

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2005



CITY OF RICHMOND, VIRGINIA





CITY OF RICHMOND, VIRGINIA

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2005

MAYOR

The Honorable L. Douglas Wilder

CHIEF ADMINISTRATIVE OFFICER

William E. Harrell

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

G. Manoli Loupassi

Vice Mayor

Jacqueline M. Jackson

Assistant Vice Mayor

William J. Pantele

Chris A. Hilbert

Kathy Graziano

E. Martin Jewell

Ellen Robertson

Reverend Delores L. McQuinn

Eugene A. Mason, Jr.





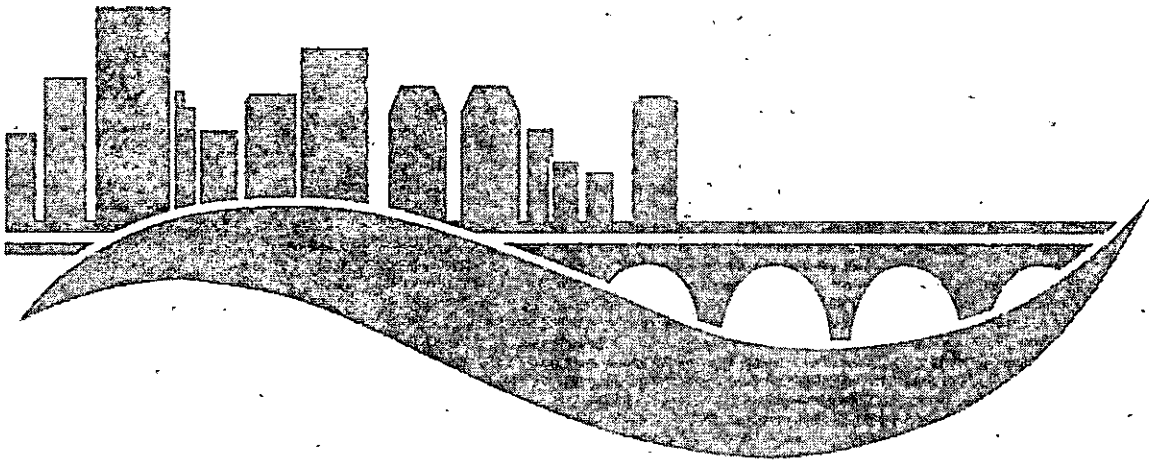
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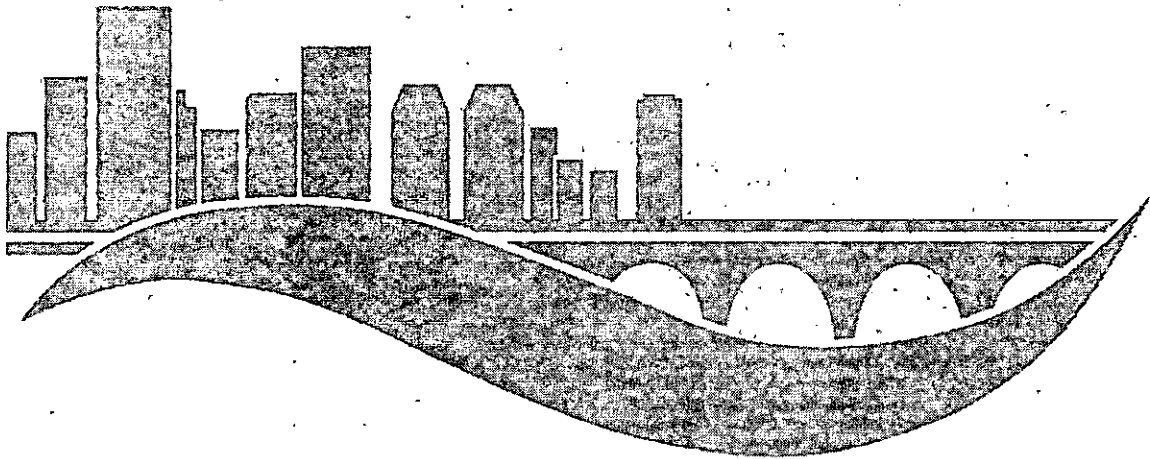
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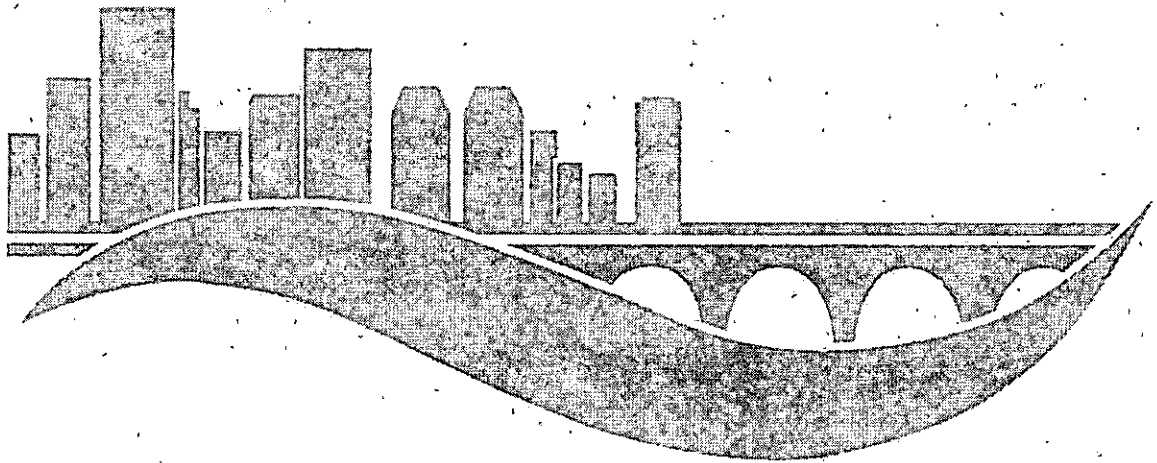




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CITY OF RICHMOND
OFFICE OF THE MAYOR

November 10, 2005

Members of the Governing Council, and 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, 2005 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 of Richmond is a municipal corporation of the Commonwealth of Virginia and is the state capital. The City of Richmond was incorporated in 1782. It currently occupies 62.55 square miles and serves a population of 192,494 as of 2004. 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 of Richmond is empowered to levy a property tax on both real and personal property located within its boundaries. 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, 2005 the City government was organized under the Mayoral-Council form of government with the City Council (Council) setting policies for the administration of the City. Under the Mayoral form of government, the Mayor serves as the Chief Executive Officer of the City and is responsible for the proper administration of City government. Former Virginia Governor L. Douglas Wilder was elected at large for a four-year term in November 2004. The Mayor appoints 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 Council is composed of nine members elected from single member districts. The President of Council and the Vice-President are selected by a majority vote of its members every two years. The Council appoints the City Assessor, the City Internal Auditor, and the City Attorney, who is the legal advisor to the Council, the City administration, boards, commissions and agencies of the City. The Council has the right to remove those agency heads and employees appointed by Council.

The financial reporting entity includes all funds of the primary government, as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. Discretely presented component units are reported as a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. The City's discretely presented component units are the School Board of the City of Richmond (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.

Local Economy

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 2005, 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, Virginia Commonwealth University Health Systems, Virginia Union University, 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.

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 more exciting developments that will add new permanent and temporary jobs to the Greater Richmond area. Philip Morris USA Inc., one of America's largest corporations – headquartered in the

Greater Richmond area – has announced the opening of the Philip Morris USA Research & Technology Center at the Virginia Biotechnology Research Park located in downtown Richmond. This development includes a total of \$300 million dollars within the City; constructing a 475,000 square-foot center with the employment of 500 scientists, engineers, and support staff. Philip Morris recently relocated its corporate headquarters from New York to Richmond. Along with the 300 plus employees relocating to Richmond, the company committed to over \$250 million in capital improvements to its existing operation facilities in the City of Richmond.

Genworth Financial, formerly GE Financial Assurance, plans to headquarter its company into the Greater Richmond area, bringing the eighth Fortune 500 headquarters into the Greater Richmond area. Tredegar Corporation, a global manufacturer of plastic films and aluminum extrusions, announced that Tredegar Film Products would move its Research and Development and technical centers to Richmond, VA. An investment of \$6.5 million, the Tredegar relocation will also create 40 new jobs. Cavalier Telephone, a leading provider of telecommunication services, headquartered in Richmond, VA has announced the addition of a new sales, operations and customer support facility in Richmond, VA. Operating within the Mid-Atlantic region, Cavalier Telephone will consolidate several existing locations into the new 80,000 square foot office, bringing of 400 individuals – including 150 new positions. Virginia Credit & Finance Inc. has also announced the development of a new debt collection customer service center. This project will create a \$1 million investment, adding 150 positions to its Richmond operations. Additionally, CyMed, America Online, Inc., Martin Call Center, Computer Science Corporation, Northrop Grumman, Altria Corporate Services, and Prolific Technology have conducted office operations expansions during 2005.

An attraction for labor, the Greater Richmond area's civilian work force increased from last year by approximately 40,000 individuals creating a workforce over 600,000; drawing from more than 40 localities statewide. The City's unemployment rate for the fiscal year 2005 has decreased from last year's percentage of 4.4% to 3.6%; coinciding with the Commonwealth of Virginia's unemployment rate – a rate lower than the national unemployment rate of 5.5%. Additionally, the per capita personal income of Virginia has increased from \$33,671 to \$35,477 – an income healthier than the national per capita personal income of \$32,937.

The majority of business space for occupancy remains in the office, office warehouse, retail, and industrial classes. Companies have actually begun to shift operations from Class B space to Class A space, decreasing the occupancy rate from last year (89.3%) to an occupancy rate of 82.5%. The occupancy rate of retail was steady at 91.23% at 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.

Mayoral Initiatives:

Truancy Prevention Initiative

Due to high truancy rates in public schools, a major initiative was implemented to address this problem beginning with the 2005-2006 school year. Led by the City departments of Justice Services and Police, the Truancy Reduction and Prevention Program (TRAPP) consists of an intensive approach in three target neighborhoods where

there is a high incidence of crime and truancy. A service center was established in each target neighborhood (Hillside, Mosby and Highland Park). Justice Services and City Police have partnered with schools, social workers, juvenile court, non profits and residents to address individual, family and community issues that lead to truancy and crime. Citywide truancy sweeps are also conducted.

To address truancy, a multi-disciplinary approach is used that includes individual and family assessments, academic support, parental education, youth employment, family counseling and support, drug prevention initiatives, aggressive case management employment and other programs.

Key features of TRAPP include:

- 1) Expands the number of personnel assigned to address the City's truancy prevention efforts;
- 2) More proactive than before, as three unexcused absences will lead to a parental conference to discuss the student's truancy and identify reasons for not attending school;
- 3) Utilizes a citywide hotline number (646-ABCD) whereby citizens, merchants and others can report truant children;
- 4) Provides greater community outreach, due to creation of neighborhood service centers;
- 5) Transfers the core truancy prevention function from the City school system to the Mayor's office, with the corresponding transfer of funding/equipment/etc.

Street Repair Initiative

Determined to improve upon quality-of-life municipal services such as roadway maintenance, the City Administration launched an aggressive repair program that has corrected almost 12,000 potholes since March. The program has achieved a 97 percent success rate of repairing pothole problems within two days of being reported. Additional funding of \$400,000 enabled the creation of additional staff positions and the purchase of equipment that can permanently repair potholes rather than temporarily fixing them through manual methods.

Gang Reduction

Taking a more proactive approach to addressing gang violence here, the Richmond Police Department formed the Gang Intelligence Unit in 2004 to concentrate on ways to reduce gang activity within Richmond. Richmond also serves as a national model for anti-gang initiatives. The City is the site of a \$2.5 million, three-year national law enforcement pilot program addressing gang-related violence. Administered by the Virginia Attorney General's Office, the program coordinates programs and resources to combat gang-related activity here. Richmond is one of four cities chosen nationally to participate in this pilot initiative.

Intelligence sharing, training and investigate assistance is a collaborative effort among organizations at all jurisdictional levels, such as the FBI, U.S. District Attorney's Office, Virginia State Police, Virginia Department of Probation and Parole, Virginia Department of Corrections, and police authorities in surrounding localities.

Vacant and Abandoned Property Cleanup

Richmond is one of seven cities that has joined the Vacant Properties Campaign, a national initiative designed to reclaim vacant and abandoned properties and restore vitality and livability to city neighborhoods. The Campaign, the first systemic, multi-city effort addressing blighted properties, partners national experts with local officials, non profits and residents in developing strategies for reclaiming streets and neighborhoods.

With an estimated 2,500 blighted properties across the city, the benefits to Richmond of participating in the Vacant Properties Campaign will include: (1) developing an inventory tracking system of vacant properties; and (2) implementing processes for the fostering greater building code compliance and the sale, rehabilitation or demolition of identified properties.

Other Initiatives:

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. The Department continues to improve its After School Program for children in kindergarten through fifth grade. The program has been elevated to a stand-alone division. In addition, all 19 elementary school sites have either obtained state licensure or preliminary licensure.

In Athletics, the Department has expanded support for youth baseball and 33 new teams were organized for spring play. The Department also hosted the regional Traditions of Golf Tournament in 2004 and hosted the national tournament in August 2005. The Richmond Racers, the competitive youth swim team, continues its reign as Community Swim League Champions. The Department also initiated a successful youth lacrosse program.

In Cultural Arts, the City Dance Troupe continues to earn national recognition, having won 23 awards in the national Dance America Competition held last year. The Department is again sponsoring the National Arts program to encourage public participation in the arts. The annual Festival of the Arts at Dogwood Dell continues with expanded youth performances.

The Department continues to offer summer camps for children throughout the city, operate eight outdoor swimming pools during the summer and one indoor pool year-round, provide trips and programs for senior citizens, operate a senior center, participate in the citywide youth employment program, and host more than 50 special events in City parks annually.

In 2005 the Department of Social Services continued its GOALS (Giving Opportunities to Achieve Lifelong Success) 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 Program. The Program was expanded in 2005 to assist TANF customers requiring mental health and substance abuse services.

A new Capital program is a regional collaboration between three local departments of social service agencies - Chesterfield County, Henrico County and the City of Richmond. Case management and job placement services are provided through these agencies and with the addition of Rehabilitative Services and Vocational Placement (RSVP), medical case management is provided to customers whose ability to work is limited through a physical disability. The services provided through the collaboration have assisted over 50 of the 126 customers referred into the program to be placed in work experience job sites and/ or full-time employment. An additional 20 TANF recipients have been successful in receiving Social Security Disability payments due to the intensive medical case management provided by RSVP. Funding from the Virginia Department of Social Services (VDSS) is available through fiscal year 2007. This project is a "best practice" for VDSS.

The Department of Social Services, and other human services staff expanded the collaboration with Richmond Redevelopment and Housing Authority (RRHA) through participation in the JASIP (Joint Agency Service Integration Program). Six Intensive Case Managers spend 2-5 hours per week on-site at Fairfield Court, Whitcomb Court and Creighton Court Resource Centers to provide various services to residents. During 2005, at Creighton Court, A GED class was implemented and staff has facilitated several Budgeting workshops. The agency

continues to offer GED classes at Marshall Plaza, conducted by an Intensive Case Manager and a teacher from Richmond Public Schools. Twenty customers completed the GED class and currently 14 have attained their GED.

The Welfare Reform Team hopes to reduce operating expenses yet continue its excellent customer service by developing an in-house job readiness/ job search curriculum targeting job-ready customers. The transition is expected to reduce operating costs by \$1 million by the end of fiscal year 2006.

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	\$6.42	\$6.54
Monthly Wage	\$859.00	\$891.00
Six Month Retention	62%	74%

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. Child Protective Service professionals continue to partner with parents and community-based organizations to keep children in Richmond safe from maltreatment. The Department experienced a decrease in the number of CPS referrals received in fiscal year 2004 versus fiscal year 2005. In fiscal year 2004, CPS received 1,778 referrals of which 1,578 were investigations or assessments. In fiscal year 2002, CPS received an estimated 1,700 referrals of which approximately 1,500 were investigations or assessments.

Public Safety

In the efforts to continue addressing the improvement of the quality of life issues, the Police Department administered several grant programs that bridged the gap between basic law enforcement and citizen interaction. The Community Oriented Policing concept was applied to our Project Safe Neighborhoods (gun violence reduction), Gang Reduction Intervention Program, Value Based Initiative (law enforcement/clergy partnership) and the COPS in Schools initiative. In addition, the Department continues to develop the foundation for the grant funded domestic violence public awareness campaign. The reduction of crime and the fear of crime within the community continue to be the central focus of the Department.

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 six years of the program have resulted in the construction and sale to new homeowners of 137 new single family homes; the rehabilitation of 112 vacant houses that have been sold for homeownership; substantial rehabilitation of 51 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 1,600 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, fourteen Neighborhood In Bloom loans have been approved totaling \$280,000.

In 2004, the Department of Public Works hired a Grounds Maintenance Manager to head a city gardeners and vegetation control team. A new greenhouse was opened in April 2004 at the Warwick Road Headquarters, which is being used to produce annuals and perennials for city planting beds. A \$2,200 flower bed-edger was purchased to contribute to the overall attractiveness of the city. The Grounds Maintenance Division also negotiated with VDOT to have them make improvements to the 3rd Street gateway. Three new gateway median flowerbeds were created along Broad Street, the Boulevard, and Belvidere.

A Citywide volunteer litter cleanup day was held on Saturday, March 19, 2005. More than 3000 volunteers pre-registered for the event. Three thousand trash "picker uppers" and 1,000 orange trash bags were distributed to volunteers. One of the major projects was the Sierra Club's cleaning of an illegal dump site at Richmond Henrico Turnpike.

In late August 2004, Tropical Storm Gaston impacted the City. Tropical Storm Gaston 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. Total repair costs for the City's infrastructure was \$20 million. The City has qualified for public assistance from FEMA and had worked closely with FEMA to assure the work was properly completed and eligible for maximum reimbursement. The City has already received \$8.2 million from 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. The GRTC bus fares have remained constant for the past twelve years.

In conjunction with GRTC Transit System/Ride Finders, 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. To date, over 840 or 18% of the city's workforce have enrolled in the program exceeding the original goal of 10% of the workforce participation.

The City also implemented the Lunch Time Express to provide a unique transportation service to link our 75,000 downtown workers, residents, and visitors with over 80 restaurants, eight hotels, 13,000 parking spaces and

other destinations in an effort to enhance mobility and bolster the economic vitality of downtown. The City funded the Lunch Time Express for the first six months of operation. A \$128,000 grant from the State will continue the service until June 30, 2006.

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. 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 \$53 million for the Main Street Station capital development or 98% of the budget and \$1.8 million for Main Street Station Operations

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.

In the past five years, the City of Richmond has succeeded in attracting over \$3 billion in investment. Many of those developments were marked by unprecedented public-private partnerships, which led to large-scale projects like the Richmond Convention Center, but these public dollars were leveraged to create an environment ripe for private investment. In the past two years, Richmond's economy has matured to the point that investment now flows in from all sectors to create diverse products and a solid economy for the city. Office, industrial, retail residential, hospitality, and educational developments (as well as combinations of these products) are being funded throughout the city by federal, state, local, and private dollars.

The Broad Street Community Development Authority sold \$66.7 million in bonds in May 2003. The public improvements consist of razing two blocks of derelict structures for surface parking (Phase II will construct parking decks on those sites); three renovated garages, new streetscaping and improved public utilities. These improvements will be completed in the summer of 2005 and it will catalyze the renovation of the old Miller & Rhoads department store into a boutique hotel/apartment building, as well as many other private developments directly adjacent to the CDA area. This project will create 2,454 new permanent jobs and \$3.5 million in annual tax revenue. All CDA developed assets revert back to the City at the end of the bond term.

Though construction funding was cut from the President's FY 2004 budget, Richmond government and business leaders made an appeal to Congress for funding. Based on the momentum of development in downtown Richmond and the importance of the project, Virginia legislators pushed and succeeded in securing the funding. Construction is under way for a new 337,000 square foot Federal courthouse. The structure will house more than 300 employees. The \$100 million project will be completed in 2007. In addition, to be ready for the statewide celebrations in 2007 to commemorate the 400th anniversary of the founding of Jamestown, the Commonwealth has started large-scale renovations throughout Capital Square: Capitol Building - \$74 million, Former Virginia State Library.

Dominion Resources, a Fortune 200 company headquartered in downtown Richmond, completed construction of Phase I of its headquarter expansion in 2004. 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, which will be completed in 2006. The expansion brings a total of 1,200 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 preleased more than 85% of the office space. The office portion of this project is scheduled to be completed in 2005. 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.

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 former Hotel John Marshall, a few blocks from the convention center, is under going a conversion to 130 luxury apartments with full service amenities. 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. The developer will break ground in 2005 on 12 new for-sale townhouses on Tobacco Row. In addition, the developer will renovate additional facilities at the far eastern end of Tobacco Row into apartments, retail, and commercial space.

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 2005, 3,318 properties qualified for the tax abatement. The value of the abatement for these properties is \$11 million, an increase of over \$1.8 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. Council is required to adopt a final budget by no later than the close of the fiscal year. 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-1 for the City's General Fund revenues and expenditures by function).

Financial Condition

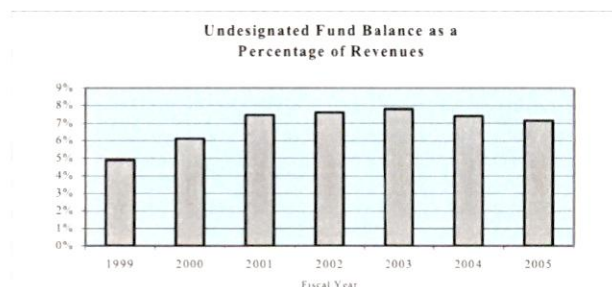
In July 2004, the City received a revenue bond rating upgrade from A+ to AA- from Standard & Poors for its Public Utility revenue bonds. The rating increase reflects the Utility's newly adopted purchased gas cost adjustment levy ability, reduced uncertainty associated with the phase - III combined sewer 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 July 2005. 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. General Fund revenues outpaced expenditures, including other financing sources during fiscal year 2005 by \$5.7 million and the undesignated fund balance remained at the same percentage as the prior year (see the chart that follows). The undesignated fund balance has increased from 4.9% in fiscal 1999 to 7.1% in fiscal year 2005. Although revenues outpaced expenditures by \$5.7 million, the undesignated fund balance as a percentage of revenues continues to exceed our policy threshold of 7%.



Long-Term Financial Planning

In conjunction with the adoption of an annual Operating Budget in May of each year, the City Council adopts a five-year Capital Improvement Plan ("the CIP"). At the time of the adoption of the CIP, the first year of the plan constitutes the Adopted Capital Projects Budget for the fiscal year, and the remaining four years of the CIP serve as a planning guide for capital improvements to the public facilities of the City. The annual Capital Projects Budget includes both general-purpose capital improvement projects, including school capital improvement building projects, and utility capital projects. The adopted CIP for the Fiscal Years 2006 through 2010 include \$104,276,911 of general-purpose capital projects funded largely through the issuance of \$77,344,000 of General Obligation bonds. The remaining funding of general-purpose projects comes from State and Federal grants and other external sources of reimbursement.

The City Council has adopted internal debt management policies, which are an integral part of the budgeting process. These internal policies serve to limit the total amount of general obligation debt which can be issued, by establishing ratios of debt to assessed values of taxable real estate, debt to income, and debt service as a percentage of the annual operating budget. In addition, an established policy requires debt structuring, such that 60% of overall general obligation debt is repaid in ten years. These debt management policies are discussed in greater detail in the Statistical Section of this document.

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 increased water sales to Hanover County over the next several years. 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 2005, the City entered into the third Special Order with the Virginia Water Control Board and Department of Environmental Quality that outlines the implementation of Phase III of the City's Combined Sewer Overflow (CSO) Program. The order requires the City to construct 10 projects with a projected combined cost of \$17 million on a stipulated schedule over the next 12 years. Phase III also includes seven additional major CSO projects that are contingent upon resolution of water quality standards issues and would be constructed over an unspecified period of time based on the City's financial capability. In addition, the Huguenot Road 36" Water Transmission Main was placed into service. This project is the first new City water main across the James River in over 15 years and represents an important investment in our water distribution infrastructure.

During calendar year 2004, the City of Richmond's Wastewater Plant was awarded the 2004 Platinum Peak Performance Award from the Association of Metropolitan Sewerage Agencies. This award is awarded to member agency facilities that have received five consecutive Association of Metropolitan Sewerage Agencies (AMSA) Gold Awards. The Gold Awards recognizes member agencies that have achieved 100% compliance with their National Pollutant Discharge Elimination System (NPDES) permit for an entire calendar year. The Department of Public Utilities was featured in the May 2005 edition of AMSA Clean Water News newsletter.

Awards and Acknowledgements

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, 2004. This was the 21st 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.

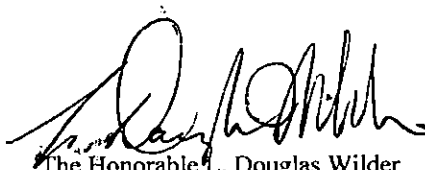
The Government Finance Officers Association of the United States and Canada (GFOA) also awarded the City its Award for Outstanding Achievement in Popular Annual Financial Reporting for its popular annual financial report for the fiscal years ended June 30, 2002 and June 30, 2003.

Acknowledgments

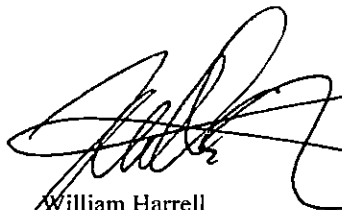
The preparation of the CAFR was made possible by the dedicated service of the entire staff of the Controller's Division of the Finance Department. All individuals who assisted in this effort have our sincere appreciation for the contributions made in the preparation of this report.

Appreciation is also expressed to the Mayor, Chief Administrative Officer, City Council, 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.

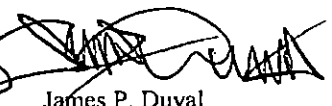
Sincerely,



The Honorable L. Douglas Wilder
Mayor



William Harrell
Chief Administrative Officer



James P. Duval
Interim Director of Finance



**MANAGEMENT REPORT ON RESPONSIBILITY
FOR FINANCIAL REPORTING**

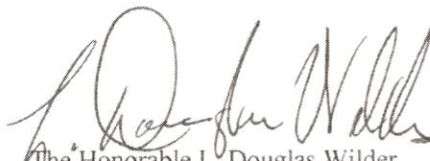
The management of the City of Richmond has the responsibility for preparing the accompanying financial statements with integrity and objectivity. The School Board of the City of Richmond, Richmond Ambulance Authority, Richmond Coliseum, Hospital Authority of Richmond, Port of Richmond Commission, Richmond 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.

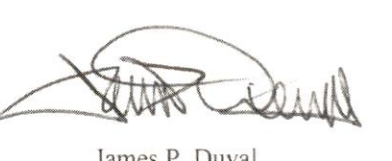
Management of the City has established and maintains a system of internal control that provides reasonable assurance as to the integrity and reliability of the financial statements, the protection of assets from unauthorized use or disposition, and the prevention and detection of fraudulent financial 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.


The Honorable L. Douglas Wilder
Mayor


William Harrell
Chief Administrative Officer


James P. Duval
Interim Director of Finance

See representation letter #4 and additional information in the reportable condition



November 10, 2005

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, 2005 were Richard P. Pontynen, CPA, Chairman through February 21, 2005; Barry C. Faison, CPA, current Chairman as of March 3, 2005; George E. Calvert, Jr., Vice Chairman; The Honorable Ellen Robertson; and The Honorable William J. Pantele. One citizen member position was vacant as of June 30, 2005. The Committee held four meetings during the fiscal year ended June 30, 2005.

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, Hospital Authority of Richmond, Broad Street Community Development Authority, Advantage Richmond Corporation 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.

Barry C. Faison, CPA, Chairman
Audit Committee

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, 2004

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.



Nancy L. Zjella

President

Jeffrey R. Emer

Executive Director



CITY OF RICHMOND, VIRGINIA
MAYORAL-COUNCIL FORM OF GOVERNMENT

June 30, 2005

CITY MAYOR

The Honorable L. Douglas Wilder

CHIEF ADMINISTRATIVE OFFICER

William Harrell

CITY COUNCIL

G. Manoli Loupassi – Vice Mayor
Jacqueline M. Jackson – Assistant Mayor
William J. Pantele
Chris A. Hilbert
Kathy C. Graziano

E. Martin Jewell
Ellen F. Robertson
Delores L. McQuinn
Eugene A. Mason, Jr.

**CITY
AUDITOR**

Lance J. Kronzer, CPA

**INTERIM CITY
ATTORNEY**

Norman Sales, Esquire

**SUPERINTENDENT
OF SCHOOLS**

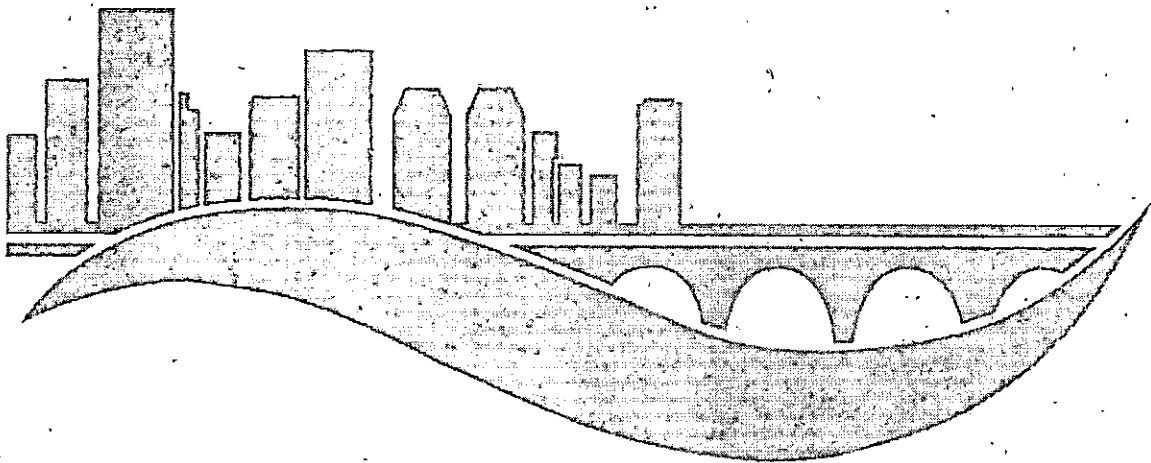
Deborah Jewell-Sherman, Ed.D

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

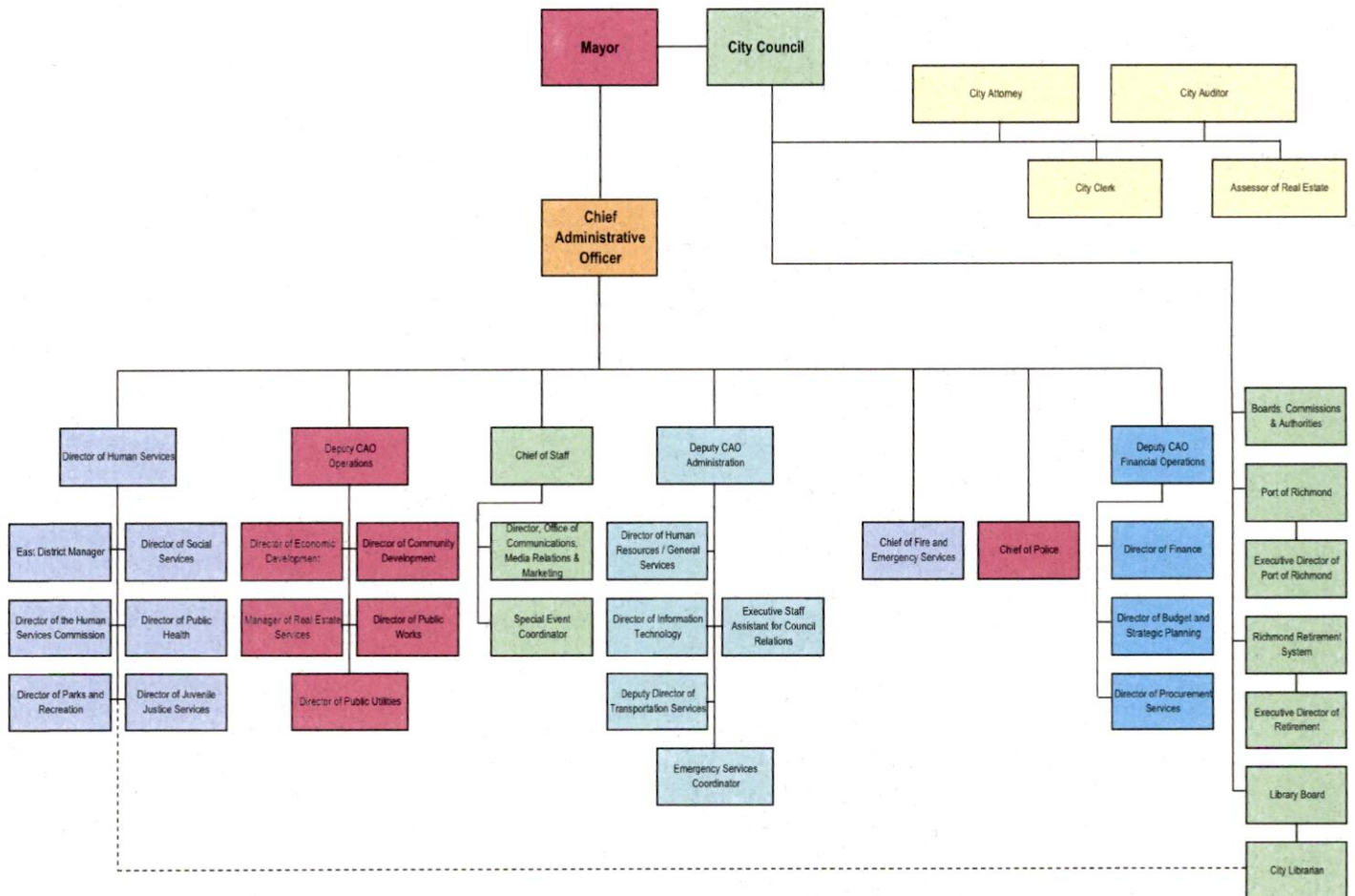


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CITY OF RICHMOND, VIRGINIA

ORGANIZATION CHART





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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, 2005, 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 1.54% and 1.52%, 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 59.20% and 28.20%, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. 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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof



for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As noted in note 3 to the basic financial statements, the City has implemented Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, effective July 1, 2004.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 10, 2005, 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.

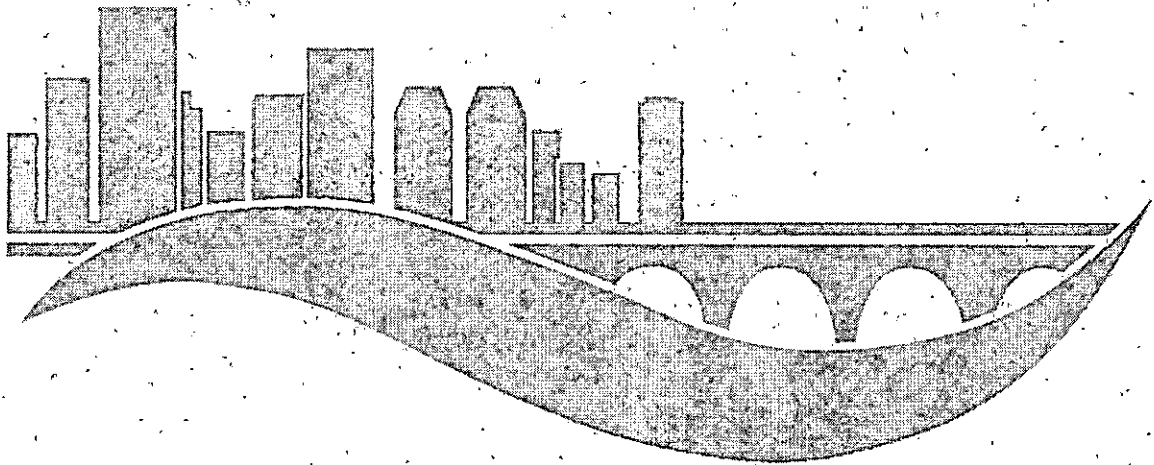
The Management's Discussion and Analysis on pages 6 through 21, the budgetary comparison schedules on pages 94 through 98, and the trend information in note 12 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted 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 10, 2005





**CITY OF RICHMOND, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2005**

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 24).

Financial Highlights

Government-wide Financial Statements

- At the close of the fiscal year, the assets of the City exceeded its liabilities by \$649,636,610. Of this amount, \$83,942,836, (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, 2005 with \$360,413,134 in net assets, an increase of \$7,478,187 in comparison with the prior year. \$43,272,098 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 \$289,223,476, an increase of \$38,793,728, in comparison with the prior year. \$40,670,738 of net assets is reported as unrestricted governmental net assets and is available to meet the government's obligations to citizens and creditors.

Fund Financial Statements

- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$129,393,048, a decrease of \$13,631,817 in comparison with the prior year. Forty-four percent of this total amount, \$56,763,333, 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 \$45,278,440 or 8.5% of total fund expenditures, inclusive of transfers to other funds.

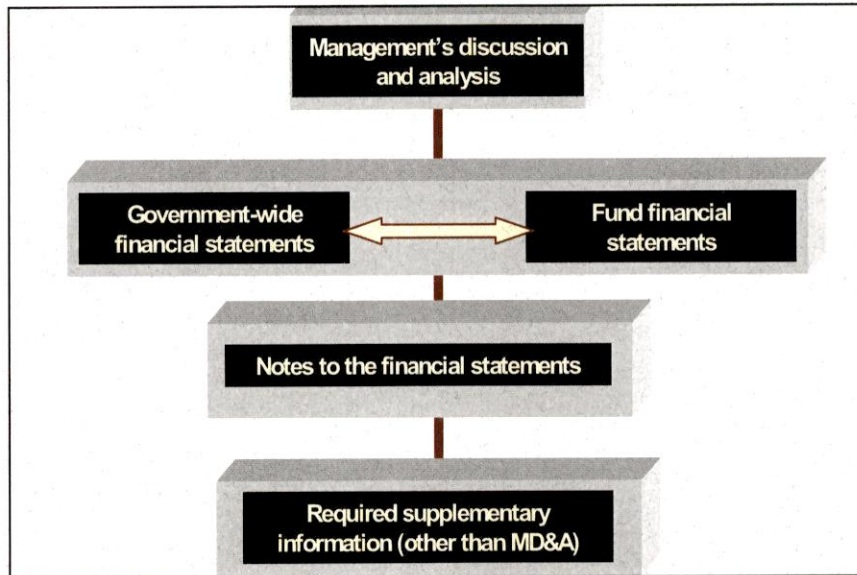
Debt Offering

- The City's total debt increased by approximately \$30.1 million (approximately 3.0%) during the current fiscal year as the City issued \$67.7 million of Public Utility Revenue Bonds - Series 2004 to fund the new capital expenditure projects of the Gas, Water, and Wastewater Public Utilities. At the time of this bond issue, Moody's, Standard & Poor's, and Fitch Ratings reaffirmed their respective A1 and AA- credit ratings of the City's Public Utility Revenue Bond debt while the rating agency Standard and Poors upgraded its rating of the debt from A+ to AA-. During the year the City also issued \$1.5 million of zero percent interest, Qualified Zone Academy Bonds to finance specific capital improvement projects of the Richmond Public Schools, as well as a \$7.0 million equipment note issued to finance equipment purchased by the General Fund and Fleet Management Internal Service Fund during the fiscal year.

- Commonwealth of Virginia statutes limit the amount of General Obligation debt a governmental entity may issue to 10% of the municipality's total taxable assessed real estate valuation. At June 30, 2005, the City had a legal debt limit of \$1,507,923,335 and a remaining legal debt margin for issuing additional obligation debt of \$822,538,667.
- Additional detailed information on the City's long-term debt can be found in Note 8 beginning on page 69 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, 2005. 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 24-27 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 Non-major 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 28-31 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 Non-major 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 Non-major 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 32-36 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 38-39 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 Non-major 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 \$649,636,610 at the June 30, 2005.



The largest portion of the City's net assets (73.2%) 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 (13.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted net assets (12.9%), 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, 2005 and 2004
(In Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Current and Other Assets	\$ 263.9	\$ 271.4	\$ 245.6	\$ 191.9	\$ 509.5	\$ 463.3
Capital Assets	599.1	583.2	823.4	798.4	1,422.5	1,381.6
Total Assets	\$ 863.0	\$ 854.6	\$ 1,069.0	\$ 990.3	\$ 1,932.0	\$ 1,844.9
Current and Other Liabilities	120.2	125.4	73.6	59.4	193.8	184.8
Long-Term Debt Outstanding	453.6	478.8	635.0	577.9	1,088.6	1,056.7
Total Liabilities	\$ 573.8	\$ 604.2	\$ 708.6	\$ 637.3	\$ 1,282.4	\$ 1,241.5
Net Assets:						
Invested in Capital Assets, Net of Related Debt	198.5	191.6	277.1	275.0	475.6	466.6
Restricted	50.0	68.9	40.0	8.6	90.0	77.5
Unrestricted	40.7	(10.1)	43.3	69.3	84.0	59.2
Total Net Assets	\$ 289.2	\$ 250.4	\$ 360.4	\$ 352.9	\$ 649.6	\$ 603.3



Table 2
City of Richmond's Schedule of Activities
For the Fiscal Year Ended June 30, 2005 and 2004
(In Millions)

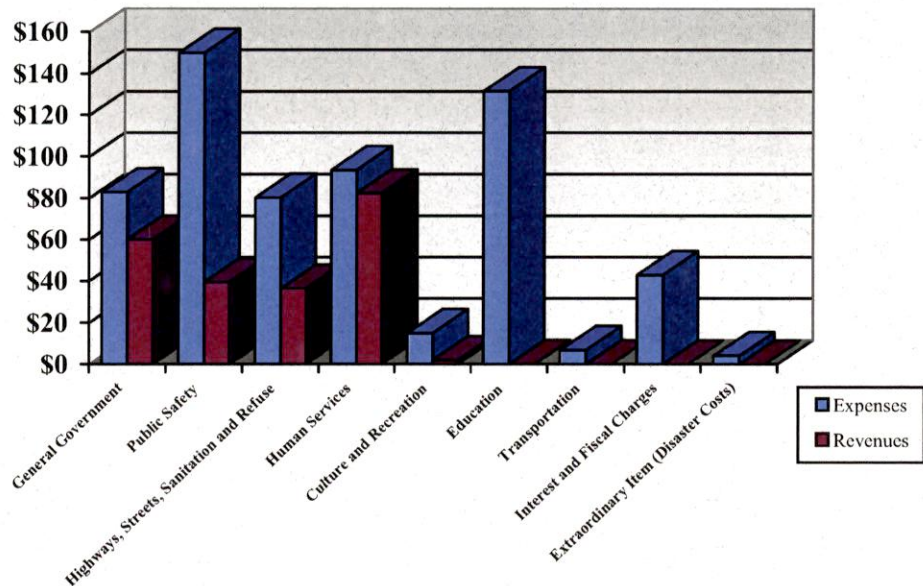
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for Services	\$ 62.8	\$ 65.6	\$ 318.6	\$ 283.1	\$ 381.4	\$ 348.7
Operating Grants and Contributions	149.2	133.7	5.6	3.6	154.8	137.3
Capital Grants and Contributions	8.2	10.5	--	--	8.2	10.5
General Revenues:						
Property Taxes	226.3	214.1	--	--	226.3	214.1
Intergovernmental	13.9	0.6	--	--	13.9	0.6
Other Taxes	108.2	111.2	--	--	108.2	111.2
Investment Income	1.5	0.4	1.3	0.8	2.8	1.2
Miscellaneous	53.8	47.1	3.8	3.0	57.6	50.1
Total Revenues	\$ 623.9	\$ 583.2	\$ 329.3	\$ 290.5	\$ 953.2	\$ 873.7
Expenses:						
Primary Government:						
General Government	82.9	102.2	--	--	82.9	102.2
Public Safety and Judiciary	150.1	147.1	--	--	150.1	147.1
Highway, Street, Sanitation, and Refuse	80.3	76.7	--	--	80.3	76.7
Human Services	93.4	91.3	--	--	93.4	91.3
Culture and Recreation	14.9	24.8	--	--	14.9	24.8
Education	131.7	137.8	--	--	131.7	137.8
Transportation	6.8	6.7	--	--	6.8	6.7
Interest and Fiscal Charges	42.9	40.5	--	--	42.9	40.5
Business-type Activities	--	--	300.7	262.6	300.7	262.6
Total Expenses	\$ 603.0	\$ 627.1	\$ 300.7	\$ 262.6	\$ 903.7	\$ 889.7
Increase (decrease) in net assets before transfers, special item, and extraordinary item	\$ 20.9	\$ (43.9)	\$ 28.6	\$ 27.9	\$ 49.5	\$ (16.0)
Transfers	21.1	18.0	(21.1)	(18.0)	--	--
Special Item - Disaster Recovery	0.8	12.8	--	--	0.8	12.8
Extraordinary Item - Disaster Costs	(4.0)	(14.7)	--	--	(4.0)	(14.7)
Changes in Net Assets	\$ 38.8	\$ (27.8)	\$ 7.5	\$ 9.9	\$ 46.3	\$ (17.9)
Net Assets, Beginning of Year	250.4	278.2	352.9	343.0	603.3	621.2
Net Assets, End of Year	\$ 289.2	\$ 250.4	\$ 360.4	\$ 352.9	\$ 649.6	\$ 603.3



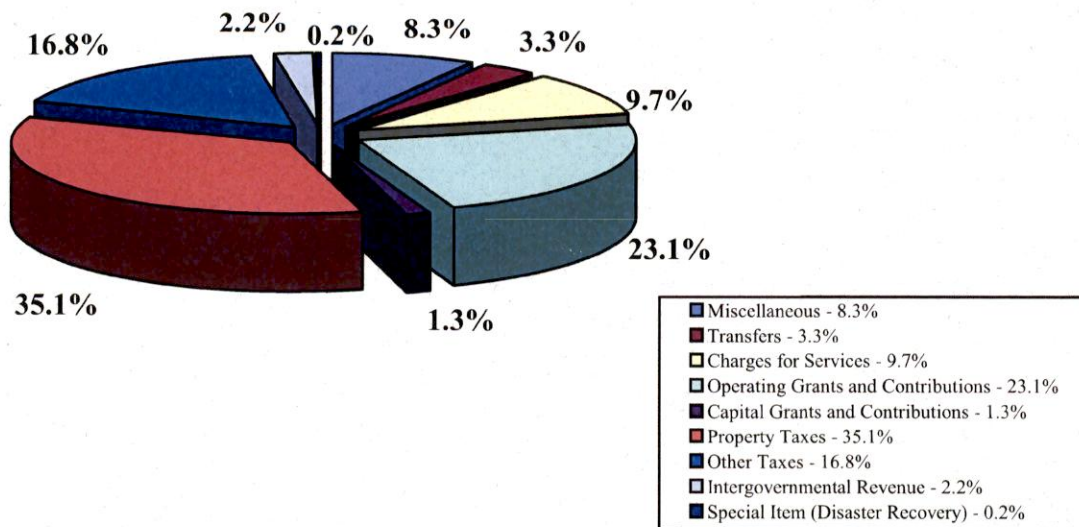
Governmental Activities

Governmental Activities increased the City of Richmond’s net assets by \$38,793,728. Revenues from governmental activities including transfers and disaster recovery revenue associated with tropical storm Gaston totaled \$645,807,208; with property taxes (35.1%), other local taxes (16.8%), and operating grants (23.1%) being the major revenue sources contributing over \$483,000,000 of the City’s revenues. Expenses for governmental activities were \$607,013,480, of which thirty-six percent was supported from program revenues and sixty-four percent from general revenues. Expenses for Public Safety (25%), Education (22%), Human Services (15%), General Government (14%), and Interest (7%) make up eighty-three percent of the total governmental expenses.

Expenses and Program Revenues – Governmental Activities (In Millions)



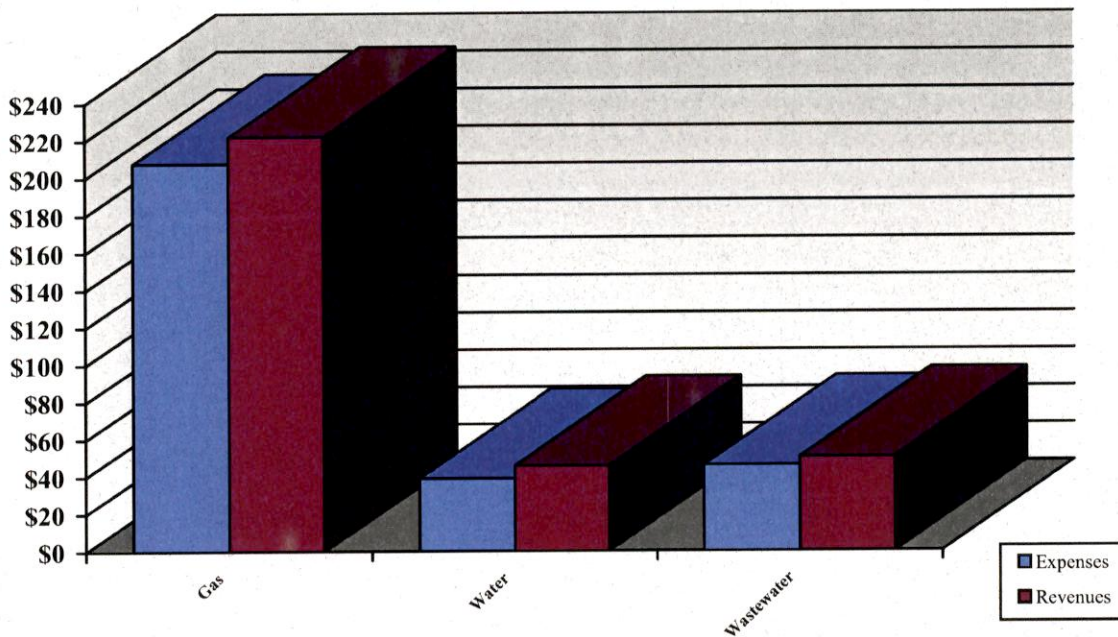
Revenues by Source – Governmental Activities



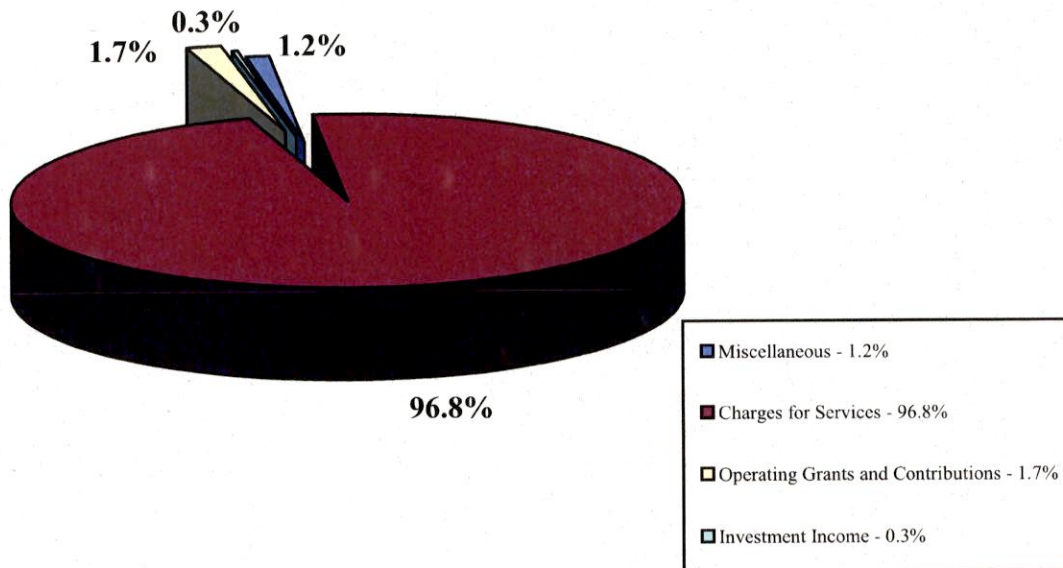
Business-type Activities

Business-type activities increased the City of Richmond’s net assets by \$7,478,187. At June 30, 2005, total business-type net assets were \$360,413,134 of which \$40,067,236 was restricted for capital projects and \$43,272,098 was unrestricted. Revenues totaled \$329,319,858, of which 98.5% percent is from charges for services (program revenue). Total expenses were \$300,711,000 and transfers out were \$21,130,671.

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



Revenues by Source – Business-Type Activities





Financial Analysis of the Fund Financial Statements

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

Governmental Funds

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

As of the end of the current fiscal year, the City of Richmond's governmental funds reported combined ending fund balances of \$129,393,048, a decrease of \$13,631,817 in comparison with the prior year. Forty-four percent (\$56,763,333) constituted unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance (\$72,629,715) 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 (\$4,500,712), 2) to pay debt service (\$1,480,501), or 3) for a variety of other restricted purposes (\$66,648,502).

The General Fund is the chief operating fund of the City and as of June 30, 2005, the unreserved fund balance in the general fund was \$45,278,440; the total fund balance was \$67,495,111. 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 eight percent of the total general fund expenditures, while total fund balance represents fourteen percent of that same amount. When transfers out are added to expenditures, the unreserved fund balance represents eight percent of expenditures plus transfers, while the total fund represents thirteen percent of this amount. Funding for component units (\$133,796,941) represents the City's support of 1) Public Schools (\$129,041,941), 2) Richmond Ambulance Authority (\$3,290,000), and 3) Richmond Behavioral Health Authority (\$1,465,000). The funding for Richmond Public Schools (\$129,041,941) represents the total funding (\$135,260,381) less the transfers from Richmond Public Schools to the City (\$6,218,440). Transfers out to other funds (\$50,997,746) include General Fund support of 1) Debt Service (\$40,858,430) and 2) Grants (\$9,573,060). The remaining amount of the General Fund transfers out to other funds (\$566,256) is identified as interfund activity.

The City's General Fund revenues and other financing sources, including special items, were above the amended budgeted appropriations by \$10,581,884 (See Exhibit H-1). Some of the key factors were:

- City taxes were above budget estimates by \$6,240,692. This is primarily the result of additional real estate (\$7,275,051) and local sales tax revenues (\$1,640,604) that are offset by reduction in revenues for machinery and tools (\$1,174,314), general utility sales tax (\$1,669,694), and penalties and interest (\$1,061,215).
- Intergovernmental revenues were below budget estimates by \$2,894,732. This is primarily the result of the following:
 1. Social Services revenues were less than budgeted by \$4,583,378. The agency did not spend full expenditure authorization and accordingly, had equivalent expenditure savings.
 2. The above reductions were offset by an increase in State Aid to Localities revenues of \$1,233,911.
- Fines and Forfeitures were above budget estimates by \$1,920,791. These funds came primarily from increases in fines and fee collections at the Circuit Court (\$1,171,739) and General District Court (\$497,351).

The City's General Fund expenditures and other financing uses were under the amended budgeted appropriations by \$7,091,986 (See Exhibit H-1). Some of the key factors were:



- General government expenditures were lower than planned by \$5,143,696. This is primarily the result of budgets in excess of expenditures or deferral in expenditures for the Department of Information Technology (\$1,458,511); the Department of Finance (\$823,018), the Department of Customer Service and Organizational Development (\$588,739), and the Department of Community Development (\$699,670).
- Public Safety and Judiciary expenditures exceeded the budget by \$7,290,146. The overages were notable in the City Sheriff and Jail budget (\$4,296,465, primarily in inmate medical costs) and the Department of Police budget (\$2,827,686, primarily in overtime).
- Human Services expenditures were lower than planned by \$3,173,000. This is primarily due to a budget in excess of \$2,528,408 of expenditures for the Department of Social Services. As previously noted, the unexpected budget authority led to an intergovernmental revenue shortfall relative to budget for Social Services.
- Non-Departmental expenditures were lower than planned by \$3,349,190. This is primarily due to a budget in excess of expenditures for payments to other government agencies (\$3,159,346) 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 (\$609,639). These items are offset by an overage notable in Tax Relief for the Elderly (\$429,480).

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. Principal Retirement also increased during the current period (\$2,269,787).

The Capital Projects Funds have a total fund balance of \$48,468,982, all of which is reserved for capital projects. The net decrease in fund balance during the current year in the capital projects funds was \$18,511,419. For fiscal year 2005, there were no significant debt issues or refundings. Capital outlay totaled \$43,109,262.

Utility Proprietary Funds

The City of Richmond's Department of Public Utilities (DPU) continues to show an ever-improving financial picture. In 2004-05 revenues increased at a higher rate than operating expenses when compared to the prior year and we continue to see increases in our customer base. These two factors were integral to the City of Richmond's upgraded bond rating. Powered by nearly 600 dedicated employees, and led by a strong management team, these trends are expected to continue.

For fiscal year 2005 (FY 2005), net income before operating transfers showed an increase of \$2.4 million or 19.6% compared with fiscal year 2004 (FY 2004). Combined operating revenues increased \$7.8 million or 4.8% (net of gas purchases), but this was offset by an increase in total operating expenses of \$5.1 million or 4.2% (net of gas costs) and an increase in non-operating revenue of \$3.3 million or 56.5%; however, this was offset by an increase in non-operating expenses of \$3.6 million or 11.7%. (Note that 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 \$6.2 million or 10.8% from FY 2004. This was due primarily to an increase in rates of 8.5% as well as an increase in our customer base of 1.1%. While water revenues remained flat, wastewater revenues increased \$2.5 million or 5.4% due primarily to a rate increase of 6.0%.

Operating and maintenance (O&M) expenses increased in a variety of categories, primarily led by a \$3.4 or 31.3% increase in external contractor costs. This overall increase was partially offset by a reduction of \$1.2 million or 19.7% in total dollars taken into rate stabilization and a decrease in power usage of \$400k or 5.3%. Depreciation expense increased \$1.6 million or 5.9% over FY 2004 as it includes the first full year of \$28.4 million of net additions to plant placed in service during FY 2004 and a partial year's depreciation on \$33.2 million of net additions to plant placed in service during FY 2005. Combined Payment in Lieu of Taxes and Licenses increased \$1.8 million or 9.4% over FY 2004.



Non-operating revenues increased in FY 2005 by \$3.3 million or 56.5%. This was due primarily to receiving \$2.0 million in reimbursements related to storms Isabel and Gaston and other miscellaneous not-grant monies. In addition, there was an increase in capitalized interest of \$0.7 million or 23.5% as well as an increase in interest income of \$0.6 million or 70.7%. Non-operating expenses increased in FY 2005 primarily due to an increase in interest on long-term debt of \$3.6 million or 13.1%.

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 \$13,278,394 in additional appropriations. Of this increase, \$6,127,056 was funded from FY 2004 appropriations for obligations incurred in FY 2004 with final payments in FY 2005. An additional \$5,892,522 from fiscal year 2004 excess funds was appropriated for various programs in fiscal year 2005. \$174,146 in state revenue and \$944,670 in additional delinquent real estate also funded increases. The remaining \$140,000 was funded by unanticipated special fund balance transfer revenue.

The increases (reductions) to the City agencies appropriations are indicated below.

General Government	\$ 5,035,389
Public Safety and Judiciary	4,245,527
Highways, Streets, Sanitation and Refuse	7,558,372
Human Services	519,950
Culture and Recreation	(4,685,794)
Non-Departmental	604,950
	<u>\$ 13,278,394</u>



Table 3
 City of Richmond's Budgetary Comparison
 General Fund
 For the Fiscal Year Ended June 30, 2005 and 2004
 (In Millions)

	Original Budget		Amended Budget		Actual		Positive (Negative) Variance	
	2005	2004	2005	2004	2005	2004	2005	2004
Revenues:								
Property Taxes	\$ 218.1	\$ 208.6	\$ 218.2	\$ 210.9	\$ 226.3	\$ 212.1	\$ 8.1	\$ 1.2
Other Taxes	109.2	104.2	110.1	104.3	108.2	105.1	(1.9)	0.8
Intergovernmental	116.6	111.9	116.8	112.3	113.9	110.5	(2.9)	(1.8)
Investment Income	0.2	0.2	0.2	0.2	-	0.2	(0.2)	-
Miscellaneous	84.2	81.2	84.1	81.1	87.2	79.0	3.1	(2.1)
Other Financing Sources	7.3	8.0	7.5	8.1	13.5	8.4	6.0	0.3
Special Item - Disaster Recovery	-	-	-	14.2	(1.7)	12.8	(1.7)	(1.4)
Total Revenues	\$ 535.6	\$ 514.1	\$ 536.9	\$ 531.1	\$ 547.4	\$ 528.1	\$ 10.5	\$ (3.0)
Expenses:								
General Government	52.8	49.6	57.8	54.9	52.7	50.2	5.1	4.7
Public Safety and Judiciary	125.0	123.8	129.2	130.0	136.5	130.5	(7.3)	(0.5)
Highway, Street, Sanitation, and Refuse	46.9	45.3	54.4	45.5	53.8	43.4	0.6	2.1
Human Services	66.2	60.5	66.8	61.9	63.6	59.9	3.2	2.0
Culture and Recreation	23.6	21.2	19.0	23.1	18.0	22.1	1.0	1.0
Non-Departmental	29.0	29.6	29.6	28.1	26.2	25.2	3.4	2.9
Other Financing Uses	192.1	181.3	192.1	181.2	191.0	182.2	1.1	(1.0)
Extraordinary Item - Disaster Costs	-	-	-	14.7	-	14.7	-	-
Total Expenses	\$ 535.6	\$ 511.3	\$ 548.9	\$ 539.4	\$ 541.8	\$ 528.2	\$ 7.1	\$ 11.2

For analysis on significant budgetary variances between the final amended budget and actual results, see page 14.
 For analysis on significant budgetary variances between the original and the final amended budget, see page 16.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2005, 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 \$40.9 million (less than a 2.7% increase for governmental activities and a 3.0% increase for business-type activities).

Major capital asset expenditures during fiscal year 2005 included the following:

- Renovation of the Main Street Multi-Modal Center in the downtown area, with construction in progress at June 30, 2005 of \$11.4 million.
- Renovation of City Hall with construction in progress at June 30, 2005 of \$9.8 million.
- New Court Facilities with construction in progress at June 30, 2005 of \$1.8 million.
- Renovations to the City Jail with construction in progress of \$0.6 million at June 30, 2005.
- Major buildings renovations of \$0.8 million dollars at June 30, 2005.



- Various infrastructure and system improvements primarily for the Gas, Water, and Wastewater utilities at a cost of \$21.8 million, \$17.9 million and \$9.5 million, respectively.

Additional information on the City's capital assets can be found in Note 7 on pages 66-68 of this report.

Table 4
City of Richmond's Capital Assets
For the Fiscal Year Ended June 30, 2005 and 2004
(In Millions)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Capital Assets Not Being Depreciated:						
Land and Land Improvements	\$ 21.1	\$ 21.0	\$ 10.0	\$ 8.2	\$ 31.1	\$ 29.2
Construction In Progress	81.0	80.2	114.4	80.4	195.4	160.6
Works of Art / Historical Treasures	2.6	1.2	--	--	2.6	1.2
Total Assets Not Being Depreciated	104.7	102.4	124.4	88.6	229.1	191.0
Capital Assets Being Depreciated:						
Infrastructure	664.1	654.1	--	--	664.1	654.1
Buildings and Structures	353.4	327.5	974.8	996.2	1,328.2	1,323.7
Equipment	96.1	94.1	55.2	5.9	151.3	100.0
Improvements other than Buildings	4.3	4.3	--	--	4.3	4.3
Total Other Assets	1,117.9	1,080.0	1,030.0	1,002.1	2,147.9	2,082.1
Less Accumulated Depreciation For:						
Infrastructure	372.4	360.7	--	--	372.4	360.7
Buildings and Structures	195.0	186.9	289.1	291.7	484.1	478.6
Equipment	55.6	51.3	41.9	0.6	97.5	51.9
Improvements other than Buildings	0.5	0.3	--	--	0.5	0.3
Total Accumulated Depreciation	623.5	599.2	331.0	292.3	954.5	891.5
Total Capital Assets Being Depreciated, Net	494.4	480.8	699.0	709.8	1,193.4	1,190.6
Total Capital Assets, Net	\$ 599.1	\$ 583.2	\$ 823.4	\$ 798.4	\$ 1,422.5	\$ 1,381.6



Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding, exclusive of compensated absences, of \$1,024,569,838 comprised mainly of General Obligation Bonds (\$655,195,440), Public Utility Revenue Bonds (\$320,815,597), Notes Payable (\$12,595,000) and Certificates of Participation (\$17,585,000).

Table 5
City of Richmond's Long-Term Debt Obligations
For the Fiscal Year Ended June 30, 2005

Primary Government - Governmental Activities

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005	Due Within One Year
General Obligation Bonds/BANs:	\$ 418,075,775	\$ -	\$ 28,683,400	\$ 389,392,375	\$ 33,106,581
Premium on Debt Issued	12,034,226	-	655,683	11,378,543	655,683
Accreted Value - Capital Appreciation					
General Obligation Bonds	104,826	83,998	-	188,824	-
General Obligation Serial Equipment					
Notes Payable	1,820,000	7,000,000	1,820,000	7,000,000	1,400,000
Certificates of Participation	18,225,000	-	640,000	17,585,000	665,000
Qualified Zone Academy Bonds	2,142,167	1,536,671	114,145	3,564,693	192,480
Virginia Public Service Authority Bonds	3,263,521	-	221,132	3,042,389	221,875
Section 108 Notes Payable	6,125,000	-	530,000	5,595,000	575,000
Compensated Absences	14,242,556	69,793	5,901	14,306,448	9,414,221
Capital Leases	667,067	-	232,809	434,258	142,037
Total Long-Term Debt Obligations	\$ 476,700,138	\$ 8,690,462	\$ 32,903,070	\$ 452,487,530	\$ 46,372,877

Primary Government - Business-Type Activities

General Obligation Bonds:					
Gas	\$ 115,379,573	\$ -	\$ 4,848,809	\$ 110,530,764	\$ 4,309,490
Water	89,544,848	-	3,823,507	85,721,341	3,090,277
Wastewater	48,151,024	-	2,714,456	45,436,568	2,572,037
Other Nonmajor Enterprise Funds	17,427,618	1,575,496	1,495,804	17,507,310	1,261,826
Accreted Value - Capital Appreciation:					
Gas	734,784	588,800	-	1,323,584	-
Water	1,175,552	942,000	-	2,117,552	-
Wastewater	480,705	385,202	-	865,907	-
Revenue Bonds:					
Gas	115,792,877	7,097,010	812,929	122,076,958	975,121
Water	36,275,082	55,788,313	67,890	91,995,505	1,068,601
Wastewater	104,823,666	4,769,678	2,850,210	106,743,134	3,022,425
Capital Leases:					
Other Nonmajor Enterprise Funds	2,253,952	-	183,819	2,070,133	207,968
Total Long-Term Debt Obligations	\$ 532,039,681	\$ 71,146,499	\$ 16,797,424	\$ 586,388,756	\$ 16,507,745

In July 2004, credit analysts from the three major bond-rating agencies met with the City prior to the 2004 Public Utility Revenue bond issue. Standard and Poors upgraded the City's Utility Revenue debt from A+ to AA-, while Moody's and Fitch Ratings reaffirmed the City's General Obligation debt ratings of Aa3, AA, and AA, respectively. Sited in the credit reports were the City's diverse economy, effective management, consistent financial performance, and prudent debt and financial policies.

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:

- \$67.7 million of Public Utility Revenue Bonds, Series 2004 to finance a portion of the capital improvement projects of the City's Natural Gas, Water, and Wastewater Utilities.
- \$1.5 million of Qualified Zone Academy Bonds, Series 2004 to fund specific Richmond Public Schools capital projects.
- \$7.0 million five-year Serial Equipment Notes to finance fiscal year purchases of various equipment and vehicles purchased by the General Fund and Fleet Management Internal Service Fund.

Enterprise Funds and Internal Service Funds pay, from user fees, the principal 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 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 69 of this report.

Economic Factors and Next Year's Budget Rates

During the fiscal year ended June 30, 2005, 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 \$12.7 million more than collections for FY 2004. The growth in assessed real estate values allowed the City to lower the real estate tax rate from \$1.37955 per \$100 in assessed value to \$1.33 per \$100 during FY 2005. Meanwhile, revenue shortfalls relative to budget were recognized in machinery and tools taxes (approximately \$1.2 million) and general utility sales taxes (\$1.7 million).

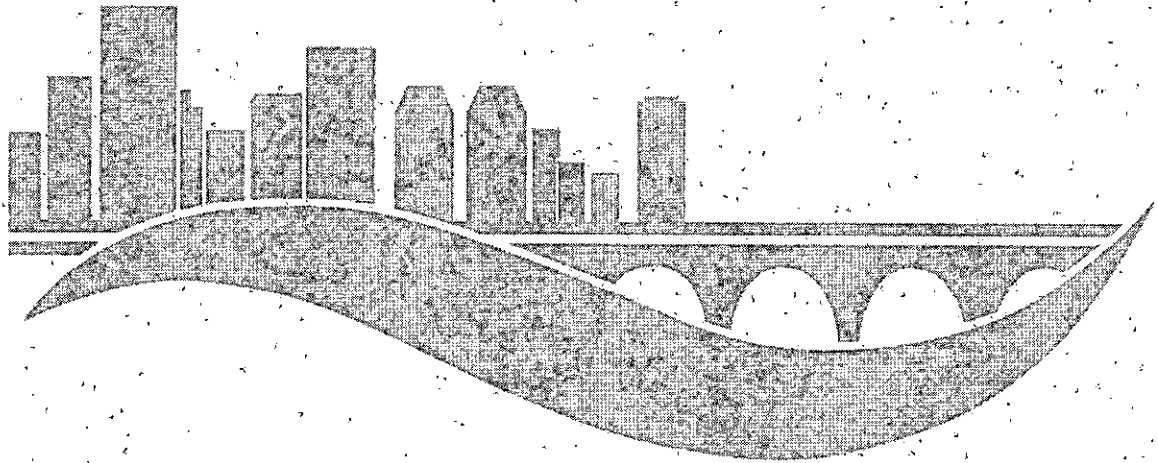
In preparing the biennial fiscal plan for FY2006-FY2007, the City faced a number of increased demands for resources, most notably a 26% increase in the fringe benefit cost for retirement for active employees, an increased need for Public Safety (particularly in Police and Sheriff and Jail services), the continuation of new Education initiatives, and an increase in debt service costs. To address these needs without a planned increase in the real estate tax rate of \$1.33 per \$100, a number of cost efficiencies are planned (including the consolidation and elimination of several City agencies), while user fee rates for refuse collection and recycling were increased, effective July 2005. Furthermore, the FY2006 general fund budget is supported by \$6.2 million in previously accumulated Richmond Public Schools fund balance that was recorded as general fund revenue in FY2005 as a one-time source for the subsequent year's budget for Education.

Rates for all utilities increased during the FY 2005. The water and wastewater rates increased 6.5% and 5.5%, respectively, while gas utility rates increased by 3.0%. 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 (\$4.3 million), Gas Mains and Services Replacement Program (\$15.7 million), Cleaning and Lining of Cast Iron Water Mains (\$1.9 million), Sanitary Sewer Rehabilitation (\$15.1 million), 36" Huguenot Road Water Transmission Main (\$12.3 million), Pumping Process Control Phase I (\$1.4 million), Raw Water Pumping Improvements (\$2.0 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, 2005

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Current Assets:				
Cash and Cash Equivalents (Note 3)	\$ 48,306,956	\$ 115,827,500	\$ 164,134,456	\$ 18,560,721
Receivables (Net of Allowance for Doubtful Accounts):				
Taxes and Licenses	61,760,416	--	61,760,416	--
Accounts	42,084,116	34,158,434	76,242,550	26,286,023
Internal Balances, Net	3,750,196	(3,750,196)	--	--
Due From Primary Government	--	--	--	22,653,913
Due From Component Units	967,084	--	967,084	--
Due From Other Governments (Note 5)	30,886,960	--	30,886,960	10,287,120
Inventories of Materials and Supplies	359,418	21,460,504	21,819,922	448,680
Prepaid Assets	629,510	5,222,157	5,851,667	--
Other Assets	39,414	--	39,414	855,797
Non-Current Assets:				
Restricted Assets - Cash and Investments (Note 3)	60,050,531	45,821,943	105,872,474	14,755,550
Advances To Component Units	1,300	--	1,300	--
Deferred Expenses	--	26,837,093	26,837,093	--
Notes Receivable (Note 6)	1,543,100	--	1,543,100	--
Mortgage Loans Receivable and Other Non-Current Assets	--	--	--	70,828,502
Due From Component Units	13,494,278	--	13,494,278	--
Total Non-Current Assets	75,089,209	72,659,036	147,748,245	85,584,052
Capital Assets, Net (Note 7):				
Land and Works of Art/Historical Treasures	23,764,904	8,233,390	31,998,294	22,839,353
Infrastructure, Net	291,702,454	--	291,702,454	272,597
Buildings, Structures, and Equipment, Net	202,655,637	701,199,829	903,855,466	139,026,758
Construction in Progress	80,983,799	113,962,101	194,945,900	29,272,542
Total Capital Assets, Net	599,106,794	823,395,320	1,422,502,114	191,411,250
Total Assets	862,980,073	1,068,972,755	1,931,952,828	356,087,556



EXHIBIT A

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
Liabilities				
Current Liabilities:				
Accounts Payable	13,351,534	24,495,906	37,847,440	10,508,939
Accrued Liabilities	6,791,079	7,162,648	13,953,727	26,598,989
Due To Primary Government	--	--	--	967,084
Due To Other Governments	3,671,987	413,046	4,085,033	3,922,910
Due To Various Agents	7,998,007	--	7,998,007	--
Due To Component Units	22,653,913	--	22,653,913	--
Accrued Interest on Bonds and Notes Payable	13,401,252	13,519,073	26,920,325	--
Deferred Revenue	--	--	--	5,304,037
Advances from Primary Government	--	--	--	1,300
General Obligation Bonds, Certificates of Participation, Serial Notes Payable, and Capital Leases	36,958,656	11,441,598	48,400,254	575,456
Revenue Bonds Payable	--	5,066,147	5,066,147	--
Compensated Absences	9,414,221	1,429,084	10,843,305	2,386,482
Other Liabilities and Claims Payable	5,920,003	--	5,920,003	4,535,983
Non-Current Liabilities (Notes 8 and 10):				
Liabilities to be Paid From Restricted Assets:				
Customers' Deposits	--	5,754,707	5,754,707	3,415,054
Accrued Interest on Bonds Payable	188,824	4,307,043	4,495,867	--
General Obligation Bonds, Certificates of Participation, Serial Notes Payable and Capital Leases	401,033,602	249,824,517	650,858,119	134,702,693
Due To Primary Government	--	--	--	13,494,278
Revenue Bonds Payable	--	315,749,451	315,749,451	--
Deferred Revenue	29,565,733	68,985,275	98,551,008	--
Compensated Absences	4,892,227	411,126	5,303,353	13,152,815
Other Liabilities and Claims Payable	17,915,559	--	17,915,559	876,807
Early Retirement Plan Net Pension Obligation	--	--	--	4,733,145
Total Liabilities	573,756,597	708,559,621	1,282,316,218	223,441,214
Net Assets				
Invested In Capital Assets, Net of Related Debt	198,513,944	277,073,800	475,587,744	78,517,331
Restricted for:				
Capital Projects	48,094,732	40,067,236	88,161,968	7,117,946
Debt Service	1,480,501	--	1,480,501	153,947
Customers' Deposits	--	--	--	347,990
Permanent Funds:				
Expendable	426,563	--	426,563	621,534
Nonexpendable	36,998	--	36,998	203,472
Unrestricted	40,670,738	43,272,098	83,942,836	45,684,122
Total Net Assets	\$ 289,223,476	\$ 360,413,134	\$ 649,636,610	\$ 132,646,342

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, 2005**

Functions/Program Activities	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental:				
General Government	\$ 82,897,797	\$ 41,636,438	\$ 18,461,928	\$ --
Public Safety and Judiciary	150,077,017	11,654,276	27,899,202	--
Highways, Streets, Sanitation and Refuse	80,327,346	8,383,842	19,774,885	8,227,292
Human Services	93,480,016	564,628	81,740,899	--
Culture and Recreation	14,914,204	561,893	1,290,535	--
Education	131,661,501	--	--	--
Transportation	6,766,376	--	--	--
Interest and Fiscal Charges	42,868,983	--	--	--
Total Governmental Activities	<u>602,993,240</u>	<u>62,801,077</u>	<u>149,167,449</u>	<u>8,227,292</u>
Business-type:				
Gas	207,682,064	221,309,436	767,097	--
Water	39,004,189	44,853,864	832,158	--
Wastewater	45,976,722	48,599,478	1,840,285	--
Coliseum	4,973,332	2,068,567	1,338,615	--
Landmark Theater	1,730,408	390,879	744,883	--
Cemeteries	1,344,285	1,412,205	84,014	--
Total Business-type Activities	<u>300,711,000</u>	<u>318,634,429</u>	<u>5,607,052</u>	<u>--</u>
Total Primary Government	<u>\$ 903,704,240</u>	<u>\$ 381,435,506</u>	<u>\$ 154,774,501</u>	<u>\$ 8,227,292</u>
Component Units:				
School Board	307,485,679	3,953,152	85,356,027	5,035,556
Richmond Ambulance Authority	12,937,321	7,210,168	--	--
Hospital Authority of Richmond	9,013,692	8,773,009	--	--
Port of Richmond Commission	1,802,046	1,014,994	--	284,500
Richmond Behavioral Health Authority	29,938,577	13,740,643	14,614,061	--
Richmond Redevelopment and Housing Authority	64,337,998	12,522,076	41,976,266	7,871,495
Broad Street Community Development Authority	4,579,761	3,351,708	--	--
Total Component Units	<u>\$ 430,095,074</u>	<u>\$ 50,565,750</u>	<u>\$ 141,946,354</u>	<u>\$ 13,191,551</u>
General Revenues:				
City Taxes				
Real Estate				
Sales-1% Local				
Personal Property				
Machinery and Tools				
General Utility Sales				
Bank Stock				
Prepared Food				
Admissions				
Delinquent Tax Payments-All Classes				
Private Utility Poles and Conduits				
Penalties and Interest				
Titling Tax-Mobile Home				
State Recordation				
Property Rental 1%				
Vehicle Rental Tax				
Rolling Stock Tax				
Total City Taxes				
Intergovernmental Revenue Not Restricted to Specific Programs				
Payment From Primary Government				
Investment Earnings				
Miscellaneous				
Transfers				
Special and Extraordinary Items:				
Special Item - Disaster Recovery (Note 16)				
Special Item - Capital transfer-collateral in excess of related debt (Note 7)				
Extraordinary Item - Disaster Costs (Note 16)				
Total Extraordinary Items, Net				
Total General Revenues, Transfers, and Special and Extraordinary Items				
Changes in Net Assets				
Net Assets - Beginning of Year				
Net Assets - End of Year				

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



EXHIBIT B

Net (Expenses) Revenues and Changes in Net Assets

Governmental Activities	Business-type Activities	Totals	Component Units
\$ (22,799,431)	\$ --	\$ (22,799,431)	\$ --
(110,523,539)	--	(110,523,539)	--
(43,941,327)	--	(43,941,327)	--
(11,174,489)	--	(11,174,489)	--
(13,061,776)	--	(13,061,776)	--
(131,661,501)	--	(131,661,501)	--
(6,766,376)	--	(6,766,376)	--
(42,868,983)	--	(42,868,983)	--
<u>(382,797,422)</u>	<u>--</u>	<u>(382,797,422)</u>	<u>--</u>
--	14,394,469	14,394,469	--
--	6,681,832	6,681,832	--
--	4,463,041	4,463,041	--
--	(1,566,150)	(1,566,150)	--
--	(594,646)	(594,646)	--
--	-151,934	-151,934	--
--	<u>23,530,481</u>	<u>23,530,481</u>	<u>--</u>
<u>(382,797,422)</u>	<u>23,530,481</u>	<u>(359,266,941)</u>	<u>--</u>
--	--	--	(213,140,944)
--	--	--	(5,727,153)
--	--	--	(240,683)
--	--	--	(502,552)
--	--	--	(1,583,873)
--	--	--	(1,968,161)
--	--	--	<u>(1,228,053)</u>
--	--	--	<u>(224,391,419)</u>
181,172,923	--	181,172,923	--
26,302,100	--	26,302,100	--
45,091,878	--	45,091,878	--
14,618,256	--	14,618,256	--
31,124,964	--	31,124,964	--
2,904,338	--	2,904,338	--
16,028,093	--	16,028,093	--
1,195,603	--	1,195,603	--
9,589,601	--	9,589,601	--
150,549	--	150,549	--
4,242,744	--	4,242,744	--
16,942	--	16,942	--
609,343	--	609,343	--
120,684	--	120,684	--
864,415	--	864,415	--
466,562	--	466,562	--
<u>334,498,995</u>	<u>--</u>	<u>334,498,995</u>	<u>--</u>
13,860,051	--	13,860,051	67,701,438
--	--	--	138,606,103
1,501,725	1,285,313	2,787,038	1,370,223
53,846,842	3,793,064	57,639,906	13,459,327
21,130,671	(21,130,671)	--	--
773,106	--	773,106	--
(4,020,240)	--	(4,020,240)	(38,434,221)
<u>(3,247,134)</u>	<u>--</u>	<u>(3,247,134)</u>	<u>(38,434,221)</u>
421,591,150	(16,052,294)	405,538,856	182,702,870
<u>38,793,728</u>	<u>7,478,187</u>	<u>46,271,915</u>	<u>(41,688,549)</u>
250,429,748	352,934,947	603,364,695	174,334,891
<u>\$ 289,223,476</u>	<u>\$ 360,413,134</u>	<u>\$ 649,636,610</u>	<u>\$ 132,646,342</u>



EXHIBIT C

CITY OF RICHMOND, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

See page 103

	General	Debt Service	Other Governmental Funds	Total
Assets				
Cash and Cash Equivalents (Note 3)	\$ 27,125,195	\$ --	\$ 9,573,850	\$ 36,699,045
Receivables (Net of Allowance for Doubtful Accounts):				
Taxes and Licenses	61,760,416	--	--	61,760,416
Accounts	35,308,082	577,124	3,012,473	38,897,679
Due From Other Funds (Note 4)	7,490,582	--	--	7,490,582
Due From Component Units	14,461,362	--	--	14,461,362
Due From Other Governments (Note 5)	21,429,862	--	9,438,932	30,868,794
Restricted Assets - Cash and Investments (Note 3)	--	1,480,501	58,570,030	60,050,531
Advances To Other Funds (Note 4)	150	--	--	150
Advances To Component Units	1,300	--	--	1,300
Notes Receivable (Note 6)	1,543,100	--	--	1,543,100
Total Assets	\$ 169,120,049	\$ 2,057,625	\$ 80,595,285	\$ 251,772,959
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 9,372,483	\$ 5,130	\$ 2,892,593	\$ 12,270,206
Accrued Liabilities	5,519,035	--	309,020	5,828,055
Due To Other Funds (Note 4)	--	560,533	2,183,754	2,744,287
Due To Other Governments (Note 5)	3,638,196	--	30,602	3,668,798
Due To Various Agents	7,998,007	--	--	7,998,007
Due To Component Units	22,653,913	--	--	22,653,913
Deferred Revenue	52,443,304	--	14,773,341	67,216,645
Total Liabilities	101,624,938	565,663	20,189,310	122,379,911
Fund Balances:				
Fund Balance - Reserved (Note 9):				
General Fund	22,216,671	--	--	22,216,671
Debt Service Fund	--	1,480,501	--	1,480,501
NonMajor - Capital Projects Funds	--	--	48,468,982	48,468,982
NonMajor - Permanent Funds	--	--	463,561	463,561
Fund Balance - Unreserved:				
 Designated for Specific Projects (Note 9):				
General Fund	6,218,440	--	--	6,218,440
NonMajor Special Revenue Funds	--	--	11,473,432	11,473,432
 Undesignated:				
General Fund	39,060,000	--	--	39,060,000
Debt Service Fund	--	11,461	--	11,461
Total Fund Balances	67,495,111	1,491,962	60,405,975	129,393,048
Total Liabilities and Fund Balances	\$ 169,120,049	\$ 2,057,625	\$ 80,595,285	\$ 251,772,959

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, 2005

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

Total fund balances for governmental funds \$ 129,393,048

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 23,666,904	
Infrastructure, net	291,702,454	
Buildings, structures, and equipment, net	157,650,165	
Construction in progress	77,653,304	
		<u>550,672,827</u>

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.

37,981,941

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	(10,988,963)	
Governmental bonds payable	(420,191,535)	
Compensated absences	<u>(13,953,375)</u>	(445,133,873)

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.

16,309,533

Net Assets of governmental activities

\$ 289,223,476

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



EXHIBIT D

CITY OF RICHMOND, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2005

	General	Debt Service	Other Governmental Funds	Total
Revenues				
City Taxes				
Real Estate	\$ 181,172,923	\$ --	\$ --	\$ 181,172,923
Sales-1% Local	26,302,100	--	--	26,302,100
Personal Property	45,091,878	--	--	45,091,878
Machinery and Tools	14,618,256	--	--	14,618,256
General Utility Sales	31,124,964	--	--	31,124,964
Bank Stock	2,904,338	--	--	2,904,338
Prepared Food	16,028,093	--	--	16,028,093
Admission	1,195,603	--	--	1,195,603
Delinquent Tax Payments-All Classes	9,589,601	--	--	9,589,601
Private Utility Poles and Conduits	150,549	--	--	150,549
Penalties and Interest	4,242,744	--	--	4,242,744
Titling Tax-Mobile Home	16,942	--	--	16,942
State Recordation	609,343	--	--	609,343
Property Rental 1%	120,684	--	--	120,684
Vehicle Rental Tax	864,415	--	--	864,415
Telephone Commissions	466,562	--	--	466,562
Total City Taxes	<u>334,498,995</u>	<u>--</u>	<u>--</u>	<u>334,498,995</u>
Licenses, Permits and Privilege Fees	35,302,960	--	--	35,302,960
Intergovernmental	113,861,235	123,032	59,766,725	173,750,992
Service Charges	16,343,955	--	--	16,343,955
Fines and Forfeitures	10,328,752	--	--	10,328,752
Payment in Lieu of Taxes	19,630,782	--	--	19,630,782
Investment Income	--	--	1,501,725	1,501,725
Miscellaneous	5,671,793	43,301,889	15,290,858	64,264,540
Total Revenues	<u>535,638,472</u>	<u>43,424,921</u>	<u>76,559,308</u>	<u>655,622,701</u>
Expenditures				
Current:				
General Government	52,674,080	--	19,408,439	72,082,519
Public Safety and Judiciary	139,793,897	--	11,939,687	151,733,584
Highways, Streets, Sanitation and Refuse	53,756,034	--	617,506	54,373,540
Human Services	65,043,410	--	25,881,018	90,924,428
Culture and Recreation	18,049,525	--	1,579,143	19,628,668
Education	129,041,941	--	--	129,041,941
Non-Departmental	26,211,317	--	--	26,211,317
Capital Outlay	--	--	43,109,262	43,109,262
Debt Service:				
Principal Retirement	--	43,743,522	--	43,743,522
Interest Payments	--	40,812,004	--	40,812,004
Issuance Costs	--	625,909	--	625,909
Total Expenditures	<u>484,570,204</u>	<u>85,181,435</u>	<u>102,535,055</u>	<u>672,286,694</u>
Excess of Revenues Over (Under) Expenditures	<u>51,068,268</u>	<u>(41,756,514)</u>	<u>(25,975,747)</u>	<u>(16,663,993)</u>
Other Financing Sources (Uses)				
Proceeds from Issuance of Bonds	2,000,000	--	1,536,671	3,536,671
Transfers In-Other Funds	5,317,737	41,756,514	10,606,616	57,680,867
Transfers Out-Other Funds	(50,997,746)	--	(3,940,482)	(54,938,228)
Total Other Financing Sources (Uses), Net	<u>(43,680,009)</u>	<u>41,756,514</u>	<u>8,202,805</u>	<u>6,279,310</u>
Special and Extraordinary Items				
Special Item - Disaster Recovery (Note 16)	(1,733,968)	--	2,507,074	773,106
Extraordinary Item - Disaster Costs (Note 16)	--	--	(4,020,240)	(4,020,240)
Total Extraordinary Items, Net	<u>(1,733,968)</u>	<u>--</u>	<u>(1,513,166)</u>	<u>(3,247,134)</u>
Net Change in Fund Balances	5,654,291	--	(19,286,108)	<u>(13,631,817)</u>
Fund Balances - July 1, 2004	61,840,820	1,491,962	79,692,083	143,024,865
Fund Balances - June 30, 2005	<u>\$ 67,495,111</u>	<u>\$ 1,491,962</u>	<u>\$ 60,405,975</u>	<u>\$ 129,393,048</u>

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, 2005

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

Table with 2 columns: Description and Amount. Includes rows for 'Net change in fund balances - total governmental funds', 'Governmental funds report capital outlays as expenditures...', 'The issuance of long term debt...', 'Some revenues in the statement of activities...', 'Some expenditures in the statement of activities...', 'Internal service funds are used by the City...', and 'Change in net assets of governmental activities'. Includes handwritten annotations like 'S/B -> (B) 15,911,380' and circled numbers.

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

Handwritten calculations: (A) 38,793,728; (C) (805,071); (B) 15,911,380; 53,900,037; (A) (38,793,728); 15,106,309 difference.



EXHIBIT E-1

**CITY OF RICHMOND, VIRGINIA
STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS
June 30, 2005**

	Enterprise Funds				Total	Governmental Activities - Internal Service Funds
	Gas	Water	Wastewater	Other		
Assets						
Current Assets:						
Cash and Cash Equivalents (Note 3)	\$ 29,387,136	\$ 17,784,633	\$ 36,755,141	\$ 655,617	\$ 84,582,527	\$ 42,852,884
Accounts Receivables (Net of Allowance for Doubtful Accounts)	18,948,141	8,466,783	6,228,041	515,469	34,158,434	3,186,437
Due From Other Funds (Note 4)	775,970	404,628	1,152,211	--	2,332,809	--
Due From Other Governments	--	--	--	--	--	18,166
Inventories of Materials and Supplies	18,129,208	192,936	60,714	105,789	18,488,647	3,331,275
Prepaid Expenses and Other Current Assets	1,906,467	1,362,813	1,596,712	90,246	4,956,238	895,429
Total Current Assets	69,146,922	28,211,793	45,792,819	1,367,121	144,518,655	50,284,191
Noncurrent Assets:						
Restricted Assets - Cash and Investments (Note 3)	4,867,566	36,490,827	4,463,550	--	45,821,943	--
Advances To Other Funds (Notes 4)	19,605,111	19,081,068	21,534,342	--	60,220,521	3,294,908
Deferred Expenses	10,516,227	9,019,623	7,301,243	--	26,837,093	39,415
Capital Assets (Note 7):						
Land	--	--	--	8,233,390	8,233,390	98,000
Buildings and Structures	--	--	--	24,723,141	24,723,141	97,033,055
Equipment	--	--	--	6,031,336	6,031,336	60,719,024
Plant Held for Future Use	25,813	--	207,075	--	232,888	--
Plant-in-Service	319,139,760	256,195,316	223,368,838	--	798,703,914	--
Completed Construction	7,800,197	18,651,790	115,892,591	--	142,344,578	--
Less: Accumulated Depreciation	(92,877,950)	(75,281,731)	(111,803,279)	(11,968,764)	(291,931,724)	(91,650,911)
Construction in Progress	29,433,934	34,246,105	39,269,244	1,423,279	104,372,562	12,920,034
Total Capital Assets, Net Accumulated Depreciation	263,521,754	233,811,480	266,934,469	28,442,382	792,710,085	79,119,202
Total Noncurrent Assets	298,510,658	298,402,998	300,233,604	28,442,382	925,589,642	82,453,525
Total Assets	\$ 367,657,580	\$ 326,614,791	\$ 346,026,423	\$ 29,809,503	\$ 1,070,108,297	\$ 132,737,716
Liabilities:						
Current Liabilities:						
Accounts Payable	\$ 12,347,514	\$ 7,412,525	\$ 2,152,436	\$ 1,058,613	\$ 22,971,088	\$ 2,606,146
Accrued Liabilities	1,998,501	1,582,618	1,872,452	1,618,487	7,072,058	1,053,614
Due To Other Funds (Note 4)	--	--	--	2,788,097	2,788,097	4,291,007
Due to Other Governments	--	--	--	413,046	413,046	--
Due To Component Units	--	--	--	--	--	3,189
Accrued Interest on Bonds Payable	5,334,778	3,947,783	3,753,821	482,691	13,519,073	2,412,289
General Obligation Bonds and Capital Leases (Note 8)	4,309,490	3,090,277	2,572,037	1,469,794	11,441,598	5,043,032
Revenue Bonds Payable (Note 8)	975,121	1,068,601	3,022,425	--	5,066,147	194,486
Compensated Absences	645,866	289,740	380,831	78,614	1,395,051	--
Other Liabilities and Claims Payable (Note 10)	--	--	--	--	--	5,920,003
Total Current Liabilities	25,611,270	17,391,544	13,754,002	7,909,342	64,666,158	21,523,766
Noncurrent Liabilities:						
Liabilities to be Repaid from Restricted Assets:						
Customers' Deposits	4,867,566	887,141	--	--	5,754,707	--
Accrued Interest on Bonds Payable (Note 8)	1,323,584	2,117,552	865,907	--	4,307,043	188,824
Deferred Revenue	12,802,220	36,406,180	19,776,779	--	68,985,179	331,126
General Obligation Bonds and Capital Lease Liabilities (Note 8)	106,221,274	82,631,064	42,864,531	18,107,648	249,824,517	12,757,691
Revenue Bonds Payable (Note 8)	121,101,837	90,926,904	103,720,710	--	315,749,451	--
Compensated Absences	21,054	228,976	137,885	20,193	408,108	195,638
Other Liabilities and Claims Payable (Note 10)	--	--	--	--	--	17,915,559
Advances from Other Funds	--	--	--	--	--	63,515,579
Total Noncurrent Liabilities	246,337,535	213,197,817	167,365,812	18,127,841	645,029,005	94,904,417
Total Liabilities	271,948,805	230,589,361	181,119,814	26,037,183	709,695,163	116,428,183
Net Assets:						
Invested in Capital Assets, Net of Related Debt	29,590,448	89,580,768	118,352,409	8,864,940	246,388,565	61,129,655
Restricted for Capital Projects	--	35,603,686	4,463,550	--	40,067,236	--
Unrestricted	66,118,327	(29,159,024)	42,090,650	(5,092,620)	73,957,333	(44,820,122)
Total Net Assets	\$ 95,708,775	\$ 96,025,430	\$ 164,906,609	\$ 3,772,320	\$ 360,413,134	\$ 16,309,533

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, 2005

	Total Enterprise Funds	Internal Service Fund	Business-Type Activities Statement of Net Assets
		Allocation Stores and Transportation Division	
Assets			
Current Assets:			
Cash and Cash Equivalents (Note 3)	\$ 84,582,527	\$ 31,244,973	\$ 115,827,500
Accounts Receivables (Net of Allowance for Doubtful Accounts)	34,158,434	--	34,158,434
Due From Other Funds (Note 4)	2,332,809	--	2,332,809
Inventories of Materials and Supplies	18,488,647	2,971,857	21,460,504
Prepaid Expenses and Other Current Assets	4,956,238	265,919	5,222,157
Total Current Assets	144,518,655	34,482,749	179,001,404
Noncurrent Assets:			
Restricted Assets - Cash and Investments (Note 3)	45,821,943	--	45,821,943
Advances To Other Funds	60,220,521	(63,515,429)	(3,294,908)
Deferred Expenses	26,837,093	--	26,837,093
Capital Assets (Note 7):			
Land	8,233,390	--	8,233,390
Buildings and Structures	24,723,141	57,431,587	82,154,728
Equipment	6,031,336	--	6,031,336
Plant Held for Future Use	232,888	--	232,888
Plant-in-Service	798,703,914	--	798,703,914
Completed Construction	142,344,578	--	142,344,578
Less Accumulated Depreciation	(291,931,724)	(36,335,891)	(328,267,615)
Construction in Progress	104,372,562	9,589,539	113,962,101
Total Capital Assets, Net Accumulated Depreciation	792,710,085	30,685,235	823,395,320
Total Noncurrent Assets	925,589,642	(32,830,194)	892,759,448
Total Assets	\$ 1,070,108,297	\$ 1,652,555	\$ 1,071,760,852
Liabilities:			
Current Liabilities:			
Accounts Payable	22,971,088	1,524,818	24,495,906
Accrued Liabilities	7,072,058	90,590	7,162,648
Due To Other Funds (Note 4)	2,788,097	--	2,788,097
Due to Other Governments	413,046	--	413,046
Accrued Interest on Bonds Payable	13,519,073	--	13,519,073
General Obligation Bonds and Capital Leases (Note 8)	11,441,598	--	11,441,598
Revenue Bonds Payable (Note 8)	5,066,147	--	5,066,147
Compensated Absences	1,395,051	34,033	1,429,084
Total Current Liabilities	64,666,158	1,649,441	66,315,599
Noncurrent Liabilities:			
Liabilities to be Repaid from Restricted Assets:			
Customers' Deposits	5,754,707	--	5,754,707
Accreted Interest on Bonds Payable (Note 8)	4,307,043	--	4,307,043
Deferred Revenue	68,985,179	96	68,985,275
General Obligation Bonds and Capital Leases (Note 8)	249,824,517	--	249,824,517
Revenue Bonds Payable (Note 8)	315,749,451	--	315,749,451
Compensated Absences	408,108	3,018	411,126
Total Noncurrent Liabilities	645,029,005	3,114	645,032,119
Total Liabilities	709,695,163	1,652,555	711,347,718
Net Assets:			
Invested in Capital Assets, Net of Related Debt	246,388,565	30,685,235	277,073,800
Restricted for Capital Projects	40,067,236	--	40,067,236
Unrestricted	73,957,333	(30,685,235)	43,272,098
Total Net Assets	\$ 360,413,134	\$ --	\$ 360,413,134

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, 2005

	Enterprise Funds				Total	Governmental Activities - Internal Service Funds
	Gas	Water	Wastewater	Other		
Operating Revenues						
Charges for Goods and Services	\$ 218,137,610	\$ 44,211,014	\$ 47,902,946	\$ 3,871,651	\$ 314,123,221	\$ 43,439,815
Operating Expenses						
Purchased Gas	154,400,938	--	--	--	154,400,938	--
Intragovernmental Goods and Services Sold	--	--	--	--	--	10,419,694
Salaries and Wages	8,342,954	6,712,206	6,733,993	2,879,362	24,668,515	3,335,519
Data Processing	731,225	255,929	231,555	--	1,218,709	124,005
Materials and Supplies	623,592	1,333,848	762,002	421,629	3,141,071	704,864
Rents and Utilities	236,440	3,240,174	2,107,497	225,643	5,809,754	2,410,272
Maintenance and Repairs	6,002,246	3,700,227	3,931,082	277,441	13,910,996	783,628
Depreciation and Amortization	10,908,284	5,584,158	8,401,454	1,650,219	26,544,115	9,972,919
Claims and Settlements	--	--	--	--	--	11,154,034
Miscellaneous Operating Expenses	20,311,689	13,116,014	15,933,705	1,349,853	50,711,261	5,738,817
Total Operating Expenses	201,557,368	33,942,556	38,101,288	6,804,147	280,405,359	44,643,752
Operating Income (Loss)	16,580,242	10,268,458	9,801,658	(2,932,496)	33,717,862	(1,203,937)
Non-Operating Revenues (Expenses)						
Government Subsidies	767,097	832,158	1,840,285	2,167,512	5,607,052	812,678
Interest on Long-Term Debt	(12,496,199)	(9,682,606)	(8,524,420)	(332,529)	(31,035,754)	(1,089,834)
Interest Income	428,826	370,073	478,138	8,276	1,285,313	--
Interest Expense	(11,144)	--	--	--	(11,144)	--
Amortization of Debt Discount and Expense	(980,484)	(755,497)	(734,676)	--	(2,470,657)	--
Miscellaneous Revenue	671,253	975,192	1,885,171	261,448	3,793,064	1,997,346
Miscellaneous Expenses	--	--	--	(911,349)	(911,349)	(234,702)
Total Non-Operating Revenues (Expenses)	(11,620,651)	(8,260,680)	(5,055,502)	1,193,358	(23,743,475)	1,485,488
Net Income (Loss) Before Transfers	4,959,591	2,007,778	4,746,156	(1,739,138)	9,974,387	281,551
Transfers Out-Other Funds	(233,500)	(790,900)	(1,471,800)	--	(2,496,200)	(246,439)
Change In Net Assets	4,726,091	1,216,878	3,274,356	(1,739,138)	7,478,187	35,112
Net Assets - Beginning of Year	90,982,684	94,808,552	161,632,253	5,511,458	352,934,947	16,274,421
Net Assets - End of Year	\$ 95,708,775	\$ 96,025,430	\$ 164,906,609	\$ 3,772,320	\$ 360,413,134	\$ 16,309,533

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, 2005

	Enterprise Funds			Total
	Gas	Water	Wastewater	
Operating Revenues				
Charges for Goods and Services	\$ 218,137,610	\$ 44,211,014	\$ 47,902,946	310,251,570
Internal Service Fund Allocation - Stores and Transportation Division	3,171,826	642,850	696,532	4,511,208
Charges for Services - Statement of Activities	221,309,436	44,853,864	48,599,478	314,762,778
Operating Expenses				
Purchased Gas	154,400,938	--	--	154,400,938
Salaries and Wages	8,342,954	6,712,206	6,733,993	21,789,153
Data Processing	731,225	255,929	231,555	1,218,709
Materials and Supplies	623,592	1,333,848	762,002	2,719,442
Rents and Utilities	236,440	3,240,174	2,107,497	5,584,111
Maintenance and Repairs	6,002,246	3,700,227	3,931,082	13,633,555
Depreciation and Amortization	10,908,284	5,584,158	8,401,454	24,893,896
Miscellaneous Operating Expenses	20,311,689	13,116,014	15,933,705	49,361,408
Total Operating Expenses	201,557,368	33,942,556	38,101,288	273,601,212
Non-Operating Expenses				
Interest on Long-Term Debt	12,496,199	9,682,606	8,524,420	30,703,225
Interest Expense	11,144	--	--	11,144
Amortization of Debt Discount and Expense	980,484	755,497	734,676	2,470,657
Total Expenses	215,045,195	44,380,659	47,360,384	306,786,238
Internal Service Fund Allocation - Stores and Transportation Division	3,162,181	652,605	696,422	4,511,208
Reclass As Transfers to Governmental Activities - Payments In Lieu of Taxes	(10,525,312)	(6,029,075)	(2,080,084)	(18,634,471)
Program Expenses - Statement of Activities	\$ 207,682,064	\$ 39,004,189	\$ 45,976,722	\$ 292,662,975

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, 2005**

	Enterprise Funds				Total	Governmental Activities - Internal Service Funds
	Gas	Water	Wastewater	Other		
Cash Flows From Operating Activities						
Receipts from Customers	\$ 215,256,800	\$ 44,790,998	\$ 47,667,475	\$ 4,868,829	\$ 312,584,102	\$ 42,631,240
Payments to Suppliers	(168,985,596)	(10,613,982)	(16,414,105)	(1,895,077)	(197,908,760)	(20,703,030)
Payments to Employees	(7,129,355)	(6,607,697)	(6,837,815)	(2,880,318)	(23,455,185)	(9,162,792)
Payments to Other Funds	(8,059,042)	(5,509,792)	(6,230,586)	--	(19,799,420)	(1,430,152)
Other Receipts or (Payments)	(754,939)	882,924	1,633,902	(32,371)	1,729,516	839,817
Net Cash Provided By (Used In) Operating Activities	30,327,868	22,942,451	19,818,871	61,063	73,150,253	12,175,083
Cash Flows From Noncapital Financing Activities						
Transfers In and Government Subsidies	767,097	832,158	1,840,285	828,897	4,268,437	812,678
Transfers Out - Other Funds	(233,500)	(790,900)	(1,471,800)	--	(2,496,200)	(246,439)
Payments on Capital Lease	--	--	--	(124,590)	(124,590)	--
Other Cash Distributed	--	--	--	(105,378)	(105,378)	--
Net Cash Provided By Noncapital Financing Activities	533,597	41,258	368,485	598,929	1,542,269	566,239
Cash Flows From Capital and Related Financing Activities						
Acquisition of Capital Assets	(21,103,057)	(18,789,163)	(1,087,778)	(26,833)	(51,006,831)	(11,655,615)
Capital Contributions	3,900	75	--	--	3,975	--
Proceeds From Bond Sale	7,097,009	55,788,313	4,769,678	--	67,655,000	--
Proceeds from Issuance of Notes Payable	--	--	--	--	--	5,000,000
Repayments of Revenue and General Obligation Bonds	(5,661,737)	(3,891,397)	(5,564,666)	--	(15,117,800)	(3,469,207)
Repayments of Notes Payables	--	--	--	--	--	(1,386,408)
Interest Paid on Long-Term Debt	(11,889,421)	(7,654,042)	(8,156,139)	--	(27,699,602)	(719,801)
Net Cash Provided By (Used In) Capital and Related Financing Activities	(31,553,306)	25,453,786	(20,038,905)	(26,833)	(26,165,258)	(12,231,031)
Cash Flows From Investing Activities						
Interest Earned on Operating Funds	428,826	370,073	478,138	8,276	1,285,313	--
Interest Paid on Customers' Deposits	(11,144)	--	--	(85,675)	(96,819)	--
Net Cash Provided By (Used In) Investing Activities	417,682	370,073	478,138	(77,399)	1,188,494	--
Net Increase (Decrease) in Cash and Cash Equivalents	(274,159)	48,807,568	626,589	555,760	49,715,758	510,291
Cash and Cash Equivalents at July 1, 2004	34,528,861	5,467,892	40,592,102	99,857	80,688,712	42,342,593
Cash and Cash Equivalents at June 30, 2005	\$ 34,254,702	\$ 54,275,460	\$ 41,218,691	\$ 655,617	\$ 130,404,470	\$ 42,852,884
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities						
Operating Income (Loss)	\$ 16,580,242	\$ 10,268,458	\$ 9,801,658	\$ (2,932,496)	\$ 33,717,862	\$ (1,203,937)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities:						
Depreciation	10,908,284	5,584,158	8,401,454	1,650,219	26,544,115	9,972,919
Miscellaneous Income	671,253	975,192	1,885,171	(652,188)	2,879,428	1,559,264
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:						
Accounts Receivable	(3,151,458)	579,983	(235,471)	(89,652)	(2,896,598)	(809,806)
Due From Other Funds	279,495	(267,867)	276,012	--	287,640	--
Due From Other Governments	--	--	--	--	--	1,232
Inventories of Material and Supplies	(1,694,416)	(49,837)	--	(12,417)	(1,756,670)	745,332
Prepaid Expenses	(7,467)	(38,199)	(34,993)	(53,642)	(114,301)	22,902
Deferred Expenses	(2,607,872)	676,533	815,398	--	(1,115,941)	9,973
Accounts Payable	3,485,358	3,993,226	(1,609,270)	525,549	6,394,863	644,369
Accrued Liabilities	1,005,050	(75,175)	(320,270)	1,141,979	1,751,584	26,602
Deferred Revenue	2,838,257	628,728	866,721	--	4,333,706	(17,523)
Customers' Deposits	2,056,549	694,790	--	--	2,751,339	--
Due To Other Funds	--	--	--	478,708	478,708	(603,252)
Due To Component Units	--	--	--	--	--	3,189
Compensated Absences	(35,407)	(27,539)	(27,539)	(14,997)	(105,482)	(38,949)
Outstanding Liabilities and Claims	--	--	--	--	--	1,862,768
Total Adjustments	13,747,626	12,673,993	10,017,213	2,993,559	39,432,391	13,379,020
Net Cash Provided By Operating Activities	\$ 30,327,868	\$ 22,942,451	\$ 19,818,871	\$ 61,063	\$ 73,150,253	\$ 12,175,083
Supplemental Cash Flow Information						
Non-cash Transactions:						
GO Bonds Principal payments made by City Debt Service Fund on behalf of Fund	--	--	--	1,495,804	1,495,804	--
GO Bonds Interest payments made by City Debt Service Fund on behalf of Fund	--	--	--	980,207	980,207	--
Capital Lease Principal payments made by City Debt Service Fund on behalf of Fund	--	--	--	183,819	183,819	--
Capital Lease Interest payments made by City Debt Service Fund on behalf of Fund	--	--	--	112,529	112,529	--
Capital Assets acquired on behalf of Fund	--	--	--	1,575,486	1,575,486	--
Debt allocation to Fund	--	--	--	1,575,486	1,575,486	--

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

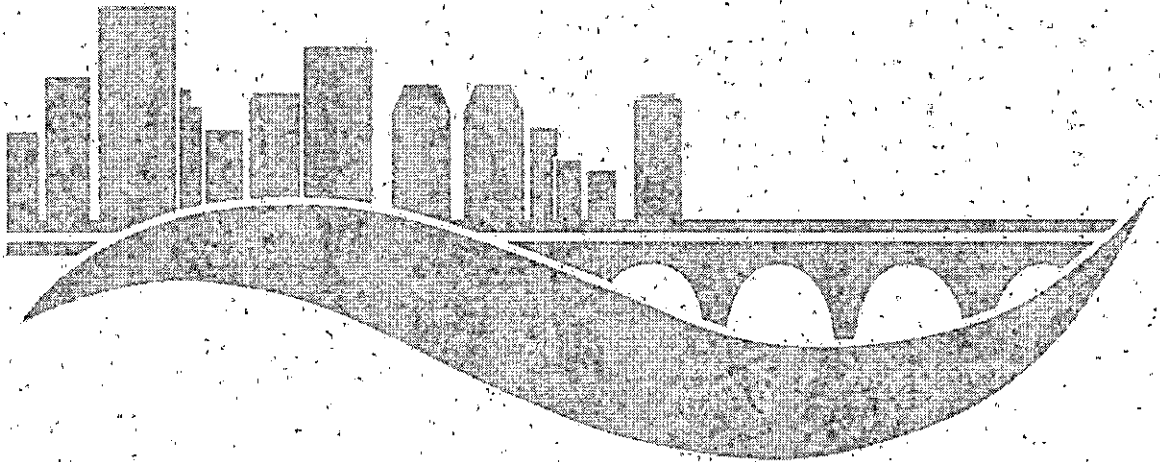




EXHIBIT F-1

CITY OF RICHMOND, VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2005

	Pension Trust Funds	Agency Funds
Assets:		
Cash and Short-term Investments	\$ 23,669,177	\$ 1,506,775
Receivables:		
Due from Brokers on Sale of Securities	8,417,020	--
Due From Other Governments	1,735,977	--
Interest and dividends	2,307,099	--
Employee Loans Receivable	1,190,662	--
Investments, at Fair Value:		
U.S. Government and Agency Securities	93,040,724	--
Corporate Bonds	51,353,495	--
Common Stock	199,807,274	--
International Stocks	82,274,112	--
International Bonds	34,189,912	--
Real Estate Investment Trusts	25,909,354	--
Cash Collateral Received - Security Lending Program	38,047,767	--
Total Investments, at Fair Value	524,622,638	--
Total Assets	561,942,573	1,506,775
Liabilities:		
Accounts Payable	1,065,235	107,992
Refundable Deposits	--	423,907
Payable for Collateral Received - Security Lending Program	38,047,767	--
Due to Other Governments	2,561,080	--
Due to Various Agents for Securities Purchased	10,912,937	--
Funds Held for Others	--	974,876
Total Liabilities	52,587,019	1,506,775
Net Assets Held in Trust for Pension Benefits and Other Purposes	\$ 509,355,554	\$ --

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, 2005

	<u>Pension Trust Funds</u>
Additions:	
Contributions:	
City of Richmond	\$ 26,210,150
Richmond Behavioral Health Authority	1,041,879
Richmond Public Schools	341,533
Plan members	1,372,414
Investment Income:	
Net Appreciation in Fair Value of Investments	38,811,802
Interest	10,498,518
Dividends	3,893,388
Net Increase in the Fair Value of Investments	<u>53,203,708</u>
Net Income Earned On Securities Lending Transactions:	
Securities Lending Income	760,698
Securities Lending Expense	(732,114)
Total Net Income Earned On Securities Lending Transactions	<u>28,584</u>
Investment Income	53,232,292
Less: Investment Expense	2,561,080
Net Investment Income	<u>50,671,212</u>
Total additions	<u>79,637,188</u>
Deductions:	
Benefits	50,873,075
Administrative Expenses	979,100
Total deductions	<u>51,852,175</u>
Net Increase	27,785,013
Net Assets Held In Trust For Pension Benefits and Other Purposes - Beginning of Year	<u>481,570,541</u>
Net Assets Held In Trust For Pension Benefits and Other Purposes - End of Year	<u>\$ 509,355,554</u>

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

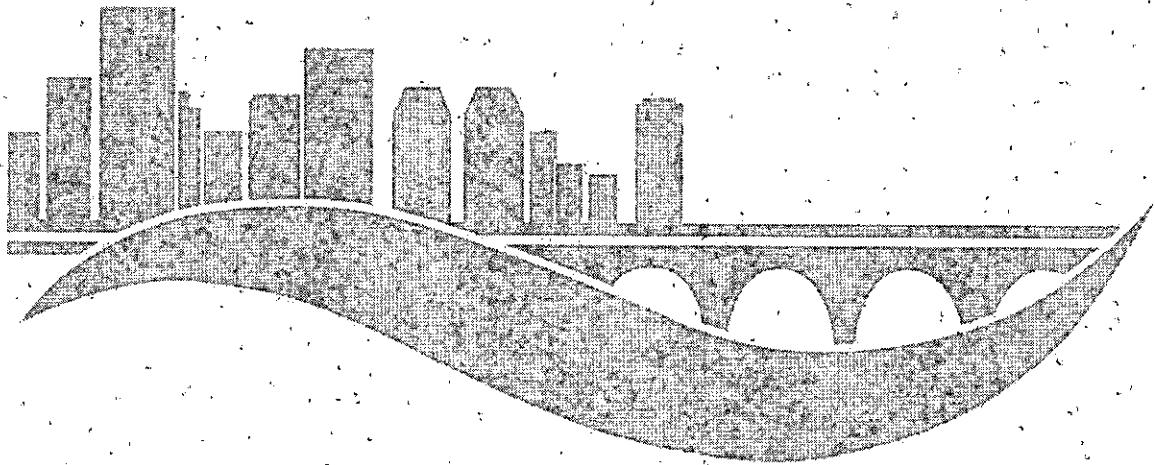




EXHIBIT G-1

**CITY OF RICHMOND, VIRGINIA
STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2005**

	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)	\$ 3,310,991	\$ 2,831,263	\$ 2,791,950	\$ 3,328,693	\$ 2,592,992	\$ 3,704,832	\$ --	\$ 18,560,721
Due From Primary Government	22,653,913	--	--	--	--	--	--	22,653,913
Due From Other Governments (Note 5)	10,287,120	--	--	--	--	--	--	10,287,120
Accounts Receivable	10,984,140	1,735,871	1,344,244	80,572	2,856,963	8,431,866	852,367	26,286,023
Inventories of Materials and Supplies	281,640	120,643	46,397	--	--	--	--	448,680
Prepaid Expenses and Other Current Assets	--	106,806	98,892	--	349,367	--	300,732	855,797
Restricted Assets (Note 3)	2,788,387	--	97,208	--	--	1,539,101	10,330,854	14,755,550
Mortgage Loans Receivable and Other Non-Current Assets	--	--	--	--	--	70,825,502	--	70,828,502
Capital Assets (Note 7):								
Land	--	--	111,508	157,337	--	17,779,408	4,791,100	22,839,353
Infrastructure	--	--	--	272,597	--	--	--	272,597
Buildings and Structures	--	1,873,949	7,588,336	3,459,762	--	165,326,016	53,449,769	231,697,832
Plant-in-Service	--	--	--	14,850,510	--	--	--	14,850,510
Equipment	21,701,737	6,576,113	1,850,696	2,719,983	2,536,132	2,844,398	--	38,229,059
Less: Accumulated Depreciation	(16,312,196)	(4,962,554)	(5,879,298)	(11,233,417)	(1,235,602)	(103,803,236)	(2,324,340)	(145,750,643)
Construction in Progress	--	--	--	252,544	--	29,019,998	--	29,272,542
Total Capital Assets	5,389,541	3,487,508	3,671,242	10,479,316	1,300,530	111,166,584	55,916,529	191,411,250
Total Assets	55,695,732	8,282,091	8,049,933	13,888,581	7,099,852	195,670,885	67,400,482	356,087,556
Liabilities								
Accounts Payable	4,984,439	--	885,743	2,139	2,306,691	2,165,673	164,254	10,508,939
Accrued Liabilities	19,164,386	1,582,270	--	11,415	--	5,426,597	414,321	26,598,989
Due To Primary Government	--	--	--	--	--	967,084	--	967,084
Due To Other Governments	2,064,601	--	--	--	--	1,858,309	--	3,922,910
Deferred Revenue	3,581,351	48,231	--	--	1,585,553	88,902	--	5,304,037
Advances from Primary Government	1,300	--	--	--	--	--	--	1,300
Liabilities to be Paid From Restricted Assets:								
Customers' Deposits	--	--	97,208	--	--	--	3,317,846	3,415,054
Bonds, Notes Payable and Capital Leases	--	53,181	13,658	--	--	508,617	--	575,456
Compensated Absences	1,368,558	--	--	22,843	--	995,081	--	2,386,482
Workers' Compensation	940,743	--	--	--	--	--	--	940,743
Incurred But Not Reported Claims	3,595,240	--	--	--	--	--	--	3,595,240
Non-Current Liabilities (Notes 8 and 10):								
Bonds, Notes Payable and Capital Leases	--	314,318	46,136	--	--	67,602,239	66,740,000	134,702,693
Less Discount on Revenue Bonds Payable	--	--	--	--	--	--	(1,734,758)	(1,734,758)
Due To Primary Government	--	--	--	--	--	13,494,278	--	13,494,278
Compensated Absences	11,174,821	--	--	13,719	875,937	1,088,338	--	13,152,815
Deferred Revenue	--	--	--	--	--	--	--	--
Workers' Compensation	432,452	--	--	--	--	--	--	432,452
Incurred But Not Reported Claims	444,355	--	--	--	--	--	--	444,355
Early Retirement Plan Net Pension Obligation	4,733,145	--	--	--	--	--	--	4,733,145
Total Liabilities	52,485,391	1,998,000	1,042,745	50,116	4,768,181	94,195,118	68,901,663	223,441,214
Net Assets								
Invested In Capital Assets, Net of Related Debt	5,389,541	3,120,009	3,611,448	10,479,316	1,300,530	56,692,192	(2,075,705)	78,517,331
Restricted for:								
Capital Projects	6,080,783	--	--	--	--	1,037,163	--	7,117,946
Reserve for Encumbrances	--	--	--	--	--	--	--	--
Debt Service	--	--	--	--	--	153,947	--	153,947
Customers' Deposits	--	--	--	--	--	347,990	--	347,990
Permanent Funds:								
Expendable	621,534	--	--	--	--	--	--	621,534
Nonexpendable	203,472	--	--	--	--	--	--	203,472
Unrestricted	(9,084,989)	3,164,082	3,395,740	3,359,149	1,031,141	43,244,475	574,524	45,684,122
Total Net Assets	\$ 3,210,341	\$ 6,284,091	\$ 7,007,188	\$ 13,838,465	\$ 2,331,671	\$ 101,475,767	\$ (1,501,181)	\$ 132,646,342

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, 2005**

Functions/Program Activities	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
School Board	\$ 307,485,679	\$ 3,953,152	\$ 85,356,027	\$ 5,035,556
Richmond Ambulance Authority	12,937,321	7,210,168	--	--
Hospital Authority of Richmond	9,013,692	8,773,009	--	--
Port of Richmond Commission	1,802,046	1,014,994	--	284,500
Richmond Behavioral Health Authority	29,938,577	13,740,643	14,614,061	--
Richmond Redevelopment and Housing Authority	64,337,998	12,522,076	41,976,266	7,871,495
Broad Street Community Development Authority	4,579,761	3,351,708	--	--
Total Component Units	<u>\$ 430,095,074</u>	<u>\$ 50,365,750</u>	<u>\$ 141,946,354</u>	<u>\$ 13,191,551</u>

General Revenues:

- Payment From Primary Government
- Intergovernmental Revenue Not Restricted to Specific Programs
- Investment Earnings
- Miscellaneous
- Total General Revenues

Special Item:

- Capital transfer - collateral in excess of related debt (Note 7)
- Total Special Item

Changes in Net Assets

- Net Assets - Beginning of Year
- Net Assets - End of Year

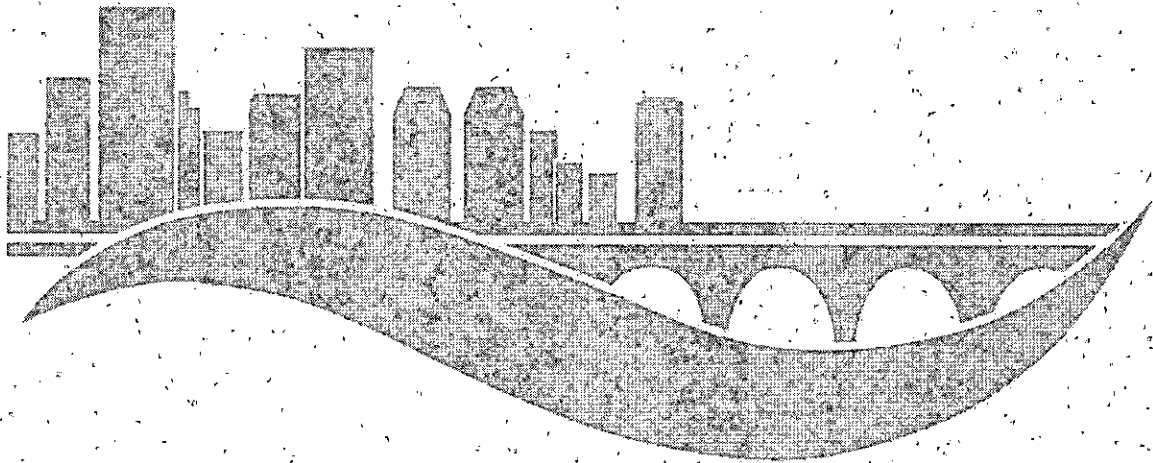
The accompanying notes are an integral part of the basic financial statements.



EXHIBIT G-2

Net (Expenses) Revenues and Changes in Net Assets

School Board	Richmond Ambulance Authority	Hospital Authority of Richmond	Port of Richmond Commission	Richmond Behavioral Health Authority	Richmond Redevelopment and Housing Authority	Broad Street Community Development Authority	Total
\$ (213,140,944)	\$ (5,727,153)	\$ (240,683)	\$ (502,552)	\$ (1,583,873)	\$ (1,968,161)	\$ (1,228,053)	\$ (213,140,944)
							(5,727,153)
							(240,683)
							(502,552)
							(1,583,873)
							(1,968,161)
							(1,228,053)
<u>(213,140,944)</u>	<u>(5,727,153)</u>	<u>(240,683)</u>	<u>(502,552)</u>	<u>(1,583,873)</u>	<u>(1,968,161)</u>	<u>(1,228,053)</u>	<u>(224,391,419)</u>
129,041,941	3,290,000			1,465,000	4,809,162		138,606,103
67,252,749		77,594			371,095		67,701,438
	14,122	38,044	60,282	37,537	795,170	425,068	1,370,223
161,188	21,508	18,298	188	362,686	12,895,459		13,459,327
<u>196,455,878</u>	<u>3,325,630</u>	<u>133,936</u>	<u>60,470</u>	<u>1,865,223</u>	<u>18,870,886</u>	<u>425,068</u>	<u>221,137,091</u>
					(38,434,221)		(38,434,221)
					(38,434,221)		(38,434,221)
<u>(16,685,066)</u>	<u>(2,401,523)</u>	<u>(106,747)</u>	<u>(442,082)</u>	<u>281,350</u>	<u>(21,531,496)</u>	<u>(802,985)</u>	<u>(41,688,549)</u>
19,895,407	8,685,614	7,113,935	14,280,547	2,050,321	123,007,263	(698,196)	174,334,891
<u>\$ 3,210,341</u>	<u>\$ 6,284,091</u>	<u>\$ 7,007,188</u>	<u>\$ 13,838,465</u>	<u>\$ 2,331,671</u>	<u>\$ 101,475,767</u>	<u>\$ (1,501,181)</u>	<u>\$ 132,646,342</u>





CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

I. 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 Mayor-Council 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 Component Units are appointed by the City Council, except the School Board of the City of Richmond, which is elected. 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.

Advantage Richmond Corporation

The Advantage Richmond Corporation (ARC) is a nonprofit corporation created by City Council, on March 29, 2005 by ordinance 2005-45-3. The purpose of the corporation is to assist the City when authorized by the City Council in acquiring, constructing, renovating, equipping, maintaining and operating public buildings and other public structures for or on behalf of the City and in providing financing for such activities. For the fiscal year ended June 30, 2005, there was no activity to report for the Corporation. The administrative offices are located at 900 East Broad Street, Richmond, VA 23219.



CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

On March 2005 the City Council approved the incorporation of ARC, a wholly owned non-profit 63-20 corporation established to hold real estate assets on behalf of the City. On October 26, 2005 the ARC issued \$12,100,000 of 15-year lease revenue bonds, by private placement with a local bank, to finance the acquisition of an approximate 100,000 square foot building in downtown Richmond located at 900 East Marshall Street. The building houses the City Departments of Social Services and Public Health. The City has agreed to lease the property from ARC.

The lease revenue bonds have annual principal payments due each October 1 beginning October 1 2006, and semi-annual interest payments beginning April 1, 2006. The annual amount of principal and interest due each fiscal year is approximately \$1.2 million with final maturity on October 1, 2020. The fixed interest rate on the bonds is 5.25% and an assignment of the City's annually appropriated lease payments secures the debt.

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 requested at Post Office Box 26286, Richmond, VA 23260.

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 the 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, 2004 year-end financial statements are included within the City's component unit combining financial



CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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 the 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 boards of other organizations, but the City's accountability does not extend beyond making these appointments.

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 the RMA are appointed by City Council. The City has no financial responsibility for the operations of the RMA.
- Industrial Development Authority of the City of Richmond (IDA) - The Commissioners of the IDA are appointed by the City Council, but the City provides no funding, has no obligation for the debt issued by the 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 the 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 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 the 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 the GRTC's costs only to the extent that each locality chooses to have the GRTC operate routes within its jurisdiction.

The City expended \$6,771,376 for subsidies for bus routes within the City for the year ended June 30, 2005. Complete financial statements for the GRTC can be obtained from the 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:



**CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS**

June 30, 2005

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 deficit), the City and Counties may, at their discretion, appropriate funds necessary to fund the deficit. The City provided \$12,250 in funding to the Commission during the fiscal year ended June 30, 2005.

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 the CVWMA. The City is a member of the CVWMA. The 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, 2005 were \$1,650,279.

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, 2005.

The *Richmond Metropolitan Convention and Visitors Bureau (RMCVB)* 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 \$848,507 to the RCVB for the year ended June 30, 2005.

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 \$117,180 for the year ended June 30, 2005.

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,



**CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS**

June 30, 2005

Chapter 56 of Title 15.2, *Code of Virginia*. The GRCCA was created to acquire, finance, expand, renovate, construct, lease, operate and maintain the facility and grounds of a visitors and convention center. 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 \$4,578,372 for the year ended June 30, 2005.

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 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 non-major 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.



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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.

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 "non-major 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.



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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.
- *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 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



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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 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, 2005 were as follows:



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General Fund	\$ 19,729,503
Enterprise Funds:	
Utilities:	
Gas Utility	1,192,183
Water Utility	207,312
Wastewater Utility	183,287
Total Enterprise Funds	<u>\$ 21,312,285</u>
Component Units:	
Richmond Ambulance Authority	\$ 1,310,000
Hospital Authority of Richmond	111,836
Richmond Behavioral Health Authority	80,947
Richmond Redevelopment and Housing Authority	2,996,447
Total Component Units	<u>\$ 4,499,230</u>

G. Inventories

Inventories on hand at June 30, 2005 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 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 and works of art/historical treasures, 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:



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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

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.



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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 are 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 2005, net interest costs of approximately \$29,190,000 were incurred with approximately \$3,555,000 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.

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.



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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).

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



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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, 2005, the Utilities Enterprise Funds, which are considered rate regulated entities under GAAP, credited \$4,900,000 to the rate stabilization fund and did not use any funds from the rate stabilization fund. The net effect of these transactions is reflected as deferred revenues on the Proprietary Funds Statement of Net Assets.

R. Amortization of Debt Defeasance Gains/Losses

Gains and losses resulting from prior year defeasance of Utilities debt (included in Enterprise Funds) 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.

T. Identification of Major Revenue Sources Susceptible to Accrual

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 (location where property is principally parked or garaged) throughout the year are prorated on a monthly basis. Periods of one half of a month or greater are assessed as a full month. Periods of less than one half of a month are not assessed. Abatements and refunds of personal property taxes on motor vehicles are prorated in a similar manner. Personal property taxes may be paid without penalty and interest on or before May 1, or 60 days from the date the vehicle acquired situs in Richmond. 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, 2005 are intended to finance operations of the fiscal year ended June 30, 2005.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

A. Cash and Cash Equivalents

Primary Government

At June 30, 2005, cash on hand, cash items and petty cash totaled \$26,939 and the carrying value of the City's demand deposits, savings accounts and time certificates of deposit with financial institutions totaled \$8,407,414 and is included in cash and cash equivalents. The bank balance of the City's deposits, totaling \$8,148,882, was



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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, 2005, Component Units' cash on hand totaling \$800 and the carrying value of Component Units' demand, savings accounts repurchase agreements, and time certificates of deposit with financial institutions totaled \$18,560,721. 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. Restricted Assets include the HAR customer cash deposits of \$97,208, the School Board's \$2,788,387, RRHA's \$1,539,101, and the CDA's \$10,330,854.

B. Richmond Retirement System

Cash and Investments

At June 30, 2005, the carrying amount of the System's deposits with financial institutions was \$8,568,690; and the bank balance was \$9,562,879. All funds deposited in banks are protected under the provisions of the Virginia Securities for Public Deposit Act (the Act). This Act requires financial institutions holding public deposits in excess of amounts insured by the Federal Deposit Insurance Corporation to pledge collateral in the amount of 50 percent of excess deposits, and savings and loans to pledge collateral in the amount of 100 percent of excess deposits, and savings and loans to pledge collateral in the amount of 50 percent of excess deposits; and savings and loans to pledge collateral in the amount of 100 percent of excess deposits to a collateral pool in the name of the State Treasury Board. 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: (1) monitoring compliance with the collateralization; (2) reporting requirements of the Act and; (3) for notifying local governments of compliance by financial institutions.

Authorized Investments

The System is authorized by the Board to invest in obligations of the U.S. government or its agencies, approved money market funds, other banks and savings and loan associations, not exceeding federal insurance coverage, and commercial paper rated A-1 by Standard & Poor's or P-1 by Moody's. The System is also authorized to invest in corporate bonds and notes rated A, or better, by Moody's or Standard & Poor's. The System is authorized to invest in both U.S. equities and international equities as well as Real Estate Investment Trusts (REITs). Each investment manager is authorized to invest no more than 5% of its holdings, at cost, in equity securities of a single issuer at the time of purchase. The System has six types of investments: U.S. government and agency obligations, domestic bonds and notes, domestic stocks, international stocks, international bonds and notes and REITs.



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	Cost	Fair Value
U.S. Government and Agency obligations	\$ 49,645,695	\$ 50,670,737
Domestic bonds	50,015,761	51,353,495
Domestic stocks	161,118,253	199,807,274
International stocks	68,684,722	82,274,112
International bonds and notes	33,064,515	34,189,912
REITs	21,511,475	25,909,354
Cash collateral received under securities lending program	38,047,767	38,047,767
Total	\$ 422,088,188	\$ 482,252,651

The net change in fair value of investments for the year ended June 30, 2005 is as follows:

	Change in Fair Value
U.S. Government and Agency obligations	\$ 2,005,194
Domestic bonds	1,978,534
Domestic stocks	13,810,389
International stocks	13,496,110
International bonds and notes	1,335,010
REITs	6,186,565
Total	\$ 38,811,802

Custodial Credit Risk

The System does not have a formal policy for custodial credit risks or concentration risks. The System does not have exposure to custodial credit risk because 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. At June 30, 2005, the market value of securities on loan and cash collateral, which are included in the above amounts, was as follows (000's omitted):

	Securities on Loan	Cash Collateral
U.S. Government securities	\$ 25,487	\$ 25,917
Corporate bonds	4,983	5,079
Common stocks	6,882	7,052
Total	\$ 37,352	\$ 38,048

Concentration of Credit Risk

The System does not have exposure to concentration of credit risk. The System does not have any investment in any one issuer that represents 5 percent or more of the total investments.

Credit Risk

The System has an investment policy for credit risk. The domestic fixed income investments should emphasize high-quality and reasonable diversification. Investments shall not be rated below BBB-, unless specifically allowed in the managers' guidelines. For purposes of calculating compliance with the credit constraints, if split rated, the lowest rating will apply. The table on the following page details the System's credit risk at June 30, 2005.



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Investment Type	Moody Rating	Fair Value
Asset Backed Securities	A1	\$ 45,013.19
Asset Backed Securities	AAA	5,174,989.11
Asset Backed Securities	B1	5,512.50
Asset Backed Securities	B2	165,981.52
Asset Backed Securities	BA2	92,488.80
Asset Backed Securities	BA3	123,528.18
Asset Backed Securities	BAA2	36,743.81
Asset Backed Securities	BAA3	264,280.90
Asset Backed Securities	NA	738,865.44
Asset Backed Securities	NR	344,696.54
Convertible Bonds	B1	150,950.00
Convertible Bonds	B3	170,237.50
Convertible Bonds	BA2	49,312.50
Convertible Bonds	C	21,200.00
Convertible Bonds	CAA1	166,825.00
Convertible Bonds	CAA2	184,968.75
Convertible Bonds	NA	1,015,058.75
Convertible Bonds	NR	113,437.50
Corporate Bonds	A1	1,660,807.33
Corporate Bonds	A2	3,103,744.84
Corporate Bonds	A3	2,282,289.86
Corporate Bonds	AA1	1,532,446.48
Corporate Bonds	AA2	700,218.14
Corporate Bonds	AA3	3,123,738.08
Corporate Bonds	AAA	2,594,664.76
Corporate Bonds	B1	3,586,562.50
Corporate Bonds	B2	1,576,787.50
Corporate Bonds	B3	1,153,063.58
Corporate Bonds	BA1	1,198,163.67
Corporate Bonds	BA2	2,842,653.15
Corporate Bonds	BA3	3,320,141.25
Corporate Bonds	BAA1	1,093,526.79
Corporate Bonds	BAA2	2,502,718.93
Corporate Bonds	BAA3	1,766,687.17
Corporate Bonds	CA	124,612.50
Corporate Bonds	CAA1	1,080,652.50
Corporate Bonds	CAA2	930,762.50
Corporate Bonds	CAA3	343,750.00
Corporate Bonds	NA	270,925.00
Corporate Bonds	NR	84,150.00
Futures	NR	5.00
Mortgage Backed Agencies	AAA	19,133,961.36
Mortgage Backed Agencies	NA	2,175,866.25
Mortgage Backed Agencies	NR	2,063,362.53
Municipals	AA3	59,026.00
Mutual Funds	NA	143,184,057.61
REITs	BAA3	211,260.00
REITs	NA	12,070,327.00
REITs	NR	12,402,667.00
Short-Term	NR	5,772,670.32
U.S. Agencies	A1	31,815.12
U.S. Agencies	AA1	6,686,209.37
U.S. Agencies	AAA	28,872,920.84
U.S. Agencies	B1	441,000.00
U.S. Agencies	BAA1	148,297.50
U.S. Agencies	NA	381,495.33
U.S. Agencies	NR	3,237,051.41
U.S. Treasury	AAA	27,244,559.57



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Foreign Currency Risk

The System has an investment policy for international investments. The international investments should emphasize high-quality and reasonable diversification. At June 30, 2005, the System's foreign currency exposure was as follows:

Investment Type	Local Currency	Market Value
CMO	Euro Currency	\$ 875,111.95
Common stock	Australian Dollar	2,810,923.77
Common stock	Canadian Dollar	845,160.02
Common stock	Danish Krone	64,334.80
Common stock	Euro Currency	9,573,360.26
Common stock	Hong Kong Dollar	1,948,448.54
Common stock	Japanese Yen	6,343,203.48
Common stock	New Zealand Dollar	122,372.62
Common stock	Norwegian Krone	859,669.92
Common stock	Pound Sterling	6,718,491.38
Common stock	Swedish Krona	777,031.49
Common stock	Swiss Franc	1,221,552.26
Corporate bonds	Euro Currency	668,943.70
Foreign currency	Australian Dollar	1,851.04
Foreign currency	Canadian Dollar	3,424.81
Foreign currency	Danish Krone	98,056.13
Foreign currency	Euro Currency	7,583,142.58
Foreign currency	Hong Kong Dollar	97.31
Foreign currency	Indonesian Rupiah	0.07
Foreign currency	Japanese Yen	80,466.53
Foreign currency	New Zealand Dollar	1,721.61
Foreign currency	Norwegian Krone	53.14
Foreign currency	Pound Sterling	197,623.79
Foreign currency	South Korean Won	8,213.74
Foreign currency	Swedish Krona	384.17
Foreign currency	Swiss Franc	1,836.86
Futures	Japanese Yen	5.00
Government issues	Danish Krone	505,613.05
Government issues	Euro Currency	25,218,692.38
Government issues	Japanese Yen	1,949,777.64
Government issues	Pound Sterling	2,897,314.19
Government issues	Swedish Krona	715,652.81
Other asset back	Euro Currency	569,330.66



CITY OF RICHMOND, VIRGINIA
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June 30, 2005

Interest Rate Risk

The System does not have a specific investment policy governing interest rate risk. At June 30, 2005, the System's interest rate exposure was as follows:

Investment Type	Fair Value	Effective Duration
Agincourt Capital Management		
Agency	\$ 1,428,293	2.83
Asset backed	171,551	0.36
CMBS	519,689	2.95
CMO	864,873	1.61
Corporate	3,922,272	5.98
Mortgage pass-through	4,571,674	2.34
Municipal	36,744	0.13
U.S. Treasury	759,310	13.18
Yankees	196,642	2.64
Fixed Income Total	<u>\$ 12,471,048</u>	4.26
Blackrock		
Agency	\$ 2,135,251	2.48
Asset backed	5,307,006	1.65
CMBS	3,074,830	3.51
CMO	2,093,581	1.64
Corporate	9,087,809	4.96
Mortgage pass-through	9,078,326	2.37
U.S. Treasury	23,664,900	5.06
Yankees	481,293	6.06
Fixed Income Total	<u>\$ 54,922,996</u>	4.02
Fischer, Francis, Trees & Watts		
Agency	\$ 1,030,166	19.72
Asset backed	569,331	1.45
CMO	875,112	-0.86
Foreign	30,925,827	7.65
U.S. Treasury	2,268,150	9.40
Fixed Income Total	<u>\$ 35,668,586</u>	7.87
Loomis Sayles		
Agency	\$ 548,189	4.96
Convertible	103,063	2.72
Corporate	17,499,660	6.84
Preferred stock	505,963	0.00
Yankees	441,000	10.10
Fixed Income Total	<u>\$ 19,097,875</u>	6.84
Richmond Capital Management		
Agency	\$ 1,016,126	3.64
Asset backed	202,906	0.53
CMBS	714,441	4.03
Corporate	6,096,833	4.61
Mortgage pass-through	4,309,698	2.25
U.S. Treasury	147,676	7.76
Fixed Income Total	<u>\$ 12,487,680</u>	3.67



**CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS**

June 30, 2005

C. Investments

Statutes of the Commonwealth of Virginia govern the Reporting Entity's investment policies. The City does not have a formal policy for custodial credit risk, foreign currency risk or interest rate risk; but does have a policy for concentration of credit risk. The City's non-retirement system related investments primarily consist of mutual funds and investments in the Commonwealth of Virginia's Local Government Investment Pool (LGIP, a 2a-7 like pool) and the State Non-Arbitrage Program (SNAP). As of June 30, 2005, the credit ratings for the LGIP and SNAP were AAAM and the length of the investments for both programs was less than 90 days. The City does not have custodial credit risk or concentration of credit risk as no investments are with any one issuer representing more than 5% of total investments. 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.

Primary Government (000's omitted):

	Total
Repurchase agreements	\$ 17,726
U.S. Government securities (on loan \$25,487)	50,671
Corporate bonds (on loan \$4,983)	51,354
Common stocks (on loan \$6,882)	199,807
International bonds	34,190
International stocks	82,274
Real Estate Investment Trusts	25,909
	<hr/>
	461,931
Cash collateral received under securities lending program	38,048
Deferred compensation plan mutual funds	42,370
Cash and money market funds	51,123
LGIP and SNAP	226,333
	<hr/>
Total Cash and Investments	\$ 819,805

	Government-wide Statement of Net Assets	Fiduciary Funds Statement of Net Assets	Total
Cash and cash equivalents	\$ 164,134	\$ 25,176	\$ 189,310
Investments	--	524,623	524,623
Restricted assets	105,872	--	105,872
	<hr/>	<hr/>	<hr/>
Total	\$ 270,006	\$ 549,799	\$ 819,805

D. 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



CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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, 2005 was 25 days with an average weighted maturity of 174 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, 2005 were \$38,047,767 and \$37,351,788, 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, 2005 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 \$760,698 and the related expenses were \$713,062 in borrowers rebates and \$19,052 in agent fees, netting \$28,584 in securities lending income.

4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

		Due from				
		Debt Service	NonMajor Proprietary	Internal Service	NonMajor Governmental	Total
Due to	General Fund	\$ 560,533	\$ 2,788,097	\$ 1,958,198	\$ 2,183,754	\$ 7,490,582
	Major Proprietary Funds:					
	Gas	--	--	775,970	--	775,970
	Water	--	--	404,628	--	404,628
	Wastewater	--	--	1,152,211	--	1,152,211
	Total	\$ 560,533	\$ 2,788,097	\$ 4,291,007	\$ 2,183,754	\$ 9,823,391

The balance of \$1,958,198 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 2006.

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, 2005, consisted of the following:



**CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

		Transfer from					
Transfer to	General Fund	Major Proprietary Funds			NonMajor Governmental	All Others	Total
		Gas	Water	Wastewater			
General Fund	\$ 566,256	\$ 233,500	\$ 790,900	\$ 1,471,800	\$ 2,008,842	\$ 246,439	\$ 5,317,737
Debt Service	40,858,430	-	-	-	898,084	-	41,756,514
NonMajor Governmental	9,573,060	-	-	-	1,033,556	-	10,606,616
Total	\$ 50,997,746	\$ 233,500	\$ 790,900	\$ 1,471,800	\$ 3,940,482	\$ 246,439	\$ 57,680,867

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

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

5. DUE FROM AND DUE TO OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2005 are as follows:

Primary Government	Federal	State	Total
General Fund	\$ --	\$ 21,429,862	\$ 21,429,862
Non-major Governmental Funds	4,427,115	5,011,817	9,438,932
Internal Service Funds	--	18,166	18,166
	\$ 4,427,115	\$ 26,459,845	\$ 30,886,960
Component Unit			
School Board	\$ 8,906,426	\$ 1,380,694	\$ 10,287,120

Amounts due to other governments totaled \$3,638,196 for the General Fund, \$30,602 for the Non-major Governmental funds and \$3,189 for Internal Service Funds at June 30, 2005.

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.	\$ 1,000,000
A non-interest bearing promissory note due on demand from Greater Richmond Transit Company	543,100
	<u>\$ 1,543,100</u>



**CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

7. CAPITAL ASSETS

Primary Government - Governmental Activities

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 21,000,460	\$ 312,492	\$ 203,860	\$ 21,109,092
Construction In Progress	80,153,120	34,936,108	34,105,429	80,983,799
Works of Art/Historical Treasures	1,209,287	1,446,525	-	2,655,812
Total Capital Assets Not Being Depreciated	102,362,867	36,695,125	34,309,289	104,748,703
Capital Assets Being Depreciated:				
Infrastructure	654,050,728	10,041,686	-	664,092,414
Building and Structures	327,544,208	26,269,595	354,072	353,459,731
Equipment	94,161,419	6,384,874	4,456,421	96,089,872
Improvements other than Buildings	4,263,368	24,597	-	4,287,965
Total Other Capital Assets	1,080,019,723	42,720,752	4,810,493	1,117,929,982
Less Accumulated Depreciation For:				
Infrastructure	360,692,110	11,697,850	-	372,389,960
Building and Structures	186,886,693	8,188,209	-	195,074,902
Equipment	51,337,572	8,634,516	4,416,311	55,555,777
Improvements other than Buildings	270,801	280,451	-	551,252
Total Accumulated Depreciation	599,187,176	28,801,026	4,416,311	623,571,891
Total Capital Assets Being Depreciated, Net	480,832,547	13,919,726	394,182	494,358,091
Governmental Activities, Capital Assets, Net	\$ 583,195,414	\$ 50,614,851	\$ 34,703,471	\$ 599,106,794

Depreciation expense was charged to functions as follows:

General Government	\$ 1,103,830
Public Safety and Judiciary	7,976,493
Highways, Streets, Sanitation and Refuse	7,019,875
Human Services	262,382
Culture and Recreation	704,436
Education	5,061,728
Subtotal	22,128,744
Allocation related to Internal Services Funds	6,672,282
Total	\$ 28,801,026

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**CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

Primary Government - Business-type Activities

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Gas Utility:				
Capital Assets Not Being Depreciated -				
Construction in Progress	\$ 20,652,916	\$ 23,153,748	\$ 14,372,730	\$ 29,433,934
Capital Assets Being Depreciated -				
Plant Held for Future Use	25,813	-	-	25,813
Plant-in-service	316,090,455	11,907,255	1,057,753	326,939,957
Total Capital Assets Being Depreciated	316,116,268	11,907,255	1,057,753	326,965,770
Less - Accumulated Depreciation For:				
Plant-in-service	83,292,203	11,031,012	1,445,265	92,877,950
Total Accumulated Depreciation	83,292,203	11,031,012	1,445,265	92,877,950
Total Capital Assets Being Depreciated, Net	232,824,065	876,243	(387,512)	234,087,820
Gas Utility, Capital Assets, Net	\$ 253,476,981	\$ 24,029,991	\$ 13,985,218	\$ -263,521,754
Water Utility:				
Capital Assets Not Being Depreciated -				
Construction in Progress	\$ 23,724,477	\$ 19,776,394	\$ 9,254,766	\$ 34,246,105
Capital Assets Being Depreciated -				
Plant-in-service	268,399,080	6,994,588	546,562	274,847,106
Total Capital Assets Being Depreciated	268,399,080	6,994,588	546,562	274,847,106
Less - Accumulated Depreciation For:				
Plant-in-service	70,279,082	5,584,159	581,510	75,281,731
Total Accumulated Depreciation	70,279,082	5,584,159	581,510	75,281,731
Total Capital Assets Being Depreciated, Net	198,119,998	1,410,429	(34,948)	199,565,375
Water Utility, Capital Assets, Net	\$ 221,844,475	\$ 21,186,823	\$ 9,219,818	\$ 233,811,480
Wastewater Utility:				
Capital Assets Not Being Depreciated -				
Construction in Progress	\$ 29,571,214	\$ 10,539,777	\$ 841,747	\$ 39,269,244
Capital Assets Being Depreciated -				
Plant Held for Future Use	207,075	-	-	207,075
Plant-in-service	338,712,681	548,748	-	339,261,429
Total Capital Assets Being Depreciated	338,919,756	548,748	-	339,468,504
Less - Accumulated Depreciation For:				
Plant-in-service	103,401,825	10,651,620	2,250,166	111,803,279
Total Accumulated Depreciation	103,401,825	10,651,620	2,250,166	111,803,279
Total Capital Assets Being Depreciated, Net	235,517,931	(10,102,872)	(2,250,166)	227,665,225
Wastewater Utility, Capital Assets, Net	\$ 265,089,145	\$ 436,905	\$ (1,408,419)	\$ 266,934,469
Other Business-type Activity:				
Capital Assets Not Being Depreciated -				
Land and Land Improvements	\$ 8,233,390	\$ -	\$ -	\$ 8,233,390
Construction in Progress	1,360,328	62,951	-	1,423,279
Capital Assets Being Depreciated -				
Buildings and Structures	23,294,871	1,462,199	33,929	24,723,141
Equipment and Other Fixed Assets	5,936,957	181,725	87,346	6,031,336
Total Capital Assets Being Depreciated	29,231,828	1,643,924	121,275	30,754,477
Less - Accumulated Depreciation For:				
Buildings and Structures	9,852,516	1,235,650	1,664,357	9,423,809
Equipment and Other Fixed Assets	587,304	2,045,040	87,389	2,544,955
Total Accumulated Depreciation	10,439,820	3,280,690	1,751,746	11,968,764
Total Capital Assets Being Depreciated, Net	18,792,008	(1,636,766)	(1,630,471)	18,785,713
Other Business-type Activity, Capital Assets, Net	\$ 28,385,726	\$ (1,573,815)	\$ (1,630,471)	\$ 28,442,382
Business-type Activities, Capital Assets, Net	\$ 768,796,327	\$ 44,079,904	\$ 20,166,146	\$ 792,710,085
Allocation of Internal Service Fund - Stores Utility, Net (Exhibit E-2)	\$ 29,560,689	\$ 1,251,074	\$ 126,528	\$ 30,685,235
	\$ 798,357,016	\$ 45,330,978	\$ 20,292,674	\$ 823,395,320



**CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

School Board Component Unit - Governmental Activities

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Capital Assets Being Depreciated:				
Vehicles	\$ 16,644,920	\$ 412,700	\$ 1,370,913	\$ 15,686,707
Other Equipment	5,727,302	434,275	146,547	6,015,030
Total Other Capital Assets	<u>22,372,222</u>	<u>846,975</u>	<u>1,517,460</u>	<u>21,701,737</u>
Less Accumulated Depreciation For:				
Vehicles	12,238,583	908,434	1,319,734	11,827,283
Other Equipment	4,392,500	225,200	132,787	4,484,913
Total Accumulated Depreciation	<u>16,631,083</u>	<u>1,133,634</u>	<u>1,452,521</u>	<u>16,312,196</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 5,741,139</u>	<u>\$ (286,659)</u>	<u>\$ 64,939</u>	<u>\$ 5,389,541</u>

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

	Balance October 1, 2003	Additions	Deletions	Balance September 30, 2004
Capital Assets Not Being Depreciated:				
Land	\$ 10,001,813	\$ --	\$ --	\$ 10,001,813
Land pledged against debt	2,902,193	--	2,618,307	283,886
Construction In Progress	<u>21,279,174</u>	<u>8,303,868</u>	<u>563,044</u>	<u>29,019,998</u>
Total Capital Assets Not Being Depreciated	<u>34,183,180</u>	<u>8,303,868</u>	<u>3,181,351</u>	<u>39,305,697</u>
Capital Assets Being Depreciated:				
Land Improvements	7,493,709	--	--	7,493,709
Building and Structures	136,492,064	25,999	360,000	136,158,063
Building and Structures pledged against debt	64,983,867	--	35,815,914	29,167,953
Equipment	<u>2,820,778</u>	<u>23,620</u>	<u>--</u>	<u>2,844,398</u>
Total Other Capital Assets	<u>211,790,418</u>	<u>49,619</u>	<u>36,175,914</u>	<u>175,664,123</u>
Less Accumulated Depreciation For:				
Land Improvements	4,539,886	314,255	--	4,854,141
Building and Structures	94,033,997	3,007,183	--	97,041,180
Equipment	<u>1,691,080</u>	<u>216,835</u>	<u>--</u>	<u>1,907,915</u>
Total Accumulated Depreciation	<u>100,264,963</u>	<u>3,538,273</u>	<u>--</u>	<u>103,803,236</u>
Total Capital Assets Being Depreciated, Net	<u>111,525,455</u>	<u>(3,488,654)</u>	<u>36,175,914</u>	<u>71,860,887</u>
Total Capital Assets, Net	<u>\$ 145,708,635</u>	<u>\$ 4,815,214</u>	<u>\$ 39,357,265</u>	<u>\$ 111,166,584</u>

Component Unit Capital Assets Pledged Against Debt:

During the year, management of the City confirmed their intention to require the return collateral when the related debt is extinguished. Therefore, RRHA has reduced the carrying value of these pledged assets (currently utilized for City activities) to their related debt value. This resulted in the Old Manchester Project bonds and the Sixth Street Marketplace pledged net assets totaling \$67,886,060 being reduced by \$38,434,221 in the current year.



CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

8. OBLIGATIONS

Changes in the short-term liabilities during the fiscal year ended June 30, 2005 are summarized below:

Primary Government - Governmental Activities

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
General Obligation Revenue Anticipation Notes	\$ --	45,000,000	45,000,000	\$ --

Changes in the long-term liabilities during the fiscal year ended June 30, 2005 are summarized below:

**Primary Government -
Governmental Activities**

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005	Due Within One Year
General Obligation Bonds (GO)					
Governmental Funds:					
Existing General Obligation Bonds	\$ 418,075,775	\$ --	\$ 27,107,914	\$ 390,967,861	\$ --
Debt Allocated to Business Activities	--	--	1,575,486	(1,575,486)	--
Total General Obligation Bonds	418,075,775	--	28,683,400	389,392,375	33,106,581
New Debt Issued:					
General Obligation Serial Equipment Notes	1,820,000	7,000,000	1,820,000	7,000,000	1,400,000
Virginia Public Schools Authority Bonds	3,263,521	--	221,132	3,042,389	221,875
Qualified Zone Academy Bonds	2,142,167	1,536,671	114,145	3,564,693	192,480
HUD Section 108 Notes	6,125,000	--	530,000	5,595,000	575,000
Total General Obligation Bonds and Notes	\$ 431,426,463	\$ 8,536,671	\$ 31,368,677	\$ 408,594,457	\$ 35,495,936
Accreted Value - Capital Appreciation Bonds	104,826	83,998	--	188,824	--
Premium on Debt Issued	12,034,226	--	655,683	11,378,543	655,683
Certificates of Participation	18,225,000	--	640,000	17,585,000	665,000
Capital Leases	667,067	--	232,809	434,258	142,037
Compensated Absences	14,242,556	69,793	5,901	14,306,448	9,414,221
Totals	\$ 476,700,138	\$ 8,690,462	\$ 32,903,070	\$ 452,487,530	\$ 46,372,877

Notes:

- The \$1,575,486 of debt previously reported as Primary Government - Government Activities has been reallocated to the Coliseum (\$1,512,535) and the Cemeteries (\$62,951) Enterprise Funds and are reported as Business-Type Activities.



**CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

**Primary Government -
Business-Type Activities**

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005	Due Within One Year
General Obligation Bonds:					
Gas	\$ 115,379,573	\$ --	\$ 4,848,809	\$ 110,530,764	\$ 4,309,490
Water	89,544,848	--	3,823,507	85,721,341	3,090,277
Wastewater	48,151,024	--	2,714,456	45,436,568	2,572,037
Other NonMajor Enterprise Funds	17,427,617	1,575,496	1,495,804	17,507,309	1,261,826
Accreted Value - Capital Appreciation					
General Obligation Bonds:					
Gas	734,784	588,800	--	1,323,584	--
Water	1,175,552	942,000	--	2,117,552	--
Wastewater	480,705	385,202	--	865,907	--
Revenue Bonds:					
Gas	115,792,877	7,097,009	812,928	122,076,958	975,121
Water	36,275,082	55,788,313	67,890	91,995,505	1,068,601
Wastewater	104,823,667	4,769,678	2,850,210	106,743,135	3,022,425
Total Bonded Debt	529,785,729	71,146,498	16,613,604	584,318,623	16,299,777
Capital Leases:					
Other NonMajor Enterprise Funds	2,253,952	--	183,819	2,070,133	207,968
Totals	\$ 532,039,681	\$ 71,146,498	\$ 16,797,423	\$ 586,388,756	\$ 16,507,745

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities – both current and long-term – are reported in the Statement of Net Assets. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

General Obligation Bonds and Notes 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 and obligations under capital leases are payable from General Fund and Internal Service Fund revenues.

Legal Debt Limit

Article VII, Section 10 of the Constitution of Virginia provides that the legal debt limit for cities for issuing General Obligation debt is ten (10) percent of the last preceding assessment for real estate taxes. As of June 30, 2005, the City had a legal debt limit of \$1,507,923,335 and the statutory capacity to issue approximately \$822,538,667 of additional General Obligation debt (remaining debt margin). The City has no overlapping debt with other jurisdictions. As of June 30, 2005, the City had a total of \$508,136,964 general obligation or revenue bonds authorized, but not issued, for funding additional Capital Improvement Projects. Of these authorized but not issued bonds, \$401,161,766 is earmarked for self-supporting Public Utility projects and \$106,975,198 for various General Fund supported capital projects and equipment.



**CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

Details of Bonds and Notes Outstanding:

	Interest Rates	Issue Date	Maturity Date	Original Issue	Balance at June 30, 2005		
					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	\$ 2,653,277	\$ - 80,349	\$ --
Public Improvement Bonds 1989B	5.80% - 6.70%	7/15/1989	1/15/2010	65,674,506	5,532,055	2,492,111	59,794
Public Improvement Refunding Bonds 1993A	3.00% - 6.50%	6/1/1993	1/15/2022	175,125,000	32,471,598	2,905,010	172,068
Public Improvement Bonds 1993B	3.00% - 6.50%	6/1/1993	7/15/2023	91,700,000	6,783,401	8,646,599	--
Public Improvement Refunding Bonds 1995B	4.05% - 6.00%	12/15/1995	1/15/2021	82,270,000	893,898	63,511,102	--
Public Improvement Bonds 1999A	4.00% - 5.375%	6/1/1999	1/15/2024	98,145,000	82,456,849	2,268,151	--
Public Improvement Refunding Bonds 1999B	4.00% - 5.125%	6/1/1999	1/15/2016	35,740,000	13,324,950	14,597,231	48,999
Public Improvement Refunding Bonds 2000A	4.50% - 5.50%	10/18/2000	1/15/2018	122,730,000	--	108,500,000	--
Public Improvement Bonds 2001	4.00% - 5.50%	12/15/2001	7/15/2022	116,400,000	95,443,650	1,021,350	--
Public Improvement Bonds 2002A	3.00% - 5.25%	11/15/2002	7/15/2023	50,455,000	38,107,554	7,227,446	--
Public Improvement Refunding Bonds 2002B	4.00% - 5.25%	11/15/2002	7/15/2023	96,220,000	35,657,363	46,114,403	146,432
Public Improvement Bonds 2003	4.42%	11/13/2003	7/15/2018	13,500,000	12,945,000	--	--
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	1,832,230	--
Virginia Public School Authority Bonds							
VPSA Bonds 1997A	4.35% - 5.35%	11/15/1997	7/15/2017	4,578,704	3,042,389	--	--
Qualified Zone Academy Bonds - 2004	0%	5/6/2004	5/6/2019	2,142,167	2,028,022	--	--
Qualified Zone Academy Bonds - 2004B	0%	12/30/2004	12/30/2020	1,536,671	1,536,671	--	--
General Obligation Notes							
Serial Equipment Notes Series 2005	2.95%	6/29/2005	6/15/2010	7,000,000	7,000,000	--	--
HUD Section 108 Notes							
HUD Section 108 Note Series 1997	5.87% - 6.98%	10/28/1997	8/1/2014	2,445,000	1,360,000	--	--
HUD Section 108 Note Series 2000	6.56% - 7.76%	6/14/2000	8/1/2014	4,500,000	3,000,000	--	--
HUD Section 108 Note Series 2003	1.21% - 4.93%	8/7/2003	8/1/2014	800,000	650,000	--	--
HUD Section 108 Note Series 2004	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	--	97,110,000	--
Public Utility Revenue Bonds 1998C - VRA	3.00%	9/27/1996	7/15/2018	10,000,000	--	7,515,046	--
Public Utility Revenue Bonds 1998D - VRA	3.00%	8/27/1997	7/15/2019	8,600,000	--	6,500,552	--
Public Utility Revenue Bonds 2002A	5.00%	6/15/2002	1/15/2033	139,015,000	--	139,015,000	--
Public Utility Revenue Bonds 2003 - VRA	2.10% - 3.82%	12/4/2004	10/1/2008	3,730,000	--	3,020,000	--
Public Utility Revenue Bonds 2004	2.00% - 5.00%	6/15/2004	1/15/2024	67,655,000	--	67,655,000	--
Certificates of Participation Series 2001A	4.00% - 5.15%	6/1/2001	8/1/2022	18,840,000	17,585,000	--	--
Richmond Redevelopment & Housing Authority							
Revenue Notes and Bonds	--	--	--	49,288,146	--	--	31,006,839
Downtown Redevelopment Project One	--	--	--	21,000,000	--	--	19,800,000
Other Mortgage Notes	--	--	--	419,028	--	--	257,896
EUA Citizens Conservation Service Note	5.98%	10/8/1999	12/18/2013	6,161,174	--	--	4,964,658
Rehabilitation Notes Payable	--	--	--	--	--	--	12,081,463
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					\$ 426,179,457	\$ 580,011,580	\$ 135,278,149
Premium on Debt Issued					\$ 11,378,543	\$ --	\$ --
Accreted Value - Capital Appreciation Bonds					188,824	4,307,043	--
					\$ 437,746,824	\$ 584,318,623	\$ 135,278,149



**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
2006	\$ 34,699	\$ 23,159	\$ 222	\$ 153	\$ 575	\$ 345	\$ 665	\$ 800
2007	34,182	21,739	223	142	555	312	690	772
2008	31,540	19,779	225	130	555	278	720	744
2009	27,057	19,776	227	118	555	243	750	715
2010	26,979	15,580	229	106	555	208	780	684
2011-2015	99,063	48,993	1,179	346	2,800	482	4,415	2,877
2016-2020	84,969	26,251	737	58	-	-	5,540	1,720
2021-2025	61,468	6,629	-	-	-	-	4,025	309
Subtotal	399,957	181,906	3,042	1,053	5,595	1,868	17,585	8,621
Premium	11,379	-	-	-	-	-	-	-
Accreted Value - Capital Appreciation Bonds	189	-	-	-	-	-	-	-
Total	\$ 411,525	\$ 181,906	\$ 3,042	\$ 1,053	\$ 5,595	\$ 1,868	\$ 17,585	\$ 8,621

Business-type Activities:

Fiscal Year (000's omitted)	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2006	\$ 11,151	\$ 14,355	\$ 5,066	\$ 15,575
2007	11,680	13,909	5,267	15,378
2008	12,023	13,970	5,469	15,172
2009	14,112	12,093	5,691	14,955
2010	14,825	12,130	5,099	14,740
2011-2015	85,772	41,713	29,053	70,156
2016-2020	83,509	17,659	34,361	62,945
2021-2025	26,124	2,192	55,600	53,368
2026-2030	-	-	96,720	34,655
2031-2035	-	-	78,490	8,972
Subtotal	259,196	128,021	320,816	305,916
Accreted Value - Capital Appreciation Bonds	4,307	-	-	-
Total	\$ 263,503	\$ 128,021	\$ 320,816	\$ 305,916



**CITY OF RICHMOND, VIRGINIA
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The City is in compliance with all significant financial debt covenants.

The City has several lease agreements for equipment under non-cancelable capital leases. They are as follows:

- A \$700,000 equipment lease purchase agreement to finance a portion of the costs of upgrades and replacements to the heating, ventilation, and air conditioning systems of the Landmark Theatre.
- A \$1,670,000 equipment lease purchase agreement to finance upgrades and replacements to the heating, ventilation, and air conditioning systems of the Richmond Coliseum.
- A five-year \$716,298 equipment lease purchase agreement for computer equipment.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Asset:		
Machinery and Equipment	\$ 716	\$ 2,370
Less: Accumulated Depreciation	282	300
Total assets acquired through capital lease payments	\$ 434	\$ 2,070

Future minimum lease payments are as follows:

<u>Fiscal Year (\$000's Omitted)</u>	Governmental Activities	Business-type Activities
2006	\$ 151	\$ 299
2007	150	299
2008	150	299
2009	--	299
2010	--	299
2011-2015	--	1,017
Total minimum capital lease payments	\$ 451	\$ 2,512
Less amounts representing interest	17	442
Present value of minimum capital lease payments	\$ 434	\$ 2,070

Debt issued during the fiscal year ended June 30, 2005 is as follows:

On July 15, 2004, the City issued \$67,655,000 of Public Utility Revenue Bonds – Series 2004 to fund capital improvements of the Gas, Water, and Wastewater Public Utilities. The bonds are limited obligations of the City and are payable solely from certain revenues derived by the City from its natural gas, water, and wastewater utilities. Serial Principal payments are due each January 15th beginning January 15, 2006 and annual principal payment amounts range from \$1,210,000 to \$2,410,000 per year. Interest on the bonds payable semi-annually at coupon interest rates ranges from 2.00% to 5.00%.

On November 4, 2004, the City sold \$45,000,000 of seasonal General Obligation Revenue Anticipation Notes through a competitive bid. Wachovia Bank, N.A. was the purchaser of the Notes. Prior to issue, 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 3.50%; however the City received an upfront premium of \$433,350 thereby



**CITY OF RICHMOND, VIRGINIA
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June 30, 2005

making the effective true interest rate cost on the Notes a rate of 1.88%. Proceeds of these notes were used to fund ongoing operations. The notes were repaid in full on June 29, 2005.

On December 30, 2004 the City issued \$1,536,671 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 with principal payments due in annual installments each December 30 through the year 2020. No interest is due on the QZABs throughout the life of this debt.

On June 29, 2005, the City issued a \$7,000,000 five-year Note to finance the purchase of various equipment and vehicles during the fiscal year. A local bank provided the financing at a fixed interest rate of 2.95%. The Note calls for annual repayment of \$1,400,000 on July 15th of each year with interest due semi-annually on January 15th and July 15th of each year.

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. No additional borrowings were made under the line during the year ending June 30, 2005.

Defeasance of Debt

At June 2005, the City had no outstanding defeased debt.

Subsequent Events

On July 28, 2005 the City issued \$93,245,000 of General Obligation Public Improvement Refunding Bonds, Series 2005A to advance refund certain maturities of its outstanding Series 1999A and Series 2001 General Obligation Bonds. The \$93,245,000 par amount along with a premium received were used to establish an irrevocable trust with an escrow agent to provide for all future principal, premium, and interest payments on the refunded maturities of the 1999A and 2001 bonds. The refunding generated \$6,338,963 in debt service savings equal to \$3,690,043 in Net Present Value Savings over the remaining nineteen-year life of the bonds. The 2005A bonds have coupon interest rates ranging from 3.00% to 5.00% with interest payable on January 15th and July 15th of each year. Annual principal amounts due of between \$75,000 and \$9,615,000 are payable on July 15th of each year with a final maturity on July 15, 2023.

On October 18, 2005, the City issued \$61,890,000 of General Obligation Public Improvement Refunding Bonds, Series 2005B to current refund certain maturities of its outstanding Series 1995B General Obligation Bonds being called effective January 15, 2006. The \$61,890,000 par amounts along with a premium received were used to establish an irrevocable trust with an escrow agent to provide for all future principal, premium, and interest payments due on the 1995B bonds. The refunding generated \$6,373,841 in debt service savings equal to \$4,222,474 in Net Present Value Savings over the remaining sixteen-year life of the bonds. The 2005B bonds have coupon interest rates ranging from 3.00% to 5.00% with interest payable on January 15th and July 15th of each year. Annual principal amounts due of between \$135,000 and \$7,575,000 are payable on July 15th of each year with a final maturity on July 15, 2020.



**CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

Component Units

School Board

At June 30, 2005, School Board long-term obligations consisted of the following:

	Amounts Payable at July 1, 2004	Increases	Decreases	Amounts Payable at June 30, 2005	Due Within One Year
Workers' Compensation Liability	\$ 1,211,846	\$ 703,162	\$ 541,813	\$ 1,373,195	\$ 940,743
Vacation Pay Liability	3,179,044	572,779	850,173	2,901,650	349,771
Sick Pay Liability	10,167,880	2,526,483	3,052,634	9,641,729	1,018,787
Incurred But Not Reported Health Claims Liability	3,643,183	25,690,703	25,294,291	4,039,595	3,595,240
Early Retirement Benefits Plan					
Net Pension Obligation	3,792,796	940,349	—	4,733,145	—
Total	\$ 21,994,749	\$ 30,433,476	\$ 29,738,911	\$ 22,689,314	\$ 5,904,541

Richmond Ambulance Authority

Long-term debt comprises \$367,499 of various General Obligation Bond issues that are guaranteed by the full faith and credit of the City, of which \$53,181 is current.

Hospital Authority of Richmond

Long-term debt comprises \$59,794 of various General Obligation Bond issues, which are guaranteed by the full faith, and credit of the City, of which \$13,658 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, 2005.

Richmond Redevelopment and Housing Authority

Long-term debt comprises \$68,110,856 of various General Obligation and Revenue Bonds and Notes Payable. \$19,000,000 of this amount is payable to the City of Richmond. Of the remaining \$48,310,856, an amount of \$36,850,355 was issued under cooperation agreements between RRHA and the City of Richmond, whereby the City has made moral obligations to provide funding to pay the debt.

Richmond Broad Street Community Development Authority

Long-term debt comprises \$65,005,242 of Revenue Bonds payable, net of discount of \$1,734,758. There is no current portion due. The first scheduled principal payment is due July 1, 2009.

9. FUND EQUITY BALANCES

The fund equity balances have been classified to reflect the limitations and restrictions placed on the respective funds. Reserved fund balance represents that portion of fund balance not available for appropriation or expenditure. Designated fund balance represents amounts that are tentatively planned for financial resource utilization in a future



CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

period. Undesignated fund balance represents the remainder of the City's equity in governmental funds' fund balances. Fund balances reserved at June 30, 2005 are composed of the following:

	General Fund	Debt Service	Other NonMajor Governmental Funds
Encumbrances	\$ 4,500,712	\$ --	\$ --
Advances to Component Units	1,300	--	--
Debt Service	--	1,480,501	--
Trust Corpus	--	--	463,561
Notes Receivable	1,543,100	--	--
Other	16,171,559	--	48,468,982
Totals	\$ 22,216,671	\$ 1,480,501	\$ 48,932,543

Other reservations for the General Fund are comprised mainly of the development of a new financial system (\$4,000,000), Special Revenue Funds (\$1,600,000), Real Estate Bonds (\$1,000,000), Emergency Communications (\$2,700,000), the Coliseum (\$900,000), fuel costs (\$1,000,000), and the City Sheriff's Department (\$2,000,000).

Fund balances designated at June 30, 2005 are composed of the following:

	General Fund	Other NonMajor Governmental Funds
Completion of approved or specified projects and activities	\$ 6,218,440	\$ 11,473,432

The Risk Management and Radio Maintenance Internal Service Funds had deficit net assets of \$12,090,660 and \$368,790, respectively, at June 30, 2005. City management anticipates eliminating the deficits over a period of time not exceeding ten years (see Note 10).

10. RISK MANAGEMENT

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

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

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



**CITY OF RICHMOND, VIRGINIA
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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 \$100 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, 2005, 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, 2005 was \$28,264,064 (undiscounted) and \$23,835,562 (discounted at 15.7%) as recommended by a firm of consulting actuaries. Changes in the aggregate for these liabilities for fiscal years 2004 and 2005 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes In Estimates	Claims and Premium Payments	Balance at Fiscal Year end
2004	\$ 19,682,060	\$ 8,089,342	\$ (5,798,608)	\$ 21,972,794
2005	\$ 21,972,794	\$ 7,650,827	\$ (5,788,059)	\$ 23,835,562

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.

At June 30, 2005 the amount of claim liabilities were \$5,412,790, which consisted of incurred but not reported health claims of \$4,039,595, and workers' compensation liabilities of \$1,373,195.



CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Changes in the aggregate for these liabilities for fiscal years 2004 and 2005 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes In Estimates	Claims and Premium Payments	Balance at Fiscal Year end	Due Within One Year
2004	\$ 4,910,869	\$ 26,809,436	\$ (26,865,276)	\$ 4,855,029	\$ 4,001,617
2005	\$ 4,855,029	\$ 26,393,865	\$ (25,836,104)	\$ 5,412,790	\$ 4,535,983

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 Semi-Monthly	POS Semi-Monthly	PPO Semi-Monthly	Indemnity Semi-Monthly	City Monthly
Single	\$ 16.65	\$ 32.97	\$ 16.65	\$ 16.65	\$ 238.64
Plus One	\$ 102.72	\$ 139.44	\$ 102.72	\$ 102.72	\$ 406.36
Family	\$ 171.59	\$ 224.61	\$ 171.59	\$ 171.59	\$ 540.56

12. RETIREMENT 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, 2005 for the employees covered by the City Plan and VRS were \$159,048,796 and \$148,098,643, respectively. The total payrolls for the fiscal year ended June 30, 2005 were \$257,433,009 for the City and \$176,498,256 for the School Board.



CITY OF RICHMOND, VIRGINIA
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June 30, 2005

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, 2005 is as follows:

Retirees and beneficiaries currently receiving benefits	3,720
Vested Terminated Employees	1,711
Current Employees	
Vested	2,636
Nonvested	971
DC Plan Participants with Frozen Benefits	<u>470</u>
Total	<u>9,508</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.



**CITY OF RICHMOND, VIRGINIA
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June 30, 2005

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, 2003 through 2005 (unaudited):

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2003	18,692,905	100.00%
2004	21,448,527	100.00%
2005	23,386,747	100.00%

The overall employer contribution rate increased from 12.92% for the fiscal year ending June 30, 2004 to 14.32% for the fiscal year ending June 30, 2005.

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 0.5% to 4.0% per year. 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, 2005.

As of the July 1, 2005 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 30 years for remaining unfunded accrued liability as of July 1, 2001 and 20 years for subsequent changes. For purposes of determining asset valuation, the realized and



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unrealized gains and losses are recognized over a five year period with the restriction that the resulting asset value cannot be less than 90% or greater than 110% of market value.

There was no legislative change during the fiscal year ending June 30, 2005, which had a financial impact on the RRS.

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
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%
2005	419,185,192	696,702,794	277,517,602	60.17%	159,048,796	174.49%

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, 2005, the School Board contributed 11.79% of annual covered payroll. The School Board's contributions to the RRS for the years ended June 30, 2005, 2004 and 2003 were \$303,892, \$323,843, and \$305,741, 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 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



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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, 2005, 2004 and 2003 were \$8,227,651, \$4,930,213, and \$4,796,736, respectively, equal to the required contributions. The School Board's contribution rate applicable to non-professional employees for the fiscal year ended June 30, 2005 was 5.0% of annual covered payroll.

III. Annual Pension Cost - Non-professional Employees

For the fiscal year ended June 30, 2005, the School Board's annual pension cost applicable to School Board non-professional employees of \$572,605 was equal to the School Board's required and actual contributions. The required contribution was determined as part of the June 30, 2001 actuarial valuation using the entry age normal actuarial cost method.

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

Trend Information

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2000	\$ 341,157	100%	\$ --
2001	363,838	100%	--
2002	309,502	100%	--
2003	170,614	100%	--
2004	176,891	100%	--
2005	572,605	100%	--



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Schedule of Funding Progress (Unaudited)

Actuarial Valuation Date June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Actuarial Accrued Liability (FAAL)	Funded Ratio	Covered Payroll	FAAL as a Percentage of Covered Payroll
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%
2004	23,338,675	23,806,806	(468,131)	98.0%	11,452,099	4.1%

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, 2005, the date of the latest biennial actuarial valuation:

Retirees currently receiving benefits	714
Retirees completing their service option	345
Active plan members	
Non-vested	<u>332</u>
Total	<u>1,391</u>

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

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

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

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



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

II. Funding Policy

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

The following is a schedule of School Board contributions for fiscal years ended June 30, 2000 through 2005:

Fiscal Year Ended June 30	Annual Required Contribution	Actual Contribution	Percentage Contributed
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%
2005	3,899,673	2,900,000	74.4%

III. Annual Pension Cost

The School Board's annual pension cost and net pension obligation to the Plan for the year ended June 30, 2005 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	(261,641)
Annual pension cost	3,840,349
Contributions made	(2,900,000)
Increase in net pension obligation	940,349
Net pension obligation, beginning of year	3,792,796
Net pension obligation, end of year	<u>\$ 4,733,145</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



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

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

Trend Information

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Assets)
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
2005	3,840,349	75.6%	4,733,145

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%
2004	11,078,824	32,525,440	(21,446,616)	34.1%	32,171,266	66.7%

At June 30, 2005, 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 \$5,076,996. 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, 2005.

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.



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

II. Contributions and Funding Policy

RBHA contributed \$1,224,123 as its annual required contribution equal to 100% of the contribution for the initial plan year ended June 30, 2005 as determined by the RRS actuarial valuation.

F. Other Component Units

Richmond Ambulance Authority

The RAA provides pension benefits for all its eligible employees (21 and 20 employees at June 30, 2005 and 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 the 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 2005 and 2004 for employees covered under the plan was \$926,000 and \$957,000, respectively, and total payroll for 2005 and 2004 approximated \$1,163,000 and \$989,000, respectively. RAA made the required 9% contribution of \$106,810 and \$70,416 in 2005 and 2004, 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, 2005 and 2004 was \$29,354 and \$32,148, 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 retire 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



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statute. RRHA's actual contributions to the VRS for fiscal years ended September 30, 2004, 2003, and 2002 were \$1,047,214, \$1,233,517, and \$1,279,451 respectively, and were equal to the contribution requirements.

13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits in Note 12, the City provides health, dental and life insurance benefits to retirees. The City pays a portion of the cost of health insurance benefits for retirees under the City's group plans through one provider, CIGNA Healthcare. Any employee who retires from active service and has participated continuously in the health insurance plan the five years prior to retirement may participate as a retiree. The monthly health insurance premium for retirees is based upon years of service. The actual cost to the City for health insurance benefits for retirees in fiscal year 2005 was \$3,314,978, with 1,629 retirees participating. The City offers two dental insurance providers: Dominion Dental Services, Inc. and United Concordia Companies. The retirees pay the total cost for dental insurance benefits, with 892 retirees participating. The cost to retirees for fiscal year 2005 for both health and dental benefits was \$4,597,964. Group life insurance, minus accidental death and dismemberment coverage, continues after retirement at no cost to the retiree.

Component Unit

The School Board provides certain postretirement health care benefits to retired employees. Substantially all of the employees may become eligible for those benefits if they retire while working for the School Board. Coverage is provided through the School Board for retirees covered under the VRS plans and through RRS for retirees under the RRS plan. (The School Board then reimburses RRS for the employer portion of these payments.) Under the School Board's policy, 1,973 retirees are currently receiving benefits at June 30, 2005. For coverage provided through RRS, 132 retirees are currently receiving benefits at June 30, 2005. The School Board's share of contributions is between 38% and 60% of the total insurance premiums. Expenditures for retiree health care benefits are recognized on a pay-as-you-go basis as insurance premiums are due. For the fiscal year ended June 30, 2005, the School Board's share of premiums approximated \$5,403,313.

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, 2005 was \$48,240.

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, 2005. RBHA's share of health-related premium contributions for the year ended June 30, 2005, was \$49,251. 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 100% of salary with a maximum deferral of \$14,000 for calendar year 2005, which ever is less. In calendar year 2006, the maximum deferral amount will be \$15,000. The compensation deferred is not available to employees until termination, retirement, death, an unforeseeable emergency, or a small balance account withdrawal. Employees are eligible to initiate a one-time disbursement of an account if the balance is \$5,000 or less and neither the employee nor the employer has contributed to the account for at least two years. 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



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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, 2005 the fair value of the plan investments was \$42,369,987.

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 100% of salary with a maximum deferral of \$14,000 for calendar year 2005, which ever is less. In calendar year 2006, the maximum deferral amount will be \$15,000. The compensation deferred is not available to employees until termination, retirement, death, an unforeseeable emergency, or a small balance account withdrawal. Employees are eligible to initiate a one-time disbursement of an account if the balance is \$5,000 or less and neither the employee nor the employer has contributed to the account for at least two years. 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, RBHA, and RRHA 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, 2005, the annual operating lease commitments are as follows:

Fiscal Year	Component Units			
	Primary Government	School Board	Richmond Behavioral Health Authority	Richmond Redevelopment and Housing Authority
2006	\$ 1,692,325	\$ 2,322,618	\$ 1,272,790	\$ 100,812
2007	1,433,470	2,222,067	1,270,911	103,832
2008	1,251,394	1,663,413	1,259,283	106,948
2009	932,360	965,570	1,253,965	110,160
2010	935,463	847,510	80,799	--
2011 - 2016	938,659	838,600	110,652	--
Total minimum lease payments	7,183,671	8,859,778	5,248,400	421,752
Lease expense/expenditures for the year ended				
June 30, 2005	\$ 4,256,364	\$ 1,563,053	\$ 1,274,990	\$ --

16. CONTINGENCIES, COMMITMENTS, AND OTHER MATTERS

A. Combined Sewer Overflow (CSO)

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



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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. In March 2005, the City and the Board have entered into a new Special Order which identifies 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 a typical annual residential wastewater bill of at least 1.25% of median household income) and availability of federal, state, and local funding.

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% (2% real increase above projected CPI-U rate of inflation) 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.

Per the March 2005 CSO Special Order, the City is required to actively seek 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



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NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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, 2005, the City contributed \$1,345,440 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 \$703 million at June 30, 2005.

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 2005 under this agreement amounted to \$9,222,193.

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. Upon expiration of the original terms, the Board renewed their contract with Premier Healthcare Resources through December 31, 2005. 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, 2005, 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.



CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

F. Claims and Judgments

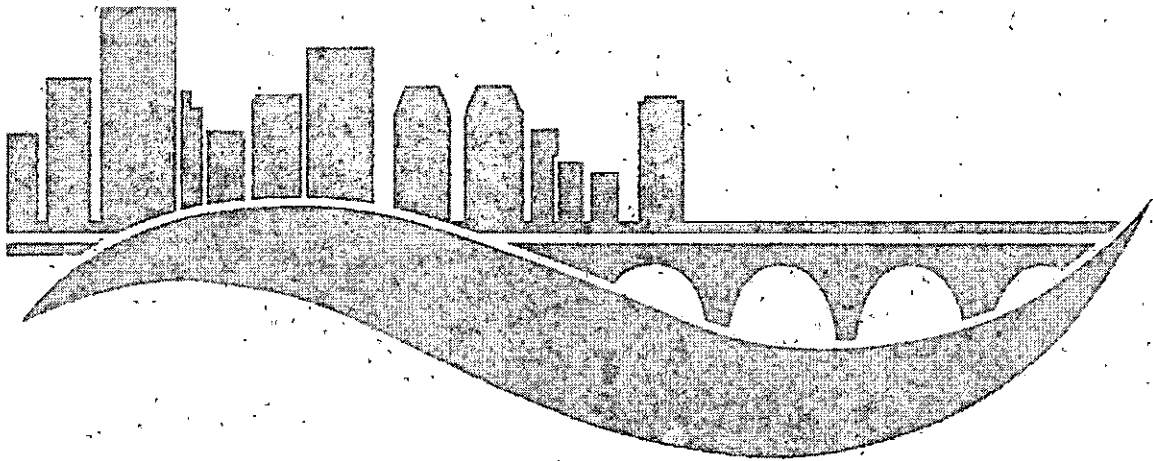
The City is a defendant in lawsuits pertaining to matters, including claims asserted which are incidental to performing routine governmental and other functions. This litigation includes but is not limited to: actions commenced and claims asserted against the City arising out of alleged torts; alleged 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 anticipates receiving an additional reimbursement totaling approximately \$3,333,000. This represents a change in estimate from prior year by approximately \$1,771,000. Prior year's estimated reimbursement was approximately \$5,104,000. In addition, the Department of Public Utilities has received approximately \$988,100 in reimbursements from FEMA for Hurricane Isabel.

H. Disaster Recovery – Tropical Storm Gaston

During fiscal 2005, Tropical Storm Gaston 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 received advanced funding totaling approximately \$7,990,500, of which approximately \$4,288,400 has been treated as deferred revenue. The revenue will be recognized when additional spending has been incurred. In addition, the City has provided the required match totaling approximately \$1,500,000. The City has incurred expenditures primarily in the departments of Public Works and Public Utilities totaling approximately \$5,494,800. The City anticipates additional funding totaling approximately \$3,084,200 and additional expenditures totaling approximately \$7,079,800.





Required Supplementary Information



**CITY OF RICHMOND, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
City Taxes				
Real Estate	\$ 173,897,872	\$ 173,897,872	\$ 181,172,923	\$ 7,275,051
Sales-1% Local	24,661,496	24,661,496	26,302,100	1,640,604
Personal Property	44,263,363	44,263,363	45,091,878	828,515
Machinery and Tools	15,792,570	15,792,570	14,618,256	(1,174,314)
General Utility Sales	32,794,658	32,794,658	31,124,964	(1,669,694)
Bank Stock	3,250,000	3,250,000	2,904,338	(345,662)
Prepared Food	14,374,691	14,374,691	16,028,093	1,653,402
Admission	1,728,514	1,728,514	1,195,603	(532,911)
Delinquent Tax Payments-All Classes	9,179,548	9,897,259	9,589,601	(307,658)
Private Utility Poles and Conduits	93,137	93,137	150,549	57,412
Penalties and Interest	5,077,000	5,303,959	4,242,744	(1,061,215)
Titling Tax-Mobile Home	10,500	10,500	16,942	6,442
State Recordation	668,791	668,791	609,343	(59,448)
Property Rental 1%	88,276	88,276	120,684	32,409
Vehicle Rental Tax	803,338	803,338	864,415	61,077
Telephone Commissions	629,880	629,880	466,562	(163,318)
Total City Taxes	327,313,634	328,258,303	334,498,995	6,240,692
Licenses, Permits and Privilege Fees				
Business and Professional	27,985,106	27,985,106	28,497,160	512,054
Vehicle	3,595,600	3,595,600	3,453,989	(141,611)
Dog	29,204	29,204	20,758	(8,446)
Transfers, Penalties, Interest & Delinquent Collections	1,000	1,000	3,298	2,298
Department of Social Services	65,000	65,000	45,377	(19,623)
Department of Finance	1,865,522	1,865,522	1,989,786	124,264
Department of Public Works	1,477,000	1,477,000	1,255,739	(221,261)
Department of Parks, Recreation and Community Facilities	33,000	33,000	36,853	3,853
Total Licenses, Permits and Privilege Fees	35,051,432	35,051,432	35,302,960	251,528
Intergovernmental				
Richmond Public Library	225,722	225,722	210,272	(15,450)
Juvenile and Domestic Relations District Court	15,300	15,300	10,591	(4,709)
Juvenile Justice Service	1,897,735	1,897,735	2,014,308	116,573
Department of Social Services	51,835,546	51,977,346	47,393,968	(4,583,378)
Department of Public Health	3,325,123	3,357,469	3,584,407	226,938
Department of Public Works-Street Maintenance	19,204,997	19,204,997	19,070,281	(134,716)
General Registrar	76,557	76,557	173,708	97,151
Department of Finance	1,009,191	1,009,191	1,004,527	(4,664)
Attorney for the Commonwealth	2,222,518	2,222,518	2,325,897	103,379
City Sheriff	17,709,539	17,709,539	18,082,382	372,843
State Aid to Localities	14,902,801	14,902,801	16,136,712	1,233,911
Service Charges on Tax Exempt Property	3,189,404	3,189,404	2,849,187	(340,217)
Administrative Costs - Federal Grants	520,000	520,000	665,790	145,790
ABC Distribution	335,283	335,283	237,492	(97,791)
Rolling Stock Distribution	112,105	112,105	101,713	(10,392)
Total Intergovernmental	116,581,821	116,755,967	113,861,235	(2,894,732)

(Continued)



EXHIBIT H-1, Continued

CITY OF RICHMOND, VIRGINIA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 For the Fiscal Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Service Charges				
Assessor of Real Estate	\$ 35,000	\$ 35,000	\$ 26,977	\$ (8,023)
Richmond Public Library	3,131	3,131	1,293	(1,838)
City Sheriff	157,500	157,500	161,462	3,962
Department of Community Development	3,610,592	3,610,592	4,306,702	696,110
Department of General Services	656,092	656,092	654,440	(1,652)
Department of Finance	233,800	233,800	248,672	14,872
Department of Health	341,555	341,555	518,528	176,973
Departments of Police, Fire and Emergency Services	91,500	91,500	209,550	118,050
Department of Public Works	10,076,600	10,076,600	10,070,836	(5,764)
Department of Parks, Recreation and Community Facilities	102,500	102,500	144,412	41,912
Procurement Services	5,000	5,000	1,083	(3,917)
Total Service Charges	15,313,270	15,313,270	16,343,955	1,030,685
Fines and Forfeitures				
Richmond Public Library	118,000	118,000	90,818	(27,182)
Circuit Court	4,235,931	4,235,931	5,407,670	1,171,739
General District Court	1,250,445	1,250,445	1,747,796	497,351
Juvenile and Domestic Relations District Court	7,500	7,500	5,815	(1,685)
Parking Violations	2,768,085	2,768,085	3,057,089	289,004
License Code Violations	28,000	28,000	19,564	(8,436)
Total Fines and Forfeitures	8,407,961	8,407,961	10,328,752	1,920,791
Payment in Lieu of Taxes				
Gas Utility	19,608,000	19,608,000	10,525,312	(9,082,688)
Wastewater Utility	--	--	6,029,075	6,029,075
Water Utility	--	--	2,080,084	2,080,084
Electric Utility	55,602	55,602	500,010	444,408
Stores and Transportation Division	--	--	496,301	496,301
Total Payment in Lieu of Taxes	19,663,602	19,663,602	19,630,782	(32,820)
Miscellaneous Revenue				
Overhead Costs-Port of Richmond Commission	117,886	117,886	86,623	(31,263)
Interest Income - Hilton	225,000	225,000	50,000	(175,000)
Department of Public Utilities Payment-City Service	2,323,069	2,323,069	2,323,069	--
Utilities Payment for Collection Service	435,000	435,000	450,000	15,000
Richmond Metropolitan Authority Payment	104,900	104,900	94,590	(10,310)
Department of Information Technology Charges	1,307,800	1,307,800	1,192,009	(115,791)
Administrative Payments to the General Fund	807,487	807,487	828,453	20,966
Sundries	573,861	573,861	647,049	73,188
Total Miscellaneous Revenues	5,895,003	5,895,003	5,671,793	(223,210)
Total General Fund Revenues	528,226,723	529,345,538	535,638,472	6,292,934

(Continued)



EXHIBIT H-1, Continued

**CITY OF RICHMOND, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures				
Current				
General Government				
City Council and City Clerk	\$ 1,519,560	\$ 1,563,710	\$ 1,573,527	\$ (9,817)
Department of Community Development	6,512,415	6,829,345	6,129,675	699,670
Assessor of Real Estate	2,683,674	2,850,653	2,669,080	181,573
City Auditor	1,044,471	1,423,136	1,021,714	401,422
Department of Law	1,603,022	1,660,554	1,637,502	23,052
Board of Review of Real Estate Assessments	26,574	26,574	16,582	9,992
General Registrar	706,540	1,554,171	1,490,294	63,877
Self - Insurance Cost	7,694,319	7,694,319	7,694,319	-
Office of Management Services	1,347,786	1,462,107	1,409,285	52,822
Department of Information Technology	10,289,671	11,408,643	9,950,132	1,458,511
City Manager	1,233,725	1,585,500	1,418,637	166,863
Budget and Strategic Planning	696,360	714,601	713,764	837
Department of General Services	1,191,751	1,263,751	1,290,930	(27,179)
Department of Human Resources	1,777,599	1,856,280	1,886,214	(29,934)
Department of Finance	7,699,147	8,428,121	7,605,103	823,018
Department of Transportation	1,451,942	1,459,678	1,102,663	357,015
Customer Service and Organizational Development	1,115,172	1,515,462	926,723	588,739
Procurement Services	1,083,810	1,167,202	968,047	199,155
Communications, Media Relations and Marketing	688,276	665,600	655,184	10,416
Intergovernmental Relations	250,447	253,090	243,126	9,964
Economic Development	1,792,666	1,921,510	1,730,681	190,829
City Mayor's Office	373,460	513,769	540,898	(27,129)
Total General Government	52,782,387	57,817,776	52,674,080	5,143,696
Public Safety and Judiciary				
Judiciary	6,663,817	6,869,902	6,469,561	400,341
Juvenile and Domestic Relations District Court	363,301	377,721	337,454	40,267
City Sheriff	23,574,354	23,578,638	27,875,103	(4,296,465)
Juvenile Justice Services	5,554,043	5,677,135	5,616,550	60,585
Department of Police	56,601,808	59,903,800	62,731,486	(2,827,686)
Department of Fire and Emergency Services	32,210,901	32,806,555	33,473,743	(667,188)
Total Public Safety and Judiciary	124,968,224	129,213,751	136,503,897	(7,290,146)
Highways, Streets, Sanitation and Refuse				
Department of Public Works	46,871,116	54,429,488	53,756,034	673,454
Human Services				
Human Services Advocacy	1,132,919	1,140,892	1,088,717	52,175
Department of Social Services	58,271,013	58,654,471	56,126,063	2,528,408
Department of Public Health	6,827,528	6,956,047	6,363,630	592,417
Total Human Services	66,231,460	66,751,410	63,578,410	3,173,000
Culture and Recreation				
Richmond Public Library	4,510,157	4,604,025	4,574,947	29,078
Department of Parks, Recreation and Community Facilities	19,132,083	14,352,421	13,474,578	877,843
Total Culture and Recreation	23,642,240	18,956,446	18,049,525	906,921

(Continued)



EXHIBIT H-1, Concluded

**CITY OF RICHMOND, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Non-Departmental				
Crestar Projects	2,686,625	2,686,625	2,693,099	(6,474)
Payments to Other Government Agencies	14,164,231	14,874,322	11,714,976	3,159,346
Tax Relief for the Elderly	1,776,641	1,776,641	2,206,121	(429,480)
Greater Richmond Transit Company	6,716,376	6,766,376	6,766,376	—
Retiree's Health Care	3,411,684	3,411,684	2,802,045	609,639
Other Non-Departmental Expenses	200,000	44,859	28,700	16,159
Total Non-Departmental	28,955,557	29,560,507	26,211,317	3,349,190
Total General Fund Expenditures	343,450,984	356,729,378	350,773,263	5,956,115
Excess of Revenues Over Expenditures	184,775,739	172,616,160	184,865,209	12,249,049
Other Financing Sources (Uses)				
Proceeds from Issuance of Bonds	1,969,117	1,969,117	2,000,000	30,883
Transfers In - Component Units	—	—	6,218,440	6,218,440
Transfers In - Other Funds	5,404,142	5,544,142	5,317,737	(226,405)
Transfers Out - Component Units	(140,000,381)	(140,000,381)	(140,015,381)	(15,000)
Transfers Out - Other Funds	(52,148,617)	(52,148,617)	(50,997,746)	1,150,871
Total Other Financing Uses, Net	(184,775,739)	(184,635,739)	(177,476,950)	7,158,789
Special Item				
Disaster Recovery	—	—	(1,733,968)	(1,733,968)
Total Special Item	—	—	(1,733,968)	(1,733,968)
Excess of Revenues, Other Financing Sources, and Special Item Over (Under) Expenditures and Other Financing Uses	—	(12,019,579)	5,654,291	17,673,870
Fund Balance - Beginning of Year	61,840,820	61,840,820	61,840,820	—
Fund Balance - End of Year	\$ 61,840,820	\$ 49,821,241	\$ 67,495,111	\$ 17,673,870

The Department of Intergovernmental Relations, Department of Customer Service & Organizational Development, and the Department of Management Services all report expenditures for Fiscal Year 2005; however, these departments were eliminated prior to the end of the fiscal year (June 30, 2005).



CITY OF RICHMOND, VIRGINIA
NOTE TO BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2005

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 Mayor 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 Mayor 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, other financing sources, and special item of \$547,440,681 were over expectations by \$10,581,884 for fiscal year ended June 30, 2005. The General Fund expenditures and other financing uses of \$541,786,390 under budget by \$7,091,986 for fiscal year ended June 30, 2005. However, certain departments/agencies' expenditures exceeded appropriations for this fiscal year. The City Council and City Clerk's expenditures exceeded appropriations by \$9,817. The Department of General Services' expenditures exceeded appropriations by \$27,179. The Department of Human Resources' expenditures exceeded appropriations by \$29,934. The City Mayor's Office's expenditures exceeded appropriations by \$27,129. The City Sheriff's expenditures exceeded appropriations by \$4,296,465. The Department of Police's expenditures exceeded appropriations by \$2,827,686. The Department of Fire and Emergency Services' expenditures exceeded appropriations by \$667,188. Other Non-Departmental expenditures related to Crestar Projects and Tax Relief for the Elderly exceeded appropriations by \$6,474 and \$429,480, respectively.



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.

VDOT Urban Program

The VDOT Urban Program is used to provide for resurfacing, restoration, rehabilitation and reconstruction of various city streets and bridges. The source of the funds is federal and state urban funds that are approved for the City by allocations of formulas.



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
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2005**

	Special Revenue		Capital Projects		
	Grant Revenue Funds	Consolidated HUD Funds	Capital Fund	Reserve Fund for Permanent Public Improvements	VDOT Urban Program
Assets					
Cash and Cash Equivalents	\$ 9,019,000	\$ --	\$ 554,850	\$ --	\$ --
Accounts Receivable, Net	1,977,248	939,541	95,684	--	--
Due From Other Governments	6,482,537	2,956,395	--	--	--
Restricted Assets	--	--	34,625,358	1,482,373	21,998,738
Total Assets	\$ 17,478,785	\$ 3,895,936	\$ 35,275,892	\$ 1,482,373	\$ 21,998,738
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	\$ 1,004,953	\$ 1,611,356	\$ 275,640	\$ --	\$ 644
Accrued Liabilities	264,466	44,554	--	--	--
Due To Other Funds	--	2,183,754	--	--	--
Due To Other Governments	30,602	--	--	--	--
Deferred Revenue	4,761,604	--	--	--	10,011,737
Total Liabilities	6,061,625	3,839,664	275,640	--	10,012,381
Fund Balances:					
Fund Balance-Reserved	--	--	35,000,252	1,482,373	11,986,357
Fund Balance-Unreserved:					
Designated for Specific Projects	11,417,160	56,272	--	--	--
Total Fund Balances	11,417,160	56,272	35,000,252	1,482,373	11,986,357
Total Liabilities and Fund Balances	\$ 17,478,785	\$ 3,895,936	\$ 35,275,892	\$ 1,482,373	\$ 21,998,738



EXHIBIT I-1

Permanent Funds				
J. Flumer Bright Park Fund	Memorial	Recreation	Richmond Public Library	Total
\$ --	\$ --	\$ --	\$ --	\$ 9,573,850
--	--	--	--	3,012,473
--	--	--	--	9,438,932
<u>395,533</u>	<u>31,030</u>	<u>25,000</u>	<u>11,998</u>	<u>58,570,030</u>
<u>\$ 395,533</u>	<u>\$ 31,030</u>	<u>\$ 25,000</u>	<u>\$ 11,998</u>	<u>\$ 80,595,285</u>
\$ --	\$ --	\$ --	\$ --	\$ 2,892,593
--	--	--	--	309,020
--	--	--	--	2,183,754
--	--	--	--	30,602
--	--	--	--	<u>14,773,341</u>
--	--	--	--	<u>20,189,310</u>
395,533	31,030	25,000	11,998	48,932,543
--	--	--	--	<u>11,473,432</u>
<u>395,533</u>	<u>31,030</u>	<u>25,000</u>	<u>11,998</u>	<u>60,405,975</u>
<u>\$ 395,533</u>	<u>\$ 31,030</u>	<u>\$ 25,000</u>	<u>\$ 11,998</u>	<u>\$ 80,595,285</u>



CITY OF RICHMOND, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2005

	Special Revenue		Capital Projects		
	Grant Revenue Funds	Consolidated HUD Funds	Capital Fund	Reserve Fund for Permanent Public Improvements	VDOT Urban Program
Revenues					
Intergovernmental	\$ 29,984,780	\$ 9,928,040	\$ 8,227,292	\$ --	\$ 11,626,613
Investment Income	92,143	--	957,459	70,466	378,465
Miscellaneous	14,156,648	--	35,685	1,098,525	--
Total Revenues	<u>44,233,571</u>	<u>9,928,040</u>	<u>9,220,436</u>	<u>1,168,991</u>	<u>12,005,078</u>
Expenditures					
Current:					
General Government	10,376,708	9,029,956	--	--	--
Public Safety and Judiciary	11,939,687	--	--	--	--
Highways, Streets, Sanitation and Refuse	617,506	--	--	--	--
Human Services	25,881,018	--	--	--	--
Culture and Recreation	1,579,143	--	--	--	--
Capital Outlay	--	--	43,090,541	--	18,721
Total Expenditures	<u>50,394,062</u>	<u>9,029,956</u>	<u>43,090,541</u>	<u>--</u>	<u>18,721</u>
Excess of Revenues Over (Under) Expenditures	<u>(6,160,491)</u>	<u>898,084</u>	<u>(33,870,105)</u>	<u>1,168,991</u>	<u>11,986,357</u>
Other Financing Sources (Uses)					
Proceeds from Issuance of Bonds	--	--	1,536,671	--	--
Transfers In-Other Funds	9,031,393	898,084	676,667	--	--
Transfers Out-Other Funds	(2,133,842)	(1,796,168)	--	(10,000)	--
Total Other Financing Sources (Uses), Net	<u>6,897,551</u>	<u>(898,084)</u>	<u>2,213,338</u>	<u>(10,000)</u>	<u>--</u>
Special and Extraordinary Items					
Special Item - Disaster Recovery	2,507,074	--	--	--	--
Extraordinary Item - Disaster Cost	(4,020,240)	--	--	--	--
Total Extraordinary Item, Net	<u>(1,513,166)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Excess of Revenues, Other Financing Sources, and Special Item Over (Under) Expenditures, Other Financing Uses, and Extraordinary Item	<u>(776,106)</u>	<u>--</u>	<u>(31,656,767)</u>	<u>1,158,991</u>	<u>11,986,357</u>
Fund Balance - Beginning of Year	<u>12,193,266</u>	<u>56,272</u>	<u>66,657,019</u>	<u>323,382</u>	<u>--</u>
Fund Balance - End of Year	<u>\$ 11,417,160</u>	<u>\$ 56,272</u>	<u>\$ 35,000,252</u>	<u>\$ 1,482,373</u>	<u>\$ 11,986,357</u>



EXHIBIT I-2

Permanent Funds				
J. Flumer Bright Park Fund	Memorial	Recreation	Richmond Public Library	Total
\$ --	\$ --	\$ --	\$ --	\$ 59,766,725
2,720	95	264	113	1,501,725
--	--	--	--	15,290,858
<u>2,720</u>	<u>95</u>	<u>264</u>	<u>113</u>	<u>76,559,308</u>
1,775	--	--	--	19,408,439
--	--	--	--	11,939,687
--	--	--	--	617,506
--	--	--	--	25,881,018
--	--	--	--	1,579,143
--	--	--	--	<u>43,109,262</u>
<u>1,775</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>102,535,055</u>
<u>945</u>	<u>95</u>	<u>264</u>	<u>113</u>	<u>(25,975,747)</u>
--	--	--	--	1,536,671
--	472	--	--	10,606,616
--	(95)	(264)	(113)	<u>(3,940,482)</u>
--	377	(264)	(113)	8,202,805
--	--	--	--	2,507,074
--	--	--	--	<u>(4,020,240)</u>
--	--	--	--	<u>(1,513,166)</u>
945	472	--	--	(19,286,108)
<u>394,588</u>	<u>30,558</u>	<u>25,000</u>	<u>11,998</u>	<u>79,692,083</u>
\$ <u>395,533</u>	\$ <u>31,030</u>	\$ <u>25,000</u>	\$ <u>11,998</u>	\$ <u>60,405,975</u>



EXHIBIT 1-3

**CITY OF RICHMOND, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Principal Payments				
General Obligation Bonds				
General Government	\$ 15,538,843	\$ 15,538,843	\$ 15,538,843	\$ --
Streets and Bridges	2,612,785	2,612,785	2,612,785	--
Schools General Obligation Bonds	4,684,634	4,684,634	4,684,634	--
Schools Virginia Public Schools Authority Bonds	221,132	221,132	221,132	--
Schools Qualified Zone Academy Bonds	142,812	142,812	114,145	28,667
Landmark Theatre	497,125	497,125	497,125	--
Richmond Convention Center	559,857	559,857	559,857	--
Coliseum	949,959	949,959	949,958	1
Cemeteries	48,721	48,721	48,721	--
Public Utilities	11,484,379	11,484,379	11,484,379	--
Richmond Metropolitan Authority - Expressway Deck	384,085	384,085	384,085	--
Richmond Redevelopment Housing Authority - Theater Row Building	242,589	242,589	242,589	--
Hospital Authority of Richmond	14,596	14,596	14,596	--
Richmond Ambulance Authority	29,073	29,073	29,073	--
Internal Service Fund - Fleet Management	3,371,600	3,371,600	3,371,600	--
Total General Obligation Bonds	40,782,190	40,782,190	40,753,522	28,668
General Obligation Notes				
Serial Equipment Notes - General Fund	433,592	433,592	433,592	--
Serial Equipment Notes - Internal Service Funds	1,386,408	1,386,408	1,386,408	--
Total General Obligation Notes	1,820,000	1,820,000	1,820,000	--
Other Debt Instruments				
HUD Section 108 Notes	575,000	575,000	530,000	45,000
Certificates of Participation - 800 Megahertz Project	640,000	640,000	640,000	--
Total Other Debt Instruments	1,215,000	1,215,000	1,170,000	45,000
Total Principal Payments	43,817,190	43,817,190	43,743,522	73,668
Interest Payments				
General Obligation Bonds				
General Government	13,930,583	13,930,583	13,935,370	(4,787)
General Government Equipment	235,871	235,871	246,458	(10,587)
Streets and Bridges	2,266,962	2,266,962	2,389,795	(122,833)
Schools General Obligation Bonds	4,277,049	4,277,049	4,266,299	10,750
Schools Virginia Public Schools Authority Bonds	163,868	163,868	163,868	--
Landmark Theatre	285,487	285,487	247,758	37,729
Richmond Convention Center	780,069	780,069	779,811	258
Coliseum	713,437	713,437	697,156	16,281
Cemeteries	37,167	37,167	35,293	1,874
Public Utilities	13,629,004	13,629,004	13,629,004	--
Richmond Metropolitan Authority - Expressway Deck	911,655	911,655	911,654	1
Richmond Redevelopment Housing Authority - Theater Row Building	1,105,115	1,105,115	1,105,114	1
Hospital Authority of Richmond	24,423	24,423	24,422	1
Richmond Ambulance Authority	20,452	20,452	20,451	1
Internal Service Fund - Fleet Management	517,380	517,380	547,880	(30,500)
Total General Obligation Bonds	38,898,522	38,898,522	39,000,333	(101,811)
General Obligation Notes				
Serial Equipment Notes - General Fund	21,138	21,138	21,138	--
Serial Equipment Notes - Internal Service Funds	67,588	67,588	67,588	--
Total General Obligation Notes	88,726	88,726	88,726	--
Other Debt Instruments				
HUD Section 108 Notes	407,102	407,102	368,083	39,019
Certificates of Participation - 800 Megahertz Project	825,713	825,713	825,712	1
Total Other Debt Instruments	1,232,815	1,232,815	1,193,795	39,020
Interest - Short Term Debt	750,000	750,000	529,150	220,850
Total Interest Payments	40,970,063	40,970,063	40,812,004	158,059
Issuance and Legal Costs	1,000,000	1,000,000	625,909	374,091
Total	\$ 85,787,253	\$ 85,787,253	\$ 85,181,435	\$ 605,818



EXHIBIT I-4

**CITY OF RICHMOND, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental				
Intergovernmental	\$ 86,719,205	\$ 97,784,817	\$ 39,912,820	\$ (57,871,997)
Investment Earnings and Contributions	92,143	92,143	92,143	-
Miscellaneous Revenue	15,097,935	15,097,935	14,156,648	(941,286)
Total Revenues	<u>101,909,283</u>	<u>112,974,895</u>	<u>54,161,611</u>	<u>(58,813,283)</u>
Expenditures				
General Government	\$ 36,189,774	\$ 46,979,066	\$ 19,406,665	\$ 27,572,401
Public Safety and Judiciary	19,143,913	19,154,313	11,939,687	7,214,626
Highways, Streets, Sanitation and Refuse	2,741,885	3,007,805	617,506	2,390,299
Human Services	40,474,420	40,474,420	25,881,017	14,593,403
Culture and Recreation	3,359,291	3,359,291	1,579,143	1,780,148
Total Expenditures	<u>101,909,283</u>	<u>112,974,895</u>	<u>59,424,018</u>	<u>53,550,877</u>
Excess of Revenues Over (Under) Expenditures	-	-	(5,262,407)	(5,262,406)
Other Financing Sources (Uses)				
Transfers In-Other Funds	9,929,477	9,929,477	9,929,477	-
Transfers Out-Other Funds	(3,930,010)	(3,930,010)	(3,930,010)	-
Total Other Financing Sources, Net	<u>5,999,467</u>	<u>5,999,467</u>	<u>5,999,467</u>	<u>-</u>
Special and Extraordinary Items				
Special Item - Disaster Recovery	-	-	2,507,074	2,507,074
Extraordinary Item - Disaster Cost	-	-	(4,020,240)	4,020,240
Total Extraordinary Item, Net	<u>-</u>	<u>-</u>	<u>(1,513,166)</u>	<u>6,527,314</u>
Excess of Revenues, Other Financing Sources, and Special Item Over (Under) Expenditures, Other Financing Uses, and Extraordinary Item	<u>5,999,467</u>	<u>5,999,467</u>	<u>(776,106)</u>	<u>(5,262,406)</u>
Fund Balance - Beginning of Year	-	-	12,249,538	12,249,538
Fund Balance- End of Year	<u>\$ 5,999,467</u>	<u>\$ 5,999,467</u>	<u>\$ 11,473,432</u>	<u>\$ 6,987,132</u>



EXHIBIT 1-5

**CITY OF RICHMOND, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUNDS
For the Fiscal Year Ended June 30, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental Revenue				
Regional STP Funds (TEA-21)	\$ 14,343,000	\$ 14,343,000	\$ 8,227,292	\$ (6,115,708)
VDOT Urban Funds	17,673,000	17,673,000	11,626,613	(6,046,387)
Total Intergovernmental Revenue	32,016,000	32,016,000	19,853,905	(12,162,095)
Investment Earnings and Contribution:				
Local Matches and Contributions	89,000	89,000	1,406,390	1,317,390
Total Investment Earnings	89,000	89,000	1,406,390	1,317,390
Miscellaneous Revenue				
	666,667	666,667	1,134,210	467,543
Total Revenues	32,771,667	32,771,667	22,394,505	(10,377,162)
Expenditures				
Capital Outlay:				
School Board	4,500,000	4,500,000	8,552,855	(4,052,855)
Infrastructure	40,481,000	40,481,000	8,182,845	32,298,155
Economic Development	(1,243,333)	(1,243,333)	7,325,521	(8,568,854)
Neighborhood Development	2,860,000	2,860,000	3,826,872	(966,872)
City Facilities	13,630,000	13,630,000	15,221,169	(1,591,169)
Total Expenditures	60,227,667	60,227,667	43,109,262	17,118,405
Excess of Revenues Over (Under) Expenditures	(27,456,000)	(27,456,000)	(20,714,757)	6,741,243
Other Financing Sources (Uses)				
Proceeds from Issuance of General Obligation Bonds	28,456,000	28,456,000	1,536,671	(26,919,329)
Transfers In-Other Funds	--	--	676,667	676,667
Transfers Out-Other Funds	--	--	(10,000)	10,000
Total Other Financing Sources, Net	28,456,000	28,456,000	2,203,338	(26,232,662)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,000,000	1,000,000	(18,511,419)	(19,491,419)
Fund Balance - Beginning of Year	66,980,401	66,980,401	66,980,401	--
Fund Balance- End of Year	\$ 67,980,401	\$ 67,980,401	\$ 48,468,982	\$ (19,491,419)

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.



**CITY OF RICHMOND, VIRGINIA
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
June 30, 2005**

	Coliseum	Landmark Theatre	Cemeteries	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 561,592	\$ -	\$ 94,025	\$ 655,617
Accounts Receivable, Net	259,619	121,817	134,033	515,469
Inventories of Material and Supplies	105,789	-	-	105,789
Prepaid Expenses and Other Current Assets	90,246	-	-	90,246
Total Current Assets	1,017,246	121,817	228,058	1,367,121
Noncurrent Assets:				
Capital Assets:				
Land	-	44,690	8,188,700	8,233,390
Buildings and Structures	14,827,115	9,294,597	601,429	24,723,141
Equipment	4,984,189	962,657	84,490	6,031,336
Less Accumulated Depreciation	(8,407,051)	(3,194,026)	(367,687)	(11,968,764)
Construction in Progress	-	1,144,069	279,210	1,423,279
Total Noncurrent Assets	11,404,253	8,251,987	8,786,142	28,442,382
Total Assets	\$ 12,421,499	\$ 8,373,804	\$ 9,014,200	\$ 29,809,503
Liabilities				
Current Liabilities:				
Accounts Payable	\$ 1,002,170	\$ 51,720	\$ 4,723	\$ 1,058,613
Accrued Liabilities	1,446,818	146,740	24,929	1,618,487
Due To Other Funds	-	2,788,097	-	2,788,097
Due to Other Governments	413,046	-	-	413,046
Compensated Absences	-	17,276	61,338	78,614
Accrued Interest on Bonds and Notes Payable	342,308	124,420	15,963	482,691
General Obligation Bonds and Capital Leases	1,036,478	393,016	40,300	1,469,794
Total Current Liabilities	4,240,820	3,521,269	147,253	7,909,342
Noncurrent Liabilities:				
Compensated Absences	-	13,356	6,837	20,193
General Obligation Bonds and Capital Leases	12,993,054	4,525,258	589,336	18,107,648
Total Noncurrent Liabilities	12,993,054	4,538,614	596,173	18,127,841
Total Liabilities	17,233,874	8,059,883	743,426	26,037,183
Net Assets				
Invested In Capital Assets, Net of Related Debt	(2,625,279)	3,333,713	8,156,506	8,864,940
Unrestricted	(2,187,096)	(3,019,792)	114,268	(5,092,620)
Total Net Assets	\$ (4,812,375)	\$ 313,921	\$ 8,270,774	\$ 3,772,320



EXHIBIT J-2

CITY OF RICHMOND, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2005

	Coliseum	Landmark Theatre	Cemeteries	Total
Operating Revenues				
Charges for Goods and Services	\$ 2,068,567	\$ 390,879	\$ 1,412,205	\$ 3,871,651
Operating Expenses				
Salaries and Wages	1,208,403	714,205	956,754	2,879,362
Materials and Supplies	344,069	56,444	21,116	421,629
Rents and Utilities	-	183,688	41,955	225,643
Maintenance and Repairs	134,914	136,944	5,583	277,441
Depreciation and Amortization	1,336,422	289,896	23,901	1,650,219
Miscellaneous Operating Expenses	1,038,175	52,192	259,486	1,349,853
Total Operating Expenses	4,061,983	1,433,369	1,308,795	6,804,147
Operating Income (Loss)	(1,993,416)	(1,042,490)	103,410	(2,932,496)
Non-Operating Revenues (Expenses)				
Government Subsidies and Contributions	\$ 1,338,615	\$ 744,883	\$ 84,014	\$ 2,167,512
Interest Income	8,276	-	-	8,276
Interest on Long-Term Debt	-	(297,039)	(35,490)	(332,529)
Miscellaneous Revenue	-	261,448	-	261,448
Miscellaneous (Expenses)	(911,349)	-	-	(911,349)
Total Non-Operating Revenues, Net	435,542	709,292	48,524	1,193,358
Change In Net Assets	(1,557,874)	(333,198)	151,934	(1,739,138)
Net Assets - Beginning of Year	(3,254,501)	647,119	8,118,840	5,511,458
Net Assets - End of Year	\$ (4,812,375)	\$ 313,921	\$ 8,270,774	\$ 3,772,320



EXHIBIT J-3

**CITY OF RICHMOND, VIRGINIA
STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2005**

	Coliseum	Landmark Theatre	Cemeteries	Total
Cash Flows From Operating Activities				
Receipts from Customers	\$ 3,180,182	\$ 295,011	\$ 1,393,636	\$ 4,868,829
Payments to Suppliers	(1,161,913)	(378,402)	(354,762)	(1,895,077)
Payments to Employees	(1,201,801)	(713,134)	(965,383)	(2,880,318)
Other Receipts or (Payments)	-	51,642	(84,013)	(32,371)
Net Cash Provided By (Used In) Operating Activities	816,468	(744,883)	(10,522)	61,063
Cash Flows From Noncapital Financing Activities				
Government Subsidies and Contributions	-	744,883	84,014	828,897
Payments on Capital Lease	(124,590)	-	-	(124,590)
Other Cash Distributed	(105,378)	-	-	(105,378)
Net Cash Provided By (Used In) Noncapital Financing Activities	(229,968)	744,883	84,014	598,929
Cash Flows From Capital and Related Financing Activities				
Acquisition of Capital Assets	(26,833)	-	-	(26,833)
Net Cash (Used In) Capital and Related Financing Activities	(26,833)	-	-	(26,833)
Cash Flows From Investing Activities				
Interest Earned on Operating Funds	8,276	-	-	8,276
Interest Paid on Customers' Deposits	(85,675)	-	-	(85,675)
Net Cash (Used In) Investing Activities	(77,399)	-	-	(77,399)
Net Increase in Cash and Cash Equivalents	482,268	-	73,492	555,760
Cash and Cash Equivalents at July 1, 2004	79,324	-	20,533	99,857
Cash and Cash Equivalents at June 30, 2005	\$ 561,592	\$ -	\$ 94,025	\$ 655,617
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities				
Operating Income (Loss)	\$ (1,993,416)	\$ (1,042,490)	\$ 103,410	\$ (2,932,496)
Adjustment to Reconcile Operating Income (Loss) to Net Cash (Used In) Operating Activities:				
Depreciation	1,336,422	289,896	23,901	1,650,219
Miscellaneous Expenses	-	(568,175)	(84,013)	(652,188)
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:				
Accounts Receivable	24,785	(95,868)	(18,569)	(89,652)
Inventories of Material and Supplies	(12,417)	-	-	(12,417)
Prepaid Expenses	(33,642)	-	-	(33,642)
Accounts Payable	501,304	50,866	(26,621)	525,549
Accrued Liabilities	1,093,432	45,890	2,657	1,141,979
Due to Other Funds	(100,000)	578,708	-	478,708
Compensated Absences	-	(3,710)	(11,287)	(14,997)
Total Adjustments	2,809,884	297,607	(113,932)	2,993,559
Net Cash Provided By (Used In) Operating Activities	\$ 816,468	\$ (744,883)	\$ (10,522)	\$ 61,063
Supplemental Cash Flow Information				
Non-cash Transactions:				
GO Bonds Principal payments made by City Debt Service Fund on behalf of Fund	949,958	497,125	48,721	1,495,804
GO Bonds Interest payments made by City Debt Service Fund on behalf of Fund	697,156	247,758	35,293	980,207
Capital Lease Principal payments made by City Debt Service Fund on behalf of Fund	124,590	59,229	-	183,819
Capital Lease Interest payments made by City Debt Service Fund on behalf of Fund	85,675	26,854	-	112,529
Capital Assets acquired on behalf of Fund	1,512,535	-	62,951	1,575,486
Debt allocation to Fund	1,512,535	-	62,951	1,575,486



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, 2005**

	Fleet Management	Radio Maintenance	Risk Management	Public Works Stores	Electric Utility	Stores and Transportation Division	Total
Assets							
Current Assets:							
Cash and Cash Equivalents	\$ --	\$ --	\$ 11,361,021	\$ 246,890	\$ --	\$ 31,244,973	\$ 42,852,884
Accounts Receivable, Net	860,154	82,157	--	--	2,244,126	--	3,186,437
Due From Other Governments	18,166	--	--	--	--	--	18,166
Inventory	12,524	31,481	--	315,413	--	2,971,857	3,331,275
Prepaid Expenses	--	--	486,000	--	143,510	265,919	895,429
Total Current Assets	890,844	113,638	11,847,021	562,303	2,387,636	34,482,749	50,284,191
Noncurrent Assets:							
Advances to Other Funds	--	--	--	--	3,294,908	--	3,294,908
Deferred Expenses	--	--	--	--	39,415	--	39,415
Capital Assets:							
Land	98,000	--	--	--	--	--	98,000
Buildings and Structures	1,273,551	--	--	--	38,327,917	57,431,587	97,033,055
Equipment	60,076,855	620,033	--	22,136	--	--	60,719,024
Less Accumulated Depreciation	(35,772,366)	(101,177)	--	(21,954)	(19,419,523)	(36,335,891)	(91,650,911)
Construction in Progress	--	--	--	--	3,330,495	9,589,539	12,920,034
Total Capital Assets	25,676,040	518,856	--	182	22,238,889	30,685,235	79,119,202
Total Noncurrent Assets	25,676,040	518,856	--	182	25,573,212	30,685,235	82,453,525
Total Assets	\$ 26,566,884	\$ 632,494	\$ 11,847,021	\$ 562,485	\$ 27,960,848	\$ 65,167,984	\$ 132,737,716
Liabilities							
Current Liabilities:							
Accounts Payable	\$ 578,953	\$ 144,553	\$ 11,645	\$ 40,275	\$ 305,902	\$ 1,524,818	\$ 2,606,146
Accrued Liabilities	73,705	10,683	67,434	2,333	808,869	90,590	1,053,614
Due To Other Funds	1,138,210	819,988	--	--	2,332,809	--	4,291,007
Due To Other Governments	--	3,189	--	--	--	--	3,189
Accrued Interest on Bonds and Notes Payable	246,720	--	--	--	2,165,569	--	2,412,289
General Obligation Bonds Payable	3,971,750	--	--	--	71,282	--	4,043,032
Notes Payable	1,000,000	--	--	--	--	--	1,000,000
Compensated Absences	35,856	4,440	15,897	5,610	98,650	34,033	194,486
Other Liabilities and Claims	--	--	5,920,003	--	--	--	5,920,003
Total Current Liabilities	7,045,194	982,853	6,014,979	48,218	5,783,081	1,649,441	21,523,766
Noncurrent Liabilities:							
Accrued Interest	--	--	--	--	188,824	--	188,824
Deferred Revenue	--	--	--	--	331,030	96	331,126
General Obligation Bonds Payable	6,740,350	--	--	--	2,017,341	--	8,757,691
Notes Payable	4,000,000	--	--	--	--	--	4,000,000
Compensated Absences	147,678	18,431	7,143	6,865	12,503	3,018	195,638
Other Liabilities and Claims	--	--	17,915,559	--	--	--	17,915,559
Advances from Other Funds	150	--	--	--	--	63,515,429	63,515,579
Total Noncurrent Liabilities	10,888,178	18,431	17,922,702	6,865	2,549,698	63,518,543	94,904,417
Total Liabilities	17,933,372	1,001,284	23,937,681	55,083	8,332,779	65,167,984	116,428,183
Net Assets							
Invested in Capital Assets, Net of Related Debt	9,963,940	518,856	--	182	19,961,442	30,685,235	61,129,655
Unrestricted	(1,330,428)	(887,646)	(12,090,660)	507,220	(333,373)	(30,685,235)	(44,820,122)
Total Net Assets	\$ 8,633,512	\$ (368,790)	\$ (12,090,660)	\$ 507,402	\$ 19,628,069	\$ --	\$ 16,309,533



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, 2005.

	Fleet Management	Radio Maintenance	Risk Management	Public Works Stores	Electric Utility	Stores and Transportation Division	Total
Operating Revenues							
Charges for Goods and Services	\$ 17,730,181	\$ 927,191	\$ 11,652,839	\$ 1,343,757	\$ 7,446,388	\$ 4,339,459	\$ 43,439,815
Operating Expenses							
Cost of Goods and Services Sold	8,561,026	656,782	--	1,201,886	--	--	10,419,694
Salaries and Wages	1,183,930	134,850	260,816	131,406	1,164,385	460,132	3,335,519
Data Processing	118,829	5,176	--	--	--	--	124,005
Materials and Supplies	115,943	24,977	5,688	1,449	545,269	11,538	704,864
Rents and Utilities	240,349	37,200	8,381	43,651	2,063,456	17,235	2,410,272
Maintenance and Repairs	57,277	6,559	184	14,301	647,271	58,036	783,628
Depreciation and Amortization	5,365,356	5,069	--	725	1,301,132	3,300,637	9,972,919
Claims and Settlements	--	--	11,154,034	--	--	--	11,154,034
Miscellaneous Operating Expenses	1,382,277	216,659	2,355,701	--	1,120,550	663,630	5,738,817
Total Operating Expenses	17,024,987	1,087,272	13,784,804	1,393,418	6,842,063	4,511,208	44,643,752
Operating Income (Loss)	705,194	(160,081)	(2,131,965)	(49,661)	604,325	(171,749)	(1,203,937)
Non-Operating Revenues (Expenses)							
Government Subsidies and Contributions	--	--	--	--	812,678	--	812,678
Interest on Long-Term Debt	(603,110)	--	--	--	(486,724)	--	(1,089,834)
Miscellaneous Revenue	605,893	172	1,196,659	--	22,873	171,749	1,997,346
Miscellaneous (Expense)	(225,000)	(1,132)	--	--	(8,570)	--	(234,702)
Total Non-Operating Revenues (Expenses)	(222,217)	(960)	1,196,659	--	340,257	171,749	1,485,488
Net Income (Loss) Before Transfers	482,977	(161,041)	(935,306)	(49,661)	944,582	--	281,551
Transfers Out-Other Funds	--	--	--	(213,700)	(32,739)	--	(246,439)
Change In Net Assets	482,977	(161,041)	(935,306)	(263,361)	911,843	--	35,112
Net Assets - Beginning of Year	8,150,535	(207,749)	(11,155,354)	770,763	18,716,226	--	16,274,421
Net Assets - End of Year	\$ 8,633,512	\$ (368,790)	\$ (12,090,660)	\$ 507,402	\$ 19,628,069	\$ --	\$ 16,309,533



EXHIBIT K-3

**CITY OF RICHMOND, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2005.**

	Fleet Management	Radio Maintenance	Risk Management	Public Works Stores	Electric Utility	Stores and Transportation Division	Total
Cash Flows From Operating Activities							
Receipts from Customers	\$ 17,221,882	\$ 1,038,840	\$ 11,652,839	\$ 1,343,757	\$ 7,034,395	\$ 4,339,527	\$ 42,631,240
Payments to Suppliers	(10,350,652)	(869,691)	(5,679,003)	(76,708)	(3,726,976)	--	(20,703,030)
Payments to Employee	(1,159,639)	(130,863)	(6,225,324)	(136,694)	(1,031,454)	(478,818)	(9,162,792)
Payments to Other Funds	--	--	--	--	(888,187)	(541,965)	(1,430,152)
Other Receipts or (Payments)	(621,660)	485,639	1,196,659	(1,108,533)	24,275	863,437	839,817
Net Cash Provided By Operating Activities	<u>5,089,931</u>	<u>523,925</u>	<u>945,171</u>	<u>21,822</u>	<u>1,412,053</u>	<u>4,182,181</u>	<u>12,175,083</u>
Cash Flows From Capital and Related Financing Activities							
Acquisition of Fixed Assets	(4,716,456)	(523,925)	--	--	(1,990,051)	(4,425,183)	(11,655,615)
Proceeds from Issuance of Notes Payable	5,000,000	--	--	--	--	--	5,000,000
Repayments of Revenue and GO Bonds	(3,371,600)	--	--	--	(97,607)	--	(3,469,207)
Repayments of Notes Payable	(1,386,408)	--	--	--	--	--	(1,386,408)
Interest Paid on Long-Term Debt	(615,467)	--	--	--	(104,334)	--	(719,801)
Net Cash (Used In) Capital and Related Financing Activities	<u>(5,089,931)</u>	<u>(523,925)</u>	<u>--</u>	<u>--</u>	<u>(2,191,992)</u>	<u>(4,425,183)</u>	<u>(12,231,031)</u>
Cash Flows From Noncapital Financing Activities							
Government Subsidies and Contributions	--	--	--	--	812,678	--	812,678
Transfers - Out Other Funds	--	--	--	(213,700)	(32,739)	--	(246,439)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>--</u>	<u>--</u>	<u>--</u>	<u>(213,700)</u>	<u>779,939</u>	<u>--</u>	<u>566,239</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>--</u>	<u>--</u>	<u>945,171</u>	<u>(191,878)</u>	<u>--</u>	<u>(243,002)</u>	<u>510,291</u>
Cash and Cash Equivalents at July 1, 2004	--	--	10,415,850	438,768	--	31,487,975	42,342,593
Cash and Cash Equivalents at June 30, 2005	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 11,361,021</u>	<u>\$ 246,890</u>	<u>\$ --</u>	<u>\$ 31,244,973</u>	<u>\$ 42,852,884</u>
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities							
Operating Income (Loss)	\$ 705,194	\$ (160,081)	\$ (2,131,965)	\$ (49,661)	\$ 604,325	\$ (171,749)	\$ (1,203,937)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities:							
Depreciation	5,365,356	5,069	--	725	1,301,132	3,300,637	9,972,919
Miscellaneous Revenues (Expenses)	177,512	(960)	1,196,659	--	14,304	171,749	1,559,264
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:							
Accounts Receivable	(504,382)	106,500	--	--	(411,992)	68	(809,806)
Due From Other Governments	(3,917)	5,149	--	--	--	--	1,232
Inventories of Material and Supplies	(4,913)	(1,714)	--	93,353	--	658,606	745,332
Prepaid Expenses	--	--	--	--	11,268	11,634	22,902
Deferred Expenses	--	--	--	--	9,973	--	9,973
Accounts Payable	129,962	79,376	(9,730)	(17,307)	148,871	313,197	644,369
Accrued Liabilities	14,619	1,450	26,148	(1,817)	45,236	(59,034)	26,602
Due To Other Funds	(799,022)	483,410	--	--	(287,640)	--	(603,252)
Due To Component Units	--	3,189	--	--	--	--	3,189
Deferred Revenue	--	--	--	--	(17,522)	(1)	(17,523)
Compensated Absences	9,522	2,537	1,291	(3,471)	(5,902)	(42,926)	(38,949)
Other Liabilities and Claims	--	--	1,862,768	--	--	--	1,862,768
Total Adjustments	<u>4,384,737</u>	<u>684,006</u>	<u>3,077,136</u>	<u>71,483</u>	<u>807,728</u>	<u>4,353,930</u>	<u>13,379,020</u>
Net Cash Provided By Operating Activities	<u>\$ 5,089,931</u>	<u>\$ 523,925</u>	<u>\$ 945,171</u>	<u>\$ 21,822</u>	<u>\$ 1,412,053</u>	<u>\$ 4,182,181</u>	<u>\$ 12,175,083</u>



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, 2005**

	Richmond Retirement System	Other Employee Benefits	Total
Assets:			
Cash and Short-term Investments	\$ 23,669,177	\$ --	\$ 23,669,177
Receivables			
Due from Brokers on Sale of Securities	8,417,020	--	8,417,020
Due From Other Governments	1,735,977	--	1,735,977
Interest and dividends	2,307,099	--	2,307,099
Employee Loans Receivable	--	1,190,662	1,190,662
Investments, at Fair Value:			
U.S. Domestic and Agency	50,670,737	42,369,987	93,040,724
Corporate Bonds	51,353,495	--	51,353,495
Common Stock	199,807,274	--	199,807,274
International Stocks	82,274,112	--	82,274,112
International Bonds	34,189,912	--	34,189,912
Real Estate Investment Trusts	25,909,354	--	25,909,354
Cash Collateral Received - Security Lending Program	38,047,767	--	38,047,767
Total Investments, at Fair Value	<u>482,252,651</u>	<u>42,369,987</u>	<u>524,622,638</u>
Total Assets	<u>518,381,924</u>	<u>43,560,649</u>	<u>561,942,573</u>
Liabilities:			
Accounts Payable	1,065,235	--	1,065,235
Payable for Collateral Received - Security Lending Program	38,047,767	--	38,047,767
Due to Other Governments	2,561,080	--	2,561,080
Due to Various Agents	10,912,937	--	10,912,937
Total Liabilities	<u>52,587,019</u>	<u>--</u>	<u>52,587,019</u>
Net Assets Held in Trust for Pension Benefits and Other Purposes	<u>\$ 465,794,905</u>	<u>\$ 43,560,649</u>	<u>\$ 509,355,554</u>



EXHIBIT L-2

**CITY OF RICHMOND, VIRGINIA
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2005**

	Richmond Retirement System	Other Employee Benefits	Total
Additions:			
Contributions:			
City of Richmond	\$ 21,944,739	\$ 4,265,411	\$ 26,210,150
Richmond Behavioral Health Authority	1,041,879	-	1,041,879
Richmond Public Schools	341,533	-	341,533
Plan members	1,372,414	-	1,372,414
Investment Income:			
Appreciation in fair value of investments	38,811,802	-	38,811,802
Interest	8,403,217	2,095,301	10,498,518
Dividends	3,841,394	51,994	3,893,388
Net Income Earned On Securities Lending Transactions:			
Securities Lending Income	760,698	-	760,698
Securities Lending Expense	(732,114)	-	(732,114)
Total Net Income Earned on Securities Lending Transactions	28,584	-	28,584
Investment Income	51,084,997	2,147,295	53,232,292
Less Investment Expense	2,561,080	-	2,561,080
Net Investment Income	48,523,917	2,147,295	50,671,212
Total additions	73,224,482	6,412,706	79,637,188
Deductions:			
Benefits	47,394,595	3,478,480	50,873,075
Administrative Expenses	968,835	10,265	979,100
Total deductions	48,363,430	3,488,745	51,852,175
Net Increase	24,861,052	2,923,961	27,785,013
Net Assets Held In Trust For Pension Benefits and Other Purposes - Beginning of Year	440,933,853	40,636,688	481,570,541
Net Assets Held In Trust For Pension Benefits and Other Purposes - End of Year	\$ 465,794,905	\$ 43,560,649	\$ 509,355,554



EXHIBIT L-3

CITY OF RICHMOND, VIRGINIA
- AGENCY FUNDS -
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year June 30, 2005

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
Assets				
Cash and Cash Equivalents	\$ 1,256,098	\$ 7,817,980	\$ 7,567,303	\$ 1,506,775
Total Assets	<u>\$ 1,256,098</u>	<u>\$ 7,817,980</u>	<u>\$ 7,567,303</u>	<u>\$ 1,506,775</u>
Liabilities:				
Accounts Payable	30,105	107,992	30,105	107,992
Refundable Deposits	393,148	730,354	699,595	423,907
Due to Various Agents	832,845	6,958,425	6,816,394	974,876
Total Liabilities	<u>\$ 1,256,098</u>	<u>\$ 7,796,771</u>	<u>\$ 7,546,094</u>	<u>\$ 1,506,775</u>



**CITY OF RICHMOND, VIRGINIA
MISCELLANEOUS STATISTICAL DATA
June 30, 2005**

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 1990 ⁽¹⁾	203,056
United States Census 2000 ⁽¹⁾	197,790
United States Census 2004 ⁽¹⁾	192,494

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

FORM OF GOVERNMENT

Richmond is organized under the Mayor-Council form of government. The mayoral form consists of a City Mayor, elected at-large; and a City Council which serves as the municipality's legislative body. The Council is composed of nine members elected on a single member district basis. The Vice-Mayor and Assistant Mayor are chosen by a majority vote of all members of Council from their own members. The Mayor appoints, with the consensus of council, a Chief Administrative Officer to act as the chief administrator of the City. He serves at the pleasure of the City Mayor, carries out the City's administrative and policy-related duties, 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. By doing so, the City benefits from professional management, allowing the City Mayor and City Council to focus greater attention on policy development and political leadership roles.

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:

- \$1.33 per \$100 of Assessed Value: 2005
- \$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

Tangible Personal Property:

- \$3.70 per \$100 of Assessed Value: 1992 - 2005
- \$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 - 2005
- \$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- \$ 120.00 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, Professional, and Occupational Licenses:

For Business with Gross 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 multiplied by amount of 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 Franchise 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 is deposited into a Special Revenue 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
- 100% of the City's transient lodging tax revenue is allocated to the 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 Mayor 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, 2005, the Undesignated Fund Balance was \$39.0 million, which is 7.0% of budgeted General Fund expenditures.
- 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 Mayor 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.



**CITY OF RICHMOND, VIRGINIA
NET ASSETS BY COMPONENT**

**Last Four Fiscal Years⁽¹⁾
(accrual basis of accounting)**

	Fiscal Year			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Governmental Activities				
Invested In Capital Assets, Net of Related Debt	\$ 204,892,717	\$ 199,865,572	\$ 191,556,995	\$ 198,513,944
Restricted	25,281,516	46,983,399	68,923,046	50,038,794
Unrestricted	<u>48,463,377</u>	<u>31,375,839</u>	<u>(10,050,293)</u>	<u>40,670,738</u>
Total Governmental Activities Net Assets	<u>\$ 278,637,610</u>	<u>\$ 278,224,810</u>	<u>\$ 250,429,748</u>	<u>\$ 289,223,476</u>
Business-type Activities				
Invested In Capital Assets, Net of Related Debt	\$ 242,713,267	\$ 280,898,657	\$ 274,968,276	\$ 277,073,800
Restricted	52,581,970	49,509,466	8,650,941	40,067,236
Unrestricted	<u>44,673,232</u>	<u>21,266,273</u>	<u>69,315,730</u>	<u>43,272,098</u>
Total Business-type Activities Net Assets	<u>\$ 339,968,469</u>	<u>\$ 351,674,396</u>	<u>\$ 352,934,947</u>	<u>\$ 360,413,134</u>
Primary Government				
Invested In Capital Assets, Net of Related Debt	\$ 447,605,984	\$ 480,764,229	\$ 466,525,271	\$ 475,587,744
Restricted	77,863,486	96,492,865	77,573,987	90,106,030
Unrestricted	<u>93,136,609</u>	<u>52,642,112</u>	<u>59,265,437</u>	<u>83,942,836</u>
Total Primary Government Activities Net Assets	<u>\$ 618,606,079</u>	<u>\$ 629,899,206</u>	<u>\$ 603,364,695</u>	<u>\$ 649,636,610</u>

¹Last Four Years:

The City of Richmond reports Statistical Information for the Last Four Years, due to the availability of data.



**CITY OF RICHMOND, VIRGINIA
CHANGES IN NET ASSETS
Last Four Fiscal Years
(accrual basis of accounting)**

	Fiscal Year			
	2002	2003	2004	2005
Expenses				
Governmental Activities:				
General Government	\$ 78,333,258	\$ 85,220,510	\$ 102,182,099	\$ 82,897,797
Public Safety and Judiciary	139,051,357	141,560,046	147,054,040	150,077,017
Highways, Streets, Sanitation and Refuse	55,742,911	76,549,273	76,654,334	80,327,346
Human Services	84,031,811	89,294,156	91,316,190	93,480,016
Culture and Recreation	24,035,635	26,127,447	24,856,175	14,914,204
Education	129,360,758	138,209,993	137,780,535	131,661,501
Transportation	6,276,550	6,114,308	6,699,852	6,766,376
Interest and Fiscal Changes	37,139,630	35,659,959	40,538,281	42,868,983
Extraordinary Item ¹	--	--	14,728,475	--
Total Governmental Activities Expenses	<u>553,971,910</u>	<u>598,735,692</u>	<u>641,809,981</u>	<u>602,993,240</u>
Business-type Activities:				
Gas	131,743,956	167,936,098	178,520,751	207,682,064
Water	36,059,991	34,294,537	36,523,533	39,004,189
Wastewater	38,893,054	37,587,401	40,115,362	45,976,722
Coliseum	3,981,767	4,066,451	4,152,274	4,973,332
Landmark Theatre	1,928,890	1,580,618	1,876,343	1,730,408
Cemeteries	1,447,502	1,602,606	1,389,982	1,344,285
Total Business-type Activities Expenses	<u>214,055,160</u>	<u>247,067,712</u>	<u>262,578,246</u>	<u>300,711,000</u>
Total Primary Government Expenses	<u>\$ 768,027,070</u>	<u>\$ 845,803,404</u>	<u>\$ 904,388,227</u>	<u>\$ 903,704,240</u>
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government	\$ 42,305,646	\$ 40,875,918	\$ 37,367,491	\$ 41,636,438
Culture and Recreation	549,118	663,061	611,105	561,893
Other Activities	19,724,718	20,715,420	27,671,318	20,602,746
Operating Grants and Contributions	143,351,487	143,710,347	133,650,110	149,167,449
Capital Grants and Contributions	3,498,180	10,610,426	10,516,738	8,227,292
Total Governmental Activities Program Revenues	<u>\$ 209,429,149</u>	<u>\$ 216,575,172</u>	<u>\$ 209,816,762</u>	<u>\$ 220,195,818</u>
Business-type Activities:				
Charges for Services:				
Gas	\$ 136,262,738	\$ 173,251,482	\$ 187,051,036	\$ 221,309,436
Water	45,309,368	42,239,247	45,205,312	44,853,864
Wastewater	43,881,354	44,784,105	46,317,014	48,599,478
Coliseum	1,454,450	2,337,854	2,358,184	2,068,567
Landmark Theatre	221,204	318,101	724,250	390,879
Cemeteries	1,329,445	1,386,577	1,440,051	1,412,205
Operating Grants and Contributions	17,330,805	7,048,589	3,578,979	5,607,052
Capital Grants and Contributions	--	--	--	--
Total Business-type Activities Program Revenues	<u>245,789,364</u>	<u>271,365,955</u>	<u>286,674,826</u>	<u>324,241,481</u>
Total Primary Government Program Revenues	<u>\$ 455,218,513</u>	<u>\$ 487,941,127</u>	<u>\$ 496,491,588</u>	<u>\$ 544,437,299</u>
Net (Expense)/Revenue				
Governmental Activities	\$ 344,542,761	\$ 382,160,520	\$ -431,993,219	\$ 382,797,422
Business-type Activities	(31,734,204)	(24,298,243)	(24,096,580)	(23,530,481)
Total Primary Government Net Expense	<u>\$ 312,808,557</u>	<u>\$ 357,862,277</u>	<u>\$ 407,896,639</u>	<u>\$ 359,266,941</u>



**CITY OF RICHMOND, VIRGINIA
CHANGES IN NET ASSETS
Last Four Fiscal Years
(accrual basis of accounting)**

	Fiscal Year			
	2002	2003	2004	2005
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes				
Taxes (In General)	\$ 315,956,154	\$ --	\$ --	\$ --
Real Estate	-	165,361,803	172,166,634	181,172,923
Sales-1% Local	-	20,979,945	24,067,131	26,302,100
Personal Property	-	43,200,390	41,918,417	45,091,878
Machinery and Tools	-	16,408,110	14,831,660	14,618,256
General Utility Sales	-	33,760,985	33,405,551	31,124,964
Bank Stock	-	2,976,847	2,362,154	2,904,338
Prepared Food	-	13,722,642	16,078,165	16,028,093
Admissions	-	1,465,338	1,804,701	1,195,603
Delinquent Tax Payments-All Classes	-	13,035,895	10,303,069	9,589,601
Private Utility Poles and Conduits	-	93,137	93,506	150,549
Penalties and Interest	-	5,203,306	4,564,352	4,242,744
Titling Tax-Mobile Home	-	10,402	7,324	16,942
State Recordation	-	675,810	605,153	609,343
Property Rental 1%	-	236,383	158,960	120,684
Vehicle Rental Tax	-	955,513	868,115	864,415
ABC Board Receipts	-	400,770	--	--
Rolling Stock Tax	-	33,591	2,018,645	466,562
Intergovernmental Revenue Not Restricted to Specific Programs	2,309,428	112,628	575,697	13,860,051
Investment Earnings	703,044	669,795	360,647	1,501,725
Miscellaneous	43,668,088	45,050,330	47,259,923	53,846,842
Transfers	17,277,420	17,219,836	17,993,646	21,130,671
Special Item ²	638,321	174,264	--	773,106
Extraordinary Item ¹	--	--	12,754,707	--
Total Governmental Activities	380,552,455	381,747,720	404,198,157	425,611,390
Business-type Activities:				
Investment Earnings	\$ 1,758,397	\$ 1,855,899	\$ 750,057	\$ 1,285,313
Miscellaneous	2,839,478	2,771,621	3,045,762	3,793,064
Transfers	(17,277,420)	(17,219,836)	(17,993,646)	(21,130,671)
Total Business-type Activities	(12,679,545)	(12,592,316)	(14,197,827)	(16,052,294)
Total Primary Government	\$ 367,872,910	\$ 369,155,404	\$ 390,000,330	\$ 409,559,096
Change in Net Assets				
Governmental Activities	\$ 36,009,694	\$ (412,800)	\$ (27,795,062)	\$ 42,813,968
Business-type Activities	19,054,659	11,705,927	9,898,753	7,478,187
Total Primary Government	\$ 55,064,353	\$ 11,293,127	\$ (17,896,309)	\$ 50,292,155

Extraordinary Item:

Fiscal Year 2004 - Disaster Costs from Hurricane Isabel.

Special Item:

Fiscal Year 2002 - Gain on Sale of Land.

Fiscal Year 2003 - Gain on Sale of Land.

Fiscal Year 2005 - Disaster Recovery

City Taxes:

Fiscal Year 2002 - There was no requirement to report City Taxes by category.



**CITY OF RICHMOND, VIRGINIA
GOVERNMENTAL ACTIVITIES TAX REVENUE BY SOURCE
Last Four Fiscal Years
(accrual basis of accounting)**

	Fiscal Year			
	2002	2003	2004	2005
City Taxes				
City Taxes (In General)	\$ 315,956,154	\$ --	\$ --	\$ --
Real Estate	-	165,361,803	172,166,634	181,172,923
Sales-1% Local	-	20,979,945	24,067,131	26,302,100
Personal Property	-	43,200,390	41,918,417	45,091,878
Machinery and Tools	-	16,408,110	14,831,660	14,618,256
General Utility Sales	-	33,760,985	33,405,551	31,124,964
Bank Stock	-	2,976,847	2,362,154	2,904,338
Prepared Food	-	13,722,642	16,078,165	16,028,093
Admissions	-	1,465,338	1,804,701	1,195,603
Delinquent Tax Payments-All Classes	-	13,035,895	10,303,069	9,589,601
Private Utility Poles and Conduits	-	93,137	93,506	150,549
Penalties and Interest	-	5,203,306	4,564,352	4,242,744
Titling Tax-Mobile Home	-	10,402	7,324	16,942
State Recordation	-	675,810	605,153	609,343
Property Rental 1%	-	236,383	158,960	120,684
Vehicle Rental Tax	-	955,513	868,115	864,415
ABC Board Receipts	-	400,770	--	--
Rolling Stock Tax	-	33,591	2,018,645	466,562
Total Primary Government	\$ 315,956,154	\$ 318,520,867	\$ 325,253,537	\$ 334,498,995

**CITY OF RICHMOND, VIRGINIA
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Four Fiscal Years
(modified accrual basis of accounting)**

	Fiscal Year			
	2002	2003	2004	2005
General Fund				
Reserved	\$ 18,597,316	\$ 21,328,801	\$ 14,150,287	\$ 22,216,671
Unreserved	40,645,634	40,552,729	47,690,533	45,278,440
Total General Fund	\$ 59,242,950	\$ 61,881,530	\$ 61,840,820	\$ 67,495,111
All Other Governmental Funds				
Reserved	\$ 25,281,516	\$ 46,983,399	\$ 68,923,046	\$ 50,413,044
Unreserved, reported in:				
Special Revenue Funds	19,581,096	20,589,668	12,249,538	11,473,432
Capital Project Funds	34,500	34,500	--	--
Debt Service Fund	--	11,461	11,461	11,461
Total All Other Governmental Funds	\$ 44,897,112	\$ 67,619,028	\$ 81,184,045	\$ 61,897,937

City Taxes:

Fiscal Year 2002 - There was no requirement to report City Taxes by category.



CITY OF RICHMOND, VIRGINIA
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
Last Four Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2002	2003	2004	2005
Revenues				
Taxes	\$ 299,399,915	\$ 306,292,416	\$ 317,204,260	\$ 334,498,995
Licenses, Permits and Privilege Fees	32,890,826	33,259,137	31,821,328	35,302,960
Intergovernmental	149,159,095	154,433,332	146,970,902	173,750,992
Service Charges	16,866,068	17,924,528	14,933,169	16,343,955
Fines and Forfeitures	8,646,605	7,774,458	8,559,606	10,328,752
Sales of Land	638,321	--	--	--
Payment in Lieu of Taxes	16,518,950	17,518,465	18,102,353	19,630,782
Investment Income	703,044	669,795	365,825	1,501,725
Miscellaneous	55,309,546	57,211,587	72,862,719	64,264,540
Total Revenues	580,132,370	595,083,718	610,820,162	655,622,701
Expenditures				
General Government	60,464,041	66,113,349	68,978,772	72,082,519
Public Safety and Judiciary	136,466,136	139,318,995	145,509,707	151,733,584
Highways, Streets, Sanitation and Refuse	44,018,321	46,004,841	44,054,142	54,373,540
Human Services	81,957,017	87,637,237	89,044,511	90,924,428
Culture and Recreation	21,604,557	22,101,310	23,539,612	19,628,668
Education	125,669,753	128,823,925	131,762,289	129,041,941
Non-Departmental	26,410,541	23,461,527	25,153,039	26,211,317
Capital Outlay	39,828,063	35,347,332	58,250,207	43,109,262
Debt Service:				
Principal Retirement	36,896,795	37,206,080	41,473,735	43,743,522
Interest Payments	34,692,049	34,974,162	40,304,483	40,812,004
Issuance Costs	1,054,532	382,904	683,283	625,909
Total Expenditures	609,061,805	621,371,662	668,753,780	672,286,694
Other Financing Sources (Uses)				
Transfers In	44,620,298	47,449,811	53,904,655	57,680,867
Transfers Out	(41,729,562)	(46,073,628)	(51,675,655)	(54,938,228)
Proceeds from Refunding Bonds	74,300,000	36,630,116	9,300,000	--
Payment to Escrow Agent	(74,300,000)	(36,630,116)	(9,300,000)	--
Issuance of Refunding Bonds	--	--	--	--
Redemption of Refunding Bonds	--	--	--	--
Proceeds from Issuance of Bonds	31,845,867	50,097,993	68,297,167	3,536,671
Premium on Issuance of Bonds	--	--	2,905,526	--
Total Other Financing Sources (Uses)	34,736,603	51,474,176	73,431,693	6,279,310
Special Item				
Gain on Sale of Land	638,321	174,264	--	--
Disaster Recovery (FY2004 Hurricane Isabel)	--	--	12,754,707	773,106
Total Special Item	638,321	174,264	12,754,707	773,106
Extraordinary Item				
Disaster Costs (FY2004 Hurricane Isabel)	--	--	(14,728,475)	(4,020,240)
Total Extraordinary Item	--	--	(14,728,475)	(4,020,240)
Net Change in Fund Balances	\$ 6,445,489	\$ 25,360,496	\$ 13,524,307	\$ (13,631,817)
Debt Service as a Percentage of Noncapital Expenditures	11.9%	14.6%	12.3%	12.7%

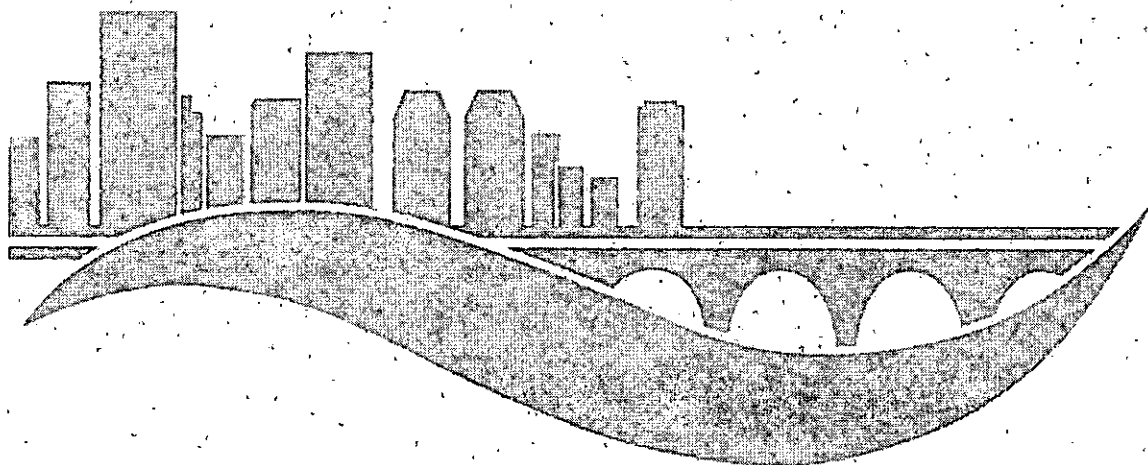


**CITY OF RICHMOND, VIRGINIA
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
-Last Four Fiscal Years
(modified accrual basis of accounting)**

	Fiscal Year			
	2002	2003	2004	2005
Real Estate	\$ 151,824,518	\$ 159,003,009	\$ 170,251,093	\$ 181,172,923
Sales-1% Local	22,202,874	20,123,954	24,067,131	26,302,100
Personal Property	42,133,029	41,488,407	41,918,417	45,091,878
Machinery and Tools	17,010,104	15,674,402	14,831,660	14,618,256
General Utility Sales	32,439,687	32,415,856	30,272,507	31,124,964
Bank Stock	5,161,545	2,854,562	2,362,154	2,904,338
Prepared Food	13,294,593	13,111,219	14,548,707	16,028,093
Admission	1,391,847	1,465,338	1,804,701	1,195,603
Delinquent Tax Payments-All Classes	7,956,401	12,546,757	10,303,069	9,589,601
Private Utility Poles and Conduits	91,538	93,137	93,506	150,549
Penalties and Interest	4,450,781	5,203,306	4,564,352	4,242,744
Titling Tax-Mobile Home	10,345	10,402	7,324	16,942
State Recordation	702,350	675,810	605,153	609,343
Property Rental 1%	--	236,383	158,960	120,684
Vehicle Rental Tax	730,303	955,513	868,115	864,415
ABC Board Receipts	--	400,770	--	--
Rolling Stock Tax	--	33,591	--	--
Telephone Commissions	--	--	547,411	466,562
Total General Governmental Tax Revenues	\$ 299,399,915	\$ 306,292,416	\$ 317,204,260	\$ 334,498,995

**CITY OF RICHMOND, VIRGINIA
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Four Fiscal Years**

Calendar Year	Real Property		Personal Property	Machinery	Less:	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property			Tax Exempt Real Property				
2002	\$ 11,179,941,738	\$ --	\$ 1,507,088,801	\$ 790,901,800	\$ 2,892,351,707	\$ 10,585,580,632	2.389	\$ 13,477,932,339	100.00%
2003	7,396,450,777	5,255,385,160	1,393,327,487	678,581,056	3,103,519,875	11,620,224,605	2.382	14,723,744,480	100.00%
2004	7,930,422,754	5,304,286,640	1,172,806,822	631,645,652	3,344,887,395	11,694,274,473	2.380	15,039,161,868	100.00%
2005	9,448,941,200	5,630,282,151	1,330,154,149	670,556,827	3,661,451,800	13,418,482,527	2.373	17,079,934,327	100.00%





**CITY OF RICHMOND, VIRGINIA
PRINCIPAL PROPERTY TAXPAYERS
2005 Assessed Values as of January 1, 2005**

Taxpayer	2005			2004		
	Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Rank	Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Rank
Philip Morris, Inc. & Philip Morris, USA	\$ 244,695,700	1.62%	1	\$ 228,442,600	1.72%	1
Boston Properties	165,500,000	1.10%	2	176,400,000	1.33%	2
Sun Trust Banks, Inc.	156,817,100	1.04%	3	156,225,200	1.18%	3
Chippenham Hospital, Inc.	98,341,000	0.65%	4	92,258,400	0.70%	5
Stony Point Fashion Park Assoc.	86,500,000	0.57%	5	n/a	n/a	n/a
Orton Val T Trustee	82,051,000	0.54%	6	76,118,500	0.57%	6
Federal Reserve Bank of Richmond	74,000,000	0.49%	7	152,445,900	1.15%	4
Ethyl Corporation	64,836,600	0.43%	8	62,097,600	0.47%	8
One James Center Associates	64,100,000	0.43%	9	64,760,000	0.49%	7
First States Investors 3500 LLC	63,082,697	0.42%	10	55,120,000	0.42%	9
Two James Center Associates	47,000,000	0.31%	11	52,120,000	0.39%	10
American Retirement Corp.	44,772,400	0.30%	12	42,163,900	0.32%	14
AH Robins	41,216,500	0.27%	13	40,639,200	0.31%	15
Richmond Power Plant LLC	40,000,000	0.27%	14	n/a	n/a	n/a
AAPOP, LLP	39,500,000	0.26%	15	37,142,800	0.28%	16
Alleghany Warehouse Co., Inc.	37,087,800	0.25%	16	36,265,600	0.27%	17
Historic Hoters LLC	34,320,000	0.23%	17	26,858,000	0.20%	21
Eighth & Main LP	32,005,000	0.21%	18	33,032,600	0.25%	18
Highwoods Forsyth LP	30,800,000	0.20%	19	46,092,000	0.35%	12
S J W Limited Partnership	30,701,800	0.20%	20	29,856,000	0.23%	19
Omni Center Corporation	28,880,000	0.19%	21	25,790,000	0.19%	22
Richmond Center Associates	27,576,700	0.18%	22	29,394,000	0.22%	20
PRVA II LP	23,150,000	0.15%	23	n/a	n/a	n/a
Walker Maggie L. Governor's	23,045,000	0.15%	24	n/a	n/a	n/a
Lowes Home Centers, Inc.	21,262,300	0.14%	25	n/a	n/a	n/a
Stoney Point Associates LLC	n/a	n/a	n/a	50,400,000	0.38%	11
Dominion Resources, Inc.	n/a	n/a	n/a	46,089,000	0.35%	13
SCDHC-Southwood, LLC	n/a	n/a	n/a	24,896,300	0.19%	23
CRIT-VA, Inc.	n/a	n/a	n/a	24,337,100	0.18%	24
Total of Taxpayer	1,601,241,597	10.62%		1,608,944,700	12.14%	
All Other Properties	13,477,991,754	89.38%		11,649,512,694	87.86%	
Totals	\$ 15,079,233,351	100.00%		\$ 13,258,457,394	100.00%	



**CITY OF RICHMOND, VIRGINIA
PRINCIPAL EMPLOYERS
As of June 30, 2005**

<u>Employer</u>	2005			2004		
	<u>Approximate Number of Employees</u>	<u>Percentage of Principal Employment</u>	<u>Rank</u>	<u>Approximate Number of Employees</u>	<u>Percentage of Principal Employment</u>	<u>Rank</u>
Commonwealth of Virginia	25,084	9.06%	1	39,200	14.12%	1
Federal Government	15,300	5.53%	2	15,100	5.44%	2
Chesterfield County	10,194	3.68%	3	9,995	3.60%	3
Henrico County	9,525	3.44%	4	9,484	3.42%	4
Richmond City	8,879	3.21%	5	8,761	3.16%	6
Capital One Financial Corp.	7,346	2.65%	6	9,018	3.25%	5
HCA, Inc.	6,570	2.37%	7	6,454	2.32%	8
Virginia Commonwealth University Health System	6,549	2.37%	8	6,216	2.24%	9
Philip Morris, USA	6,450	2.33%	9	6,462	2.33%	7
Wal-mart Stores, Inc.	5,600	2.02%	10	5,804	2.09%	10
Wachovia Corporation	5,350	1.93%	11	4,521	1.63%	11
Dominion Resources, Inc.	5,026	1.82%	12	3,804	1.37%	13
Bon Secours Richmond Health System	4,325	1.56%	13	4,044	1.46%	12
Hanover County	3,769	1.36%	14	3,584	1.29%	15
Ukrop's Super Markets, Inc.	3,719	1.34%	15	3,646	1.31%	14
Sun Trust Banks, Inc.	3,418	1.23%	16	3,498	1.26%	16
DuPont	3,100	1.12%	17	3,190	1.15%	17
Bank of America Corporation	3,100	1.12%	18	2,717	0.98%	20
WellPoint, Inc. (was Anthem, Inc.)	2,981	1.08%	19	3,110	1.12%	18
Verizon Virginia, Inc.	2,700	0.98%	20	2,550	0.92%	21
Circuit City Stores, Inc.	2,388	0.86%	21	3,072	1.11%	19
Infineon Technologies Richmond	2,056	0.74%	22	1,755	0.63%	24
Delhaize America (Food Lion)	2,050	0.74%	23	2,000	0.72%	22
Petersburg City	1,678	0.61%	24	n/a	n/a	n/a
Honeywell International Inc.	1,568	0.57%	25	1,903	0.69%	23
Alcoa, Inc.	n/a	n/a	n/a	1,663	0.60%	25
Total of Principal Employers	<u>148,725</u>	<u>53.73%</u>		<u>161,551</u>	<u>58.19%</u>	
Other Principal Employers ¹	<u>128,060</u>	<u>46.27%</u>		<u>116,056</u>	<u>41.81%</u>	
Totals	<u>276,785</u>	<u>100.00%</u>		<u>277,607</u>	<u>100.00%</u>	

Other Principal Employers: These numbers represent the amount and percentage of the remaining top 50 employers for the citizens within the City of Richmond.



**CITY OF RICHMOND, VIRGINIA
REAL ESTATE TAX LEVIES AND COLLECTIONS
Last Four Years**

Tax Year	Tax Rate	Total Tax Levy	Current Tax Collections ¹		Delinquent	Total Tax Collections ¹⁺²	
			Amount	Percentage of Levy	Tax Collections ²	Amount	Percentage of Levy
2002	1.39	\$ 162,359,912	\$ 153,719,867	94.7%	\$ 5,221,188	\$ 158,941,055	97.9%
2003	1.38	175,100,400	165,330,253	94.4%	9,498,935	174,829,188	99.8%
2004	1.38	184,806,582	179,024,489	96.9%	7,715,852	186,740,341	101.0%
2005	1.33	201,274,826	191,839,265	95.3%	7,619,922	199,459,187	99.1%

**CITY OF RICHMOND, VIRGINIA
PERSONAL PROPERTY TAX LEVIES AND COLLECTIONS
Last Four Years**

Tax Year	Tax Rate	Total Tax Levy	Current Tax Collections ¹		Delinquent	Total Tax Collections to Date	
			Amount	Percentage of Levy	Tax Collections ²	Amount	Percentage of Levy
2002	3.70	\$ 49,798,693	\$ 42,133,029	84.6%	\$ 4,985,632	\$ 47,118,661	94.6%
2003	3.70	45,967,435	41,662,589	90.6%	3,504,544	45,167,133	98.3%
2004	3.70	43,892,886	42,080,193	95.9%	2,596,456	44,676,649	101.8%
2005	3.70	43,410,392	43,739,697	100.8%	3,326,636	47,066,333	108.4%

Current Tax Collections¹: These columns represent the amount and percentage on the tax levy within the respective tax year reporting period.

Delinquent Tax Collections²: This column represents delinquent taxes collected within the respective reporting period.

**CITY OF RICHMOND, VIRGINIA
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Four Fiscal Years**

Fiscal Year	Governmental Activities					Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Virginia Public School Authority Bonds	General Obligation Notes	HUD Section 108 Notes	Certificates of Participation Series 2001A	General Obligation Bonds	Revenue Bonds			
2002	\$ 353,531,356	\$ 3,836,492	\$ 12,850,000	\$ 6,475,000	\$ 18,840,000	\$ 285,968,639	\$ 264,061,851	\$ 945,563,338	14.92%	\$ 4,810
2003	376,693,205	3,483,946	5,290,000	6,765,000	18,840,000	278,982,829	260,504,754	950,559,734	15.13%	4,881
2004	418,075,775	3,263,521	1,820,000	6,125,000	18,225,000	270,503,062	256,891,626	974,903,984	15.50%	5,065
2005	392,957,068	3,042,389	7,000,000	5,595,000	17,585,000	259,195,982	320,815,598	1,006,191,037	N/A	N/A

**CITY OF RICHMOND, VIRGINIA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Four Fiscal Years**

Fiscal Year	General Obligation Bonds	Virginia Public School Authority Bonds	General Obligation Notes	HUD Section 108 Notes	Certificates of Participation Series 2001A	Total	Percentage of	Per Capita
							Estimated Actual Taxable Value of Property	
2002	\$ 353,531,356	\$ 3,836,492	\$ 12,850,000	\$ 6,475,000	\$ 18,840,000	\$ 395,532,848	3.74%	\$ 2,012
2003	376,693,205	3,483,946	5,290,000	6,765,000	18,840,000	411,072,151	3.54%	2,111
2004	418,075,775	3,263,521	1,820,000	6,125,000	18,225,000	447,509,296	3.83%	2,325
2005	392,957,068	3,042,389	7,000,000	5,595,000	17,585,000	426,179,457	3.18%	N/A





**CITY OF RICHMOND, VIRGINIA
LEGAL DEBT MARGIN INFORMATION
Last Four Fiscal Years**

	Fiscal Year			
	2002	2003	2004	2005
Debt Margin	\$ 1,117,994,174	\$ 1,196,677,008	\$ 1,325,845,739	\$ 1,507,923,335
Total net applicable to limit	<u>681,368,153</u>	<u>689,578,088</u>	<u>738,231,520</u>	<u>685,384,668</u>
Legal Debt Margin	<u>\$ 436,626,021</u>	<u>\$ 507,098,920</u>	<u>\$ 587,614,219</u>	<u>\$ 822,538,667</u>
Total net debt applicable to the limit as a percentage of debt limit	60.95%	57.62%	55.68%	45.45%

Legal Debt Margin Calculation for Fiscal Year 2005

Assessed Value (Taxable)	\$ 15,079,233,351
Debt limit (10% of total assessed value)	1,507,923,335
Debt applicable to limit:	
General Obligation Bonds	<u>685,384,668</u>
Legal Debt Margin	<u>\$ 822,538,667</u>



**CITY OF RICHMOND, VIRGINIA
PLEGDED-REVENUE COVERAGE,
Last Four Years**

Fiscal Year	Gross Revenue	Less: Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
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
2005	318,975,000	252,034,000	66,941,000	22,143,000	25,151,000	47,294,000	1.42

**CITY OF RICHMOND, VIRGINIA
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Four Years**

Fiscal Year	Population ⁽¹⁾	Personal Income (Amounts expressed in thousands)	Per Capita Personal Income ⁽²⁾	Median Age	School Enrollment ⁽³⁾	City Unemployment Rate ⁽⁴⁾	State Unemployment Rate ⁽⁴⁾
2002	196,571	\$ 6,336,859	\$ 32,237	36.3	26,284	6.2%	4.1%
2003	194,729	6,283,515	32,268	37.5	26,136	6.5%	4.1%
2004	192,494	6,289,934	32,676	36.7	25,545	6.7%	3.6%
2005	N/A	N/A	N/A	N/A	25,054	N/A	N/A

(1) Source: U.S. Census Bureau, Population Estimates Program

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

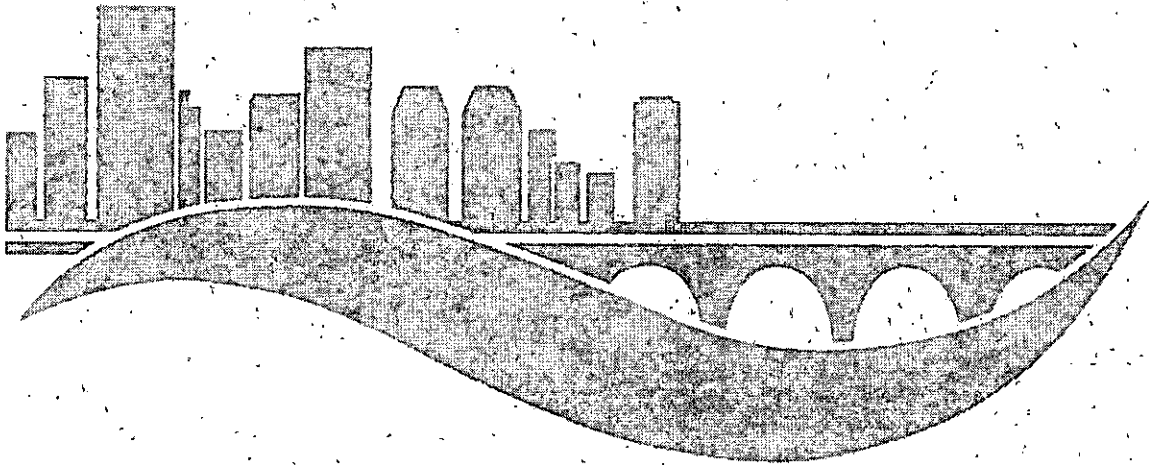
(3) Source: The School Board of the City of Richmond, Virginia, Average Daily Membership at September 30.

(4) Source: Virginia Employment Commission & U.S. Department of Labor, Bureau of Labor Statistics; as of June 2004



CITY OF RICHMOND, VIRGINIA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Four Fiscal Years

Function	Fiscal Year			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Governmental Activities:				
General Government	531	553	554	583
Public Safety and Judiciary				
Police	809	793	846	905
Firefighters and Officers	399	241	416	423
Others	537	652	671	690
Highways, Streets, Sanitation and Refuse				
Engineering & Maintenance	548	540	521	532
Human Services				
Human Services Advocacy	22	28	21	37
Social Services	483	465	461	466
Public Health	102	98	104	112
Culture and Recreation	313	283	247	266
Transportation	7	8	8	7
Business-type Activities:				
Gas Utility	347	333	314	304
Water Utility	88	92	90	81
Wastewater Utility	101	100	98	90
Electric Utility	21	21	19	18
Stores and Transportation Division	14	14	14	13
Coliseum	25	25	25	25
Landmark Theatre	9	9	7	7
Cemeteries	15	22	18	18
Total	<u>4,371</u>	<u>4,277</u>	<u>4,434</u>	<u>4,577</u>





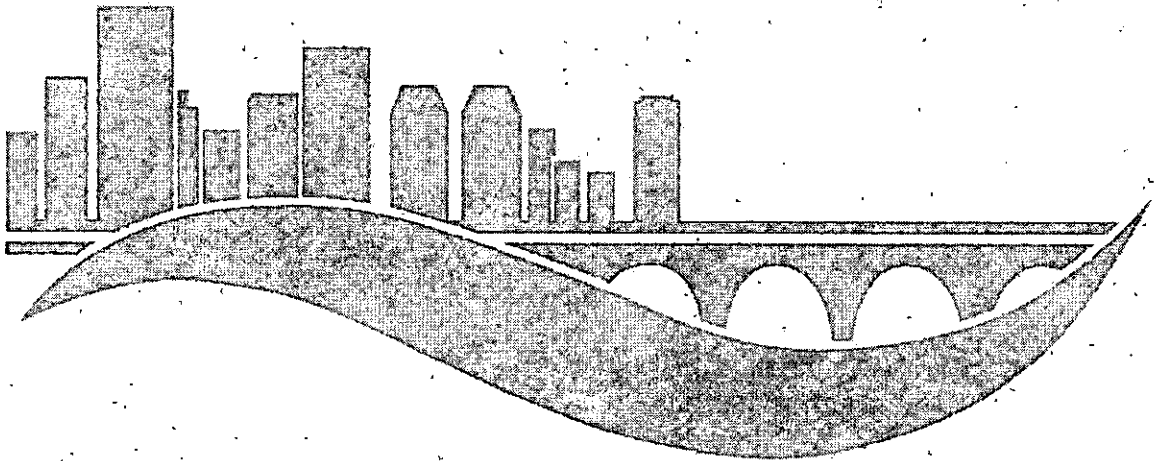
**CITY OF RICHMOND, VIRGINIA
OPERATING INDICATORS BY FUNCTION
Last Four Fiscal Years**

Function	Fiscal Year			
	2002	2003	2004	2005
Governmental Activities:				
Police				
Physical Arrests	13,924	14,252	15,911	17,536
Parking Violations	116,050	96,079	101,813	103,594
Traffic Violations	27,657	23,150	21,224	30,516
Fire				
Number of calls answered	26,222	25,817	28,258	30,956
Inspections	2,142	2,774	3,662	1,853
Highways and Streets				
Street resurfacing (miles)	141	95	82	70
Potholes repaired	7,691	14,833	12,167	21,011
Sanitation and Refuse				
Refuse collected (tons/day)	317	317	307	N/A
Recyclables collected (tons/day)	40.6	40.8	39.2	38.3
Culture and Recreation				
Parks permits issued	579	505	482	539
Business-type Activities:				
Gas				
Maximum daily sendout (MCF)	124,752	162,574	151,823	163,129
Annual Sendout (MCF)	16,718,496	19,168,315	17,952,764	18,500,224
Water				
Average daily consumptions (MGD)	84.9	77.6	88.2	74.8
Maximum daily consumptions (MCD)	127.2	127.3	104.7	94.8
Water in Storage (gallons)	25,000,000	25,000,000	25,000,000	25,000,000
Wastewater				
Average daily sewage treatment (MGD)	45.8	53.7	59.8	64.0
Maximum daily sewage treatment (MGD)	79.5	78.3	85.0	85.0
Coliseum				
Average daily attendance per activity	997	1,010	1,013	883
Average daily number of events	0.30	0.35	0.37	0.33
Landmark Theatre				
Total tickets sold for all activities	N/A	145,296	141,726	129,598
Total attendances for all activities	N/A	15,773	14,303	11,349
Cemeteries				
Number of interments	1,067	1,079	1,080	1,050
Number of lot sales	36	20	24	22
Number of single grave sales	635	688	700	646
Number of foundations	793	645	649	637



**CITY OF RICHMOND, VIRGINIA
CAPITAL ASSETS STATISTICS BY FUNCTION
Last Four Fiscal Years**

Function	Fiscal Year			
	2002	2003	2004	2005
Police				
Stations	7	7	7	7
Patrol Units	135	133	132	128
Fire				
Stations	20	20	20	20
Fire trucks	46	46	46	46
Highways and Streets				
Streets (miles)	1,867	1,867	1,867	1,865
Streetlights	32,856	32,977	33,063	33,184
Traffic Signals	450	453	456	460
Sanitation and Refuse				
Collection Trucks	N/A	N/A	33	38
Culture and Recreation				
Parks acreage	2,801	2,801	2,801	2,801
Parks	55	58	58	58
Baseball/Softball Diamonds	54	54	54	54
Athletic Fields	25	25	25	25
Golf Courses (Driving Range/Par 3 Course)	0	1	1	1
Swimming Pools	10	10	9	9
Tennis Courts	141	141	141	138
Community Centers	18	18	18	18
Theatres	2	2	2	2
Coliseums	1	1	1	1
Gas				
Miles of Service Lines	1,736	1,766	1,777	1,796
Number of Gate Stations	6	8	8	8
Water				
Miles of Water Lines	1,200	1,200	1,200	1,200
Water Pumping Stations	12	12	12	13
Wastewater				
Miles of Sewer Lines	1,500	1,500	1,500	1,500
Miles of Interceptors	42	42	42	47
Sewer Pumping Stations	3	3	3	3



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ACKNOWLEDGEMENTS

This report was prepared by the City of Richmond Department of Finance under the direction of Andrew T. Rountree, CPA, CGFM, Director of Finance through October 17, 2005 and then followed by James P. Duval, Interim Director of Finance and Betty J. Burrell, Deputy Director of Finance. It was prepared under the leadership of Stacey Fayson, CPA, Controller and Lenora Reid, CPA, MBA, Assistant Controller with assistance from:

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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:

City of Richmond, Department of Finance
900 E. Broad Street, 10th Floor
Richmond, Virginia 23219

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Front Cover: Photo of City Hall

Front

Police on Horseback (photo courtesy of Police Department)

Emergency Fire Drill

The Honorable Mayor L. Douglas Wilder (photo courtesy of the Office of the Mayor)

River Search and Rescue

Hurricane Isabel Clean Up

Back Cover: Photo of City Skyline (photo courtesy of Robert Barrowclift, II)

Back

Department of Public Works Light and Signage

The Honorable Mayor L. Douglas Wilder

Youth Theatre

Policeman Disaster Drill Interview

