	5.8%
2003	194,729	32,268	26,136	6.5%	4.1%	6.0%
2004	N/A	32,676	25,545	6.7%	3.6%	5.7%

⁽¹⁾ Source: U.S. Census Bureau, Population Estimates Program, last revised October 3, 2003.

⁽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 2004.



**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF PRINCIPAL TAXPAYERS
2004 Assessed Values as of January 1, 2004**

	<u>Assessment</u>	
Philip Morris, Inc. & Philip Morris, USA	\$ 228,442,600	1.72%
Boston Properties	176,400,000	1.33%
Sun Trust Banks, Inc.	156,225,200	1.18%
Federal Reserve Bank of Richmond	152,445,900	1.15%
Chippenham Hospital, Inc.	92,258,400	0.70%
Orton Val T Trustee	76,118,500	0.57%
One James Center Associates	64,760,000	0.49%
Ethyl Corporation	62,097,600	0.47%
First States Investors 3500 LLC	55,120,000	0.42%
Two James Center Associates	52,120,000	0.39%
Stoney Point Associates LLC	50,400,000	0.38%
Highwoods Realty Limited Partnership	46,092,000	0.35%
Dominion Resources, Inc.	46,089,000	0.35%
American Retirement Corp.	42,163,900	0.32%
AH Robins	40,639,200	0.31%
AAPOP, LLP	37,142,800	0.28%
Alleghany Warehouse Co., Inc.	36,265,600	0.27%
Eighth & Main LP	33,032,600	0.25%
S J W Limited Partnership	29,856,000	0.23%
Richmond Center Associates	29,394,000	0.22%
Historic Hotels LLC	26,858,000	0.20%
Omni Center Corporation	25,790,000	0.19%
SCDHC-Southwood, LLC	24,896,300	0.19%
CRIT-VA, Inc.	24,337,100	0.18%
Total	<u>1,608,944,700</u>	<u>12.14%</u>
All Other Properties	11,649,512,694	87.86%
Total Taxable Assessed Value	<u>\$ 13,258,457,394</u>	<u>100.00%</u>

Source: City Real Estate Assessor

**LARGEST EMPLOYERS*
As of June 30, 2004**

	<u>Approximate No. of Employees</u>
Commonwealth of Virginia	39,200
Federal Government	15,100
Chesterfield County	9,995
Henrico County	9,484
Capital One Financial Corp.	9,018
Richmond City	8,761
Philip Morris, USA	6,462
HCA, Inc.	6,454
Virginia Commonwealth University Health System	6,216
Wal-mart Stores, Inc.	5,804
Wachovia Corporation	4,521
Bon Secours Richmond Health System	4,044
Dominion Resources, Inc.	3,804
Ukrop's Super Markets, Inc.	3,646
Hanover County	3,584
Sun Trust Banks, Inc.	3,498
DuPont	3,190
Anthem, Inc.	3,110
Circuit City Stores, Inc.	3,072
Bank of America Corporation	2,717
Verizon Virginia, Inc.	2,550
Delhaize America (Food Lion)	2,000
Honeywell International Inc.	1,903
Infineon Technologies Richmond	1,755
Alcoa, Inc.	1,663

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>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>
City Taxes	\$ 257,887,297	\$ 258,852,626	\$ 267,350,285	\$ 274,117,048
Licenses, Permits and Privilege Fees	25,790,501	26,119,721	26,068,055	26,679,229
Intergovernmental	62,231,400	64,767,814	70,195,356	79,349,158
Service Charges	17,427,439	17,621,351	17,021,893	14,776,154
Fines and Forfeitures	5,082,150	4,744,014	4,873,149	5,173,020
Payment in Lieu of Taxes	—	—	—	—
Miscellaneous	21,767,966	24,539,473	24,647,537	24,199,426
Total Revenues	390,186,753	396,644,999	410,156,275	424,294,035
Other Financing Sources	6,602,488	4,152,400	7,245,547	6,571,177
Special Item - Disaster Recovery	—	—	—	—
Total Revenues, Financing Sources, and Special Item	\$ 396,789,241	\$ 400,797,399	\$ 417,401,822	\$ 430,865,212

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

<u>Function</u>	<u>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>
General Government	\$ 30,513,806	\$ 30,629,191	\$ 33,842,474	\$ 28,143,537
Public Safety and Judiciary	91,063,881	91,260,162	97,298,435	104,723,624
Highways, Streets, Sanitation and Refuse	32,990,128	32,821,024	33,052,079	40,143,984
Human Services	32,005,123	33,681,283	38,187,379	44,005,632
Culture and Recreation	18,368,558	16,272,958	16,813,876	16,519,762
Non-departmental	18,557,495	23,420,261	26,794,101	29,074,152
Education	—	—	—	—
Debt Service	30,791,873	29,570,455	31,189,392	26,911,503
Total Expenditures	254,290,864	257,655,334	277,177,736	289,522,194
Other Financing Uses	167,872,479	165,193,082	168,747,323	167,103,156
Extraordinary Item - Disaster Costs	—	—	—	—
Total Expenditures, Other Financing Uses, and Extraordinary Item	\$ 422,163,343	\$ 422,848,416	\$ 445,925,059	\$ 456,625,350



<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
\$ 265,002,918	\$ 276,103,556	\$ 292,646,985	\$ 299,399,915	\$ 306,292,416	\$ 317,204,260
28,133,557	29,873,435	30,799,567	32,890,826	33,259,137	31,821,328
85,464,283	97,876,497	102,352,886	106,275,069	107,442,810	110,466,292
16,370,280	17,277,579	16,251,466	16,866,068	17,924,528	14,933,169
6,018,244	6,194,670	6,376,530	8,646,605	7,774,458	8,559,606
18,801,872	17,120,170	16,179,103	16,518,950	17,518,465	18,102,353
4,926,941	6,752,282	8,565,983	6,302,317	5,717,780	5,846,143
424,718,095	451,198,189	473,172,520	486,899,750	495,929,594	506,933,151
4,882,580	4,296,160	3,062,706	6,309,172	4,535,298	8,432,100
--	--	--	--	--	12,754,707
<u>\$ 429,600,675</u>	<u>\$ 455,494,349</u>	<u>\$ 476,235,226</u>	<u>\$ 493,208,922</u>	<u>\$ 500,464,892</u>	<u>\$ 528,119,958</u>

<u>1998-99</u>	<u>1999-2000</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
\$ 29,264,696	\$ 32,260,046	\$ 35,431,321	\$ 45,431,159	\$ 48,127,130	\$ 50,240,734
111,644,647	117,959,864	113,906,257	122,182,062	127,096,129	133,796,611
40,880,893	40,068,426	43,046,276	43,917,326	45,549,587	43,393,419
47,168,525	53,709,928	55,452,961	60,319,298	64,105,652	61,343,351
16,481,775	18,949,357	20,092,430	20,819,038	20,715,896	22,140,574
29,219,373	31,017,235	32,195,041	26,410,541	23,461,527	25,153,039
--	--	--	125,669,753	128,823,925	131,762,289
22,433,170	27,703,813	31,861,806	32,634,406	33,881,575	37,565,084
297,093,079	321,668,669	331,986,092	477,383,583	491,761,421	505,395,101
153,652,626	157,585,769	162,525,026	40,479,669	6,064,891	8,037,092
--	--	--	--	--	14,728,475
<u>\$ 450,745,705</u>	<u>\$ 479,254,438</u>	<u>\$ 494,511,118</u>	<u>\$ 517,863,252</u>	<u>\$ 497,826,312</u>	<u>\$ 528,160,668</u>



**CITY OF RICHMOND, VIRGINIA
SCHEDULE OF REAL ESTATE TAX LEVIES AND
COLLECTIONS FOR THE LAST TEN YEARS
AS OF AUGUST 31, 2004**

<u>Tax Year</u>	<u>Tax Rate</u>	<u>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>
1995	1.445	121,695,693	117,845,681	96.8%	3,769,217	121,614,898	99.9%	434,359	0.4%
1996	1.445	123,789,439	119,568,500	96.6%	3,902,346	123,470,846	99.7%	422,292	0.3%
1997	1.430	124,519,766	120,128,286	96.5%	2,898,599	123,026,885	98.8%	418,895	0.3%
1998	1.430	129,118,215	125,300,720	97.0%	2,107,690	127,408,410	98.7%	467,716	0.4%
1999	1.430	132,833,908	128,308,498	96.6%	1,451,563	129,760,061	97.7%	676,112	0.5%
2000	1.430	136,171,412	131,041,226	96.2%	7,940,112	138,981,338	102.1%	618,207	0.5%
2001	1.410	147,235,718	139,820,593	95.0%	4,336,433	144,157,026	97.9%	951,561	0.6%
2002	1.390	162,359,912	153,719,867	94.7%	5,221,188	158,941,055	97.9%	1,500,062	0.9%
2003	1.380	175,100,400	165,330,253	94.4%	9,498,935	174,829,188	99.8%	3,339,464	1.9%
2004	1.380	184,806,582	179,024,489	96.9%	7,715,852	186,740,341	101.0%	9,672,072	5.2%

**SCHEDULE OF PERSONAL PROPERTY TAX LEVIES AND
COLLECTIONS FOR THE LAST TEN YEARS
AS OF AUGUST 31, 2004**

<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>
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%	—	0.0%
1998	3.70	43,833,317	40,399,621	92.2%	3,038,805	43,438,426	99.1%	—	0.0%
1999	3.70	43,204,634	39,211,559	90.8%	3,577,421	42,788,980	99.0%	1,649,661	3.8%
2000	3.70	48,336,851	43,201,233	89.4%	4,865,852	48,067,085	99.4%	1,378,076	2.9%
2001	3.70	50,255,928	42,719,428	85.0%	5,835,595	48,555,023	96.6%	2,042,624	4.1%
2002	3.70	49,798,693	42,133,029	84.6%	4,985,632	47,118,661	94.6%	2,703,278	5.4%
2003	3.70	45,967,435	41,662,589	90.6%	3,504,544	45,167,134	98.3%	4,055,820	8.8%
2004	3.70	43,892,886	42,080,193	95.9%	2,596,456	44,676,649	101.8%	7,439,370	16.9%

- (1) This column represents tax collections on the tax levy within the respective tax year reporting period.
 (2) This column represents delinquent taxes collected within the respective reporting period.
 (3) This column represents delinquent tax for the reporting period.



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

<u>Year</u>	<u>Property Values (1)</u>	<u>Construction (2)</u>	<u>Bank Deposits (3)</u>
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
2004	16,635,424,889	240,000,000	11,733,000,000

(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

(5) Construction Value for 2004:

\$100,000,000 - Stony Point Mall

\$100,000,000 - New Target and Ukrop's Shopping Center

\$24,000,000 - City Hall Renovations

\$16,000,000 - River View Construction

(6) 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**

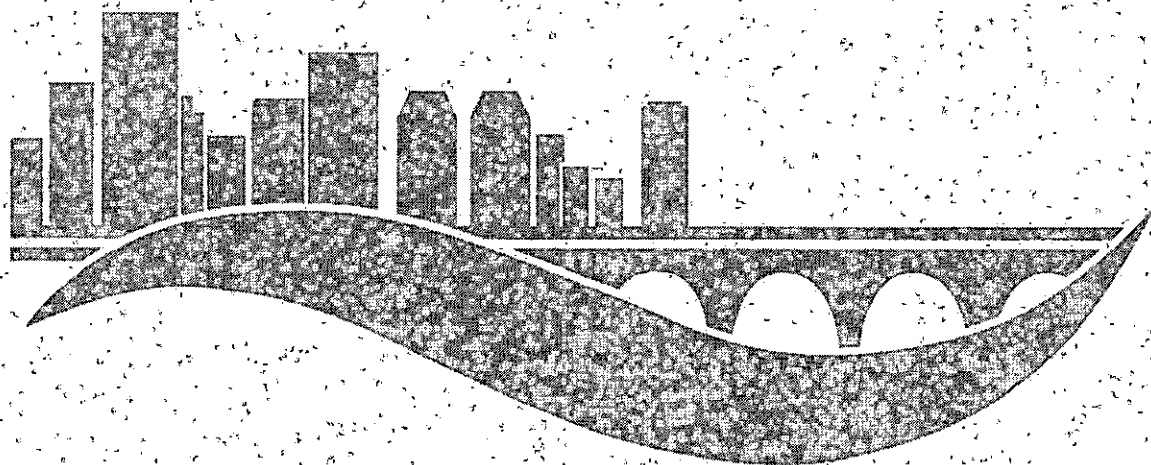
<u>Year</u>	<u>Real (1)</u>	<u>Personal (2)</u>	<u>Machinery</u>	<u>Total</u>
1995	\$ 8,460,573,384	\$ 1,281,941,130	\$ 689,297,849	\$ 10,431,812,363
1996	8,472,296,789	1,444,297,466	636,780,506	10,553,374,761
1997	8,703,958,300	1,318,678,054	653,797,627	10,676,433,981
1998	8,990,721,251	1,338,184,516	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
2004	13,258,457,394	1,414,160,892	658,228,828	15,330,847,114

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.





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Additional copies of this report may be viewed on the City's website at www.richmondgov.com or by writing to:

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Cover photographs are courtesy of Al Medley, Finance Department, unless otherwise noted. Photos are identified from left to right as follows:

Front

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 Peter Grimm, Fourth District Councilman (1942-2004).

