

*COMPREHENSIVE
ANNUAL FINANCIAL REPORT*



FOR THE FISCAL YEAR ENDED JUNE 30, 2008

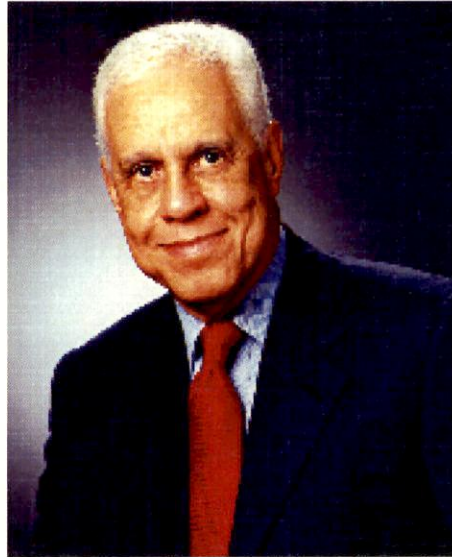


CITY OF RICHMOND, VIRGINIA

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Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2008



MAYOR
L. Douglas Wilder

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CHIEF FINANCIAL OFFICER AND DIRECTOR OF FINANCE
Harry E. Black

DEPUTY DIRECTOR OF FINANCE
AND ACTING CITY CONTROLLER
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City of Richmond



L. DOUGLAS WILDER
MAYOR

"SIG ITUR AD ASTRA"
SUCH IS THE WAY TO THE STARS

November 18, 2008

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, 2008 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 CAFR have been prepared in conformance with U.S. Generally Accepted Accounting Principles (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, incorporated in 1782, is a municipal corporation of the Commonwealth of Virginia and is the state capital. It occupies 62.55 square miles and serves a population of 200,123 as of the 2007 U.S. Census estimate. 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 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, including 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's gas, water and wastewater utilities are regional providers of services to customers in the City, as well as in the surrounding counties.

single member districts to serve four year terms. 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, City Auditor, and City Attorney, who is the legal advisor to the Council, 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 Richmond Ambulance Authority, Port of Richmond Commission, Richmond Redevelopment and Housing Authority, Richmond Behavioral Health Authority, Broad Street Community Development Authority, Advantage Richmond Corporation, and School Board of the City of Richmond (School Board).

The School Board is elected by popular vote from nine districts having the same boundaries as the City Council districts. The School Board has no taxing powers. Under the statutes of the Commonwealth of Virginia, all operations of the School Board are independent of the Council's oversight; however, the Council must make an annual appropriation in support of the School Board's operation. The appropriation may be in one total amount or by the following categories of expenditures: (i) instruction, (ii) administration, attendance and health, (iii) pupil transportation, (iv) operation and maintenance, (v) school food services and other non-instructional operations, (v) debt and fund transfers, and (vi) contingency reserves. The Council has no authority to control the expenditure of the appropriation. Debt is issued by the City to support the School Board's capital expenditures.

The Richmond Public Schools serve approximately 23,000 school aged children and operate 31 elementary schools (Grades PK - 5), ten middle schools (Grades 6 - 8), eight high schools (Grades 9 - 12), three vocational and technical schools, and several alternative programs and special educational facilities.

Local Economy

Richmond is the capital of Virginia and is centrally located in the state. The Capital City's thriving and diverse economic base, consisting of manufacturing, retail, services, distribution, banking, and state government, creates a stable economic and business environment. Strategically located at the intersection of I-95 and I-64 and at the midpoint of the east coast, Richmond has many transportation advantages, including the Richmond International Airport (RIC) and the re-emergence of Main Street Station as the Multimodal Transportation Center for higher speed rail service. During Fiscal Year 2008 (FY 2008), RIC's new terminal was dedicated to include non-stop service to key markets including Orlando, New York City, Chicago, and Toronto, enabling passenger traffic to surpass last year's record-setting numbers by 4.6 percent.

Because of Richmond's unique geographic position, the City has been ideally situated as a focal point of economic development along the east coast. The presence of the Commonwealth's main state offices, as well as several institutions of higher education including Virginia Commonwealth University, Virginia Commonwealth University Health System, Virginia Union University, and the University of Richmond, add to the diversity. Richmond is home to the Fifth District Federal Reserve and the Fourth Circuit U.S. Court of Appeals. There are eight Fortune 500 Companies in the Greater Richmond area which have added to the City's competitive advantages. These competitive advantages and the diversity of the labor force and business community have provided Richmond some insulation from the negative economic trends which have moved through the nation. However, the current national economic downturn is one that will likely bring challenges to Richmond as well.

Despite this, a generally positive local economic development climate continues to exist in the City. At the end of FY 2008, the office vacancy rate in the central business district (CBD) was 6.8 percent for Class A, and the overall vacancy rate was 10.9 percent. These rates illustrate that companies continued to shift to operations in Class C and Class B space. However, these office vacancy rates do not fully reflect the impact of the Wachovia Securities headquarters move to St. Louis that was announced in 2007. Once this space is totally vacated and subleased, the vacancy rate for the CBD will be further impacted. The retail occupancy rate in the CBD was 3.1 percent and the industrial vacancy rate was 5.0 percent at the end of June 2008. The strength in the real estate markets convinced the monthly business magazine *Expansion Management* to select Richmond as

one of the nation's "top 20 real estate markets" in October 2007. The combination of market activity and the City's competitive advantages enabled Dow Jones' *MarketWatch* to select Richmond as the "third best metro center for business."

Many major development, rehabilitation and attraction projects were completed during this past year. Commercial corridors and districts are being revitalized with residential and business projects. Completed projects include the historic Lady Byrd Hat Factory, which houses the nationally renowned concert venue Toad's Place; restoration of the National Theater; the last of the Tobacco Row apartment buildings; and the new Spottswood R. Robinson, III and Robert R. Merhige, Jr. United States Courthouse. During FY 2008, businesses announced new capital spending projects exceeding \$16 million and the creation of more than 600 jobs. New businesses include Aspen Products, Inc., a paper goods manufacturer that is opening a new manufacturing facility.

Additional projects scheduled for completion in the upcoming years include the Bow Tie Cinemas on the Boulevard, the 240-room Hilton Garden Inn in the renovated Miller & Rhoads building, the MeadWestvaco corporate headquarters, and Armada Hoffer's planned Richmond Tower. In a challenging development climate across the entire country, these types of investments are a positive endorsement of the strength of our local economy.

The Greater Richmond area's civilian work force increased from last year's size by 2.1 percent, or 13,716 individuals. The area now boasts a work force of approximately 660,000. The annualized unemployment rate of 5.0 percent was favorable in comparison to the national rate of 5.8 percent.

The City continues to support an environment that encourages economic diversity and where businesses can grow and prosper. The City's objective is to maintain this trend while continuing to make investments in capital improvements, which will help sustain the City's strong 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. The City's public utilities provide natural gas, water, sewer and streetlighting 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 major service initiatives, along with a number of ongoing reforms being undertaken by the Chief Financial Officer, follows.

City of the Future

The City of the Future is a capital improvement plan first announced by Mayor Wilder in January 2006. The City of the Future will draw on a number of funding sources, including expiring tax abatements for more than 3,000 properties over the next 15 years, a portion of the meals tax and other savings and efficiencies, and City growth.

Approximately \$113 million of City of the Future capital projects are already underway and are being directed towards areas that will have the broadest benefit for the majority of Richmond's citizens. These areas include \$52 million of capital spending for new and improved streets, sidewalks, curbs and gutters that had been neglected for years; \$20 million for major improvements to the City's parks, community centers and playgrounds; almost \$9 million to provide state-of-the-art computers in the City libraries; \$4 million to renovate The Landmark Theater; and \$25 million in funding for the Carpenter Center, a public/private partnership to house Richmond's new Downtown performing arts complex which is scheduled to open in fall of 2009.

RichmondWorks Initiative

In early 2007, the City began to lay the groundwork for establishing a formal program to assess the quality of service delivery and to more effectively manage performance. After evaluating several methodologies, Richmond adopted the CitiStat approach to performance management, which has been successfully introduced in Baltimore, Cleveland, Buffalo and elsewhere. The City's program is called RichmondWorks and was officially introduced on July 13, 2007.

RichmondWorks is a management tool that has already strengthened the performance management capabilities of the City. RichmondWorks emphasizes access, action, and accountability, and features highly organized, systemic monitoring and analysis of performance data. Analysis is augmented by the use of technology, especially Geographic Information Systems.

Agencies and departments included in the pilot phase of RichmondWorks were the 311 Call Center, Human Services, Fleet Management, Code Enforcement, Animal Care & Control and Public Works (Operations). Phase two of RichmondWorks was implemented in the fall of 2007 and included Information Technology, Justice Services, Social Services, Human Resources and Permitting. Phase three was initiated in the summer of 2008 and includes the Fire Department, Procurement Services, a portion of Parks, Recreation and Community Facilities, and certain functions of the Finance Department.

Human Services Initiatives

2020 Vision

In July 2005, a citizen-led Human Services Committee commissioned by Mayor Wilder issued a 2020 Vision report with bold recommendations to turn around negative trends facing Richmond's residents. The Mayor's Vision is that in the year 2020, Richmond citizens will be safe in their homes, streets and communities; public schools will be of high quality; and the endless cycle of poverty, violence, crime, and joblessness will be broken. The Vision 2020 report identified strategies to improve the safety, health, and well-being of Richmond residents. Areas that were targeted include childhood development, child and adolescent health, school success, at-risk male intervention and support, well being of seniors and disabled persons, homelessness, and increased efficiency and coordination. The Office of the Deputy Chief Administrative Officer for Human Services and a Human Services Cabinet were created for interagency coordination to implement the Mayor's 2020 Vision and to provide oversight and leadership for Human Services.

Early Childhood Development

Richmond's Early Childhood Development Initiative, launched in January 2007, teams with community partners on a five-point strategy to ensure Richmond children ages birth to five are healthy, well cared for and ready to succeed in school. A website provides information on early childhood development and services for families with young children. Parenting and caregiver workshops and training are offered in English and Spanish, with over 1,300 individuals voluntarily participating in FY 2008. Over 19,500 brochures, parent kits and children's books were distributed through community events and outreach displays during the year. Home visiting services are being enhanced through monthly home visitor training, a home visiting directory, and a home visitor work group that helps the programs coordinate their efforts. The Richmond Home Visiting Referral Center opened in September 2008 to help families connect with home visiting services.

Healthy Start and Healthy Families

The Richmond Healthy Start Initiative (RHSI) is a federally-funded program designed to eliminate racial and ethnic disparities in birth outcomes such as infant mortality, low birth weight, prematurity, etc. The RHSI sponsored the first Richmond Regional Summit on Preventing Infant Deaths: How Do We Save the Next Baby, on October 22-23, 2007, which was attended by over 350 participants. The Summit kicked off the Saving Babies Public Awareness Campaign with radio and television coverage.

Healthy Families Richmond provides intensive home visiting services to expectant parents or parents with a child under the age of three months until the child reaches three years of age. Program enrollees participate on a voluntary basis. The program's target areas include the East District and Southside of the City. During 2007, the program served 28 families and provided 375 home visits.

Child Welfare Reform

In the spring of 2007, the Casey Strategic Consulting Group committed to working with the City Department of Social Services in order to help facilitate successful and sustainable child welfare system transformations. Outcome measures for 2008 are to reduce the number of foster children placed in congregate care by 20 percent, and to return 20 percent of the children in placements outside of Richmond safely back to their communities. The initiative also focuses on local recruitment of foster parents as approved homes have doubled since 2007. In addition, 41 children were adopted in 2007.

School Success

The objective of this area is to support student learning and achievement in school and to provide young people with positive out-of-school activities that enrich learning and development. The Department of Justice Services and Richmond Police Department provided a two-pronged approach that blanketed the City's neighborhoods with daily truancy sweeps and produced a concentrated presence in high crime neighborhoods with skyrocketing truancy rates. Teams of law enforcement officers, attendance officers, and case managers provided support to help ensure that all students were in school on a timely basis and ready for classroom instruction, and ensured that young people and their parents were held responsible for school attendance.

To effectively reach Richmond Public School youth, the City's Department of Parks, Recreation and Community Facilities (DPRCF) continues to support the academic achievements of youth through after school programming. In partnership with Richmond Public Schools and operating under the licensure of the Virginia Department of Social Services, DPRCF offered homework assistance and life skills development to 587 youth per month at 19 school sites. Attendance for FY 2008 totaled 99,851 youth attendance days. This figure reflects a 15% increase over the previous fiscal year. One of the key components to DPRCF's after school program at registered school sites and community centers is the free and reduced meals program.

Through a collaborative effort, the Youth and Workforce Development Division - with assistance from other City and community partners - provided summer employment to 106 youth. The goal of the 2008 Youth Academy was to give participants basic employability and financial skills needed to survive upon entering the workforce. Youth attended more than 30 hours of employability and financial literacy training and completed more than 400 service hours at their respective work sites.

At-Risk Youth Male Intervention

The objective of this area is to reduce juvenile delinquency and anti-social behavior among young men through a targeted pilot initiative based on effective practices. In an effort to address the "at risk" teen population, DPRCF created the Extreme Teen Program for youth offenders and substance abusers who are involved in the Drug Court Program and currently working with the Department of Justice Services. This program was designed for at-risk youth 13-17 years old, with the goal of transitioning these youth back into the mainstream as contributing citizens within the community. The target population includes youth that have been given the option to complete a 6-18 month program in exchange for their charges being dismissed, thus giving them a fresh start.

To further increase programs to City youth, the Teen Entrepreneurial Program was designed to acquaint at-risk teens to the world of free enterprise by creating a business from the ground up. Tee's by Teens is a tee shirt printing business that employs six teenagers. The teens create designs, choose artwork, and handle customer service and sales procedures. The ultimate goal is to have participating teens use the skills acquired from the program to start their own business. The program has been so successful that the DPRCF added another site to fill trophy orders.

Also, in an effort to address the "at-risk" teen population, the Department of Justice Services, along with its partners (Richmond Outreach Center, Virginia Mentoring Partnership, Department of Social Services, DPRCF, and the City of Richmond Hispanic Liaison Office), is requesting funding from the Office of Juvenile Justice and Delinquency Prevention's "Strengthening Youth Mentoring Through Community Partnerships" grant to implement the Vision 2020 Mentoring Program. Vision 2020 is a collaborative, innovative program that will offer youth ages 14-17 living in the 23224 zip code a year-long mentoring relationship, along with a range of ancillary services. By combining one-on-one mentoring with life skills lessons, cultural enrichment, secondary educational preparation, recreational activities, case management, and family support services, Justice Services and its partners aim to reduce school disciplinary offenses, reduce juvenile crime, increase academic performance, and increase cultural sensitivity and communication skills. Existing resources and a well-designed program will result in a unique, enduring community partnership that

will help the at-risk, underserved youth and families of Richmond well into the future. It is important to note that Justice Services is committed to beginning implementation of this initiative if funding is secured by September of FY 2009.

Second Responders

The Second Responders Program provides immediate intervention and services to victims of violence or families in crisis with the goals of (1) an increased likelihood that they will accept human services assistance and (2) a decreased likelihood that they will require ongoing police intervention. Social workers are stationed within three of the four City's police precincts and are available between 3 p.m. and 8 a.m. daily. The unit is also responsible for all state-mandated on-call coverage for child and adult abuse and neglect issues.

The success of the program can be measured by the increase in calls for service. Between 1997 and 1998, the Second Responders responded to approximately 200 calls. By 2007, the Second Responders took nearly 4,000 calls – including direct calls from community members prior to police intervention being needed.

Senior Well Being & Special Needs

In an effort to gauge the needs of older adults, the senior and special needs advocate conducted a comprehensive needs assessment to identify gaps in services for older adults. The analysis of the data collected was conducted by Virginia Commonwealth University's Virginia Center on Aging. In addition, to further bridge the gap of services within City departments, the Inter Agency Council on Aging was created and composed of representatives from various City departments that provide programs and services to Richmond's older adults.

In December 2007, the senior and special needs advocate reconstituted the Disability Services Board, where a partnership of consumers, local government and businesses work together to increase access and develop consumer-oriented and community-based services for persons with physical and sensory disabilities.

Economic Support and Self-Sufficiency

The Department of Social Services is charged with maximizing the economic independence, safety, and stability of individuals and families. The City of Richmond has consistently exceeded Virginia's benchmarks for moving Temporary Assistance for Needy Families customers from welfare to work in the areas of job retention and average monthly wages. An average of 67 percent of the mandated welfare to work population retained employment for 90 days, versus 62 percent statewide. For FY 2007, the Department of Social Services was awarded a certificate of achievement from the United States Department of Agriculture for processing food stamp applications below the federal benchmark, and was recognized by the Virginia Department of Social Services for outstanding performance for achieving 96.7 percent for timely processing. The Department of Social Services Energy Assistance Team processed over 5,000 applications during the winter fuel season prior to the state mandated deadline. The staff works collaboratively with other agencies including Senior Connections and the City of Richmond Department of Public Utilities to provide fans, air conditioners and heaters to low-income and elderly citizens of the City.

Hispanic Liaison Office

The Hispanic Liaison Office (HLO) provides technical assistance, interpretation, and translation services to City departments, as well as information and referral services to citizens. In FY 2008, the HLO translated and recorded scripts for the 311 Call Center, allowing for a fully bilingual system. The HLO completed its fourth year of bilingual tax preparation, as part of the Greater Richmond Earned Income Tax Credit Coalition, serving 267 families and achieving approximately 1.5 million financial education media touches. The Imagine Festival, held in October 2007 at Broad Rock Park, highlighted Richmond's diverse community and promoted safety and community resources. More than 2,000 individuals attended the event, which was organized and hosted by the HLO and other City departments.

A new strategic plan to guide the HLO through the next five years was completed in June 2008. The plan was created with input from both internal and external stakeholders, and is a follow up to the original plan created in 2004.

Department of Parks, Recreation and Community Facilities

Recreation

The Department of Parks, Recreation and Community Facilities' (DPRCF or Department) 23 community centers continue to serve as the centerpiece of numerous recreational and educational offerings for City residents. Over the course of FY 2008, there were 359,441 total visits recorded at community centers. DPRCF offered 450 cultural art programs per month, which averaged more than 3,600 monthly visits. More than 120 senior programs were offered per month with an average monthly attendance of 2,500. Over the first 22 days of the 2008 aquatic summer season, the pools drew more than 16,000 total visits. More than 5,100 youth participated in various sports leagues and cheerleading programs. Attendance for the DPRCF's Before and After School Program totaled 99,851 youth for FY 2008, which was a 15 percent increase over the previous fiscal year.

In partnership with the United States Department of Agriculture and the Virginia Food Bank, the DPRCF served over 129,000 meals to youth participating in community center after school programs. In addition, DPRCF began a new Summer Meals for Kids program which provides funding for the entire year. During FY 2008, more than 308,000 meals were served through the program, a 23 percent increase from the previous fiscal year.

New Recreation Programs

Understanding the need to target teens in the City of Richmond, DPRCF designed and implemented several new programs targeting City youth. The "Teen Stars Night-Soaring Together and Reaching Success" program began in the fall of 2007. "Teen Stars Night" was designed by teens for teens. The premise of the program is to offer teens an opportunity to interact with their peers in a safe and welcoming environment, thus keeping them out of trouble.

The "Tees by Teens" entrepreneur program teaches youth the basics of running a small business. Youth create and produce t-shirts for City departments, businesses and citizens. The teens create designs, choose artwork, and handle customer service and sales procedures. The program has been so successful the department added another site to fill trophy orders.

Parks

DPRCF maintains and administers 57 parks and seven municipal cemeteries. The response to the most recent customer service surveys administered in January 2008 indicated that 55 percent rated their overall satisfaction with the condition of parks and facilities as excellent and another 35 percent rated it as good.

In an effort to incorporate more "green" projects and programming in the Department, several environmental and energy-saving advancements were made within City parks and community centers during the fiscal year. Projects included the installation of new push button lights at Byrd Park, Westover, and Fonticello tennis courts and the Byrd Park ball fields, as well as the installation of tankless hot water systems and waterless urinals at Department community centers.

Partnerships

DPRCF remains dedicated to developing partnerships within the community. Relationships have been developed with CarMax, who provided \$160,000 of support and other assistance to the Department's youth basketball program. Most recently, a partnership with Radio One was formulated. The very successful "Send a Kid to Camp" Radiothon raised more than \$36,000 to support scholarships for youth to attend the Department's 2008 "Passport to the World" summer camp program. The Department was also awarded a \$50,000 grant by the NFL Youth Football Fund and Local Initiatives Support Corporation to update and renovate football fields at the Blackwell and Hotchkiss community centers.

Public Safety

During FY 2008, the Richmond Police Department (Department), together with citizens, made a significant difference in the reduction of crime within the City of Richmond. The Department has continued the sector policing strategy. This strategy took root in 2006 and has continually decreased all types of crime and the perception of crime. Over the past year, violent crime was reduced an additional 10 percent, totaling a reduction of 47 percent since the introduction of sector policing.

The Major Crimes Division, as part of the department-wide sector policing concept, has supported and assisted in forming partnerships within each of the City's 12 sectors. Additionally, the Major Crimes Division provides resources to help achieve the sectors goals and objectives. As a result of forming these partnerships within the community, the Major Crimes Division has successfully made arrests in 47 of the 55 homicides in calendar year 2007, resulting in an 85 percent year-to-date clearance rate and a 90 percent conviction rate. These established partnerships within the community built a trust within neighborhoods that have resulted in citizens coming forward and providing information that assist the division in making arrests in a timely fashion, resulting in removing perpetrators from the community.

Continuing in the development of partnerships, the Department created the Domestic Violence Enforcement Response Team (DVERT). This team identifies victims of domestic violence and reduces recidivism. Through their partnerships, the team offers assistance to both the victims and the perpetrators of identified high risk cases. DVERT is partnered with the YMCA, the Department of Social Services Family Violence Prevention Program, MCV Forensic Nurses, and the Victim Witness program offered through the courts.

The Major Crimes Division Fugitive Unit assisted in developing a media outreach program by partnering with nine central Virginia law enforcement agencies and the local media. As a result of this partnership, two websites - richmondareamostwanted.com and centralviriniamostwanted.com - were established. Also, a national television series "Crime 360" shadowed the Major Crimes Division Homicide Unit by following detectives during the course of their investigations. The series, which aired on the A&E Network, resulted in a positive and professional reflection of the Homicide Unit and the Richmond Police Department.

The Department enhanced its community outreach as each of the sector commanders awarded mini-grants to improve the quality of life within each of their sectors and to establish sustainable youth outreach programs. Outreach program partners included the Neighborhood Resource Center, Southside Child Development Center, Salvation Army/Boys and Girls Club, Sacred Heart Community Center, Peter Paul Development Center, Girl Scouts of America, GRIP Intervention Team/One Stop, the Richmond Outreach Center, Southwood Boys & Girls Club, Bellemeade Community Center, 5th Street Baptist Church, Kappa Alpha Psi, Humphrey Calder Community Center, William Byrd House, Providence Park Boy's and Girls Club, Boaz and Ruth, Greater Mount Mariah Church, North Side YMCA, and CARITAS. In addition to the youth programs, each precinct continued to hold community-based problem solving training. Specific neighborhood problems were identified and action plans were developed in a collaborative effort between citizens and officers. Follow-up community walkthroughs were held to ensure action plans were effective and issues were resolved.

The Community Youth and Intervention Services (CYIS) Division increased active neighborhood watch groups from 80 to 106. Each of these groups participated in the National Night Out campaign to heighten crime prevention awareness and strengthen the partnerships between law enforcement and the local community. Also, there were anti-robbery training sessions, security assessments for local businesses, citizen police academies, and Hispanic citizen academies held to ensure the community is aware of crime prevention strategies and to broaden the communication and relationships built during this time.

In order to reduce juvenile crime, the Community Youth Services Division, along with the Truancy Reduction and Prevention Program (TRAPP), targeted juvenile truancy and curfew violators. Daily truancy sweeps were conducted in each precinct along with curfew initiatives. During the school year, TRAPP received 835 truancy hotline calls, 475 phone calls to the truancy center, conducted 774 sweeps and detained 1,360 truants. In addition, to targeting truants, the CYIS division gave stop-bullying training, gang reduction training, and anti-victim training to youths. During 2008, the CYIS division gave more than 1,000 students stop-bullying training, 555 students received gang resistance training, and 107 children received anti-victim training. The anti-victim training was conducted in partnership with second responders.

As the Richmond Police Department continues to evolve, new technology has been added to increase management abilities and maintain proactive policing strategies. New vehicle locator devices were installed on 250 department vehicles, providing a real-time picture of the location of officers on a map. This technology allows for more streamlined deployment and management of officers by both dispatchers and executive management. To improve coordination within the Cooperative Violence Reduction Plan, agencies used multiple virtual private network connections to each agency, single point of authorization for secured access, and the setup of the CrimeNtel database for integrated intelligence analysis.

Vacant and Abandoned Property Cleanup

The City is continuing a proactive approach in dealing with vacant buildings throughout the City. When the Vacant Building Registry was initiated in October 2006, there were more than 3,000 properties listed. Aggressive code enforcement has resulted in a tremendous change in this number. Inspections were conducted at each of the listed properties and numerous violations were served. Through code compliance, rehabilitation and re-occupancy that number had been reduced to about 1,600 properties listed as vacant in July of 2008.

Once a vacant property is identified, inspections are scheduled on a 45-day cycle for monitoring. Inspectors cite violations and work to achieve total compliance in an effort to revitalize neighborhoods. Steps are taken by the City to secure open structures and to abate environmental issues on those properties for which the owners cannot be located. In addition, the increased awareness of vacant structures has resulted in the demolition of over 20 unsafe buildings and the initiation of Spot Blight actions on numerous properties.

Neighborhood Focus/Infrastructure

Neighborhoods in Bloom

The City's Neighborhoods in Bloom 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; to ensure that all occupied housing units meet the housing maintenance code; and to ensure that all neighborhood infrastructures meet 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.

Through June 2008, the program has resulted in the construction and sale of 227 new single family homes, the rehabilitation of 166 vacant houses that have been sold for homeownership, substantial rehabilitation of 101 owner-occupied houses, repairs addressing safety code violations to 136 homes, and financial assistance to 122 families to purchase homes. In addition, more than 2,200 housing and environmental code violations have been resolved.

Battery Park Reconstruction

On August 31 and October 6, 2006, two significant storms hit the Richmond area, bringing heavy rains and winds. The severe flooding caused by these storms required two separate mandatory evacuations of homes and apartment buildings in the Battery Park, southern Barton Heights, and Brookfield Gardens neighborhoods. These events, coupled with a collapse of the City's drainage system, caused severe flooding and damage to properties located in the affected areas.

In an effort to eliminate blight and restore the neighborhood, City Administration made the determination that certain properties would be considered for acquisition by the City at pre-flood values, and major infrastructure improvements be made in order to prevent recurrence of these problems. All of the 14 identified properties targeted and approved by City Council for acquisitions have been acquired through voluntary sales. Completion of approximately \$40 million worth of drainage repairs and improvements were made by the Department of Public Utilities, primarily addressed with federal and state disaster assistance funds.

The City has now begun an important step towards the revitalization and reconstruction of this community. At least eight condemned and blighted structures left uninhabitable were demolished to make way for a new, community-friendly green space. Plans are now under way to design a public green space that will enhance the area and serve as an amenity to its residents. The Department of Parks, Recreation and Community Facilities has taken the lead in hosting community forums to listen to and discuss ideas for the new green space. Community input is imperative in order to ensure that the future of this property meets the needs of the citizens and surrounding neighborhoods.

To date, the DPRCF has cleared away the old, damaged structures and reinstalled the Playground House, replaced the roof on the restroom facility, and installed new playground areas at both ends of the park. With the assistance of Department of Public Utilities (DPU) work forces, DPRCF has removed the damaged tennis and basketball courts in preparation for restoring them in early September 2008. New sod has been laid and over seeding has been done at Battery Park's Beard Field to restore the football field for use in the fall of 2008.

Public Utilities

DPU is a municipally owned gas, water, wastewater, and electric utility operation. Each utility is operated on a self sustaining basis and follows the policies and directives of the City as provided in its charter.

The City provides gas service to Richmond, all of Henrico County, and the northern part of Chesterfield County, as well as to parts of Hanover County. The City currently owns over 1,800 miles of gas distribution lines in the City and the counties of Chesterfield, Henrico, and Hanover. During the last two years, over 41 miles of new lines have been constructed in the City and Henrico County. The gas utility functions as a municipally owned local distribution company; therefore, its rates are not subject to regulation by the State Corporation Commission. The system has experienced significant growth in recent years as new construction has increased in the western part of Henrico County.

The City provides Henrico County with water under a 45-year contract that expires July 1, 2040. The contract will continue in force after July 1, 2040, unless it is replaced by a new contract or is canceled by either party. Under the contract, the City will provide Henrico County with up to 35 million gallons per day (MGD) peak day draw. The City provides Chesterfield County with water under a 50-year contract that expires July 1, 2045. The contract will continue in force after July 1, 2045 unless it is replaced by a new contract or is canceled by either party. Under the contract, the City will provide Chesterfield County with up to 27 MGD peak day draw. In 1994, the City entered into a 40-year water contract with Hanover County which gave the county the right to receive 5 MGD at signing and to receive an additional 5 MGD each in 1999, 2004 and 2009 for a total of 20 MGD peak day draw.

The City's wastewater utility serves Richmond and parts of Henrico, Chesterfield and Goochland Counties. Located along the James River, the City's Wastewater Treatment facility treats sanitary sewage as well as storm water runoff.

The electric utility purchases electricity from Dominion Virginia Power and distributes it to more than 33,000 streetlights in the municipal street lighting system. The electric utility operates the streetlight system north of the James River and pays Dominion Virginia Power to operate the system in the southwest area of the City. The City's General Fund supports the entire annual cost of operating the electric utility.

DPU maintains separate books of account for each utility, utilizing the accrual basis of accounting and following generally accepted accounting principles. Although DPU is not subject to such regulation, it uses the uniform system of accounts prescribed by appropriate regulatory agencies for investor owned utility companies. Revenues are recognized when earned, and expenses are recorded in the month incurred. It is DPU's policy to capitalize interest on funds borrowed to finance construction of major facilities only during the construction period.

Each year DPU prepares separate operating and capital improvement budgets for each utility for the next fiscal year. Each utility's budget includes proposed expenses and a means of financing. These budgets are submitted to the City's budget director and, in turn, the Mayor's office for review, comment, and approval. Once approved by the City Administration, they are submitted to Council for adoption as a part of the City's annual operating and capital budget process. After Council conducts public hearings, the budgets are enacted by the passage of ordinances by Council.

DPU reviews revenue requirements for each utility and recommends rate changes annually if needed during the annual budget process. Rates are set on a basis similar to that used for investor owned utilities regulated by public utility commissions. All operating costs, including operation and maintenance expenses, depreciation expenses, payments in lieu of taxes, and a reasonable return on rate base, are included in the calculation of total revenue requirements for each utility. Council is the sole rate setting authority.

A ten-year revenue requirements forecast is also prepared each year, estimating inflation in operating costs, plants to be constructed and placed in service each year, and financing requirements. Rate proposals for each utility are then submitted to Council to cover the next year's requirement or to begin a series of rate increases designed to minimize larger increases in future years. Amounts earned in excess of reasonable rates of return may be deposited in the rate stabilization fund of a utility to further mitigate the need for larger increases in the future.

As provided by the Charter, DPU charges all other City departments, boards, commissions, and agencies for all utility services rendered based on the cost to provide each service. DPU pays for services it receives from other City agencies. In addition, the Charter requires DPU to make payments in lieu of income and gross receipts taxes to the City in amounts equal to what would have accrued if the utility would have been investor owned. The City historically has issued general obligation bonds and revenue bonds to finance the utility capital projects of the system. The City has covenanted to fix, establish, and maintain rates in each fiscal year sufficient to pay (a) 1.15 times, or 115 percent, of the debt service requirement on all revenue bonds secured by a first priority lien on system revenues; and (b) 100 percent of the debt service requirement on general obligation bonds supported by system revenues.

Pending Changes in Water and Wastewater Services

DPU completed a cost of service study for the water and wastewater utilities during FY 2008. The objectives of the study were to derive and fairly apply equitable rates for all classes of customers while providing adequate funding for the continued operations of these utilities. It was revealed that revenue from some customer classes was insufficient to fully recover costs related to those sales while revenue from other classes was in excess of what was actually needed to cover their costs.

Several recommendations from the study were included in the adopted rate changes for FY 2009. Highlights of the adopted changes for the water utility include: phasing out the declining block rate structure to provide an increasing cost for high-volume water usage and promoting water conservation, increasing water connection fees to cover actual costs, adjusting the monthly service charge to cover actual costs, and implementing a conservation rate to provide a disincentive for excessive water usage during times of drought. Wastewater utility recommendations that were adopted include the increase of wastewater connection fees to cover actual costs, adjusting the monthly service charge to recover actual costs, and reducing the winter usage period from six to three months to accurately reflect those seasons when customers are watering their landscapes. The net effect of these changes will produce a cost savings for approximately 70 percent of the residential customers in both the water and wastewater utilities.

Real Estate Services

The Real Estate Services Department launched a new website in March 2008. The site offers users the ability to sign up online for tax sale auction notifications, as well as view City surplus properties on a map. Future additions will include a tax sale database visitors can use to find properties in the City that are in the tax sale process.



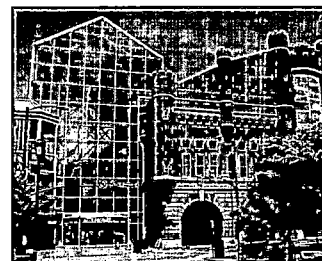
Rendering of adaptively reused school

In 2008, the Real Estate Services Department negotiated the sale of two unique pieces of City-owned property to development firms focused on returning these buildings to their former glory through creative development concepts. Through the investment of the new owners, these properties will be returned to productive use, generate tax revenue and possibly spur additional revitalization efforts in their respective communities. One, the old Manchester Post Office, sold for \$200,000 in June 2008. The property purchaser envisions utilizing this facility as an attractive marketing center and office space to be used as the gateway facility for the redevelopment of the entire Manchester neighborhood. Development plans include

making the space available for free to the neighborhood for community meetings and functions. The other property was the Booker T. Washington School, which sold for \$325,000 in December 2007. Built in 1872 and located in the historic Jackson Ward community, the property will be developed into a 31-unit independent living residential facility for senior citizens. The purchaser intends to invest a minimum of \$3 million to restore and adaptively reuse the property in compliance with the Secretary of Interior standards.

Three tax sale auctions took place in FY 2008. A total of 32 properties were sold, many with development agreements, for a total of \$646,300 in revenue to the City. In addition, 26 additional properties were slated for tax sale, but the delinquent taxes were paid before the auction, thus allowing the City to recoup close to \$240,000 in additional delinquent real estate taxes.

Real Estate Services led the initiative to identify and hire a real estate advisory firm to assist in establishing and implementing real estate and marketing strategies for the City's most significant properties with redevelopment potential. Jones Lang LaSalle (formerly the Staubach Company) was selected by the City. Current projects include formulating a redevelopment strategy for a 60-acre site which currently houses the Regional Baseball Diamond. The advisory firm is also assisting with the repositioning of the former Sixth Street Marketplace property.



Sixth Street Marketplace

Economic Vitality

With over 60 downtown projects that were recently completed or are currently underway, Richmond has enjoyed an exciting development boom that has brought new investment and job opportunities across the City. Projects include the redevelopment of Main Street Station as the Capital City's Multimodal Transportation Center. With over \$40 million invested to date, Main Street Station has brought passenger rail back to downtown Richmond. Work has included the construction of the Plaza at Main Street Station, a passenger drop-off courtyard, and an associated parking lot including 100 parking spaces. The Plaza will host an official tourism origination point enabling chartered tours to easily visit the Shockoe Bottom District and will serve as an orientation center for tourism in the entire region. Additional improvements will include a Greater Richmond Transit Company transfer center and the City's first public heliport.

Within a short walk from Main Street Station, there are dozens of new and established restaurants and retail opportunities in Richmond's historic River District. Within this district, the Canal Walk offers a glimpse into Richmond's past and a taste of Richmond's future. From beautiful views of the river while aboard an historic canal boat to the massive commercial development of Riverside on the James, the canal is a center for mixed-use development. Riverside on the James represents a \$90 million investment in over 700,000 square feet of mixed-use development that has generated approximately 1,050 permanent jobs. Tobacco Row, an adaptive mixed-use development, represents an outstanding model of over 500,000 square feet of residential and commercial use that has supported an investment of approximately \$750 million. The Lucky Strike apartment building is the latest project to come online at Tobacco Row with a \$12 million investment in 130 apartments. Also completed is the Cutter's Ridge Townhouse development, a \$4 million in-fill project consisting of 12 single family residences.

Further east and downstream is the Village at Rocketts Landing, a two million square feet and \$250 million mixed-use riverfront development, located in both the City and Henrico County. Described as an urban village, the project includes townhomes, condominiums, apartments, retail, office and recreational amenities. Its greatest amenity, however, is its views of the James River. Rocketts Landing will also provide private boat slips and, with the renovation of the Power Plant building, will be home to Richmond's first riverfront dining experience.

Heading north up the hill from the river towards Broad Street reveals one of the most creative initiatives in the City's history. In May of 2003, The Broad Street Community Development Authority (CDA) sold \$67 million in revenue bonds. The CDA Phase I project is complete and includes the massive overhaul of the area surrounding the new 680,000 square foot, \$167 million Convention Center. Phase II will include the future development of additional parking decks with first level retail fronting the Broad Street and Grace Street corridors. The project focuses on beautiful streetscapes, utility improvements and the sense of unity and grandeur that Broad Street deserves. The project has inspired ancillary development including the renovation of the

former Miller and Rhoads department store into a \$100 million mixed-use development of hotel, retail and commercial space and residential condominiums. The 250-room Hilton Garden Inn is scheduled to open in January 2009. The CDA project has also inspired the former Thalheimer's department store site's metamorphosis into a mixed-use development opportunity that includes a renovated Carpenter Center, known as CenterStage.

Virginia Commonwealth University (VCU) is the second largest real estate holder in Richmond, occupying over 140 acres and 186 buildings. VCU provides the region with approximately 32,000 students and over 17,000 jobs through its 205 baccalaureate, master, doctoral, professional and certificate degree programs. In the past 10 years, VCU's capital investments have exceeded \$2 billion and have been a major catalyst for revitalization along Broad Street, east and west of the Convention Center. During FY 2008, the university completed the \$84 million School of Engineering and School of Business on the Monroe Park Campus. Additional projects on the Monroe Park Campus expansion along the Belvidere gateway corridor include a \$60 million residential college, retail operations, and parking facilities. Recent VCU hospital-related construction has exceeded \$209 million and includes a new 15-story critical care center and a new academic medical sciences building.

Further north and west, Virginia Union University and the University of Richmond continue to invest in their campuses as well as maintain a continued interest in developing educational opportunities in downtown. This includes the new University of Richmond downtown satellite campus on Broad Street, which will focus on providing assistance to underserved Richmond citizens. During FY 2008, J. Sargeant Reynolds enrolled over 12,000 students and was the third largest community college in the state. While providing an educated workforce to the region, this rich network of colleges and universities strengthens the local economy through their presence, populace and public-private investments.

There are additional citywide development and redevelopment projects which represent multi-million dollar private investments. These include the recently completed \$350 million Philip Morris USA Center for Research and Technology in the Virginia Bio-Technology Research Park and the newly announced \$60 million Armada Hoffer Richmond Tower project. The 200,000 square foot Richmond Tower project will be constructed adjacent to the Byrd Street and Canal Street RMA Parking Deck and will accommodate the Williams Mullen law firm as its primary tenant. The \$120 million new Spottswood W. Robinson, III and Robert R. Merhige, Jr. United States Courthouse project was also recently completed and adds to the revitalization efforts along Broad Street.

Because Richmond's government takes an active role in encouraging development, the City continues to attract national and regional developer interest, including multi-family residential development, corporate headquarters, hotel and hospitality, and neighborhood shops. Established City incentive programs include the Enterprise Zone program, Commercial Area Revitalization Effort program, and the Real Estate Tax Abatement program. As aforementioned, Richmond's government has established development authorities to creatively finance revitalization projects which promote private development. The City of the Future initiative is the ultimate example of the City government's aggressive response to its self-realized needs in infrastructure, schools and cultural development.

To further encourage economic development, by the action of Council, the City began a substantially expanded Tax Abatement for the Rehabilitative Structures Program in FY 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 seven years for owners of commercial/industrial properties and up to ten years of abatement for residential or Enterprise Zone properties. During 2008 alone, 1,043 properties qualified for the tax abatement program.

In summary, Richmond's economic activity for FY 2008 was positive. However, with continued stress on the national economy, Richmond may face some financial challenges and a slower pace in development activity in upcoming months. At this point, Richmond's commercial corridors and districts are being revitalized with residents, restaurants and retail. The City continues to be at the forefront of the "new urbanism" trend with citywide mixed-use development and a quality of life unique to the region that is rich with history, culture, diversity, skyline views, architectural interest, and new opportunities to embrace and live along the river that runs through her.

Retirement System Funding

The Richmond Retirement System's assets in FY 2008 were diversified well throughout multiple asset classes that resulted in a slight decline of 3.8 percent for fiscal year end (gross returns), outperforming its total fund benchmark (negative 4.5 percent) by 70 basis points. This positive result despite the weak investing climate can be attributed to careful oversight, prudent fund management, and fund diversity. In dollars, the Richmond Retirement System's Net Asset Value on June 30, 2008 ended down \$47.9 million from the prior fiscal year balance at \$559.5 million.

City of Richmond Code Chapter 78 - 53 requires the System to prepare an annual statement to report the funded status of the System and the required employer contribution rates after an actuarial valuation of the System's assets and liabilities is performed. The valuation of the system was performed as of July 1, 2008. The System's actuary calculated a funded status (ratio of the actuarial value of assets to the actuarial accrued liability) of 71.2 percent, which is an increase of 10 bps from 71.1 percent for the fiscal year ended June 30, 2007. The System's actuarial value of assets, which it uses to determine the employer contribution rate for the following fiscal year, is determined using a method that "smoothes" the impact of market fluctuations on the employer contribution rate.

If the City continues to fund the System at or above the required funding level and member contributions continue at the appropriate rates, a return to favorable market conditions will marginally improve the System's financial condition into the foreseeable future.

Richmond Supply Schedule

An analysis of City procurement activities concluded that approximately 98 percent of resources were being used to acquire routine and recurring small purchases (with a value of approximately \$120 million), while only 2 percent of the Procurement Department's resources acquire and manage all large dollar contracted items or services (valued at \$263 million). The City's response to correct this misallocation of personnel resources was the development and implementation of the Richmond Supply Schedule (RSS) Program. The RSS is designed to streamline the City's purchasing and acquisition operations and ensure that resources are reallocated, as much as practicable, to large dollar procurements. The RSS has been patterned after the Federal Supply Schedule, administered by the General Services Administration, which has been proven to be extremely successful in the management of small purchases.

Announced in October 2006, RSS simplifies small purchases and reduces unneeded inventories, while improving City pricing and quality control. RSS contractors are required to provide "best customer" pricing. These prices become contract ceiling prices. Purchasers are expected to seek lower prices as requirements are identified to ensure that the City receives the benefit of economies of scale. Implementation of the RSS has already begun for office supplies, industrial supplies and paper, and related products. The current fiscal year will expand the program to information technology products and future years will incorporate temporary services, public safety supplies, and youth and child care services. Full implementation of the RSS is expected to save taxpayers \$13 million over a five-year period.

Department of Finance

In addition to the preparation of the CAFR, the Department of Finance completed several other mission-critical priorities in FY 2008. The Department prepared, submitted and presented the City's Comparative Cost Report (CCR) to the State Auditor of Public Accounts. For their efforts, the Department received the "Independent Accountants' Report on Applying Agreed-Upon Procedures" from KPMG, LLP.

The Department of Finance is responsible for managing the City's operating cash and issuing debt. During FY 2008, the City issued a \$65 million Revenue Anticipation Note, a \$5.2 million Equipment Note, and entered into a \$6.9 million Public Utility Revenue Bond Financing Agreement. These financings are discussed in greater detail in Footnote 8 of the CAFR. During FY 2008, the Finance Department met with representatives of the three bond rating agencies. Each of the three (Moody's, Standard and Poor's, and Fitch) reaffirmed their Aa3, AA, and AA ratings, respectively, of the City's General Obligation bonds.

Additionally, the Department of Finance competitively bid and negotiated a citywide banking contract resulting in a lower cost to the City than during the previous existing contract period; recovered a \$1.6 million portion of the City's 1985 development costs put into the Marriott Hotel property; and renegotiated to reduce and phase out the City's obligation to subsidize parking at the hotel by discontinuing the decades old, very unfavorable parking subsidy agreement between the City and the Marriott Hotel.

Financial Condition and Long-Term Debt

The City continues to have strong credit ratings, as indicated in publications by all three bond rating agencies (Moody's, Standard and Poor's, and Fitch), which during the year reaffirmed their Aa3, AA, and AA ratings, respectively, of the City's new and outstanding general obligation bond debt. On December 6, 2007, the City sold \$65 million of seasonal General Obligation Revenue Anticipation Notes through a competitive bid. Prior to issue, Moody's, Standard & Poor's 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 the notes was 4.0 percent; however, the City received an upfront premium from the lender of \$245,050, thereby making the effective true interest rate on the notes an effective rate of 3.3 percent. Proceeds of these notes were used to fund ongoing operations and the notes were repaid in full on June 25, 2008.

On June 19, 2008, the City issued a \$5.2 million five-year note to finance the purchase of vehicles and equipment by the City's Fleet Management Internal Service Fund during the fiscal year. SunTrust Equipment Finance and Leasing Corporation provided the financing at a fixed interest rate of 3.21 percent. The note calls for an annual principal repayment of \$1.04 million on July 15th of each year, with interest due semi-annually on January 15 and July 15 of each year.

On June 27, 2008, the City entered into a \$6.9 million Public Utility Revenue Bond Financing Agreement with the Virginia Resources Authority, the Administrator for the Commonwealth of Virginia's Water Facilities Revolving Fund. Proceeds of this borrowing facility, Series 2008A Utility Revenue Bond, are being used to finance \$6.9 million of two capital improvement projects being undertaken by the City's wastewater utility. The City drew an initial amount of \$501,888 under this agreement as of June 30, 2008. The remaining available proceeds are expected to be drawn as the projects progress during the next 18 months, at which time the amortization of the debt will begin. The revenue 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 and interest payments on this debt are expected to begin in July 2009 and will be due thereafter each January 15 and July 15 through January 15, 2029. Interest on the bonds will be payable semi-annually at a 3.0 percent interest rate.

On June 29, 2006, the City entered into an \$11 million Public Utility Revenue Bond Financing Agreement with the Virginia Resources Authority. Proceeds of this borrowing, the City's Series 2006 Utility Revenue Bond, financed \$11.0 million of improvements to the City's Wastewater Treatment Plant. During the 2008 fiscal year, the City drew the final \$1,567,879 available under this agreement, bringing the total amount of draws on this facility to the full \$11 million as of June 30, 2008. The revenue 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 and interest payments on this debt are scheduled to begin in July 15, 2008 and will be due each January 15 and July 15 through January 15, 2028. Interest on the bonds will be payable semi-annually at a 3.1 percent interest rate.

On December 20, 2006 the City established a \$150 million Bond Anticipation Commercial Paper Note facility to provide interim financing for certain capital improvement projects of the City. As of June 30, 2008, the City has issued \$500,000 of Commercial Paper Notes under this facility. The Notes are being issued and remarketed under a Commercial Paper Dealer Agreement dated December 1, 2006 between the City of Richmond and Banc of America Securities, LLC. The Notes are supported by a Standby Note Purchase Agreement (liquidity facility) between the City and Bank of America. During the year ended June 30, 2008, the City paid interest on the outstanding balance of the notes at interest rates ranging from 1.6 percent to 3.8 percent.

Long-Term Financial Planning

In conjunction with the adoption of an annual operating budget in May of each year, the Mayor presents and the Council adopts a five-year Capital Improvement Plan (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 2009 through 2013 capital budget includes the Mayor's City of the Future Plan, a program involving significant capital investments by the City in new and remodeled schools, parks, transportation and cultural facilities. The five-year capital budget includes \$380,530,260 of general-purpose projects funded largely by the issuance of general obligation bonds. The remaining funding of general-purpose projects comes from state and federal grants and other external sources of reimbursement. The adopted 2009-2013 CIP also includes \$524,491,725 of public utility capital projects to be funded from a combination of grant funding, internally generated utility cash, and the issuance of utility revenue bonds.

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 General Fund operating budget. In addition, an established policy requires debt structuring, such that 60 percent 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.

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 U.S. Generally Accepted Accounting Principles (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. Sections 6.10 and 6.11 of the City Charter specify the required Council actions relative to the budget. In general, the Council shall adopt budgets in which the total of expenditures are less than or equal to estimated revenues. Furthermore, not later than the thirty-first day of May, the Council shall adopt the budget and any such ordinances providing for additional revenues as may be necessary to put the budget in balance. 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 may be canceled at year's end, while open purchase orders and contract encumbrances may be 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.)

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 to the City of Richmond for its comprehensive annual financial report for the fiscal year ended June 30, 2007. This was the 24th consecutive year in which 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.

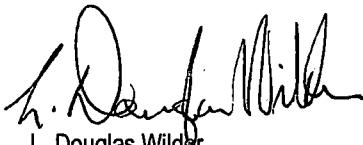
A certificate of achievement is valid for a period of one year only. The City believes that the current comprehensive annual financial report continues to meet the certificate of achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

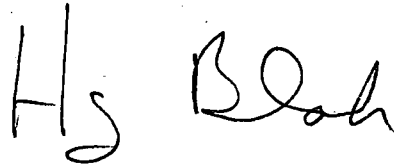
The preparation of the CAFR was made possible by the dedicated service of the entire staff of the Controller's Division of the Finance Department. All individuals who assisted in this effort have our sincere appreciation for the contributions made in the preparation of this report.

Appreciation is also expressed to the 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,



L. Douglas Wilder
Mayor



Harry E. Black
Deputy Chief Administrative Officer and
Chief Financial Officer and Director of Finance



City of Richmond



L. DOUGLAS WILDER
MAYOR

"SIC ITUR AD ASTRA"
SUCH IS THE WAY TO THE STARS

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, 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. 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 judgments. 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 is responsible for establishing and maintaining a system of internal controls 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 should provide for appropriate division of responsibility that 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. 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 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.

L. Douglas Wilder
Mayor

Harry E. Black
Chief Financial Officer and Director of Finance





CITY OF RICHMOND
CITY AUDITOR

November 18, 2008

**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, 2008 were Barry C. Faison, CPA, Chairman; George E. Calvert, Jr. Vice Chairman; Joseph R. Jenkins, CPA; the Honorable Ellen F. Robertson and the Honorable William J. Pantele. The Committee held five meetings during the fiscal year ended June 30, 2008.

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's Chief Financial Officer and 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 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 public accountants the overall scope and specific plans for their respective audits. The Committee also discussed the City's Comprehensive Annual Financial Report (CAFR) and the adequacy of the City's internal controls. During the year, the Committee also monitored the contract with the independent certified public 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. The Committee has been informed of a financial reporting internal control deficiency related to the year-end financial reporting closing process. Additionally, the Committee has been informed of the corrective actions planned by management to improve the financial reporting internal control environment and will be monitoring the progress of the plan.

A handwritten signature in black ink, appearing to read "Barry C. Faison", is written over a horizontal line.

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, 2007**

**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.**



Oliver S. Cox

President

Jeffrey R. Emswiler

Executive Director



CITY OF RICHMOND, VIRGINIA

STRONG MAYOR - COUNCIL FORM OF GOVERNMENT

June 30, 2008

CITY MAYOR

L. Douglas Wilder

CHIEF ADMINISTRATIVE OFFICER

Sheila-Hill Christian

CITY COUNCIL

William J. Pantele – President
Delores L. McQuinn – Vice President
Douglas G. Conner, Jr.
Kathy C. Graziano
Chris A. Hilbert

E. Martin Jewell
Ellen F. Robertson
Reva M. Trammell
Bruce W. Tyler

CITY AUDITOR

Umesh V. Dalal, CPA, CIA, CA

CITY ATTORNEY

Norman Sales, Esquire

INTERIM SUPERINTENDENT OF SCHOOLS

Dr. Yvonne Brandon

DEPARTMENT OF FINANCE

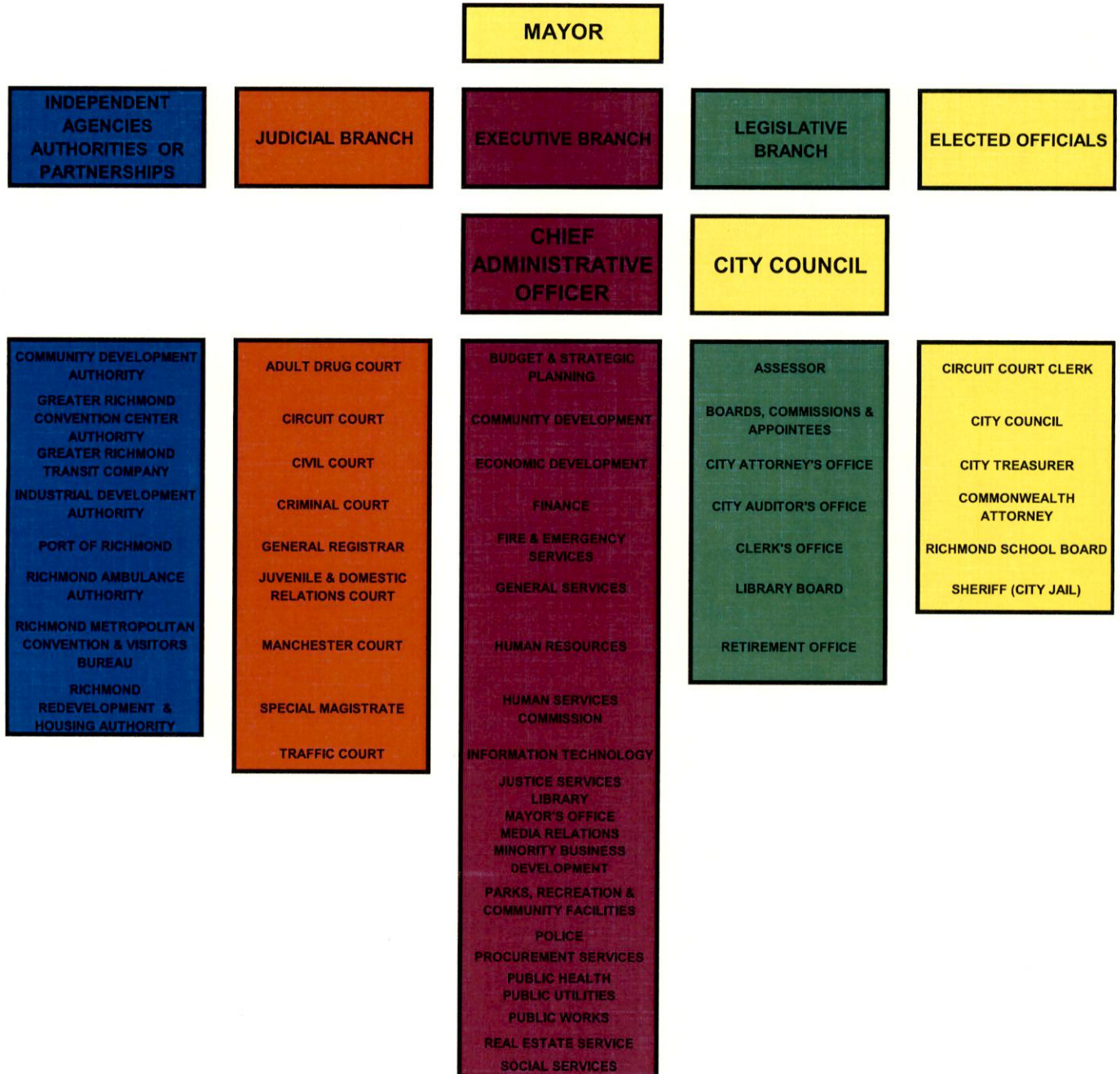
Harry E. Black, *Deputy Chief Administrative Officer and Chief Financial Officer and Director of Finance*
Michael W. Terry, *Deputy Director of Finance and Acting City Controller*

INDEPENDENT AUDITORS

KPMG LLP



CITY OF RICHMOND ORGANIZATION OF LOCAL GOVERNMENT







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

Independent Auditors' Report

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

The Honorable Mayor of the
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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic 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 Behavioral Health Authority and the Richmond Redevelopment and Housing Authority, which represent 57.32%, 23.14% and 88.99%, respectively, of the total assets, revenues, and net assets 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 insofar as they relate to the amounts included for the Richmond Behavioral Health Authority and the Richmond Redevelopment and Housing Authority are 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 basic financial statements are free of material misstatement. The financial statements of the Broad Street Community Development Authority and the Richmond Ambulance Authority discretely presented component units were not audited in accordance with *Government Auditing Standards*. 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.



As reflected in the notes to the basic financial statements, the City adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB) and Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and 27*, effective July 1, 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2008 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 4 through 20, the budgetary comparison schedules on pages 85 through 90, and certain funding progress information in note 12 on page 77, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. 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 of Richmond's basic financial statements. The Introductory Section, Statistical Section and Supplementary Information – Combining Financial Statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Supplementary Information – Combining Financial Statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole. The Introductory and Statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

November 18, 2008





**CITY OF RICHMOND, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2008**

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.

Financial Highlights

Government-wide Financial Statements

- At the close of the fiscal year, the assets of the City exceeded its liabilities by \$759.9 million. Of this amount, \$124.0 million (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, 2008 with \$394.3 million in net assets, an increase of \$11.6 million in comparison with the prior year. A total of \$78.0 million of net assets is reported as unrestricted. The increase in Business-type Activities net assets is due to revenues exceeding expenses by \$35.9 million, offset by \$24.3 million of transfers to Governmental Activities.
- As of the close of the current fiscal year, the City's Governmental Activities reported net assets of \$365.6 million, an increase of \$47.4 million. A total of \$46.0 million of net assets is reported as unrestricted.

Fund Financial Statements

- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$97.4 million, a decrease of \$22.1 million. Fifty nine percent of this total amount, \$47.6 million, is available for spending at the government's discretion (unreserved fund balance). City governmental funds had a decrease in fund balance mainly as a result of additional spending for Department of Social Services and various capital projects.

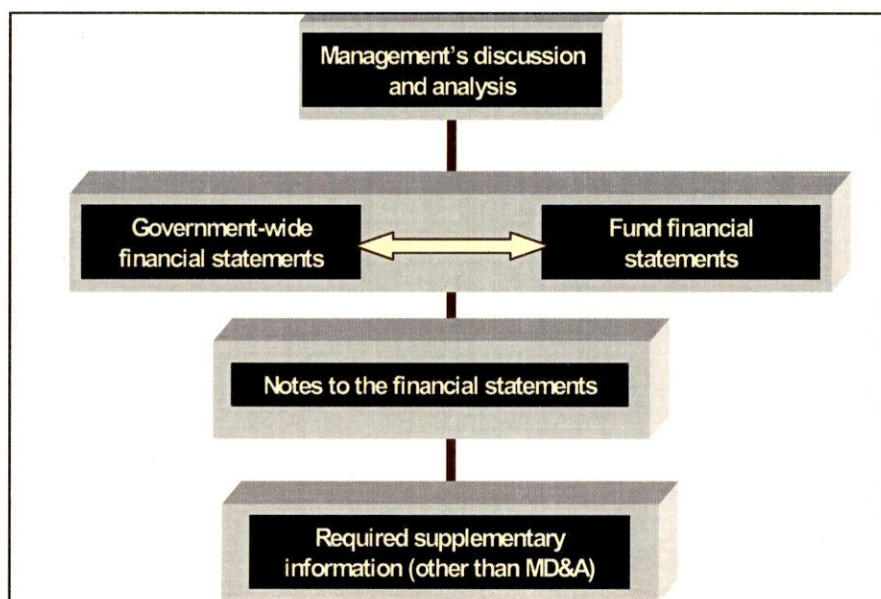
Debt Offering

- The City's total debt, excluding premiums and compensated absences, decreased by approximately \$50.4 million (rounded) (4.6%) during the fiscal year ending June 30, 2008 due to repayment of outstanding debt.
- The City issued a \$5.2 million five-year Note to finance the purchase of vehicles and equipment by the City's Fleet Management Internal Service Fund.
- The City also established a \$6.9 million Utility Revenue Bond financing agreement with the Virginia Resources Authority to finance two Wastewater Utility capital projects. During fiscal year 2008, the City drew down a total of \$501,891 on the Bond.
- Commonwealth of Virginia statutes limit the amount of General Obligation debt a government may issue to 10% of the municipality's total taxable real estate valuation. At June 30, 2008, the City had a legal debt limit of \$2,060,991,864 and a remaining legal debt margin for issuing additional debt of \$1,468,366,839. The City has other self imposed debt management policies which are discussed in the Statistical section of this report
- Additional detailed information on the City's long-term debt can be found in Note 8 beginning on page 66 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, 2008. 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 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.

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 Governmental 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.

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 seven Internal Service Funds: 1) Fleet Management, 2) Radio Maintenance, 3) Risk Management, 4) Public Works Stores, 5) Electric Utility, 6) Stores and Transportation and 7) Advantage Richmond Corporation. 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.

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) occurs because of the need to redistribute excess income/loss for the Stores Internal Service Fund that serves only the Gas, Water, Wastewater, and Electric Utilities.

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.

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 and other post employment benefits (OPEB) to its employees. Required supplementary information can be found on page 88 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.

Government-wide Financial Analysis

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$759.9 million at the June 30, 2008. This is a \$59.0 million increase over the previous year. For governmental activities, net assets increased by \$47.4 million. Current and other assets are up \$23.5 million over the past year mainly due to Cash and Restricted Assets-Cash and Investments increasing \$24.1 million. Governmental Activities Capital Assets, Net, are up \$17.7 million from the prior year. For the Business-type Activities, current and other assets are down \$44.3 million mainly due to Cash and Restricted Assets-Cash and Investments decreasing \$62.8 million compared to last fiscal year due to an increase of \$30.8 million in capital asset spending and a reduction of \$21.5 million in long-term debt outstanding. For Business-type Activities, Capital Assets are up \$30.8 million, mainly due to new asset additions for the Department of Public Utilities.

The largest portion of the City's Total Net Assets (81.0%) reflects its investment in capital assets (e.g. land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets that are 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 (2.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted net assets (17.0%), which may be used to meet the City'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, 2008 and 2007
(In Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Current and Other Assets	\$ 264.3	\$ 240.8	\$ 249.3	\$ 293.6	\$ 513.5	\$ 534.4
Capital Assets, Net	<u>696.3</u>	<u>678.6</u>	<u>922.4</u>	<u>891.6</u>	<u>1,618.7</u>	<u>1,570.2</u>
Total Assets	<u>\$ 960.6</u>	<u>\$ 919.4</u>	<u>\$ 1,171.7</u>	<u>\$ 1,185.2</u>	<u>\$ 2,132.3</u>	<u>\$ 2,104.6</u>
Current and Other Liabilities	\$ 162.2	\$ 135.3	\$ 145.6	\$ 149.3	\$ 307.8	\$ 284.6
Long-Term Debt Outstanding	<u>432.8</u>	<u>465.9</u>	<u>631.8</u>	<u>653.3</u>	<u>1,064.6</u>	<u>1,119.2</u>
Total Liabilities	<u>595.0</u>	<u>601.2</u>	<u>777.4</u>	<u>802.6</u>	<u>1,372.4</u>	<u>1,403.8</u>
Net Assets:						
Invested in Capital Assets, Net of						
Related Debt	304.6	276.8	316.3	302.8	620.9	579.6
Restricted	15.0	15.0	—	—	15.0	15.0
Unrestricted	<u>46.0</u>	<u>26.4</u>	<u>78.0</u>	<u>79.8</u>	<u>124.0</u>	<u>106.2</u>
Total Net Assets	<u>\$ 365.6</u>	<u>\$ 318.2</u>	<u>\$ 394.3</u>	<u>\$ 382.6</u>	<u>\$ 759.9</u>	<u>\$ 700.8</u>

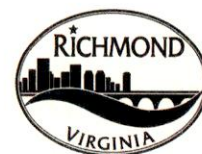


Table 2
City of Richmond's Schedule of Activities
For the Fiscal Year Ended June 30, 2008 and 2007
(In Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for Services	\$ 74.8	\$ 75.5	\$ 338.4	\$ 334.5	\$ 413.2	\$ 410.0
Operating Grants and Contributions	169.1	159.2	8.0	4.8	177.1	164.0
Capital Grants and Contributions	12.6	18.9	--	--	12.6	18.9
General Revenues:						
Property Taxes	280.6	253.6	--	--	280.6	253.6
Intergovernmental	.2	--	--	--	.2	--
Other Taxes	170.5	155.6	--	--	170.5	155.6
Investment Income	2.1	2.4	4.6	5.6	6.7	8.0
Miscellaneous	2.2	30.6	4.9	4.6	7.1	35.2
Total Revenues	711.9	695.8	355.8	349.5	1,067.8	1,045.3
Expenses:						
Primary Government:						
General Government	82.1	108.4	--	--	82.1	108.4
Public Safety and Judiciary	170.5	175.2	--	--	170.5	175.2
Highway, Street, Sanitation, and Refuse	90.8	72.7	--	--	90.8	72.7
Human Services	110.4	95.3	--	--	110.4	95.3
Culture and Recreation	41.0	24.3	--	--	41.0	24.3
Education	158.9	166.0	--	--	158.9	166.0
Transportation	10.5	9.4	--	--	10.5	9.4
Interest and Fiscal Charges	25.0	42.1	--	--	25.0	42.1
Business-type Activities	-	--	319.9	321.2	319.9	321.2
Total Expenses	689.2	693.4	319.9	321.2	1,009.1	1,014.6
Increase in Net Assets Before Transfers and Extraordinary Item						
	22.8	2.4	35.9	28.3	58.7	30.7
Transfers	24.3	20.9	(24.3)	(20.9)	--	--
Extraordinary Item - Disaster Costs, Net	.3	(0.4)	--	--	.3	(0.4)
Changes in Net Assets	47.4	22.9	11.6	7.4	59.0	30.3
Net Assets, Beginning of Year	318.2	295.3	382.7	375.2	700.8	670.5
Net Assets, End of Year	\$ 365.6	\$ 318.2	\$ 394.3	\$ 382.6	\$ 759.9	\$ 700.8

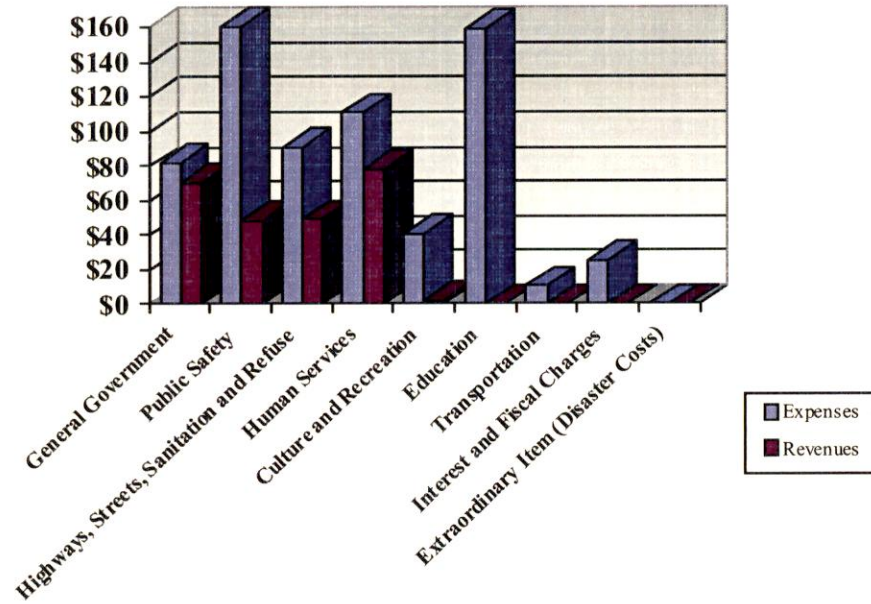
Governmental Activities

Governmental Activities increased the City's net assets by \$47.4 million. Revenues from Governmental Activities, including transfers, was \$736.2 million for fiscal year 2008, with property taxes (38%), other local taxes (23%), and operating grants (23%) being the major revenue sources contributing over \$620.2 million of the City's revenues. Expenses, including net extraordinary disaster costs, for Governmental Activities were \$689.5 million for fiscal year 2008, of which 37 percent was supported from program revenues and 63 percent from general revenues. Expenses for Public Safety (25%), Education (23%), General

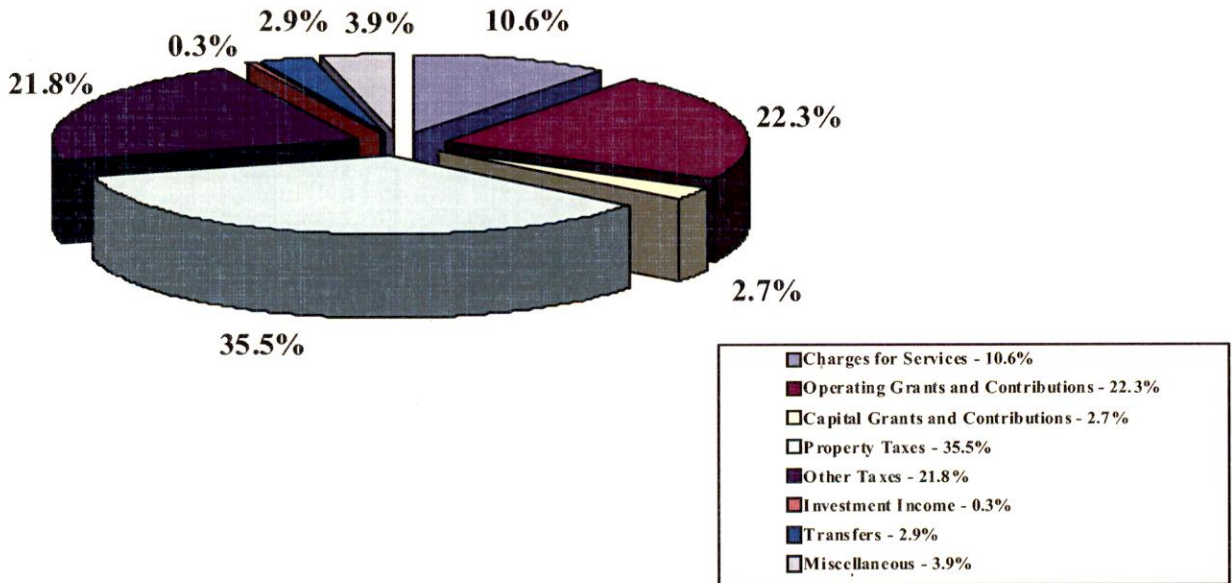


Government (12%), Human Services (16%), and Highways, Streets, Sanitation, and Refuse (13%) make up eighty-nine percent of the total governmental expenses.

Expenses and Program Revenues – Governmental Activities (In Millions)



Revenues by Source – Governmental Activities





Revenues from Governmental Activities, including transfers, increased by \$19.5 million from prior year. Some of the key factors were:

- Charges for services were approximately equal to prior year.
- Property taxes increased by \$27.0 million primarily as a result of a 7.5% increase in total assessed property values.
- Other increases/decreases were noted as follows:
 1. Capital grants and contributions decreased by \$6.3 million, primarily due to a reduction in grants for General Government and Public Safety.
 2. Intergovernmental revenues increased by \$0.2 million.
 3. Operating Grants and contributions increased by \$9.9 million, primarily due to revenues received for General Government, Public Safety, and Human Services.

Expenses for governmental activities decreased by \$4.2 million from prior year. Some of the key factors were:

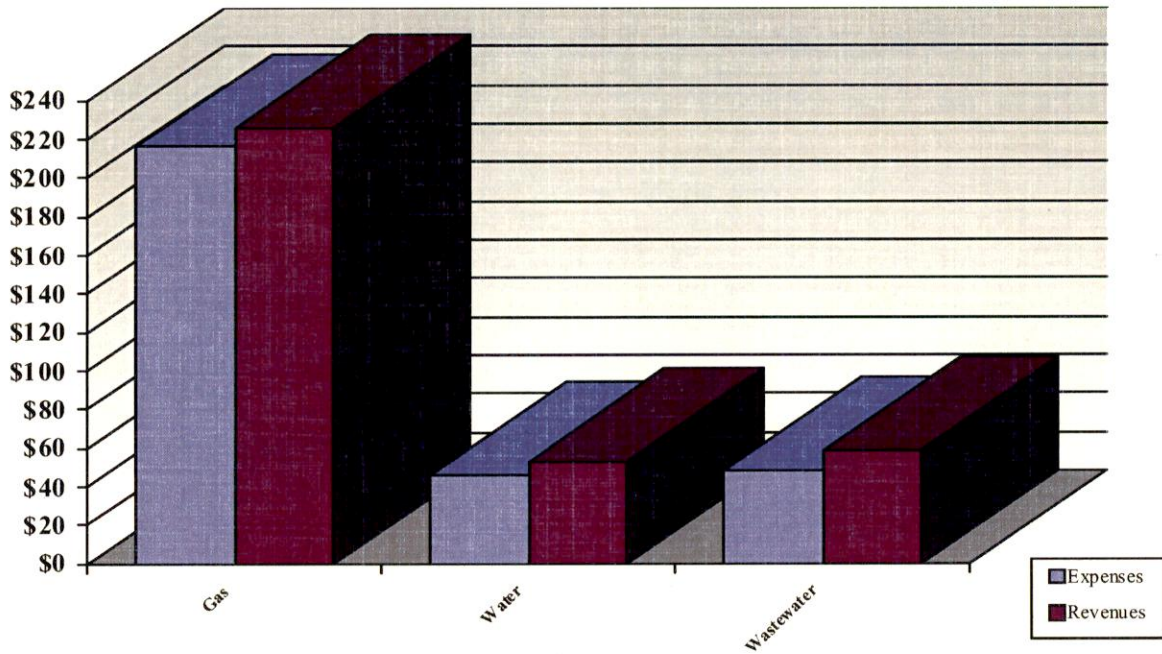
1. Public Safety and Judiciary expenses decreased \$4.7 million, primarily due to transferring Juvenile Justice Service to Human Services.
2. General Government expenses decreased \$26.3 million, primarily due to certain reclassification within the functional categories and a reduction in spending.
3. Education expenses decreased by \$7.1 million, primarily due to operations for schools.
4. Human Services increased \$15.1 million partially due to the transfer of Juvenile Justice Services.
5. Highway, Streets, Sanitation and Refuse increased \$18.1 million partially due to departmental transfers.
6. Interest and fiscal charges decreased \$17.1 million from prior year.

Business-type Activities

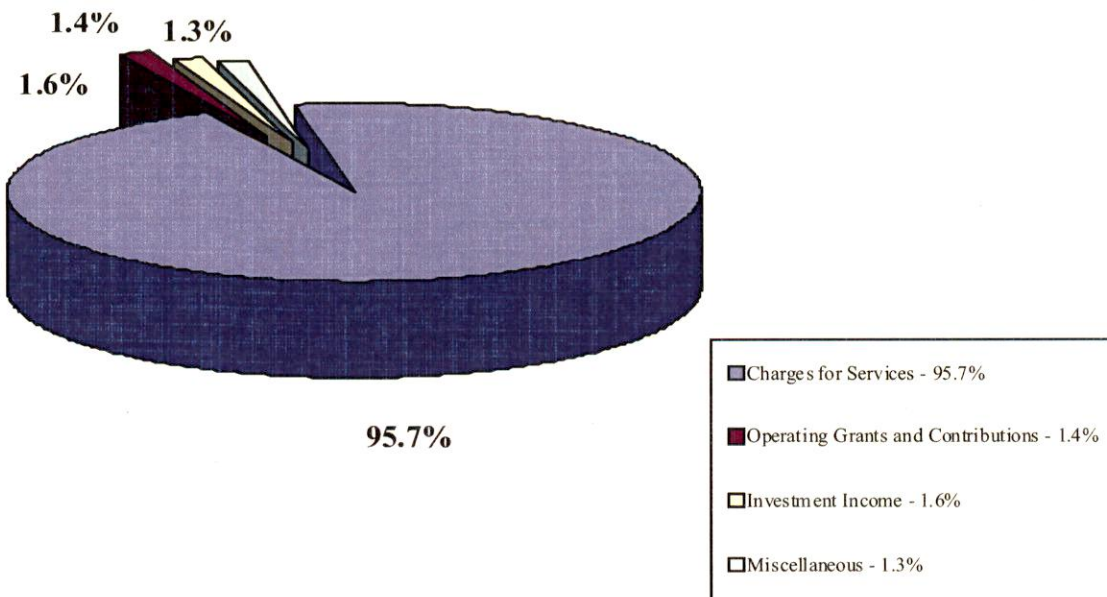
Business-type activities increased the City's government wide net assets by \$11.6 million. At June 30, 2008, total Business-type net assets were \$394.3 million with \$78.0 million being unrestricted. Revenues totaled \$355.8 million of which 95.1% percent is from charges for services (program revenue). Total expenses were \$319.9 million and transfers out were \$24.3 million. Charges for Services Revenue were up \$3.9 million and Business-type activities expenses decreased \$1.3 million from the prior fiscal year. Thus, the Change of Net Assets prior to transfers was \$35.9 million and reflected an increase of \$7.6 million from prior year. After transfers, the total change in Net Assets for Business-type Activities was \$11.6 million. Additional discussions of the Utility Enterprise Funds (which make up the majority of Business-type Activities) is found on page 14.



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 governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City 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 governmental funds reported combined ending fund balances of \$97.4 million, a decrease of \$22.1 million in comparison with the prior year. Forty nine percent (\$47.6 million) constituted unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance (\$49.8 million) 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 (\$16.9 million), 2) to pay debt service (\$1.2 million), 3) capital projects (\$23.7 million), or (4) a variety of restricted projects (\$8.0).

The General Fund is the chief operating fund of the City and as of June 30, 2008, the unreserved fund balance in the general fund was \$47.6 million and the total fund balance was \$64.5 million. 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 8.2 percent of the total General Fund expenditures, while total fund balance represents 11.1 percent of that same amount. When transfers out are added to expenditures, the unreserved fund balance represents 7.2 percent of expenditures plus transfers, while the total fund represents 10.0 percent of this amount. Transfers out to other funds (\$72.4 million) primarily include General Fund support of Debt Service (\$58.1 million) and Grant Revenue (\$15.8 million).

The City's General Fund revenue increased to \$648.4 million in fiscal year 2008 (see Exhibit D), compared to \$624.5 million in fiscal year 2007. This represents a net increase of \$23.9 million. Some of the key factors were:

- Real estate tax collections increased by \$8.6 million, due to an increase in taxable assessed values and collection percentage partially offset by a reduction in the tax rate from \$1.23 per \$100 assessed value to \$1.20.
- Utilities Sales Tax increased \$5.5 million in fiscal year 2008.
- Sales Taxes for Education represented \$27.0 million in revenue in fiscal year 2008. This revenue does not support expenditures of the General Government; the revenue is used to support expenditures of the Richmond Public Schools.
- Delinquent Tax Collections increased \$7.8 million over prior year, through enhanced collection process.
- Lodging taxes represented \$6.0 million in revenue in fiscal year 2008.

The City's General Fund expenditures, excluding transfers, increased to \$582.6 million in fiscal year 2008 (see Exhibit D), compared to \$571.7 million in fiscal year 2007. This represents a net increase of \$10.9 million. Some of the key factors were:

- Education spending was \$158.9 million a decrease of \$1.1 million from 2007.
- Public safety spending decreased by \$5.0 million, primarily due to transferring Juvenile Justice Services to Human Services.
- General government spending increased by \$2.9 million, due to increased spending for Community Development and Department of Information Technology to upgrade systems.
- Public Works spending decreased by \$1.3 million.
- Human Services spending increased by \$4.4 million, primarily due to transferring Juvenile Justice into the department.
- Non-Departmental spending increased by \$10.0 million, primarily due to increased payment to Other Governmental Agencies and more tax relief for the elderly.

The Debt Service Fund has a total fund balance of \$1.2 million which is reserved for payment of debt service requirements. Total Long-Term Debt outstanding, which includes premiums on debt, decreased by \$54.6 million as compared to last year on a government-wide basis.



The Capital Projects Funds have a total fund balance of \$23.7 million, all of which is reserved for capital projects. The net decrease in fund balance during the current year in the Capital Projects funds was \$23.5 million due to increase of capital spending during the current year.

Utility Proprietary Fund

The City of Richmond's Department of Public Utilities (DPU) overall financial results increased by 25% when compared to the prior year. This increase is primarily due to a reduction of amortization of debt expense when compared to the prior year. Together, our customer base increase's as well as the continued strengthening of our leveraged position, which allowed the City to maintain its high bond rating.

In 2007-08, operating income saw a decrease of \$3.7 million or 10% from the prior year. Combined operating revenues increased \$0.8 million or .5% (net of gas purchases), but this was offset by an increase in total operating expenses of \$4.5 million or 3.4% (net of gas costs). (NOTE: the cost of purchased gas is recovered dollar for dollar through the purchased gas adjustment (PGA); therefore, changes in the cost of gas from year to year do not impact net income.)

Gas revenues (net of gas purchases) decreased \$2.0 million or 3.1% during the fiscal year 2008. This was due primarily to a decrease in sales volume 2.0%. In addition, operating expenses increased from the prior year by \$1.7 million or 3.7%. Most of this increase was related to a \$0.8 million increase in payroll expenses and a \$0.8 million increase in maintenance and repairs.

Water revenues increased \$1.6 million or 3.3% during the fiscal year 2008. This increase was attributable to a rate increase of 6.0%. Water also saw an increase in operating expense's from the prior year of \$2.1 million or 5.5%. This increase is primarily related to a \$1 million increase in chemicals and \$0.6 million increase in power cost.

Wastewater revenues increased \$1.2 million or 2.3% during fiscal year 2008. This increase was mainly due to a rate increase of 5.5%. Wastewater saw an increase in operating expenses from the prior year of \$0.6 million or 1.3%.

General Fund Budgetary Highlights

Differences between original and final amended budgets are the result of an increase of \$11.0 million in additional appropriations. Of this increase, \$10.1 million was funded from FY 2007 appropriations for obligations incurred in FY 2007 with final payments in FY 2008. Other miscellaneous revenue increases of \$0.9 million were due to various state- and grant-related revenue increases and fund balance re-appropriations.

The increases to the City agencies appropriations are indicated below.

General Government	\$ 4,142,861
Public Safety and Judiciary	802,836
Highways, Streets, Sanitation and Refuse	489,353
Human Services	931,823
Culture and Recreation	212,968
Non-Departmental	4,419,917
	<u>\$ 10,999,758</u>



Table 3
City of Richmond's Budgetary Comparison
General Fund
For the Fiscal Year Ended June 30, 2008 and 2007
(In Millions)

	Original Budget		Amended Budget		Actual		Positive (Negative) Variance	
	2008	2007	2008	2007	2008	2007	2008	2007
Revenues:								
Property Taxes	\$ 262.9	\$ 244.6	\$ 262.9	\$ 244.6	\$ 265.0	\$ 253.9	\$ 2.2	\$ 9.3
Other Taxes	153.6	152.3	153.6	152.3	170.6	155.5	17.1	3.2
Intergovernmental	124.4	119.3	124.8	120.5	120.0	119.3	(4.8)	(1.2)
Investment Income	--	0.1	--	0.1	--	--	.0	(0.1)
Miscellaneous	92.8	92.4	93.2	92.4	92.7	95.7	(4)	3.3
Other Financing Sources	<u>5.6</u>	<u>8.9</u>	<u>5.6</u>	<u>8.9</u>	<u>7.8</u>	<u>5.7</u>	<u>2.2</u>	<u>(3.2)</u>
Total Revenues and Other Financing Sources	<u>\$ 639.2</u>	<u>\$ 617.6</u>	<u>\$ 640.0</u>	<u>\$ 618.8</u>	<u>\$ 656.1</u>	<u>\$ 630.1</u>	<u>\$ 16.2</u>	<u>\$ 11.3</u>
Expenses:								
General Government	\$ 58.9	\$ 54.6	\$ 63.1	\$ 62.2	\$ 62.8	\$ 59.9	\$.3	\$ 2.3
Public Safety and Judiciary	150.6	150.6	151.4	152.2	156.0	161.0	(4.6)	(8.8)
Highway, Street, Sanitation, and Refuse	60.0	57.8	60.4	60.1	60.2	61.5	.2	(1.4)
Human Services	80.8	70.4	81.7	71.4	72.6	68.2	9.2	3.2
Culture and Recreation	20.0	19.4	20.2	19.7	20.9	20.0	(.7)	(0.3)
Education	160.0	161.3	160.0	161.3	158.9	159.9	1.1	1.4
Non-Departmental	50.1	43.1	54.6	46.0	51.3	41.2	3.3	4.8
Other Financing Uses	<u>58.8</u>	<u>60.4</u>	<u>58.8</u>	<u>60.4</u>	<u>72.4</u>	<u>56.6</u>	<u>(13.6)</u>	<u>3.8</u>
Total Expenses and Other Financing Sources	<u>\$ 639.2</u>	<u>\$ 617.6</u>	<u>\$ 650.2</u>	<u>\$ 633.3</u>	<u>\$ 655.0</u>	<u>\$ 628.3</u>	<u>\$ (4.8)</u>	<u>\$ 5.0</u>

The City's General Fund revenues and other financing sources were above the amended budgeted appropriations by \$16.2 million (rounded) (See Exhibit H-1). Some of the key factors were:

- City taxes were above budget estimates by \$19.3 million. This is primarily the result of additional Delinquent Tax Payments (\$9.4 million), General Utility Sales (\$4.0 million), Real Estate taxes (\$1.8 million) and Prepared Food taxes (\$2.0 million).
- Licenses, Permits, and Privilege Fees were above estimates by \$0.8 million. This is primarily the result of Transfers, Penalties, Interest & Delinquent Collections being \$1.4 million higher than budget.
- Intergovernmental revenues were below budget estimates by \$4.8 million. This is primarily the result of Social Services revenues being less than budget by \$3.7 million.
- Service Charges were above budget estimates by \$0.4 million. This is primarily a result of Department of Finance fees (\$0.5 million) and Public Works fees (\$0.4 million).
- Fines and Forfeitures were below budget estimates by \$0.7 million primarily due to a decline in Circuit Court fines and fees.

The City's General Fund expenditures and other financing uses were under the amended budgeted appropriations by \$(4.8) million. (See Exhibit H-1). Some of the key factors were:



- General Government expenditures were lower than planned by \$0.3 million. City Audit expenditures were less than budgeted by \$836,000 due to the timing of several expenditures. Budgeted funds for an audit contract were unexpended because the cost was able to be expended just prior to the close of FY 2007. In addition, FY 2008 funds budgeted for a Schools staffing study, a policy study, and to purchase audit software were not expended (\$420,000). Other savings in the City Auditor were due to vacancies and various operating costs. In the Department of Real Estate Services, \$735,000 in savings was due to additional funds that were appropriated but not totally expended for property acquisitions that were necessitated after Tropical Storm Gaston. Conversely, the Department of Information Technology incurred additional costs (\$1.8 million) due to unanticipated equipment purchases related to hardware and network failures (\$680,000) and the need to utilize additional contract personnel to fill vacancies in a very tight IT job market (\$830,000). When DIT was able to permanently fill some vacancies, the salaries exceeded the budgeted costs (\$290,000). This was also attributed to the demanding IT job market. The net variances among the remaining general government agencies resulted in under expenditures of \$0.52 million versus the amended budget. Generally, agency savings were the result of a combination of personnel savings as well as operating efficiencies and savings due to programmatic changes or delays in purchases.
- Public Safety and Judiciary expenditures exceeded the budget by \$4.6 million. The overages were notable in the Department of Police budget (\$5.1 million) primarily due to overtime costs and officer vacancies being filled sooner than anticipated with the budget. The Fire Department expenditures exceeded budget (\$828,000), primarily due to overtime required to maintain minimal staffing levels. Savings were recognized in the City Sheriff and Jail budget (\$1 million) due to cost control with inmate medical and other contract and professional services.
- Human Services expenditures were lower than planned by \$9.2 million. This is due to a budget in excess of \$8.3 million of expenditures for the Department of Social Services and \$558,396 for Public Health. Social Services were under budget primarily due to vacancies and other expenditures that were allocated to grants and other special revenue subsidies. It should be noted that there was also companion revenue offset in State reimbursements.
- The Richmond Public Schools budget allocation was under expended by \$1.1 million. This was directly due to a shortfall in State Share Sales Tax coming from the Commonwealth of Virginia.
- Non-Departmental expenditures were lower than planned by \$3.3 million. This is primarily due to a \$2.0 million economic incentive match payment that ultimately will not be paid until FY 2009 because of construction timing. Also, payments for Tax Relief for the Elderly and Disabled were \$710,000 less than budget. Other savings were noted in Retiree Healthcare costs.
- Transfers In/Out – Other Funds, net, were higher than planned by \$9.4 million. This is as a result of transfers from the General Fund to Special Revenue funds. The majority of the transfers were planned expenditures.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2008, the City's investment in capital assets for governmental and business type activities amounted to \$1.6 billion (net of accumulated depreciation). Included in the capital assets investments are land, buildings and system improvements, machinery and equipment, works of art/historical treasures, improvements other than buildings, park facilities, roads, sidewalks, highways, and bridges.

The total increase in the City's investment in capital assets, net of depreciation, for the current fiscal year was approximately \$48.5 million.

Some of the major capital asset expenditures during the year 2008 included the following:

- Renovation of the Main Street Station Multi-Modal Center of \$2.6 million.



- Infrastructure improvements to City Hall of \$1.7 million.
- Renovation of the new Fourth Police Precinct Building of \$1.6 million.
- City owned building renovations of \$2.1 million.
- Planning, design and construction for a new courts facility of \$1.5 million.
- Renovations to Richmond Public School Buildings of \$3.4 million.
- Drainage improvements to Reedy Creek of \$1.9 million.

Table 4
City of Richmond's Capital Assets
For the Fiscal Year Ended June 30, 2008 and 2007
(In Millions)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Capital Assets Not Being Depreciated:						
Land and Land Improvements	\$ 34.6	\$ 30.7	\$ 12.8	\$ 12.8	\$ 47.4	\$ 43.5
Construction In Progress	62.5	38.2	176.6	155.3	239.1	193.5
Works of Art / Historical Treasures	6.9	6.9	--	--	6.9	6.9
Total Assets Not Being Depreciated	104.1	75.8	189.4	168.1	293.5	243.9
Capital Assets Being Depreciated:						
Infrastructure	726.2	716.1	--	--	726.2	716.1
Buildings and Structures	434.1	428.8	1,156.8	1,113.4	1,590.9	1,542.2
Equipment	103.9	104.3	6.3	9.2	110.2	113.5
Improvements Other Than Buildings	9.2	6.9	--	--	9.2	6.9
Total Other Assets	1,273.4	1,256.1	1,163.1	1,122.6	2,436.5	2,378.7
Less Accumulated Depreciation For:						
Infrastructure	411.0	397.3	--	--	411.0	397.3
Buildings and Structures	200.6	188.8	425.7	395.4	626.3	584.2
Equipment	67.8	65.9	4.3	3.7	72.1	69.6
Improvements Other Than Buildings	1.8	1.3	--	--	1.8	1.3
Total Accumulated Depreciation	681.2	653.3	430.1	399.1	1,111.2	1,052.4
Total Capital Assets Being Depreciated, Net	592.2	602.8	733.0	723.5	1,325.2	1,326.3
Total Capital Assets, Net	\$ 696.3	\$ 678.6	\$ 922.4	\$ 891.6	\$ 1,618.7	\$ 1,570.2

Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding, exclusive of compensated absences, of \$1,064,635,530, comprised primarily of General Obligation Bonds of \$580,215,025, Public Utility Revenue Bonds of \$406,325,632, Notes Payable of \$12,410,000, Certificates of Participation of \$15,510,000, a Lease Revenue Bond of \$10,981,807, and \$25,532,878 of long-term debt payable that is due to a component unit.



Table 5
City of Richmond's Long-Term Obligations
For the Fiscal Year Ended June 30, 2008

Primary Government - Governmental Activities

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year
General Obligation Bonds/BANs	\$ 384,042,675	\$ --	\$ 32,148,620	\$ 351,894,055	\$ 27,591,672
Premium on Debt Issued	11,821,700	--	762,900	\$ 11,058,800	762,902
Accreted Value - Capital Appreciation					
General Obligation Bonds	121,623	--	62,449	59,174	14,345
General Obligation Serial Equipment Notes Payable	4,200,000	5,200,000	1,400,000	8,000,000	2,440,000
Certificates of Participation	16,230,000	--	720,000	15,510,000	750,000
Commercial Paper Bond Anticipation Notes	500,000	--	--	500,000	--
Qualified Zone Academy Bonds	3,179,733	--	192,480	2,987,253	192,480
Virginia Public Schools Authority Bonds	2,597,288	--	224,935	2,372,353	227,025
Advantage Richmond Lease Revenue Bonds	11,555,580	--	573,773	10,981,807	604,708
Section 108 Notes Payable	4,465,000	--	555,000	3,910,000	555,000
Bond Anticipation Notes					
Note payable to Component Unit RRHA	27,152,878	--	1,620,000	25,532,878	1,695,000
Compensated Absences	13,911,175	2,593,150	967,457	15,536,868	10,641,973
Capital Leases	147,486	--	147,486	--	--
Total Long-Term Obligations	<u>\$ 479,925,138</u>	<u>\$ 7,793,150</u>	<u>\$ 7,226,480</u>	<u>\$ 448,343,188</u>	<u>\$ 45,475,105</u>

Primary Government - Business-type Activities

General Obligation Bonds:					
Gas	\$ 97,620,812	\$ --	\$ 4,516,535	\$ 93,104,277	\$ 5,570,707
Water	75,692,713	--	3,270,119	72,422,594	4,204,065
Wastewater	46,206,733	--	2,837,365	43,369,368	2,919,653
Other Non-major Enterprise Funds	15,059,885	--	1,221,241	13,838,644	1,229,172
Accreted Value - Capital Appreciation:					
Gas	852,531	--	437,740	414,791	100,553
Water	1,363,931	--	700,323	663,608	160,871
Wastewater	557,736	--	286,374	271,362	65,783
Revenue Bonds:					
Gas	142,078,970	--	2,930,673	139,148,297	2,039,065
Water	131,737,131	--	2,194,851	129,542,280	2,171,637
Wastewater	140,378,448	2,069,767	4,813,157	137,635,058	3,602,900
Capital Leases:					
Other Non-major Enterprise Funds	1,645,891	--	226,960	1,418,931	230,625
Compensated Absences:					
Gas	655,438	595,426	576,182	674,682	576,182
Water	559,050	444,656	428,242	575,464	428,242
Wastewater	578,327	465,584	448,604	595,307	448,604
Other Non-major Enterprise Funds	159,272	16,599	50,319	125,552	65,609
Total Long-Term Obligations	<u>\$ 655,146,868</u>	<u>\$ 3,592,032</u>	<u>\$ 24,938,685</u>	<u>\$ 633,800,215</u>	<u>\$ 23,813,668</u>

In November 2007, credit analysts from the three major bond-rating agencies met with the City prior to the issuance of the Series 2007 General Obligation Revenue Anticipation Notes. Moody's, Standard and Poor's, and Fitch Ratings all reaffirmed their respective General Obligation debt ratings of Aa3, AA, and AA for the City's outstanding and to be issued General Obligation debt. 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 and obligations under capital leases are payable from related General and Internal Service Fund revenues, respectively. The full faith and credit of the City pledges the payment of notes payable. The Revenue Bonds are limited obligations of the City, payable solely from certain revenues derived by the City from its natural gas, water, and wastewater utilities, and Internal Service Funds pledged for their repayment under the terms of a Master Indenture.

During the 2008 fiscal year, the City issued the following debt:

- \$65.0 million of General Obligation Revenue Anticipation Notes - Series 2007 to finance seasonal operations due to the timing of tax collections.
- \$5.2 million of General Obligation Notes to finance vehicles and equipment.
- \$6.9 million Public Utility Revenue Bonds – Series 2008 to finance two capital improvement projects to the City's Wastewater Utility, but only drew down \$0.5 million on the Series 2008 bond.

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

Additional detailed information on the City's long-term debt can be found in Note 8 beginning on page 66 of this report.

Economic Factors and Next Year's Budget Rates

In preparing the biennial fiscal plan for FY2008, the City faced a number of increased demands for resources, most notably a need to diminish the unfunded liability for retirement costs, an increased need for Public Safety (particularly in Police), Public Works, infrastructure maintenance, and economic development initiatives. To address these needs without a planned increase in the real estate tax rate, a number of cost efficiencies are planned.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*, (GASB 45) addresses how state and local governments should account for and report their costs and obligations related to Other Postemployment Benefits (OPEB). GASB 45 generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB costs for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. GAAP requires disclosure of the annual OPEB costs, not actual funding of the costs. Under GAAP, based on an actuarial valuation, an annual required contribution ("ARC") has been determined for the City. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) and (b) amortization of the unfunded liability (benefits already earned by current and future employees but not yet provided for), using an amortization period of not more than 30 years. If the City contributes an amount less than the ARC, a net incremental OPEB obligation will result, which is required to be recorded as a liability in its financial statements. GAAP does not require that the unfunded liabilities actually be funded, only that employers account for unfunded accrued liability and compliance in reporting the ARC. Actuarial valuations will be required every two years for the City. The City has engaged a consultant to assist in estimating its costs and actuarial unfunded OPEB liabilities (for all beneficiaries, including retirees of the City government) based on existing plan benefits and certain assumptions. These assumptions include: (i) 4.0% discount rate, (ii) 30 year amortization period, (iii) various increases in medical trend rates, (iv) demographic assumptions as to mortality, disability, turnover and retirement, (v) all active employees and retirees currently opting out of the health insurance coverage are assumed to continue this election, (vi) an assumption that, effective July 1, 2007, the City ended its Medicare eligible program and with no new entrants entering into its greater than 65 year old program. Also, the City assumes that a small portion of employees will be grandfathered in under the old plan, (vii) that once a retiree reaches age 65, they will no longer be eligible for coverage, (viii) rates are blended at 100% for retirees less than age 65, (ix) current City employees who retire after July 1, 2007 will not enter into a City contribution formula, (x) and future retirees would be given a Retiree Health Savings accounts funded while they are active employees with no City funds for healthcare provided after they retire.



While the ongoing analysis is being reviewed by the City, the actuarial report provides current estimates for the actuarial OPEB liability of approximately \$76 million and ARC of approximately \$4.6 million. This analysis shows a decrease in the liability from \$194.5 million and is subject to further review and adjustment based in part on further examination of the relevant assumptions, funding approaches and measures which the City may consider to manage plan benefits, addressing Medicare Part D alternatives, and ongoing changes in health care costs and the delivery of health care services. The City expects that as this process continues, estimates of its actuarial unfunded OPEB liability may vary substantially based in part on costs and assumptions used over which the City may have limited or no control. From time to time, the City may consider the legal and economic feasibility of financing all or a portion of annual OPEB cost and liabilities, as well as available options for managing plan benefits.

Request for Information

This financial report is designed to provide a general overview of the City'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, 2008

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Current Assets:				
Cash and Cash Equivalents (Note 3)	\$ 94,080,940	\$ 85,941,343	\$ 180,022,283	\$ 28,773,344
Receivables (Net of Allowance for Doubtful Accounts):				
Taxes and Licenses	46,508,231	-	46,508,231	-
Accounts	18,737,522	44,708,066	63,445,588	11,722,256
Internal Balances, Net	6,907,556	(6,907,556)	-	-
Due From Primary Government	-	-	-	44,071,151
Due From Component Units	873,359	-	873,359	-
Due From Other Governments (Note 5)	54,066,960	20,000,000	74,066,960	14,799,031
Inventories of Materials and Supplies	835,986	30,863,157	31,699,143	442,523
Prepaid Assets	638,929	4,790,791	5,429,720	1,962,164
Total Current Assets	<u>222,649,483</u>	<u>179,395,801</u>	<u>402,045,284</u>	<u>101,770,469</u>
Non-Current Assets:				
Restricted Assets - Cash and Investments (Note 3)	26,555,793	41,904,771	68,460,564	24,143,110
Deferred Expenses	30,995	27,965,510	27,996,505	-
Due From Component Unit	14,556,132	-	14,556,132	-
Note Receivable (Note 6)	478,523	-	478,523	-
Mortgage Loans Receivable and Other Non-Current Assets	-	-	-	79,321,077
Capital Assets, Net (Note 7):				
Land and Works of Art/Historical Treasures	41,537,754	12,815,550	54,353,304	14,898,276
Infrastructure, Net	315,204,542	-	315,204,542	272,597
Buildings, Structures, and Equipment, Net	277,023,185	733,011,605	1,010,034,790	128,706,750
Construction in Progress	62,539,974	176,599,669	239,139,643	7,681,586
Total Capital Assets, Net	<u>696,305,455</u>	<u>922,426,824</u>	<u>1,618,732,279</u>	<u>151,559,209</u>
Total Non Current Assets	<u>737,926,898</u>	<u>992,297,105</u>	<u>1,715,667,871</u>	<u>255,023,396</u>
Total Assets	<u>\$ 960,576,381</u>	<u>\$ 1,171,692,906</u>	<u>\$ 2,132,269,287</u>	<u>\$ 356,793,865</u>

(Continued)



EXHIBIT A

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Current Liabilities:				
Accounts Payable	\$ 25,797,475	\$ 21,948,216	\$ 47,745,691	\$ 19,999,107
Accrued Liabilities	4,914,054	5,015,606	9,929,660	23,862,589
Retainage Payable	--	--	--	21,007
Due To Primary Government	--	--	--	811,021
Due To Other Governments	30,714	--	30,714	2,081,380
Due To Various Agents	494,440	--	494,440	--
Due To Component Units	44,071,151	--	44,071,151	--
Note Payable	2,040,000	--	2,040,000	--
Note Payable To Component Unit (Note 8)	1,695,000	--	1,695,000	--
Accrued Interest on Bonds and Notes Payable	14,473,736	14,170,597	28,644,333	--
Unearned Revenue	27,940,846	--	27,940,846	5,085,590
Accreted Interest on Bonds Payable (Note 8)	14,345	327,207	341,552	--
General Obligation Bonds, Certificates of Participation, Serial Notes Payable, and Capital Leases (Note 8)	30,479,079	14,154,222	44,633,301	3,921,459
Revenue Bonds Payable (Note 8)	604,708	7,813,602	8,418,310	--
Compensated Absences (Note 8)	10,641,973	1,518,637	12,160,610	22,431
Other Liabilities and Claims Payable (Note 10)	3,937,296	--	3,937,296	--
Total Current Liabilities	167,134,817	64,948,087	232,082,904	55,804,584
Non-Current Liabilities (Notes 8,10 and 13):				
Liabilities to be Paid From Restricted Assets:				
Customers' Deposits	--	6,427,689	6,427,689	1,246,834
Accreted Interest on Bonds Payable	44,829	1,022,554	1,067,383	--
General Obligation Bonds, Certificates of Participation, Serial Notes Payable and Capital Leases	358,553,382	209,999,592	568,552,974	114,173,153
Due To Primary Government	--	--	--	16,163,893
Note Payable	5,160,000	--	5,160,000	--
Note Payable To Component Unit	23,837,878	--	23,837,878	--
Revenue Bonds Payable	10,377,099	398,512,033	408,889,132	--
Unearned Revenue	--	--	--	218,690
Compensated Absences	4,894,895	452,368	5,347,263	13,244,227
Other Liabilities and Claims Payable	25,019,400	96,026,862	121,046,262	4,253,775
Incurred But Not Reported Claims	--	--	--	3,596,050
Net Other Postemployment Benefit Obligations	--	--	--	4,327,752
Early Retirement Plan Net Pension Obligations	--	--	--	2,623,008
Total Non-Current Liabilities	427,887,483	712,441,098	1,140,328,581	159,847,382
Total Liabilities	595,022,300	777,389,185	1,372,411,485	215,651,966
Net Assets				
Invested In Capital Assets, Net of Related Debt	304,606,896	316,259,057	620,865,953	90,643,832
Restricted for:				
Capital Projects	14,521,878	--	14,521,878	19,004,078
Debt Service	--	--	--	184,803
Customers' Deposits	--	--	--	796,782
Permanent Funds:				
Expendable	32,644	--	32,644	677,320
Nonexpendable	438,340	--	438,340	203,471
Unrestricted	45,954,323	78,044,664	123,998,987	29,631,613
Total Net Assets	\$ 365,554,081	\$ 394,303,721	\$ 759,857,802	\$ 141,141,899

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, 2008

Functions/Program Activities	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental:				
General Government	\$ 82,078,049	\$ 43,593,817	\$ 35,482,037	\$ --
Public Safety and Judiciary	170,498,404	14,135,932	33,951,676	--
Highways, Streets, Sanitation and Refuse	90,808,054	14,842,079	21,630,888	12,566,194
Human Services	110,423,497	1,472,917	76,694,516	--
Culture and Recreation	41,009,121	719,586	1,346,270	--
Education	158,858,678	--	--	--
Transportation	10,460,000	--	--	--
Interest and Fiscal Charges	25,030,424	--	--	--
Total Governmental Activities	689,166,227	74,764,331	169,105,387	12,566,194
Business-type:				
Gas	216,059,214	225,892,538	3,614	--
Water	46,158,648	51,616,053	970,357	--
Wastewater	48,364,007	56,795,731	2,273,145	--
Coliseum	5,846,334	2,202,374	4,139,595	--
Landmark Theater	1,829,565	463,078	511,334	--
Cemeteries	1,641,821	1,423,292	69,054	--
Total Business-type Activities	319,899,589	338,393,067	7,967,099	--
Total Primary Government	\$ 1,009,065,816	\$ 413,157,398	\$ 177,072,486	\$ 12,566,194
Component Units:				
School Board	316,463,864	3,403,326	96,192,111	3,373,815
Richmond Ambulance Authority	13,937,478	9,996,066	--	--
Port of Richmond Commission	1,662,401	1,263,470	--	349,634
Richmond Behavioral Health Authority	36,003,165	21,795,735	14,256,216	--
Richmond Redevelopment and Housing Authority	59,677,389	14,652,959	44,243,389	3,524,274
Broad Street Community Development Authority	7,751,160	4,953,161	--	--
Total Component Units	\$ 435,495,457	\$ 56,064,717	\$ 154,691,716	\$ 7,247,723

General Revenues:

City Taxes
Real Estate
Sales-1% Local
Sales Tax for Education
Personal Property
Machinery and Tools
General Utility Sales
Bank Stock
Prepared Food
Lodging Tax
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
Telephone Commissions
Total City Taxes
Intergovernmental Revenue Not Restricted to Specific Programs
Payment From Primary Government - Unrestricted
Investment Earnings
Miscellaneous
Transfers
Extraordinary Item - Disaster Costs
Total General Revenues, Transfers, and Extraordinary Item
Changes in Net Assets
Net Assets - Beginning of Year
Net Assets - End of Year

(Continued)



EXHIBIT B

Net (Expenses) Revenues and Changes in Net Assets

Governmental Activities	Business-type Activities	Totals	Component Units
\$ (3,002,195)	\$ -	\$ (3,002,195)	\$ -
(122,410,796)	-	(122,410,796)	-
(41,768,893)	-	(41,768,893)	-
(32,256,064)	-	(32,256,064)	-
(38,943,265)	-	(38,943,265)	-
(158,858,678)	-	(158,858,678)	-
(10,460,000)	-	(10,460,000)	-
(25,030,424)	-	(25,030,424)	-
(432,730,315)	-	(432,730,315)	-
-	9,836,938	9,836,938	-
-	6,427,762	6,427,762	-
-	10,704,870	10,704,870	-
-	495,635	495,635	-
-	(855,153)	(855,153)	-
-	(149,475)	(149,475)	-
-	26,460,577	26,460,577	-
(432,730,315)	26,460,577	(406,269,738)	-
-	-	-	(213,494,612)
-	-	-	(3,941,412)
-	-	-	(49,297)
-	-	-	48,786
-	-	-	2,743,233
-	-	-	(2,797,999)
-	-	-	(217,491,301)
225,336,583	-	225,336,583	-
31,274,790	-	31,274,790	-
26,959,337	-	26,959,337	-
55,220,158	-	55,220,158	-
13,486,040	-	13,486,040	-
37,118,110	-	37,118,110	-
3,317,298	-	3,317,298	-
24,076,647	-	24,076,647	-
5,984,286	-	5,984,286	-
2,447,670	-	2,447,670	-
19,581,751	-	19,581,751	-
95,186	-	95,186	-
3,657,510	-	3,657,510	-
9,014	-	9,014	-
954,315	-	954,315	-
126,334	-	126,334	-
889,582	-	889,582	-
477,935	-	477,935	-
451,012,546	-	451,012,546	-
171,162	-	171,162	82,691,137
-	-	-	137,662,886
2,102,922	4,594,016	6,696,938	(133,861)
2,224,002	4,873,908	7,097,910	895,046
24,282,511	(24,282,511)	-	-
306,076	-	306,076	-
480,099,219	(14,814,587)	465,284,632	221,115,208
47,368,904	11,645,990	59,014,894	3,623,907
318,185,177	382,657,731	700,842,908	137,517,992
\$ 365,554,081	\$ 394,303,721	\$ 759,857,802	\$ 141,141,899



**CITY OF RICHMOND, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008**

	General	Debt Service	Other Governmental Funds	Total
Assets				
Cash and Cash Equivalents (Note 3)	\$ 81,523,206	\$ --	\$ 7,717,088	\$ 89,240,294
Receivables (Net of Allowance for Doubtful Accounts):				
Taxes and Licenses	46,508,231	--	--	46,508,231
Accounts	9,226,311	--	3,624,205	12,850,516
Due From Other Funds (Note 4)	31,421,774	--	11,161,763	42,583,537
Due From Component Unit	15,367,153	--	--	15,367,153
Due From Other Governments (Note 5)	42,566,113	--	10,291,815	52,857,928
Restricted Assets - Cash and Investments (Note 3)	--	1,551,193	25,004,600	26,555,793
Note Receivable (Note 6)	478,523	--	--	478,523
Total Assets	<u>\$ 227,091,311</u>	<u>\$ 1,551,193</u>	<u>\$ 57,799,471</u>	<u>\$ 286,441,975</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 12,020,799	\$ --	\$ 11,194,657	\$ 23,215,456
Accrued Liabilities	2,126,537	--	125,640	2,252,177
Due To Other Funds (Note 4)	48,342,505	346,266	2,788,890	51,477,661
Due To Other Governments (Note 5)	--	--	30,714	30,714
Due To Various Agents	494,440	--	--	494,440
Due To Component Units	44,071,151	--	--	44,071,151
Deferred Revenues	55,488,579	--	11,986,360	67,474,939
Total Liabilities	<u>162,544,011</u>	<u>346,266</u>	<u>26,126,261</u>	<u>189,016,538</u>
Fund Balances:				
Fund Balance - Reserved (Note 9):				
General Fund	16,908,547	--	--	16,908,547
Debt Service Fund	--	1,204,927	--	1,204,927
Non-Major - Capital Projects Funds	--	--	23,723,139	23,723,139
Non-Major - Permanent Funds	--	--	471,287	471,287
Fund Balance - Unreserved:				
Designated for Specific Projects (Note 9):				
Non-Major Special Revenue Funds	--	--	7,478,784	7,478,784
Undesignated:				
General Fund	47,638,753	--	--	47,638,753
Total Fund Balances	<u>64,547,300</u>	<u>1,204,927</u>	<u>31,673,210</u>	<u>97,425,437</u>
Total Liabilities and Fund Balances	<u>\$ 227,091,311</u>	<u>\$ 1,551,193</u>	<u>\$ 57,799,471</u>	<u>\$ 286,441,975</u>

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

(Continued)



EXHIBIT C, Concluded

CITY OF RICHMOND, VIRGINIA
RECONCILIATION OF THE STATEMENT OF NET ASSETS TO THE BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

Total fund balances for governmental funds	\$	97,425,437
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	\$	38,439,754
Infrastructure, net		295,846,174
Buildings, structures, and equipment, net		247,223,778
Construction in progress		<u>59,807,994</u>
		641,317,700
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 unearned revenue in the funds.		40,078,816
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	(10,567,186)	
Governmental bonds and capital lease payable	(382,228,590)	
Compensated absences	(15,136,235)	
Due to Component Unit	<u>(25,532,878)</u>	(433,464,889)
Internal service funds are used by the City to charge costs of certain activities to individual funds. The net assets of internal service funds are reported as components of governmental activities.		<u>20,197,017</u>
Net Assets of governmental activities	\$	<u>365,554,081</u>

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



EXHIBIT D

CITY OF RICHMOND, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2008

	General	Debt Service	Other Governmental Funds	Total
Revenues				
City Taxes				
Real Estate	\$ 220,312,237	\$ --	\$ --	\$ 220,312,237
Sales-1% Local	31,274,790	--	--	31,274,790
Sales Tax for Education	26,959,337	--	--	26,959,337
Personal Property	44,734,218	--	--	44,734,218
Machinery and Tools	13,679,043	--	--	13,679,043
General Utility Sales	37,118,110	--	--	37,118,110
Bank Stock	3,317,298	--	--	3,317,298
Prepared Food	24,076,647	--	--	24,076,647
Lodging Tax	5,984,286	--	--	5,984,286
Admission	2,447,670	--	--	2,447,670
Delinquent Tax Payments-All Classes	19,581,751	--	--	19,581,751
Private Utility Poles and Conduits	95,186	--	--	95,186
Penalties and Interest	3,657,510	--	--	3,657,510
Titling Tax-Mobile Home	9,014	--	--	9,014
State Recordation	954,315	--	--	954,315
Property Rental 1%	126,334	--	--	126,334
Vehicle Rental Tax	889,582	--	--	889,582
Telephone Commissions	477,935	--	--	477,935
Total City Taxes	435,695,263	--	--	435,695,263
Licenses, Permits and Privilege Fees	35,514,381	--	--	35,514,381
Intergovernmental	119,954,253	--	43,740,017	163,694,270
Service Charges	21,761,128	--	--	21,761,128
Fines and Forfeitures	10,706,248	--	--	10,706,248
Payment in Lieu of Taxes	19,357,177	--	--	19,357,177
Investment Income	--	46,788	2,056,234	2,103,022
Miscellaneous	5,401,875	507,022	21,545,201	27,454,098
Total Revenues	648,390,325	553,810	67,341,452	716,285,587
Expenditures				
Current:				
General Government	62,799,304	--	15,168,616	77,967,920
Public Safety and Judiciary	156,028,474	--	10,993,788	167,022,262
Highways, Streets, Sanitation and Refuse	60,230,160	--	777,250	61,007,410
Human Services	72,558,804	--	33,424,923	105,983,727
Culture and Recreation	20,863,899	--	1,556,389	22,420,288
Education	158,858,678	--	--	158,858,678
Non-Departmental	51,273,499	--	--	51,273,499
Capital Outlay	--	--	37,969,088	37,969,088
Debt Service:				
Principal Retirement	--	33,368,115	--	33,368,115
Interest Payments	--	25,054,610	--	25,054,610
Total Expenditures	582,612,818	58,422,725	99,890,054	740,925,597
Excess of Revenues Over (Under) Expenditures	65,777,507	(57,868,915)	(32,548,602)	(24,640,010)
Other Financing Sources (Uses)				
Bond Issuance Cost	--	(762,900)	--	(762,900)
Transfers In-Other Funds	7,757,575	58,904,167	15,818,614	82,480,356
Transfers Out-Other Funds	(72,389,469)	--	(7,117,918)	(79,507,387)
Total Other Financing Sources (Uses), Net	(64,631,894)	58,141,267	8,700,696	2,210,069
Extraordinary Item				
Extraordinary Item - Disaster Costs	--	--	306,076	306,076
Total Extraordinary Item	--	--	306,076	306,076
Net Change in Fund Balances	1,145,613	272,352	(23,541,830)	(22,123,865)
Fund Balances - Beginning of Year	63,401,687	932,575	55,215,040	119,549,302
Fund Balances - End of Year	\$ 64,547,300	\$ 1,204,927	\$ 31,673,210	\$ 97,425,437

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

(Continued)



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, 2008

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds	\$	(22,123,865)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.</p>		
Purchases of assets	\$ 49,894,964	
Depreciation expense	<u>(28,573,598)</u>	21,321,366
<p>The issuance of long term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. These amounts are the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal payments of bonds, net	33,368,115	
Amortization of bond premium	<u>762,900</u>	34,131,015
<p>Some revenues in the Statement of Activities do not provide the use of current financial resources and, therefore, are not reported as revenues in the governmental funds.</p>		
		16,922,997
<p>Some expenditures in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Change in accrued interest	(275,814)	
Compensated absences	<u>(1,541,149)</u>	(1,816,963)
<p>Internal service funds are used by the City to charge costs of certain activities to individual funds. The net revenue of internal service funds is reported as a component of governmental funds.</p>		
		<u>(1,065,646)</u>
Change in net assets of governmental activities	\$	<u>47,368,904</u>

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



**CITY OF RICHMOND, VIRGINIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008**

	Enterprise Funds					Governmental Activities - Internal Service Funds
	Gas	Water	Wastewater	Other	Total	
Assets						
Current Assets:						
Cash and Cash Equivalents (Note 3)	\$ 643,726	\$ 38,329,997	\$ 20,752,630	\$ --	\$ 59,726,353	\$ 31,055,636
Accounts Receivables (Net of Allowance for Doubtful Accounts)	23,197,811	10,794,069	9,766,629	949,557	44,708,066	5,342,283
Due From Component Units	--	--	--	--	--	62,338
Due From Other Funds (Note 4)	435,638	10,747,784	7,241,481	--	18,424,903	27,877,146
Due From Other Governments (Note 5)	--	--	20,000,000	--	20,000,000	61,028
Inventories of Materials and Supplies	27,604,984	266,275	--	50,087	27,921,346	3,777,797
Prepaid Expenses and Other Current Assets	1,883,478	1,334,176	1,317,083	45,634	4,580,371	849,349
Total Current Assets	53,765,637	61,472,301	59,077,823	1,045,278	175,361,039	69,025,577
Noncurrent Assets:						
Restricted Assets - Cash and Investments (Note 3)	9,090,013	13,997,050	18,817,708	--	41,904,771	--
Advances To Other Funds (Note 4)	19,605,111	19,061,068	21,534,342	--	60,220,521	3,294,908
Deferred Expenses	15,954,101	6,183,865	5,827,544	--	27,965,510	30,995
Capital Assets (Note 7):						
Land	--	--	--	12,815,550	12,815,550	3,098,000
Buildings and Structures	--	--	--	44,395,627	44,395,627	114,122,053
Equipment	--	--	--	6,264,225	6,264,225	62,942,483
Plant-in-Service	349,233,702	270,536,662	226,689,209	--	846,459,573	--
Completed Construction	32,231,666	39,548,615	133,191,378	--	204,971,659	--
Construction in Progress	38,159,747	57,755,067	70,635,821	--	166,550,635	12,781,014
Less: Accumulated Depreciation	(121,385,412)	(93,046,754)	(138,426,253)	(35,242,846)	(388,101,265)	(108,884,975)
Total Capital Assets, Net Accumulated Depreciation	298,239,703	274,793,590	292,090,155	28,232,556	893,356,004	84,058,575
Total Noncurrent Assets	342,888,928	314,055,573	338,269,749	28,232,556	1,023,446,806	87,384,478
Total Assets	\$ 396,654,565	\$ 375,527,874	\$ 397,347,572	\$ 29,277,834	\$ 1,198,807,845	\$ 156,410,055
Liabilities						
Current Liabilities:						
Accounts Payable	\$ 3,664,704	\$ 8,917,216	\$ 5,876,962	\$ 1,393,672	\$ 19,852,554	\$ 4,127,904
Accrued Liabilities	3,189,773	1,039,600	495,897	275,125	5,010,395	2,667,088
Due To Other Funds (Note 4)	23,479,062	148,601	1,235,792	4,392,044	29,255,499	7,554,198
Accrued Interest on Bonds Payable	5,163,530	4,508,329	4,107,475	391,263	14,170,597	3,906,550
General Obligation Bonds, Capital Leases and Notes Payable (Note 8)	5,570,707	4,204,065	2,919,653	1,459,797	14,154,222	1,696,594
Accrued Interest (Note 8)	100,553	160,871	65,783	--	327,207	14,345
Revenue Bonds Payable (Note 8)	2,039,065	2,171,637	3,602,900	--	7,813,602	604,708
Notes Payable (Note 8)	--	--	--	--	--	2,040,000
Compensated Absences (Note 8)	576,182	428,242	448,604	65,609	1,518,637	181,035
Other Liabilities and Claims Payable (Note 10)	--	--	--	--	--	3,937,296
Total Current Liabilities	43,793,576	21,578,561	18,753,066	7,977,510	92,102,713	26,729,718
Noncurrent Liabilities:						
Liabilities to be Repaid from Restricted Assets:						
Customers' Deposits	5,387,610	1,040,080	--	--	6,427,690	--
General Obligation Bonds, Capital Lease Liabilities (Note 8)	87,533,571	68,218,529	40,449,715	13,797,777	209,989,592	5,107,277
Revenue Bonds Payable (Note 8)	137,109,232	127,370,643	134,032,158	--	398,512,033	10,377,099
Notes Payable (Note 8)	--	--	--	--	--	5,160,000
Accrued Interest (Note 8)	314,238	502,737	205,579	--	1,022,554	44,829
Compensated Absences (Note 8)	98,499	147,222	146,703	20,256	412,680	269,286
Other Liabilities and Claims Payable (Note 10)	18,819,050	51,745,248	25,462,564	--	96,026,862	25,019,400
Advances from Other Funds (Note 4)	--	--	--	--	--	63,515,429
Total Noncurrent Liabilities	249,262,200	249,024,459	200,296,719	13,818,033	712,401,411	109,483,320
Total Liabilities	293,055,776	270,603,020	219,049,785	21,795,543	804,504,124	136,213,038
Net Assets						
Invested in Capital Assets, Net of Related Debt	69,154,358	81,269,635	123,789,262	12,974,982	287,188,237	59,013,723
Unrestricted	34,444,431	23,655,219	54,508,525	(6,492,691)	107,115,484	(38,816,706)
Total Net Assets	\$ 103,598,789	\$ 104,924,854	\$ 178,297,787	\$ 7,482,291	\$ 394,303,721	\$ 20,197,017

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 FUND NET ASSETS TO THE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2008

	Total Enterprise Funds	Internal Service Fund Stores and Transportation Division	Business-Type Activities Statement of Net Assets
Assets			
Current Assets:			
Cash and Cash Equivalents (Note 3)	\$ 59,726,353	\$ 26,214,990	\$ 85,941,343
Accounts Receivables (Net of Allowance for Doubtful Accounts)	44,708,066	--	44,708,066
Due From Other Government (Note 5)	20,000,000	--	20,000,000
Inventories of Materials and Supplies	27,921,346	2,941,811	30,863,157
Prepaid Expenses and Other Current Assets	4,580,371	210,420	4,790,791
Total Current Assets	<u>156,936,136</u>	<u>29,367,221</u>	<u>186,303,357</u>
Noncurrent Assets:			
Restricted Assets - Cash and Investments (Note 3)	41,904,771	--	41,904,771
Advances To Other Funds	60,220,521	--	60,220,521
Deferred Expenses	27,965,510	--	27,965,510
Capital Assets (Note 7):			
Land	12,815,550	--	12,815,550
Buildings and Structures	44,395,627	60,982,535	105,378,162
Equipment	6,264,225	--	6,264,225
Plant-in-Service	846,459,573	--	846,459,573
Completed Construction	204,971,659	--	204,971,659
Less Accumulated Depreciation	(388,101,265)	(41,960,749)	(430,062,014)
Construction in Progress	166,550,635	10,049,034	176,599,669
Total Capital Assets, Net Accumulated Depreciation	<u>893,356,004</u>	<u>29,070,820</u>	<u>922,426,824</u>
Total Noncurrent Assets	<u>1,023,446,806</u>	<u>29,070,820</u>	<u>1,052,517,626</u>
Total Assets	<u>\$ 1,180,382,942</u>	<u>\$ 58,438,041</u>	<u>\$ 1,238,820,983</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	\$ 19,852,554	\$ 2,095,661	\$ 21,948,215
Accrued Liabilities	5,010,395	5,211	5,015,606
Due To Other Funds (Note 4)	29,255,499	--	29,255,499
Accrued Interest on Bonds Payable	14,170,597	--	14,170,597
General Obligation Bonds and Capital Leases (Note 8)	14,154,222	--	14,154,222
Accreted Interest (Note 8)	327,207	--	327,207
Revenue Bonds Payable (Note 8)	7,813,602	--	7,813,602
Compensated Absences (Note 8)	1,518,637	18,943	1,537,580
Total Current Liabilities	<u>92,102,713</u>	<u>2,119,815</u>	<u>94,222,528</u>
Noncurrent Liabilities:			
Liabilities to be Repaid from Restricted Assets:			
Customers' Deposits	6,427,690	--	6,427,690
General Obligation Bonds and Capital Leases (Note 8)	209,999,592	--	209,999,592
Revenue Bonds Payable (Note 8)	398,512,033	--	398,512,033
Other Liabilities and Claims Payable	96,026,862	--	96,026,862
Accreted Interest (Note 8)	1,022,554	--	1,022,554
Compensated Absences (Note 8)	412,680	20,745	433,425
Advances from other funds	--	63,515,429	63,515,429
Total Noncurrent Liabilities	<u>712,401,411</u>	<u>63,536,174</u>	<u>775,937,585</u>
Total Liabilities	<u>804,504,124</u>	<u>65,655,989</u>	<u>870,160,113</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	287,188,237	29,070,820	316,259,057
Unrestricted	107,115,484	(29,070,820)	78,044,664
Total Net Assets	<u>\$ 394,303,721</u>	<u>\$ --</u>	<u>\$ 394,303,721</u>

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, 2008

	Enterprise Funds					Governmental Activities - Internal Service Funds
	Gas	Water	Wastewater	Other	Total	
Operating Revenues						
Charges for Goods and Services	\$ 223,362,604	\$ 51,037,968	\$ 56,159,635	\$ 4,088,744	\$ 334,648,951	\$ 51,087,406
Operating Expenses						
Purchased Gas	160,361,263	--	--	--	160,361,263	--
Intragovernmental Goods and Services Sold	--	--	--	--	--	14,862,831
Salaries and Wages & Benefits	9,004,496	7,127,484	7,151,420	1,878,812	25,162,212	3,603,292
Data Processing	426,669	140,991	137,283	--	704,943	191,087
Materials and Supplies	665,411	1,409,177	1,022,229	385,542	3,482,359	670,057
Rents and Utilities	44,179	3,868,510	3,625,003	1,114,158	8,651,850	3,096,449
Maintenance and Repairs	7,847,547	5,066,678	7,145,205	616,658	20,676,088	1,293,738
Depreciation and Amortization	10,743,134	7,034,708	8,943,840	2,494,851	29,216,533	10,474,731
Claims and Settlements	--	--	--	--	--	13,157,383
Uncollectible Expense	3,918,498	950,536	881,124	--	5,750,158	--
Miscellaneous Operating Expenses	16,659,296	15,222,502	18,123,581	1,959,704	51,965,083	4,596,991
Total Operating Expenses	<u>209,670,493</u>	<u>40,820,586</u>	<u>47,029,685</u>	<u>8,449,725</u>	<u>305,970,489</u>	<u>51,946,559</u>
Operating Income (Loss)	<u>13,692,111</u>	<u>10,217,382</u>	<u>9,129,950</u>	<u>(4,360,981)</u>	<u>28,678,462</u>	<u>(859,153)</u>
Non-Operating Revenues (Expenses)						
Intergovernmental Grants and Contributions	3,614	970,357	2,273,145	4,719,983	7,967,099	1,167,741
Interest on Long-Term Debt	(11,544,147)	(9,839,861)	(8,045,136)	--	(29,429,144)	(1,486,322)
Interest Income	1,444,432	917,679	2,231,905	--	4,594,016	--
Interest Expense	(10,348)	(2,330)	--	(867,995)	(880,673)	--
Amortization of Debt Discount and Expense	(383,153)	(326,775)	(545,415)	--	(1,255,343)	--
Miscellaneous Revenues	767,598	735,034	2,932,901	438,376	4,873,909	182,721
Total Non-Operating Revenues (Expenses), Net	<u>(9,722,004)</u>	<u>(7,545,896)</u>	<u>(1,152,600)</u>	<u>4,290,364</u>	<u>(14,130,136)</u>	<u>(135,860)</u>
Net Income (Loss) Before Transfers	3,970,107	2,671,486	7,977,350	(70,617)	14,548,326	(995,013)
Transfers Out-Other Funds	<u>(723,891)</u>	<u>(878,641)</u>	<u>(1,299,804)</u>	<u>--</u>	<u>(2,902,336)</u>	<u>(70,633)</u>
Change In Net Assets	3,246,216	1,792,845	6,677,546	(70,617)	11,645,990	(1,065,646)
Net Assets - Beginning of Year	<u>100,352,573</u>	<u>103,132,009</u>	<u>171,620,241</u>	<u>7,552,908</u>	<u>382,657,731</u>	<u>21,262,663</u>
Net Assets - End of Year	<u>\$ 103,598,789</u>	<u>\$ 104,924,854</u>	<u>\$ 178,297,787</u>	<u>\$ 7,482,291</u>	<u>\$ 394,303,721</u>	<u>\$ 20,197,017</u>

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



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, 2008

	Enterprise Funds			Total
	Gas	Water	Wastewater	
Operating Revenues				
Charges for Goods and Services	\$ 223,362,604	\$ 51,037,968	\$ 56,159,635	\$ 330,560,207
Internal Service Fund Allocation -				
Stores and Transportation Division	<u>2,529,934</u>	<u>578,085</u>	<u>636,096</u>	<u>3,744,115</u>
Charges for Services - Statement of Activities	<u>225,892,538</u>	<u>51,616,053</u>	<u>56,795,731</u>	<u>334,304,322</u>
Operating Expenses				
Purchased Gas	160,361,263	-	-	160,361,263
Salaries and Wages	9,004,496	7,127,484	7,151,420	23,283,400
Data Processing	426,669	140,991	137,283	704,943
Materials and Supplies	665,411	1,409,177	1,022,229	3,096,817
Rents and Utilities	44,179	3,868,510	3,625,003	7,537,692
Maintenance and Repairs	7,847,547	5,066,678	7,145,205	20,059,430
Depreciation and Amortization	10,743,134	7,034,708	8,943,840	26,721,682
Uncollectible Expense	3,918,498	950,536	881,124	5,750,158
Miscellaneous Operating Expenses	16,659,296	15,222,502	18,123,581	50,005,379
Total Operating Expenses	<u>209,670,493</u>	<u>40,820,586</u>	<u>47,029,685</u>	<u>297,520,764</u>
Non-Operating Expenses				
Interest on Long-Term Debt	11,544,147	9,839,861	8,045,136	29,429,144
Interest Expense	10,348	2,330	-	12,678
Amortization of Debt Discount and Expense	<u>383,153</u>	<u>326,775</u>	<u>545,415</u>	<u>1,255,343</u>
Total Expenses	<u>221,608,141</u>	<u>50,989,552</u>	<u>55,620,236</u>	<u>328,217,929</u>
Internal Service Fund Allocation -				
Stores and Transportation Division	<u>2,527,974</u>	<u>581,658</u>	<u>634,483</u>	<u>3,744,115</u>
Reclass As Transfers to Governmental Activities -				
Payments In Lieu of Taxes	<u>(8,076,901)</u>	<u>(5,412,562)</u>	<u>(7,890,712)</u>	<u>(21,380,175)</u>
Program Expenses - Statement of Activities	<u>\$ 216,059,214</u>	<u>\$ 46,158,648</u>	<u>\$ 48,364,007</u>	<u>\$ 310,581,869</u>

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



**CITY OF RICHMOND, VIRGINIA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2008**

	Enterprise Funds					Governmental Activities - Internal Service Funds
	Gas	Water	Wastewater	Other	Total	
Cash Flows From Operating Activities						
Receipts from Customers	\$ 222,093,899	\$ 51,493,032	\$ 53,581,083	\$ 4,360,361	\$ 331,528,375	\$ 48,754,586
Payments to Suppliers	(196,841,614)	(13,995,116)	(24,847,255)	(5,787,258)	(241,471,243)	(33,265,762)
Payments to Employees	(8,558,201)	(8,258,963)	(8,206,845)	(1,723,998)	(26,748,007)	(3,317,399)
Payments to Other Funds	3,124,094	(9,914,826)	(7,607,414)	-	(14,398,146)	(8,232,154)
Other Receipts or (Payments)	(851,703)	1,061,175	3,017,364	-	3,226,836	209,373
Net Cash Provided By (Used In) Operating Activities	18,966,475	20,385,302	15,936,933	(3,150,895)	52,137,815	4,148,644
Cash Flows From Noncapital Financing Activities						
Transfers In and Government Subsidies	3,614	970,357	(6,761,505)	4,719,983	(1,067,551)	1,167,741
Transfers Out - Other Funds	(723,891)	(878,641)	(1,299,804)	-	(2,902,336)	(2,338,519)
Advances from Other Funds	-	-	-	391,913	391,913	-
Due From Other Funds	-	-	-	-	-	(50,363)
Miscellaneous Receipts	-	-	-	438,376	438,376	(70,633)
Net Cash Provided By (Used In) Noncapital Financing Activities	(720,277)	91,716	(8,061,309)	5,550,272	(3,139,598)	(1,291,774)
Cash Flows From Capital and Related Financing Activities						
Acquisition of Capital Assets	(22,522,599)	(15,443,944)	(20,139,761)	(52,953)	(58,159,257)	(9,283,193)
Proceeds from Bond Sale	-	-	2,069,767	-	2,069,767	5,200,000
Repayments of Revenue, General Obligation Bonds and Capital Leases	(7,447,208)	(5,464,970)	(7,650,522)	(1,448,201)	(22,010,910)	(3,214,179)
Repayments of Notes Payables	-	-	-	-	-	(1,000,000)
Interest Paid on Long-Term Debt	(10,608,673)	(9,756,753)	(6,701,256)	(898,223)	(27,964,905)	(1,108,742)
Net Cash Used In Capital and Related Financing Activities	(40,578,480)	(30,665,667)	(32,421,772)	(2,399,377)	(106,065,296)	(9,406,114)
Cash Flows From Investing Activities						
Interest Earned on Operating Funds	1,444,432	917,679	2,231,903	-	4,594,014	-
Interest Paid on Customers' Deposits	(10,348)	(2,330)	-	-	(12,678)	-
Net Cash Provided By Investing Activities	1,434,084	915,349	2,231,903	-	4,581,336	-
Net Decrease in Cash and Cash Equivalents	(20,898,196)	(9,273,300)	(22,314,245)	-	(52,485,743)	(6,549,244)
Cash and Cash Equivalents at July 1, 2007	30,631,937	61,600,347	61,884,583	-	154,116,867	37,604,881
Cash and Cash Equivalents at June 30, 2008	\$ 9,733,739	\$ 52,327,047	\$ 39,570,338	\$ -	\$ 101,631,124	\$ 31,055,637
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities						
Operating Income (Loss)	\$ 13,692,111	\$ 10,217,382	\$ 9,129,950	\$ (4,360,981)	\$ 28,678,462	\$ (859,153)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:						
Depreciation	10,743,134	7,034,708	8,943,840	2,494,851	29,216,533	10,474,731
Miscellaneous Income	767,596	735,034	2,932,901	-	4,435,533	180,608
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:						
Accounts Receivable	(1,268,705)	455,064	(2,578,552)	1,182,137	(2,210,056)	(1,347,930)
Due From Other Funds	(365,796)	(4,341,832)	(1,646,190)	-	(6,353,818)	(7,476,448)
Due From Component Units	-	-	-	-	-	(62,338)
Due From Other Governments	-	-	-	-	-	(27,451)
Inventories of Material and Supplies	(5,223,824)	(30,514)	60,714	(1,250)	(5,194,874)	76,433
Prepaid Expenses	183,988	55,232	(36,423)	32,030	234,827	22,929
Deferred Expenses	(2,305,131)	300,779	84,463	-	(1,919,889)	(26,702)
Accounts Payable	(10,756,832)	2,329,019	(3,043,707)	(2,737,695)	(14,209,215)	362,575
Accrued Liabilities	502,413	(1,350,462)	(1,261,653)	243,898	(1,865,804)	227,069
Customers' Deposits	685,830	25,362	-	-	711,192	-
Due To Other Funds	11,777,382	148,601	1,235,792	-	13,161,775	109,069
Compensated Absences	19,244	16,414	16,980	(3,885)	48,753	85,676
Unearned Revenue	-	-	-	-	-	(9,351)
Outstanding Liabilities and Claims	515,063	4,790,515	2,098,818	-	7,404,396	2,418,927
Total Adjustments	5,274,364	10,167,920	6,806,983	1,210,086	23,459,353	5,007,797
Net Cash Provided By (Used In) Operating Activities	\$ 18,966,475	\$ 20,385,302	\$ 15,936,933	\$ (3,150,895)	\$ 52,137,815	\$ 4,148,644

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





CITY OF RICHMOND, VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS
 June 30, 2008

	Pension Trust Funds	Agency Funds
Assets:		
Cash and Short-term Investments (Note 3)	\$ 19,041,905	\$ 505,121
Receivables:		
Due from Other Funds	-	549,776
Due from Brokers on Sale of Securities	2,177,120	-
Interest and Dividends	1,414,220	-
Employee Loans Receivable	2,569,910	-
Investments, at Fair Value (Note 3):		
U.S. Government and Agency Securities	106,841,000	-
Corporate Bonds	54,015,473	-
Common Stock	172,110,044	-
International Stocks	90,315,739	-
International Bonds	55,054,963	-
Real Estate Investment Trusts	21,213,937	-
Emerging Market Debt	3,379,430	-
Hedge Funds	54,360,593	-
Cash Collateral Received - Security Lending Program	96,090,802	-
Total Investments, at Fair Value	653,381,981	-
Total Assets	678,585,136	1,054,897
Liabilities:		
Accounts Payable	14,467,316	-
Refundable Deposits	-	363,458
Payable for Collateral Received - Security Lending Program	96,090,802	-
Due to Other Funds	1,148,004	-
Due to Various Agents	-	691,439
Total Liabilities	111,706,122	1,054,897
Net Assets Held in Trust for Pension Benefits and Other Purposes	\$ 566,879,014	\$ -

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



CITY OF RICHMOND, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Fiscal Year Ended June 30, 2008

	<u>Pension Trust Funds</u>
Additions:	
Contributions:	
City of Richmond	\$ 36,267,418
Richmond Behavioral Health Authority	794,893
Richmond Public Schools	338,098
Revenue for DC Plan Expense	89,675
Plan members	2,799,698
Investment Income:	
Net Appreciation in Fair Value of Investments	(48,750,591)
Interest	3,921,502
Dividends	16,494,697
Net Increase in the Fair Value of Investments	<u>(28,334,392)</u>
Net Income Earned On Securities Lending Transactions:	
Securities Lending Income	4,228,226
Securities Lending Expense	(3,768,382)
Total Net Income Earned On Securities Lending Transactions	<u>459,844</u>
Investment Income	(27,874,548)
Less: Investment Expense	<u>2,658,437</u>
Net Investment Income	<u>(30,532,985)</u>
Total Additions	<u>9,756,797</u>
Deductions:	
Benefits	57,599,363
Administrative Expenses	<u>1,180,283</u>
Total Deductions	<u>58,779,646</u>
Net decrease	(49,022,849)
Net Assets Held In Trust For Pension Benefits and Other Purposes - Beginning of Year	<u>615,901,863</u>
Net Assets Held In Trust For Pension Benefits and Other Purposes - End of Year	<u>\$ 566,879,014</u>

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



CITY OF RICHMOND, VIRGINIA
STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2008

	School Board	Richmond Ambulance Authority	Port of Richmond Commission	Richmond Behavioral Health Authority	Richmond Redevelopment and Housing Authority	Broad Street Community Development Authority	Total
Assets							
Cash and Cash Equivalents	\$ 10,098,612	\$ 763,915	\$ 4,630,145	\$ 8,125,567	\$ 5,155,105	\$ --	\$ 28,773,344
Due From Primary Government	44,071,151	--	--	--	--	--	44,071,151
Due From Other Governments	13,898,363	--	--	--	900,668	--	14,799,031
Accounts Receivable	(204,760)	4,258,786	465,521	2,367,744	3,996,747	838,218	11,722,256
Inventories of Materials and Supplies	201,443	241,080	--	--	--	--	442,523
Prepaid Expenses and Other Current Assets	337,285	310,013	--	139,040	1,175,826	--	1,962,164
Restricted Assets	--	--	--	--	16,413,406	7,729,704	24,143,110
Mortgage Loans Receivable and Other Non-Current Assets	--	--	--	--	79,235,683	85,394	79,321,077
Capital Assets:							
Land	--	--	157,337	--	9,949,839	4,791,100	14,898,276
Infrastructure	--	--	272,597	--	--	--	272,597
Buildings and Structures	--	1,939,603	3,459,762	--	132,528,331	50,875,665	188,803,361
Plant-in-Service	--	--	14,864,510	--	--	--	14,864,510
Other Improvements	--	--	--	513,476	6,743,648	--	7,257,124
Equipment	3,904,881	7,691,597	2,769,036	2,142,095	4,557,653	--	21,065,262
Less: Accumulated Depreciation	--	(5,608,697)	(13,911,950)	(1,577,103)	(74,774,023)	(7,411,734)	(103,283,507)
Construction in Progress	--	--	769,381	--	6,912,205	--	7,681,586
Total Capital Assets	3,904,881	4,022,503	8,380,673	1,078,468	85,917,653	48,255,031	151,559,209
Total Assets	72,306,975	9,596,297	13,476,339	11,710,819	192,795,088	56,908,347	356,793,865
Liabilities							
Accounts Payable	15,534,858	--	105,779	1,669,448	2,565,692	123,330	19,999,107
Accrued Liabilities	21,516,337	399,725	5,946	--	1,526,264	414,317	23,862,589
Retainage Payable	21,007	--	--	--	--	--	21,007
Due To Primary Government	--	--	--	--	811,021	--	811,021
Due To Other Governments	2,041,284	--	--	--	40,096	--	2,081,380
Unearned Revenue	4,892,186	37,716	--	105	155,583	--	5,085,590
Liabilities to be Paid From Restricted Assets:							
Customers' Deposits	--	--	--	1,246,834	--	--	1,246,834
Bonds, Notes Payable and Capital Leases	--	46,349	--	--	3,475,110	400,000	3,921,459
Compensated Absences	--	--	22,431	--	--	--	22,431
Non-Current Liabilities:							
Bonds, Notes Payable and Capital Leases	--	158,596	--	--	49,189,751	66,340,000	115,688,347
Less Discount on Revenue Bonds Payable	--	--	--	--	--	(1,515,194)	(1,515,194)
Due To Primary Government	--	--	--	--	16,163,893	--	16,163,893
Compensated Absences	11,387,522	--	19,703	951,343	885,659	--	13,244,227
Deferred Revenue	--	--	--	--	218,690	--	218,690
Workers Compensation	4,253,775	--	--	--	--	--	4,253,775
Incurred But Not Reported Claims	3,596,050	--	--	--	--	--	3,596,050
Net Other Postemployment Benefit Obligations	4,327,752	--	--	--	--	--	4,327,752
Early Retirement Plan Net Pension Obligation	2,623,008	--	--	--	--	--	2,623,008
Total Liabilities	70,193,779	642,386	153,859	3,867,730	75,031,759	65,762,453	215,651,966
Net Assets							
Invested In Capital Assets, Net of Related Debt	3,904,881	3,817,558	8,380,673	1,078,468	82,302,323	(8,840,071)	90,643,832
Restricted for:							
Capital Projects	3,572,258	--	--	--	15,431,820	--	19,004,078
Debt Service	--	--	--	--	184,803	--	184,803
Customers' Deposits	--	--	--	--	796,782	--	796,782
Permanent Funds:							
Expendable	677,320	--	--	--	--	--	677,320
Nonexpendable	203,471	--	--	--	--	--	203,471
Unrestricted	(6,244,734)	5,136,353	4,941,807	6,764,621	19,047,601	(14,035)	29,631,613
Total Net Assets	\$ 2,113,196	\$ 8,953,911	\$ 13,322,480	\$ 7,843,089	\$ 117,763,329	\$ (8,854,106)	\$ 141,141,899



CITY OF RICHMOND, VIRGINIA
STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Fiscal Year Ended June 30, 2008

Functions/Program Activities	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
School Board	\$ 316,463,864	\$ 3,403,326	\$ 96,192,111	\$ 3,373,815
Richmond Ambulance Authority	13,937,478	9,996,066	-	-
Port of Richmond Commission	1,662,401	1,263,470	-	349,634
Richmond Behavioral Health Authority	36,003,165	21,795,735	14,256,216	-
Richmond Redevelopment and Housing Authority	59,677,389	14,652,959	44,243,389	3,524,274
Broad Street Community Development Authority	7,751,160	4,953,161	-	-
Total Component Units	\$ 435,495,457	\$ 56,064,717	\$ 154,691,716	\$ 7,247,723

General Revenues:

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

Changes in Net Assets

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

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



EXHIBIT G-2

Net (Expenses) Revenues and Changes in Net Assets

School Board	Richmond Ambulance Authority	Port of Richmond Commission	Richmond Behavioral Health Authority	Richmond Redevelopment and Housing Authority	Broad Street Community Development Authority	Total
\$ (213,494,612)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ (213,494,612)
--	(3,941,412)	--	--	--	--	(3,941,412)
--	--	(49,297)	--	--	--	(49,297)
--	--	--	48,786	--	--	48,786
--	--	--	--	2,743,233	--	2,743,233
--	--	--	--	--	(2,797,999)	(2,797,999)
<u>(213,494,612)</u>	<u>(3,941,412)</u>	<u>(49,297)</u>	<u>48,786</u>	<u>2,743,233</u>	<u>(2,797,999)</u>	<u>(217,491,301)</u>
132,027,386	3,800,000	--	1,835,500	--	--	137,662,886
81,881,740	--	--	--	809,397	--	82,691,137
--	78,492	203,774	204,281	(1,015,270)	394,862	(133,861)
<u>176,267</u>	<u>197,686</u>	<u>--</u>	<u>521,093</u>	<u>--</u>	<u>--</u>	<u>895,046</u>
<u>214,085,393</u>	<u>4,076,178</u>	<u>203,774</u>	<u>2,560,874</u>	<u>(205,873)</u>	<u>394,862</u>	<u>221,115,208</u>
590,781	134,766	154,477	2,609,660	2,537,360	(2,403,137)	3,623,907
<u>1,522,415</u>	<u>8,819,145</u>	<u>13,168,003</u>	<u>5,233,429</u>	<u>115,225,969</u>	<u>(6,450,969)</u>	<u>137,517,992</u>
<u>\$ 2,113,196</u>	<u>\$ 8,953,911</u>	<u>\$ 13,322,480</u>	<u>\$ 7,843,089</u>	<u>\$ 117,763,329</u>	<u>\$ (8,854,106)</u>	<u>\$ 141,141,899</u>



CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Richmond, Virginia (City) was founded by William Byrd in 1737, established as a town in May 1742 and incorporated as a City on July 19, 1782. The City operates on a Strong Mayoral-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 U.S. generally accepted accounting principles (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 City has two types of component units – blended and discrete. The blended component units are separate legal entities, in substance, that are part of the City's operations; thus, financial data from these units are combined with that of the City and reported in the appropriate fund type. Each blended component unit has a June 30 fiscal year-end. 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

Blended Component Units:

The City reports two component units as a blended component unit, the Richmond Retirement System (RRS), and the Advantage Richmond Corporation (ARC). These component units are reported as a Fiduciary Pension Trust Fund and an Internal Service Fund respectively.

The Richmond Retirement System

The purpose of the RRS is to manage the retirement plan for the City. Complete financial statements for RRS may be requested at 900 East Broad Street, Richmond, VA 23219.

Advantage Richmond Corporation

The purpose of the ARC 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. Complete financial statements for Advantage Richmond Corporation may be requested at 900 East Broad Street, Richmond, VA 23219.



CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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.

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.

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, 2007 year-end financial statements are included within the City's component unit combining financial statements. Complete financial statements for RRHA may be obtained from the administrative offices located at 901 Chamberlayne Avenue, Richmond, VA 23220.

RRHA and the City have different fiscal years, which can result in timing differences in transactions between RRHA and the City.

CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008



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.
- Economic Development Authority of the City of Richmond (EDA) - The Commissioners of the EDA are appointed by the City Council, but the City provides no funding, has no obligation for the debt issued by the EDA, and cannot impose its will upon the EDA.

Joint Venture

Greater Richmond Transit Co. (GRTC):

The City retains an ongoing 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.

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 \$10,460,000 for subsidies for bus routes within the City for the year ended June 30, 2008. Complete financial statements for the GRTC can be obtained from the GRTC at 101 S. Davis Avenue, Richmond, VA 23220.

Jointly Governed Organizations:

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

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



CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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, if the Commission's budget contains estimated expenditures, which exceed estimated revenues, 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 \$12,750 in funding to the Commission during the fiscal year ended June 30, 2008.

Central Virginia Waste Management Authority (CVWMA) was created pursuant to the Virginia Water and Waste Authorities Act (Chapter 51, Title 15.2 of the Code of Virginia (1950), as amended). CVWMA's purpose is to plan, acquire, construct, reconstruct, improve, extend, operate, contract for and maintain any garbage and refuse collection, transfer and disposal program or system, including waste reduction, waste material recovery, recycling as mandated by law or otherwise, resource recovery, waste incineration, landfill operation, ash management, sludge disposal from water and wastewater treatment facilities, household hazardous waste management and disposal 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 twenty member board of directors. The City's contribution and direct payments for the fiscal year ended June 30, 2008 were \$1,641,596.

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 Richmond area. The City of Richmond has one member on the board that is an elected official (Pantele is currently serving), and one alternate member (the chief administrative officer of the City). The City's contribution for FY2008 was \$390,000.

The *Richmond Metropolitan Convention and Visitors Bureau (RMCVB)* serves the City and the Counties of Chesterfield, Hanover, Henrico and New Kent 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 three representatives serving on RMCVB's Board of Directors and contributed \$937,180 to the RMCVB for the year ended June 30, 2008.

The *Richmond Regional Planning District Commission (RRPDC)* is comprised of representatives from nine local jurisdictions which include Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan, the City of Richmond and the Town of Ashland. The major functions of the RRPDC are to promote regional cooperation; coordinate the activities and policies of local member governments; resolve service delivery challenges 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 \$115,219 for the year ended June 30, 2008.

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 Authority Act, 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 \$5,558,844 in transient occupancy tax revenue and \$1,689,697 of general funds for the year ending June 30, 2008.

CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008



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.

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

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



CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Governmental Funds

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

- *General Fund (Major 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.
- *Debt Service Fund (Major Fund)* – Debt Service Fund accounts for the resources accumulated and payments made by principal and interest on long-term general obligation debt of 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.
- *Capital Projects Funds* – 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.
- *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 City programs.

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 report activities for which a fee is charged to external users for goods and services. The City maintains six Enterprise Funds consisting of the gas, water and wastewater operations, all of which are considered major funds, and the Cemeteries, Richmond Landmark Theatre (Landmark Theatre), and the Richmond Coliseum (Coliseum), which are combined into a single, aggregated presentation as "non-major proprietary funds". Description of the major funds are as follows:
 - *Gas Utility* – The Gas Utility provides natural gas service to the City and surrounding counties. Operation of the Gas Utility is designed to be self-supporting through user charges.
 - *Water Utility* – The Water Utility provides retail water service to the City and surrounding counties. Operation of the Water Utility is designed to be self-supporting through user charges.
 - *Wastewater Utility* – The Wastewater Utility provides wastewater service to the City and portions of the surrounding counties. Operation of the Wastewater Utility is designed to be self-supporting through user charges.
- *Internal Service Funds* – Internal Service Funds account for operations that provide services to City departments/agencies on a cost-reimbursement basis. The City maintains seven internal service funds: 1) Fleet Management, 2) Radio Maintenance, 3) Risk Management, 4) Public Works Stores, 5) Electric Utility, 6) Stores and Transportation, and 7) Advantage Richmond Corporation.

CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008



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 business-type activities and enterprise funds. 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.



CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Revenues from taxes are generally considered available if received within two months after the fiscal year end. Revenue from categorical and other grants are generally considered available when all eligibility criteria have been met and if received within one year. Expenditures are recorded when the related liability is incurred and payment is due, except for principal and interest on long-term debt and compensated absences.

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 in 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 Funds' contributions from members, recorded under the full accrual basis of accounting, 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 fair value. 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 as determined by management based on quotations obtained from readily available sources.

F. Allowances for Doubtful Accounts

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

CITY OF RICHMOND, VIRGINIA
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June 30, 2008



Allowances for doubtful accounts at June 30, 2008 were as follows:

General Fund and Governmental Activities - Tax and Licenses	\$ 13,461,406
Enterprise Funds:	
Non-major Enterprise Funds (Coliseum, Landmark Theatre and Cemeteries)	126,876
Utilities:	
Gas Utility	2,880,915
Water Utility	563,383
Wastewater Utility	296,667
Electric	16,140
Total Utilities Funds	3,757,105
Total Enterprise Funds	\$ 3,883,981

G. Inventories

Inventories on hand at June 30, 2008 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.



CITY OF RICHMOND, VIRGINIA
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Capital asset depreciation has been provided over the estimated useful lives using the straight-line method as follows:

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

I. Construction Period Interest

The City capitalizes, during the construction period only, the net interest cost associated with the acquisition or construction of major additions in the business-type activity funds. During fiscal 2008, interest costs of approximately \$29,962,000 were incurred with approximately \$2,078,000 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 accumulated hours is 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 Activities' compensated absences liabilities are recorded as accrued liabilities when they are expected to be liquidated within the next year. The current and noncurrent portions are recorded in the government-wide financial statements. The amount of vacation recognized as expense is the amount earned

CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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during the year. Compensated absences are reported in Governmental Funds only if they have matured, for example, as a result of employee resignations and retirements.

K. Bond Discounts/Issuance Costs

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

L. Judgment and Claims

The City is self-insured with respect to risks including, but not limited to, property damage and personal injury. The City is self-insured with respect to payments for workers' compensation, general liability, automobile liability, public officials or police professional liability claims. The City also carries commercial insurance in a number of smaller, more defined risk areas such as employees' faithful performance, money and securities and medical professional liability. In the financial statements, expenses for judgments and claims including estimates of claims that have been incurred but not reported are recorded in the Risk Management Internal Service Fund.

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, unexpended bond proceeds or by grantor's requirements. 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.



CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

P. Advances to Other Funds

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

Q. Rate Stabilization

City ordinances authorize the Utilities Enterprise Funds to establish rate stabilization accounts within each utility. The purpose of rate stabilization is to mitigate and smooth any rate increases that otherwise might be required from year to year by increasing the rate stabilization amounts in years when revenues exceed those needed to meet bond covenant requirements and reasonable rates of return. Conversely, rate stabilization amounts, which are contributed, may be used instead of rate increases in years when revenues are insufficient to meet bond covenant requirements, reasonable rates of return, or budgeted net income. For the year ended June 30, 2008, the Utilities Enterprise Funds, which are considered rate regulated entities under Financial Accounting Standard No. 71, credited approximately \$5,330,000 to the rate stabilization fund in the Gas, Water and Wastewater Utilities combined. The effect of this transaction is reflected in the Other Liabilities and Claims Payable balance on the Proprietary Funds' Statement of Net Assets. Specifically, at June 30, 2008, this liability balance in the Gas, Water, and Wastewater Utilities included approximately \$13.73 million, \$24.15 million and \$23.70 million, respectively for rate stabilization funds.

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

In the Governmental Funds, property taxes, sales taxes, franchise taxes, licenses, intergovernmental grants, 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 the government receives cash.

U. Permanent Funds

Principal portion of permanent funds are reported as reserved while the net revenue of permanent funds are available for expenditure. Authorization for spending the investment income is derived from the specifications as prescribed by the donor.

V. Unearned Revenue

Unearned revenue represents payments and or revenue received but not yet recognized since it has not been earned. At the government-wide level, unearned revenue is primarily comprised of receivables from component units and money received from federal and/or state grants in advance of services to be provided. At the fund level,

CITY OF RICHMOND, VIRGINIA
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unearned revenue is primarily comprised of taxes and receivables from component units and money received from federal and/or state grants in advance of services to be provided.

2. REAL AND PERSONAL PROPERTY TAXES

Real and personal property taxes are levied on a calendar year basis on January 1, the assessment date, with an assessed value as of that date. Real property taxes become a lien on the property as of assessment. 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. For partial months in situs, assessments, abatements and refunds are rounded to the nearest full month.

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, no to exceed the full amount of the tax; interest on the unpaid balance is 10% per annum.

The City bills and collects its own property taxes. Delinquent property taxes may be sent to collection services. Property taxes levied January 1, 2008 are intended to finance operations of the fiscal year ended June 30, 2008.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

A. Cash and Cash Equivalents

Primary Government

At June 30, 2008, cash on hand, cash items and petty cash totaled approximately \$24,000 and the carrying value of the City's demand deposits, savings accounts and time certificates of deposit with financial institutions totaled \$2,869,442 and is included in cash and cash equivalents. The bank balance of the City's deposits, totaling \$10,535,593, was covered by federal depository insurance or was insured in accordance with provisions of the Virginia Security for Public Deposit Act (the 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. All cash classified as restricted are related to grantor or debtor requirements.

B. Richmond Retirement System

Cash and Investments

On June 30, 2008, the carrying amount of the System's deposits with financial institutions was \$1,314,948 and the bank balance was \$2,398,407. 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 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



CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
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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 invests 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 eight types of investments: U.S. government and agency obligations, domestic bonds and notes, domestic stocks, international stocks, international bonds and notes, REITs, hedge funds, and emerging market debt.

	Cost	Fair Value
U.S. Government and Agency obligations	\$ 51,749,797	\$ 53,232,589
Domestic bonds	57,293,154	54,015,473
Domestic stocks	174,822,264	172,110,044
International stocks	72,117,424	90,315,739
International bonds and notes	54,178,314	55,054,963
REITs	22,178,408	21,213,937
Hedge funds	48,133,493	54,360,593
Emerging market debt	3,581,397	3,379,430
Cash collateral received under securities lending program	96,090,802	96,090,802
Total	<u>\$ 580,145,053</u>	<u>\$ 599,773,570</u>

The net change in fair value of investments for the year ended June 30, 2008 is as follows:

	Change in Fair Value
U.S. Government and Agency obligations	\$ 3,280,141
Domestic bonds	(2,362,945)
Domestic stocks	(77,053,881)
International stocks	(31,387,842)
International bonds and notes	59,580,916
REITs	(3,545,898)
Hedge funds	6,244,864
Emerging market debt	(202,543)
Total	<u>\$ (45,447,188)</u>

CITY OF RICHMOND, VIRGINIA
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Custodial Credit Risk

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, 2008, the market value of securities on loan and cash collateral, that is included in the above amounts, was as follows:

	Securities on Loan	Cash Collateral
U.S. Government securities	\$ 3,729,083	\$ 3,800,280
Corporate bonds	81,941,451	84,373,754
Common stocks	7,764,638	7,916,768
Total	<u>\$ 93,435,172</u>	<u>\$ 96,090,802</u>

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, 2008.



CITY OF RICHMOND, VIRGINIA
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June 30, 2008

Investment Type	Moody Rating	Fair Value
Asset Backed Securities	A2	\$ 247,813
Asset Backed Securities	A3	37,768
Asset Backed Securities	AA3	117,333
Asset Backed Securities	AAA	702,048
Asset Backed Securities	BA1	40,714
Asset Backed Securities	BA2	16,958
Asset Backed Securities	BAA2	256,966
Asset Backed Securities	BAA3	241,633
Convertible Bonds	BA2	290,420
Convertible Bonds	BAA3	102,988
Convertible Bonds	CAA2	167,250
Convertible Bonds	CAA3	344,513
Convertible Bonds	NA	1,360,554
Convertible Bonds	NR	326,875
Convertible Bonds	WR	88,000
Corporate Bonds	A1	2,847,719
Corporate Bonds	A2	3,614,232
Corporate Bonds	A3	3,913,708
Corporate Bonds	AA1	513,093
Corporate Bonds	AA2	1,637,015
Corporate Bonds	AA3	1,461,359
Corporate Bonds	AAA	657,452
Corporate Bonds	B1	1,911,890
Corporate Bonds	B2	2,140,953
Corporate Bonds	B3	3,141,464
Corporate Bonds	BA1	1,656,277
Corporate Bonds	BA2	2,054,690
Corporate Bonds	BA3	1,163,216
Corporate Bonds	BAA1	3,480,185
Corporate Bonds	BAA2	4,100,336
Corporate Bonds	BAA3	3,636,188
Corporate Bonds	CAA1	3,722,571
Corporate Bonds	CAA2	380,288
Corporate Bonds	CAA3	10,000
Corporate Bonds	NA	48,000
Corporate Bonds	NR	25,211
Corporate Bonds	WR	203,081
Foreign Currency	NR	(30,102)
Limited Partnership Units	NR	26,133,493
Mortgage Backed Agencies	AAA	16,222,543
Mortgage Backed Agencies	NA	977,154
Mortgage Backed Agencies	NR	11,753,036
Mutual Funds	NR	239,148,972
Options - Future	NR	(2,469)
Real Estate Inv Trust	NA	11,207,765
Real Estate Inv Trust	NR	10,133,963
Short-Term	NR	17,757,059
U.S. Agencies	AA2	49,260
U.S. Agencies	AAA	1,687,696
U.S. Agencies	BA1	266,855
U.S. Agencies	BAA2	54,029
U.S. Agencies	NA	63,519
U.S. Treasury	AAA	27,250,406
U.S. Treasury	NA	371,831

NR – Not Rated
 NA – Not Available

Foreign Currency Risk

The System has an investment policy for international investments. At June 30, 2008, the System has no foreign currency risk exposure.

CITY OF RICHMOND, VIRGINIA
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 June 30, 2008



Interest Rate Risk

The System does not have a specific investment policy governing interest rate risk. At June 30, 2008, the System's interest rate exposure was as follows:

Investment Type	Fair Value	Effective Duration
Agincourt Capital Management:		
Agency	\$ 1,083,040	3.99
Asset backed	22,965	5.34
CMBS	1,324,965	3.14
CMO	1,266,811	3.66
Corporate	4,526,337	5.70
Mortgage pass-through	5,117,201	4.10
U.S. Treasury	436,254	12.79
Yankees	144,013	5.97
Fixed Income Total	\$ 13,921,586	
Blackrock:		
Agency	\$ 126,168	10.34
CMO	209,865	3.29
Corporate	348,608	3.00
Mortgage pass-through	1,477,969	4.91
Yankees	(2,469)	*
U.S. Treasury	25,476,551	2.78
Fixed Income Total	\$ 27,636,692	
Loomis Sayles – High Yield:		
Agency	\$ 107,376	3.86
Asset backed	256,966	0.46
Corporated	20,514,167	6.89
Preferred Stock*	223,920	*
YANKEE*	229,590	2.78
Fixed Income Total	\$ 21,332,019	
Richmond Capital Management:		
Agency:	\$ 214,518	6.36
CMBS	1,002,801	4.32
CMO	153,849	2.10
Corporate	7,198,024	4.87
Mortgage pass-through	5,318,878	4.36
U.S. Treasury	284,195	15.36
Fixed Income Total	\$ 14,172,265	
Stone Harbor Investments:		
Asset backed	\$ 1,093,627	0.83
CMBS	290,728	0.77
CMO	727,205	4.26
Corporate	9,456,690	6.19
Mortgage pass-through	12,137,522	4.00
U.S. Treasury	1,425,236	5.82
YANKEE	874,469	6.17
Fixed Income Total	\$ 26,005,477	

* Effective duration relates to securities with embedded options. The System's investments marked with an asterick (*) in this table do not have embedded options; as such, no effective duration figure exists for them.



CITY OF RICHMOND, VIRGINIA
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June 30, 2008

C. Investments

Investment Policy:

City policy is consistent with the statutes of the Commonwealth of Virginia governing investment wherein permissible investments include obligations of the Commonwealth, the United States, its agencies and instrumentalities, time certificates of deposit, bankers' acceptances, repurchase agreements, demand notes, commercial paper, the State Treasurer's Local Government Investments Pool (the Virginia LGIP, a 2a-7 like pool), and the State Non-Arbitrage Program (SNAP). As of June 30, 2008, all non-System investments were in either LGIP or SNAP, which were respectively rated AAA, and the length of the investments for both programs was less than 90 days. 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. At no time, shall more than 35% of the portfolio be invested in commercial paper. No more than five percent of the portfolio shall be invested in the commercial paper of a single entity.

The City does not have a formal policy for credit risk, foreign currency risk, or interest rate risk but does have a policy for custodial credit risk and concentration of credit risk.

Custodial credit risk for deposits:

All cash of the City is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (the Act), Section 2.2-4400 et. Seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by the FDIC must pledge collateral of 50% of the excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of the FDIC limits and are considered insured. At June 30, 2008, the City did not have any deposits that were not covered by depository insurance or collateralized under the Virginia Security for Public Deposits Act.

Custodial credit risk for investments:

At June 30, 2008, the City holds its investment securities primarily in external investments pools and thus is not subject to custodial credit risk disclosure.

Concentration Risk:

At June 30, 2008, the City does not have concentration of credit risk as no investments are with any one issuer representing more than 5% of total investments.

CITY OF RICHMOND, VIRGINIA
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Primary Government (000's omitted):

	Total
U.S. Government securities	\$ 53,233
Corporate bonds	54,015
Common stocks	172,110
International bonds	55,055
International stocks	90,316
Real Estate Investment Trusts	21,214
Hedge funds	54,361
Emerging market debt	3,379
	503,683
Cash collateral received under securities lending program	96,091
Deferred compensation plan mutual funds	53,608
Cash and money market funds	41,128
LGIP	190,804
SNAP	36,098
Total Cash and Investments	\$ 921,412

	Government-wide Statement of Net Assets	Fiduciary Funds Statement of Net Assets	Total
Cash and cash equivalents	\$ 180,022	\$ 19,547	\$ 199,569
Investments	-	653,382	653,382
Restricted assets	68,461	-	68,461
Total	\$ 248,483	\$ 672,929	\$ 921,412

D. Securities Lending Program

RRS lends securities to firms on a temporary basis through its custodian bank, State Street Corporation (the Custodian). During the fiscal year, the Custodian loaned, at the direction of RRS, its securities 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 during the fiscal year on the amount of the loans that the Custodian made on its behalf, and the Custodian indemnified RRS by agreeing to purchase replacement securities, or return the cash collateral, in the event the borrower failed to return the loaned security. There were no such failures by any borrowers during the year, nor were there any losses during the fiscal 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, 2008 was 42 days, with an average weighted maturity of 396 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 fair value of the securities on loan as of June 30, 2008 was \$96,090,802 and \$93,432,172, respectively. The cash collateral is recorded as both an asset and a liability on RRS's financial statements. Securities and letters of



CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

credit received as collateral at June 30, 2008 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 \$4,228,226 and the related expenses were \$3,461,837 in borrower's rebates and \$306,545 in agent fees, netting \$459,844 in securities lending income.

4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

		Due from							
		General	Debt	Non-Major	Non-Major	Major	Internal	Fiduciary	Total
		Fund	Service	Governmental	Enterprise	Enterprise	Service	Fund	
Due to	General Fund	\$ -	\$ 346,266	\$ 1,113,372	\$ 4,392,044	\$ 18,015,894	\$ 7,554,198	\$ -	\$ 31,421,774
	Non-Major Government	10,013,759	-	-	-	-	-	1,148,004	11,161,763
	Gas	435,638	-	-	-	-	-	-	435,638
	Water	10,747,784	-	-	-	-	-	-	10,747,784
	Waste	5,565,963	-	1,675,518	-	-	-	-	7,241,481
	Internal Service Funds	21,029,585	-	-	-	6,847,561	-	-	27,877,146
	Agency	549,776	-	-	-	-	-	-	549,776
	Total	\$ 48,342,505	\$ 346,266	\$ 2,788,890	\$ 4,392,044	\$ 24,863,455	\$ 7,554,198	\$ 1,148,004	\$ 89,435,362

The 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, 2008 consisted of the following:

		Transfer from						
		General	Major Proprietary Funds			Non-Major	Internal	Total
		Fund	Gas	Water	Wastewater	Governmental	Service	
Transfer to	General Fund	\$ -	\$ 723,891	\$ 878,641	\$ 1,299,804	\$ 4,784,606	\$ 70,633	\$ 7,757,575
	Debt Service	56,653,684	-	-	-	2,250,483	-	58,904,167
	Non-Major							
	Governmental	15,735,785	-	-	-	82,829	-	15,818,614
	Total	\$ 72,389,469	\$ 723,891	\$ 878,641	\$ 1,299,804	\$ 7,117,918	\$ 70,633	\$ 82,480,356

CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
 June 30, 2008



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				
	Major Proprietary Funds			Internal Service	Total
	Gas	Water	Wastewater	Fund	
Internal Service Funds	\$ 19,605,111	\$ 19,081,068	\$ 21,534,342	\$ 3,294,908	\$ 63,515,429

5. DUE FROM AND DUE TO OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2008 are as follows:

Primary Government	Federal	State	Total
General Fund	\$ —	\$ 42,566,113	\$ 42,566,113
Non-major Governmental Funds	3,642,877	6,648,938	10,291,815
Wastewater Fund	20,000,000	—	20,000,000
Internal Service Funds	61,028	—	61,028
	<u>\$ 23,703,905</u>	<u>\$ 49,215,051</u>	<u>\$ 72,918,956</u>

Amounts due to other governments totaled \$30,714 for the non-major Governmental funds at June 30, 2008. At the government-wide level, a due from the Fiduciary Fund is considered as a due from other governments in the amount of \$1,148,004.

6. NOTE RECEIVABLE

Note receivable in the General Fund consists of:

A non-interest bearing promissory note from Greater Richmond Transit Company	<u>\$ 478,523</u>
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CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

7. CAPITAL ASSETS

Primary Government - Governmental Activities

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 30,722,973	\$ 3,892,100	\$ --	\$ 34,615,073
Construction In Progress	38,194,046	31,615,889	7,269,961	62,539,974
Works of Art/Historical Treasures	6,922,681	--	--	6,922,681
Total Capital Assets Not Being Depreciated	<u>75,839,700</u>	<u>35,507,989</u>	<u>7,269,961</u>	<u>104,077,728</u>
Capital Assets Being Depreciated:				
Infrastructure	715,968,366	10,221,576	--	726,189,942
Building and Structures	428,835,504	5,659,093	377,058	434,117,539
Equipment	104,279,564	7,283,476	7,617,309	103,945,731
Improvements Other Than Buildings	6,946,066	2,210,190	--	9,156,256
Total Other Capital Assets	<u>1,256,029,500</u>	<u>25,374,335</u>	<u>7,994,367</u>	<u>1,273,409,468</u>
Less Accumulated Depreciation For:				
Infrastructure	397,369,022	13,616,378	--	410,985,400
Building and Structures	188,808,491	12,064,162	275,055	200,597,598
Equipment	65,859,244	9,868,444	7,950,317	67,777,371
Improvements Other Than Buildings	1,262,948	558,424	--	1,821,372
Total Accumulated Depreciation	<u>653,299,705</u>	<u>36,107,408</u>	<u>8,225,372</u>	<u>681,181,741</u>
Total Capital Assets Being Depreciated, Net	<u>602,729,795</u>	<u>(10,733,073)</u>	<u>(231,005)</u>	<u>592,227,727</u>
Governmental Activities, Capital Assets, Net	<u>\$ 678,569,495</u>	<u>\$ 24,774,916</u>	<u>\$ 7,038,956</u>	<u>\$ 696,305,455</u>

Depreciation expense was charged to functions as follows:

General Government	\$ 2,868,831
Public Safety and Judiciary	3,931,134
Highways, Streets, Sanitation and Refuse	2,963,832
Human Services	85,758
Culture and Recreation	1,781,627
Education	24,476,226
Subtotal	<u>36,107,408</u>
Allocation related to Internal Services Funds	7,533,810
Total	<u>\$ 28,573,598</u>

CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008



Primary Government - Business-type Activities

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Gas Utility:				
Capital Assets Not Being Depreciated -				
Construction in Progress	\$ 34,356,481	\$ 27,410,139	\$ 23,606,873	\$ 38,159,747
Capital Assets Being Depreciated -				
Plant-in-service	363,559,409	18,339,210	433,251	381,465,368
Total Capital Assets Being Depreciated	363,559,409	18,339,210	433,251	381,465,368
Less - Accumulated Depreciation For -				
Plant-in-service	111,455,653	10,743,133	813,374	121,385,412
Total Accumulated Depreciation	111,455,653	10,743,133	813,374	121,385,412
Total Capital Assets Being Depreciated, Net	252,103,756	7,596,077	(380,123)	260,079,956
Gas Utility, Capital Assets, Net	286,460,237	35,006,216	23,226,750	298,239,703
Water Utility:				
Capital Assets Not Being Depreciated -				
Construction in Progress	50,126,686	17,077,620	9,449,239	57,755,067
Capital Assets Being Depreciated -				
Plant-in-service	302,658,186	7,727,992	300,901	310,085,277
Total Capital Assets Being Depreciated	302,658,186	7,727,992	300,901	310,085,277
Less - Accumulated Depreciation For -				
Plant-in-service	86,400,518	7,034,707	388,471	93,046,754
Total Accumulated Depreciation	86,400,518	7,034,707	388,471	93,046,754
Total Capital Assets Being Depreciated, Net	216,257,668	693,285	(87,570)	217,038,523
Water Utility, Capital Assets, Net	266,384,354	17,770,905	9,361,669	274,793,590
Wastewater Utility:				
Capital Assets Not Being Depreciated -				
Construction in Progress	62,229,644	20,668,304	12,262,127	70,635,821
Capital Assets Being Depreciated -				
Plant-in-service	348,147,001	11,733,586	--	359,880,587
Total Capital Assets Being Depreciated	348,147,001	11,733,586	--	359,880,587
Less - Accumulated Depreciation For -				
Plant-in-service	129,482,413	8,943,840	--	138,426,253
Total Accumulated Depreciation	129,482,413	8,943,840	--	138,426,253
Total Capital Assets Being Depreciated, Net	218,664,588	2,789,746	--	221,454,334
Wastewater Utility, Capital Assets, Net	280,894,232	23,458,050	12,262,127	292,090,155
Other Business-type Activity:				
Capital Assets Not Being Depreciated -				
Land and Land Improvements	12,815,550	--	--	12,815,550
Capital Assets Being Depreciated -				
Buildings and Structures	44,377,481	18,146	--	44,395,627
Equipment and Other Capital Assets	6,229,418	34,807	--	6,264,225
Total Capital Assets Being Depreciated	50,606,899	52,953	--	50,659,852
Less - Accumulated Depreciation For:				
Buildings and Structures	29,006,987	1,887,636	--	30,894,623
Equipment and Other Capital Assets	3,741,008	607,215	--	4,348,223
Total Accumulated Depreciation	32,747,995	2,494,851	--	35,242,846
Total Capital Assets Being Depreciated, Net	17,858,904	(2,441,898)	--	15,417,006
Other Business-type Activity, Capital Assets, Net	30,674,454	(2,441,898)	--	28,232,556
Business-type Activities, Capital Assets, Net	864,413,277	73,793,273	44,850,546	893,356,004
Internal Service Fund - Stores Utility, Net	27,228,578	1,842,242	--	29,070,820
	<u>\$ 891,641,855</u>	<u>\$ 75,635,515</u>	<u>\$ 44,850,546</u>	<u>\$ 922,426,824</u>



CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

8. OBLIGATIONS

Changes in the short-term liabilities during the fiscal year ended June 30, 2008 are summarized below:

Primary Government - Governmental Activities

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
General Obligation Revenue Anticipation Notes	\$ --	\$ 65,000,000	\$ 65,000,000	\$ --

Changes in the long-term liabilities during the fiscal year ended June 30, 2008 are summarized below:

**Primary Government -
 Governmental Activities**

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year
General Obligation Bonds (GO)	\$ 384,042,675	\$ --	\$ 32,148,620	\$ 351,894,055	\$ 27,591,672
Commercial Paper Bond Anticipation Notes	500,000	--	--	500,000	--
General Obligation Serial Equipment Notes	4,200,000	5,200,000	1,400,000	8,000,000	2,440,000
Virginia Public Schools Authority Bonds	2,597,288	--	224,935	2,372,353	227,025
Qualified Zone Academy Bonds	3,179,733	--	192,480	2,987,253	192,480
HUD Section 108 Notes	4,465,000	--	555,000	3,910,000	555,000
Total General Obligation Bonds and Notes	398,984,696	5,200,000	34,521,035	369,663,661	31,006,177
Accreted Value - Capital Appreciation Bonds	121,623	--	62,449	59,174	14,345
Premium on Debt Issued	11,821,700	--	762,900	11,058,800	762,902
Certificates of Participation	16,230,000	--	720,000	15,510,000	750,000
Advantage Richmond Lease Revenue Bond	11,555,580	--	573,773	10,981,807	604,708
Capital Leases	147,486	--	147,486	--	--
Note Payable Due to Component Unit	27,152,878	--	1,620,000	25,532,878	1,695,000
Compensated Absences	13,911,175	2,593,150	967,457	15,536,868	10,641,973
Totals	\$ 479,925,138	\$ 7,793,150	\$ 39,375,100	\$ 448,343,188	\$ 45,475,105

The Notes Payable to Component Unit represents the City's obligation to pay the debt service due on two bond issues undertaken, at the City's request, by the City's Component Unit, the RRHA. Under the Old Manchester Cooperation Agreements between the City and RRHA, the City has agreed to annually budget for and make payment to RRHA to service this debt.

CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008



**Primary Government -
Business-Type Activities**

	Balance		Deletions	Balance		Due
	July 1, 2007	Additions		June 30, 2008	Within	
						One Year
General Obligation Bonds:						
Gas	\$ 97,620,812	\$ --	\$ 4,516,535	\$ 93,104,277	\$ 5,570,707	
Water	75,692,713	--	3,270,119	72,422,594	4,204,065	
Wastewater	46,206,733	--	2,837,365	43,369,368	2,919,653	
Other Non-Major Enterprise Funds	15,059,885	--	1,221,241	13,838,644	1,229,172	
Accreted Value - Capital Appreciation						
General Obligation Bonds:						
Gas	852,531	--	437,740	414,791	100,553	
Water	1,363,931	--	700,323	663,608	160,871	
Wastewater	557,736	--	286,374	271,362	65,783	
Revenue Bonds:						
Gas	142,078,970	--	2,930,673	139,148,297	2,039,065	
Water	131,737,131	--	2,194,851	129,542,280	2,171,637	
Wastewater	140,378,448	2,069,767	4,813,157	137,635,058	3,602,900	
Total Bonded Debt	651,548,890	2,069,767	23,208,378	630,410,279	22,064,406	
Capital Leases:						
Other Non-Major Enterprise Funds	1,645,891	--	226,960	1,418,931	230,625	
Total Capital Leases	1,645,891	--	226,960	1,418,931	230,625	
Compensated Absences:						
Gas	655,438	595,426	576,182	674,682	576,182	
Water	559,050	444,656	428,242	575,464	428,242	
Wastewater	578,327	465,584	448,604	595,307	448,604	
Other Non-Major Enterprise Funds	159,272	16,599	50,319	125,552	65,609	
Total Compensated Absences	1,952,087	1,522,265	1,503,347	1,971,005	1,518,637	
Totals	\$ 655,146,868	\$ 3,592,032	\$ 24,938,685	\$ 633,800,215	\$ 23,813,668	

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. The allocation of debt between governmental activities and business-type activities is recorded on a debt by debt basis and the specific needs of the City at the time and are disclosed in the related offering document.



CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Authority to Issue Debt

As of June 30, 2008, the City had \$149,500,000 available to borrow under a previously authorized Commercial Paper Bond Anticipation Note Facility which is being used to finance various capital projects. The City also had a total of \$259,127,198 of general obligation and revenue bonds authorized, but not issued, for funding additional Capital Improvement Projects. Of these authorized but not issued bonds, \$146,498,000 is earmarked for self-supporting Public Utility projects and \$112,629,198 for various General Fund supported capital projects and equipment.

Details of Bonds and Notes Outstanding:

	Interest Rates	Issue Date	Maturity Date	Original Issue	Balance at June 30, 2008	
					Governmental Activities	Enterprise Funds
General Obligation Bonds						
Public Improvement Bonds 1989A	6.80% - 7.55%	1/15/1989	1/15/2009	\$ 24,520,000	\$ 589,877	\$ 17,871
Public Improvement Bonds 1989B	5.80% - 6.70%	7/15/1989	1/15/2010	65,674,506	2,240,123	651,013
Public Improvement Refunding Bonds 1993A	3.00% - 6.50%	6/1/1993	1/15/2009	175,125,000	6,394,271	2,355,256
Public Improvement Bonds 1993B	3.00% - 6.50%	6/1/1993	7/15/2009	91,700,000	2,713,360	3,961,640
Public Improvement Bonds 1999A	4.00% - 5.375%	6/1/1999	1/15/2024	98,145,000	6,296,793	173,207
Public Improvement Refunding Bonds 1999B	4.00% - 5.125%	6/1/1999	1/15/2016	35,740,000	7,973,646	8,353,314
Public Improvement Refunding Bonds 2000A	4.50% - 5.50%	10/18/2000	1/15/2018	122,730,000	--	89,560,000
Public Improvement Bonds 2001	4.00% - 5.50%	12/15/2001	7/15/2022	116,400,000	50,072,711	572,289
Public Improvement Bonds 2002A	3.00% - 5.25%	11/15/2002	7/15/2023	50,455,000	28,263,300	6,156,700
Public Improvement Refunding Bonds 2002B	4.00% - 5.25%	11/15/2002	7/15/2023	96,220,000	49,918,857	45,974,711
Public Improvement Bonds 2003	4.42%	11/13/2003	7/15/2018	13,500,000	10,785,000	--
Public Improvement Bonds 2004A	3.00% - 5.50%	6/15/2004	7/15/2024	55,655,000	44,600,000	--
Public Improvement Refunding Bonds 2004B	3.00% - 5.00%	6/15/2004	7/15/2015	9,300,000	7,317,780	1,832,220
Public Improvement Refunding Bonds 2005A	3.00% - 5.00%	7/28/2005	7/15/2023	93,245,000	90,962,187	2,127,813
Public Improvement Refunding Bonds 2005B	3.00% - 5.00%	10/18/2005	7/15/2020	61,890,000	616,150	60,998,850
Public Improvement Bonds 2006	4.00% - 5.00%	11/21/2006	7/15/2026	44,550,000	43,150,000	--
Virginia Public School Authority Bonds						
VPSA Bonds 1997A	4.35% - 5.35%	11/20/1997	7/15/2017	4,578,704	2,372,353	--
Qualified Zone Academy Bonds - 2004	0%	5/6/2004	5/6/2019	2,142,167	1,685,587	--
Qualified Zone Academy Bonds - 2004B	0%	12/30/2004	12/30/2020	1,536,671	1,301,666	--
General Obligation Notes						
Serial Equipment Notes Series 2005	2.95%	6/29/2005	6/15/2010	7,000,000	2,800,000	--
Serial Equipment Notes Series 2008	3.21%	6/19/2008	6/16/2013	5,200,000	5,200,000	--
Commercial Paper BAN	Variable	12/20/2006	12/1/2011	--	500,000	--
HUD Section 108 Notes						
HUD Section 108 Note Series 1997	5.87% - 6.98%	10/28/1997	8/1/2014	2,445,000	935,000	--
HUD Section 108 Note Series 2000	6.56% - 7.76%	6/14/2000	8/1/2014	4,500,000	2,100,000	--
HUD Section 108 Note Series 2003	1.21% - 4.93%	8/7/2003	8/1/2014	800,000	455,000	--
HUD Section 108 Note Series 2004	2.31% - 5.19%	6/30/2004	8/1/2014	585,000	420,000	--
Revenue Bonds						
Public Utility Revenue Bonds 1998C - VRA	3.00%	9/27/1996	7/15/2018	10,000,000	--	6,095,825
Public Utility Revenue Bonds 1998D - VRA	3.00%	8/27/1997	7/15/2019	8,600,000	--	5,272,919
Public Utility Revenue Bonds 2003 - VRA	2.10% - 3.82%	12/4/2003	10/1/2008	3,730,000	--	795,000
Public Utility Revenue Bonds 2004	2.00% - 5.00%	6/15/2004	1/15/2024	67,655,000	--	63,950,000
Public Utility Revenue Bonds 2006 - VRA	3.10%	6/29/2006	1/15/2028	11,000,000	--	11,000,000
Public Utility Revenue Bonds 2007A	3.50% - 5.00%	4/25/2007	1/15/2037	323,180,000	--	318,710,000
Public Utility Revenue Bonds 2008A - VRA	3.00%	6/27/2008	1/15/2029	6,900,000	--	501,891
Lease Revenue Bond - Advantage Richmond	5.25%	10/26/2005	10/1/2020	12,100,000	10,981,807	--
Certificates of Participation Series 2001A	4.00% - 5.15%	6/1/2001	8/1/2022	18,840,000	15,510,000	--
Total Outstanding Bonded Debt					\$ 396,155,468	\$ 629,060,519
Premium on Debt Issued					\$ 11,058,800	\$ --
Accreted Value - Capital Appreciation Bonds					59,174	1,349,761
					\$ 407,273,442	\$ 630,410,280



CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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:

<u>Fiscal Year (000's omitted)</u>	<u>General Obligation Bonds and Notes</u>		<u>VPSA Bonds</u>		<u>HUD Section 108 Notes</u>		<u>Certificates of Participation</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 30,829	\$ 22,807	\$ 227	\$ 118	\$ 555	\$ 243	\$ 750	\$ 715
2010	33,585	18,391	229	106	555	208	780	684
2011	29,169	14,365	231	93	555	172	810	651
2012	26,120	13,018	234	81	555	135	845	615
2013	25,095	11,826	236	69	560	97	880	578
2014-2018	109,126	42,552	1,215	161	1,130	79	5,045	2,231
2019-2023	98,891	16,340	--	--	--	--	6,400	831
2024-2028	21,548	1,162	--	--	--	--	--	--
Subtotal	374,363	140,461	2,372	628	3,910	934	15,510	6,305
Premium	11,059	--	--	--	--	--	--	--
Accreted Value - Capital								
Appreciation Bonds	59	--	--	--	--	--	--	--
Total	\$ 385,481	\$ 140,461	\$ 2,372	\$ 628	\$ 3,910	\$ 934	\$ 15,510	\$ 6,305

Business-type Activities:

<u>Fiscal Year (000's omitted)</u>	<u>General Obligation Bonds</u>		<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 13,924	\$ 11,939	\$ 7,814	\$ 18,475
2010	14,627	11,986	7,986	17,823
2011	15,842	9,922	7,741	17,570
2012	16,406	9,028	8,010	17,302
2013	17,263	8,160	8,285	17,021
2014-2018	96,320	26,641	46,827	79,736
2019-2023	43,502	5,497	58,007	68,438
2024-2028	4,850	114	102,176	51,666
2029-2033	--	--	131,665	25,520
2034-2038	--	--	27,815	3,141
Subtotal	222,734	83,287	406,326	316,692
Accreted Value - Capital				
Appreciation Bonds	1,350	--	--	--
Total	\$ 224,084	\$ 83,287	\$ 406,326	\$ 316,692



CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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

- A \$700,000 equipment 10-year 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.

The assets acquired through capital leases are as follows:

Asset:	Business-type Activities
Machinery and Equipment	\$ 2,370
Less: Accumulated Depreciation	951
Total assets acquired through capital lease payments	\$ 1,419

Future minimum lease payments are as follows:

<u>Fiscal Year (\$000's Omitted)</u>	Business-type Activities
2009	\$ 299
2010	299
2011	299
2012	301
2013	210
2014-2018	210
Total minimum capital lease payments	1,618
Less amounts representing interest	199
Present value of minimum capital lease payments	\$ 1,419

Debt issued during the fiscal year ended June 30, 2008

On June 29, 2006, the City entered into an \$11,000,000 Public Utility Revenue Bond Financing Agreement with the Virginia Resources Authority, the Administrator for the Commonwealth of Virginia's Water Facilities Revolving Fund. Proceeds of this borrowing, the City's Series 2006 Utility Revenue Bond, financed \$11.0 million of improvements to the City's Wastewater Treatment Plant. During the 2008 fiscal year, the City drew the final \$1,567,879 available under this Agreement bringing the total amount of draws on this facility to the full \$11,000,000 as of June 30, 2008. The revenue 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 and interest payments on this debt are expected to begin in July 15, 2008, and will be due each January 15 and July 15 through January 15, 2028. Interest on the bonds will be payable semi-annually at a 3.10% interest rate.

On December 20, 2006, the City established a \$150,000,000 Bond Anticipation Commercial Paper Note facility to provide interim financing for certain capital improvement projects of the City. As of June 30, 2008, the City has issued \$500,000 of Commercial Paper Notes under this facility. The Notes were issued and remarketed under a Commercial Paper Dealer Agreement dated December 1, 2006 between the City of Richmond and Banc of America Securities, LLC.

CITY OF RICHMOND, VIRGINIA
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The Notes are supported by a Standby Note Purchase Agreement (liquidity facility) between the City and Bank of America. During the year ended June 30, 2008, the City paid interest rates on the outstanding balance of the notes ranging from 1.60% to 3.80%.

On December 6, 2007, the City sold \$65,000,000 of seasonal General Obligation Revenue Anticipation Notes through a competitive bid. UBS Securities, LLC was the purchaser of the Notes. Prior to issue, Moody's, Standard & Poor's 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 the notes was 4.00%; however, the City received an upfront premium of \$245,050, thereby making the effective true interest rate cost on the Notes an effective rate of 3.30%. Proceeds of these notes were used to fund ongoing operations and the notes were repaid in full on June 25, 2008.

On June 19, 2008, the City issued a \$5,200,000 five-year Note to finance the purchase of vehicles and equipment purchased by the City's Fleet Management Internal Service Fund during the fiscal year. SunTrust Equipment Finance and Leasing Corporation provided the financing at a fixed interest rate of 3.21%. The Note calls for annual principal repayment of \$1,040,000 on July 15th of each year with interest due semi-annually on January 15th and July 15th of each year.

On June 27, 2008, the City entered into a \$6,900,000 Public Utility Revenue Bond Financing Agreement with the Virginia Resources Authority, the Administrator for the Commonwealth of Virginia's Water Facilities Revolving Fund. Proceeds of this borrowing facility, Series 2008A Utility Revenue Bond, are being used to finance \$6.9 million of two capital improvement projects of the City's Wastewater Utility. During the 2008 fiscal year, the City drew an initial amount of \$501,891 under this Agreement as of June 30, 2008. The remaining available proceeds are expected to be drawn during the next 18 months at which time the amortization of the debt will begin. The revenue 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 and interest payments on this debt are expected to begin in July 2009 and will be due thereafter each January 15 and July 15 through January 15, 2029. Interest on the bonds will be payable semi-annually at a fixed 3.00% interest rate.

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 fiscal year ending June 30, 2008. The City has outstanding four amortizing fixed rate notes, with an aggregate principal balance of \$3,910,000 as of June 30, 2008.

Defeasance of Debt

On July 28, 2005, the City purchased U.S. Government Securities with proceeds of the General Obligation Public Improvement Refunding Bonds, Series 2005A to advance refund \$69,595,000 and \$23,425,000 of the City's General Obligation Public Improvement Bonds, Series 1999A and Series 2001, respectively. These U.S. Government Securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments due on the refunded Series 1999A and 2001 bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. The call date for the \$69,595,000 defeased Series 1999A bonds is January 15, 2010, and the call date for the \$23,425,000 defeased Series 2001 GO bonds is July 15, 2011. As of June 30, 2008, the City has an aggregate \$93,020,000 of defeased General Obligation bond debt.

On April 25, 2007 the City used a portion of its Series 2007A Public Utility Revenue and Refunding Bond proceeds, along with other available Utility funds, to purchase U.S. Government Securities to refund \$139,015,000 of its Series 2002 Public Utility Revenue Bonds. At closing, these U.S. Government Securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments due on the refunded Series 2002 bonds.



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Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. The call date for the \$139,015,000 of defeased Series 2002 bonds is January 15, 2012. which at June 30, 2008, was the City's total defeased Public Utility Revenue bond debt.

9. FUND BALANCES

The fund balances have been classified to reflect the limitations and restrictions placed on the respective funds. Reserved fund balance represents that portion of fund balance not available for appropriation or expenditure. Designated fund balance represents amounts that are tentatively planned for financial resource utilization in a future period. Undesignated fund balance represents the remainder of the City's equity in governmental funds' fund balances. Fund balances reserved at June 30, 2008 are composed of the following:

	General Fund	Debt Service	Other Non-Major Governmental Funds
Encumbrances	\$ 7,229,265	\$ --	\$ --
Advances to Component Units	1,300	--	--
Debt Service	--	1,204,927	--
Trust Corpus	--	--	471,287
Notes Receivable	478,523	--	--
Other	9,199,459	--	23,723,139
Totals	<u>\$ 16,908,547</u>	<u>\$ 1,204,927</u>	<u>\$ 24,194,426</u>

Other reservations for the General Fund are comprised of the funding for stormwater management (\$2,000,000), proposed re-appropriation of prior year balance (\$2,200,000), and to reserve for future reductions in governmental funding and/or tax collections (\$4,999,459).

Fund balances designated at June 30, 2008 are composed of the following:

	Other Non-Major Governmental Funds
Completion of approved or specified projects and activities	<u>\$ 7,478,784</u>

The Risk Management and Radio Maintenance Internal Service Funds had deficit net assets of \$1,778,718 and \$9,372,552, respectively, at June 30, 2008. City management anticipates eliminating the deficits over the next ten years (see Note 10). In addition, the Landmark Enterprise Fund had a deficit net assets of \$950,539 at June 30, 2008.

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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 \$1,000,000 of any accident and pays claims filed directly from appropriations to various agencies. Excess workers' compensation coverage provides protection for accidents exceeding \$1,000,000. Claims for indemnity benefits may be paid over a maximum period of 500 weeks with the exception of certain legally defined cases, which may be paid for the lifetime of the claimant.

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

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, 2008, 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 GAAP, the City's aggregate liability for uninsured workers' compensation, general liability, and automobile liability at June 30, 2008 was \$34,168,312 (undiscounted) and \$28,465,153 (discounted at 3.5%). Changes in the aggregate for these liabilities for fiscal years 2007 and 2008 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes In Estimates	Claims and Premium Payments	Balance at Fiscal Year end
2007	\$ 25,449,810	\$ 5,518,878	\$ (4,805,143)	\$ 26,163,545
2008	\$ 26,163,545	\$ 6,729,066	\$ (4,427,458)	\$ 28,465,153



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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 Southern Health 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 Southern Health service area. If an employee is not eligible for PPO, a companion indemnity program is available. Rates for each program are as follows:

Status	HMO		POS		PPO	
	Semi-Monthly	City Monthly	Semi-Monthly	City Monthly	Semi-Monthly	City Monthly
Single	\$ 21.74	\$ 311.57	\$ 27.08	\$ 311.57	\$ 21.74	\$ 311.57
Plus One	\$ 148.23	\$ 502.11	\$ 160.23	\$ 502.11	\$ 148.23	\$ 502.42
Family	\$ 249.43	\$ 655.09	\$ 266.75	\$ 655.09	\$ 249.43	\$ 655.09

Healthcare related costs for the City as of June 30, 2008 approximated \$17,644,896 for active City employees and approximated \$1,675,972 for retired City employees.

12. RETIREMENT PLANS

A. General

The City maintains an agent multiple-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), which offers both an agent and a cost sharing multiple-employer retirement plan options to Virginia localities and 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, 2008 for the employees covered by the City Plan and VRS were approximately \$208,321,000 and \$183,208,000, respectively. The total payrolls for the fiscal year ended June 30, 2008 were approximately \$228,277,000 for the City and \$186,866,000 for the School Board.

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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, 2008 is as follows:

Retirees and beneficiaries currently receiving benefits	3,921
Vested Terminated Employees	1,810
Current Employees:	
Vested	2,236
Nonvested	642
DC Plan Participants with Frozen Benefits	<u>1,402</u>
Total	<u>10,011</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% (2% Enhanced Plan) 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.

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, VA 23219 or by calling (804) 646-5958.



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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 System provisions (including the granting of cost-of-living increases) or actuarial gains or losses amortized over a closed period not to exceed 30 years, with payments increasing up to 4% per year.

The following is a schedule of the City's contributions for fiscal years ended June 30, 2006 through 2008:

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2006	30,712,306	103.00%
2007	30,889,221	100.00%
2008	32,026,054	100.00%

The overall employer contribution rate increased .55% for the fiscal year ending June 30, 2008.

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 GAAP. For purposes of determining contribution rates, the difference between actual investment earnings and expected investment earnings (assuming an 8% return) is recognized over a five-year period, with the restriction that the actuarial asset value cannot be less than 90% or more than 110% of market value. For purposes of determining the City Plan's funded status and other required disclosures, assets are valued at market.

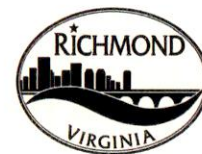
Significant actuarial assumptions used in determining the actuarial accrued liability include: (a) a rate of return on the investment of present and future assets of 8.0% per annum compounded annually, (b) projected salary increases ranging from approximately 0.5% to 4.0% per year. Salary increases include a 2.5% component for inflation and a variable component for merit increases and (c) the assumption that benefits will not increase after retirement. Due to the "fresh start" of the actuarial asset valuation method, the actuarial values of assets is equal to the market value of assets as of June 30, 2006 thus fully recognizing all prior gains and losses. A smoothing method will be utilized in order to smooth the impact of market fluctuations going forward.

As of the July 1, 2008 valuation date, the actuarial cost method utilized is the projected unit credit actuarial cost method. The amortization method used for General employees is a level dollar method over a closed period not to exceed 30 years. The amortization method used for Police & Fire employees is a level percent of pay method over a closed period not to exceed 30 years. For purposes of determining asset valuation, the realized and unrealized gains and losses are recognized over a five year period with the restriction that the resulting asset value cannot be less than 90% or greater than 110% of market value.

There was one legislative change during the fiscal year ending June 30, 2008, which had a financial impact on RSS:

Effective July 1, 2008, a 1.50% COLA was granted to members who retired on or before July 1, 2008. The impact of this change was an increase of \$6,170,310 in actuarial liability.

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IV. Required Supplemental Information - Schedule of Funding Progress

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
2006	497,450,211	716,031,378	218,581,167	69.47%	163,193,191	133.94%
2007	526,201,340	740,465,173	214,263,833	71.06%	147,897,543	144.87%
2008	544,771,727	765,417,461	220,645,734	71.17%	144,832,611	152.35%

Note: Fiscal years 2006 and 2007 are unaudited.

13. POST-EMPLOYMENT BENEFITS

From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2008, the City recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2008 liability.

Plan Description. The City provides continuous medical insurance coverage for full-time employees who retire directly from the City, have continuously been enrolled in the health plans for 5 years prior to retirement, and are eligible to receive an early or regular retirement benefit from the City. In addition, they must be employed with the City for at least 10 years of creditable service at retirement. Dental insurance also continues after retirement at the retiree rate.

The plan has been changed to only value participants who are currently retired and active members that were hired prior to January 1, 1997. Members hired after this date are assumed to pay the full cost of the program with no implicit rate subsidy and; therefore, have no related liability. For pre-Medicare coverage, retirees pay a portion of the early retiree rates based on years of service at retirement. Currently, the plans offered to retirees are the Health Maintenance Organization (HMO), the Point-of-Service (POS), and the Preferred Provider Organization (PPO). Retirees that become Medicare eligible are no longer eligible for the City retiree medical plan. Surviving spouses of retirees may elect to remain in the deceased member's health insurance plan for up to 36 months after the death of the member paying the same rate as the retiree, but without the City's contribution.

The number of participants as of July 1, 2007, the effective date of the biennial OPEB valuation, follows. There have been no significant changes in the number covered or the type of coverage since that date.

Active employees	1,787
Retired employees	<u>689</u>
Total	<u>2,476</u>



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Funding Policy. The City currently pays for post-employment healthcare benefits on a pay-as-you-go basis. Although the City is studying the establishment of trusts that would be used to accumulate and invest assets necessary to pay for any accumulated liability on an actuarial basis, these financial statements assume that pay-as-you-go funding will continue.

Annual OPEB Cost and Net OPEB Obligation. The City's other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of city's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Level Dollar Amortization	
Calculation of Annual Required Contribution (ARC) under the Projected Unit Credit Method:	
ARC Normal Cost	\$ 1,441,480
Amortization	<u>3,170,688</u>
Annual required contribution	4,612,168
Contribution for fiscal year ended June 30, 2008	<u>(4,612,168)</u>
Increase in net OPEB	--
Net OPEB Obligation - beginning of year	--
Net OPEB Obligation - end of year	<u>\$ --</u>
Percent of annual OPEB cost contributed	100%

Benefit Obligation, Normal Cost and Funding Progress	
Actuarial Value of Assets	\$ --
Actuarial Accrued Liability:	
Retired Employees:	\$ 33,560,284
Active Employees:	<u>42,594,368</u>
Unfunded actuarial liability (UAAL)	<u>\$ 76,154,652</u>
Funded Ratio	(100)%
Normal Cost - Beginning of Year	\$ 1,413,487
Amortization factor based on 30 years	24
Annual Covered Payroll	\$ 102,430,176
UAAL as a Percentage of Covered Payroll	74%

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. Most included coverages are "community-rated" and annual premiums for community-rated coverages were used as a proxy for claims costs without age adjustment. The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar open basis.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment,

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mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations

In the June 30, 2007 actuarial valuation, the liabilities were computed using the projected unit credit method and the level dollar amortization. The actuarial assumptions utilized a 4% discount rate. Because the plan is unfunded, reference to the general assets, which are short-term in nature (such as money market funds), was considered in the selection of the 4% rate. The valuation assumes a 9% healthcare cost trend increase for fiscal year 2007-2008, reduced by decrements to a rate of 5.5% after 6 years.

Funding Policy for Employees Hired after January 1, 1997. On January 1, 2008, the City established a retirement welfare benefits plan as authorized under state statutes, to reimburse the eligible retirees of the employer for medical and dental expenses incurred by them, their spouses and dependents pursuant to the employer's Vantage Care retirement health savings plan (RHS plan). All employees hired after January 1, 1997 are required to participate.

The RHS plan allows employees to accumulate funds to pay for future medical expenses, such as health insurance premiums, co-pays, prescription drugs, dental expenses, vision expenses and lenses at retirement or upon separation from City service on a tax-free basis. Funds are disbursed based upon claims submitted. Plan assets remaining at the time of the employee's death are not forfeited. The account can continue to be used for medical expenses by the spouse or dependents, or passed on to beneficiaries for their medical expenses.

The contribution to the RHS plan by the City is determined annually by the City's Department of Budget & Strategic Planning and subsequently approved and adopted through the City's biennial budget process.

The RHS plan may be modified by the City Administration as authorized under state statutes.

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 \$15,500 for calendar year 2007, whichever is less. In calendar year 2008, the maximum deferral amount will be \$15,500. 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 greater than \$1,000 but less than \$5,000 and neither the employee nor the employer has contributed to the account for at least two years. If the balance is under \$1,000, the participant is automatically notified by ICMA and provided a form to request the distribution. In accordance with the amended provisions of IRC Section 457, which were enacted into law in August 1996 and their subsequent adoption by the City, all assets and income of the plan were transferred to a trust during December 1996, and are held for the exclusive benefit of participants and their beneficiaries. The City is the Trustee for the plan and has contracted with a nongovernmental third party administrator to administer the plan. This plan is reported in accordance with Governmental Accounting Standards Board Statement No. 32 *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* as an Other Employee Benefits Trust Fund.

At June 30, 2008, the fair value of the plan investments was \$53,608,411.



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15. OPERATING LEASES

Operating Leases

The City leases 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, 2008, the annual operating lease commitments are as follows:

Fiscal Year	Primary Government
2009	\$ 4,580,713
2010	4,537,313
2011	4,393,957
2012	3,781,420
2013	3,652,494
Total minimum lease payments	20,945,897
Lease expense/expenditures for the year ended June 30, 2008	\$ 7,001,324

16. CONTINGENCIES, COMMITMENTS, AND OTHER MATTERS

A. Combined Sewer Overflow (CSO)

The City operates an advanced wastewater treatment facility with a service area of 81.3 square miles that collects and treats a dry weather flow up to 45 million gallons per day (MGD) and a combination of dry weather flow and combined storm water at flows up to 75 MGD. Within our service area 35 % of the main line and interceptor line are combined sewers. A system of retention facilities, storage tunnels, intercepting and trunk sewers links the separate and combined systems with the wastewater treatment plant. There is a mechanical or hydraulic regulator structure at each of the twenty-nine (29) CSO outfalls and each has capacity to divert dry weather flow and some storm water flow to the wastewater treatment plant for complete treatment. Phases I and II of the City's CSO control plan are complete. Phase III has begun and will continue into the future.

The City has been cooperating with the Virginia State Water Control Board (Board) since the mid-1970s to address combined sewer overflow impacts and the discharge of partially treated sewage on the James River. The City developed a CSO control plan to meet CSO Policy (EPA's April 19, 1994 CSO Control Policy, published at 59 Fed Reg 18688, and incorporated into the Clean Water Act pursuant to the Wet Weather Water Quality Act, Section 402(q) of the Clean Water Act, 33 U.S.C. sec. 1342) and most recently updated that control plan in 2007. 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 permit and CSO Special Order issued by the Virginia Department of Environmental Quality with oversight from the Environmental Protection Agency (EPA).

The City CSO control plan was estimated at \$295 million in 1995 dollars and is now estimated at \$594 million in 2008 dollars (\$242 million spent to date). Funding for the CSO control plan implementation is a combination of ratepayer dollars, state revolving loan funds, bond proceeds and state and federal grants. By agreement with the Board, the City's financial capability for CSO spending is not required to exceed a typical annual residential wastewater bill of at least 1.25% of median household income (MHI) supplemented by the availability of federal, state and local grants and zero interest loan funding. Wastewater rates are being adjusted to meet the required 1.25% of MHI by 2010.

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B. Grants

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

C. The Peumansend Creek Regional Jail Authority

The City Council, through an ordinance adopted on October 3, 1994, authorized the City to join The Peumansend Creek Regional Jail Authority (the Authority). Consequently, the City, along with five other local political jurisdictions in Virginia, signed a service agreement to construct and operate a regional correctional facility in Caroline County, Virginia. The land for this facility was donated by the United States Government to Caroline County, which agreed to lease the land to the Authority for the construction of the facility. The initial construction phase comprised space for 336 prisoner beds and began to house prisoners in January of 1999. The construction cost of the project was \$23.8 million and was funded through \$10,220,000 Regional Jail Facility Revenue Bonds Series 1997 and \$12,000,000 Regional Jail Facility Grant Anticipation Notes Series 1997 issued March 15, 1997. At completion, the City guaranteed to accept space for 100 prisoner beds. Annual operating costs of the facility are to be shared among the participating jurisdictions based on a formula set forth in the service agreement. The City will fund its share of the annual cost through annual budget appropriations. For fiscal year ended June 30, 2008, the City contributed \$1,411,903 for its share of costs.

D. RMA's Subordinated Notes Payable

In 1970, the RMA and the City entered into a contract requiring the RMA to issue subordinated notes to the City for all amounts paid into a reserve fund by the City. The contract also required the RMA to issue subordinated notes to the City equal to the value of all easements, permits, licenses or other interests in land conveyed by the City to the RMA for use by the RMA as part of the Expressway System. The contract provides for the payment of the notes and interest prior to maturity, subject to certain requirements as specified in the bond documents.

The RMA made approximately \$50,167 in interest payments related to the \$22,772,022 in subordinated notes during the fiscal year ended June 30, 2008. Accrued interest approximated \$34.9 million on June 30, 2008.

The RMA issued a subordinated note in the amount of \$409,500 to the City in December 1974. This note bears interest at 6.25% per annum and is due in December 2014. Neither the principal nor the interest on this note may be repaid until the revenue bonds have been retired. Accordingly, no interest payments have been made on the note. Accrued interest related to this note approximated \$857,705 at June 30, 2008.

The collectibility of these notes is contingent on certain events that have not yet occurred; therefore, the notes are not considered to be realizable and have not been recorded in the financial statements.

E. 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 2028. The aggregate commitments under these contracts amounted to approximately \$896 million at June 30, 2008.

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;



CITY OF RICHMOND, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

alleged violations of law; and condemnation proceedings. As discussed in Note 10, the estimate of the liability for certain unsettled claims has been reported in the government-wide Statement of Net Assets. The liability was estimated by categorizing the various claims and applying a historical average percentage, based primarily on actual settlements by type of claim during the preceding ten fiscal years, and supplemented by information provided by the City Attorney's Department with respect to certain large individual claims and proceedings. The recorded liability is the City's best estimate based on available information and application of the foregoing procedures.

Required Supplementary Information



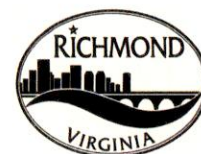


EXHIBIT H-1

CITY OF RICHMOND, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
City Taxes				
Real Estate	\$ 218,550,973	\$ 218,550,973	\$ 220,312,237	\$ 1,761,264
Sales-1% Local	30,024,552	30,024,552	31,274,790	1,250,238
Sales Tax for Education	27,970,646	27,970,646	26,959,337	(1,011,309)
Personal Property	44,300,000	44,300,000	44,734,218	434,218
Machinery and Tools	14,416,313	14,416,313	13,679,043	(737,270)
General Utility Sales	33,156,484	33,156,484	37,118,110	3,961,626
Bank Stock	2,850,000	2,850,000	3,317,298	467,298
Prepared Food	22,049,916	22,049,916	24,076,647	2,026,731
Lodging Tax	5,339,131	5,339,131	5,984,286	645,155
Admission	1,237,250	1,237,250	2,447,670	1,210,420
Delinquent Tax Payments-All Classes	10,200,000	10,200,000	19,581,751	9,381,751
Private Utility Poles and Conduits	94,500	94,500	95,186	686
Penalties and Interest	4,201,000	4,201,000	3,657,510	(543,490)
Titling Tax-Mobile Home	7,000	7,000	9,014	2,014
State Recordation	605,000	605,000	954,315	349,315
Property Rental 1%	125,000	125,000	126,334	1,334
Vehicle Rental Tax	865,000	865,000	889,582	24,582
Telephone Commissions	450,000	450,000	477,935	27,935
Total City Taxes	416,442,765	416,442,765	435,695,263	19,252,498
Licenses, Permits and Privilege Fees				
Business and Professional	28,450,000	28,450,000	28,865,292	415,292
Vehicle	3,300,000	3,300,000	3,603,324	303,324
Dog	22,500	22,500	37,819	15,319
Transfers, Penalties, Interest & Delinquent Collections	3,000	3,000	1,486,372	1,483,372
Department of Social Services	46,000	46,000	48,085	2,085
Department of Finance	2,044,050	2,044,050	43,492	(2,000,558)
Department of Public Works	802,100	802,100	1,429,997	627,897
Total Licenses, Permits and Privilege Fees	34,667,650	34,667,650	35,514,381	846,731
Intergovernmental				
Richmond Public Library	220,464	220,464	211,475	(8,989)
Juvenile and Domestic Relations District Court	6,800	6,800	900	(5,900)
Juvenile Justice Service	1,910,892	2,042,842	2,043,505	663
Department of Social Services	56,648,421	56,648,421	52,962,862	(3,685,559)
Department of Public Works-Street Maintenance	21,275,342	21,275,342	21,181,906	(93,436)
General Registrar	93,105	93,105	179,694	86,589
Department of Finance	917,969	917,969	473,819	(444,150)
City Treasurer	157,813	157,813	170,925	13,112
Attorney for the Commonwealth	2,862,860	3,084,515	3,036,023	(48,492)
City Sheriff	19,624,002	19,624,002	20,559,334	935,332
State Aid to Localities	17,388,383	17,388,383	16,518,963	(869,420)
Service Charges on Tax Exempt Property	2,375,000	2,375,000	1,586,555	(788,445)
Administrative Costs - Federal Grants	595,000	595,000	674,004	79,004
ABC Distribution	237,492	237,492	237,492	--
Rolling Stock Distribution	102,000	102,000	116,796	14,796
Total Intergovernmental	124,415,543	124,769,148	119,954,253	(4,814,895)

(Continued)



CITY OF RICHMOND, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Service Charges				
Assessor of Real Estate	\$ 47,500	\$ 47,500	\$ 109,918	\$ 62,418
Richmond Public Library	1,500	1,500	1,790	290
City Sheriff	303,000	303,000	270,190	(32,810)
Department of Community Development	5,314,500	5,714,500	4,959,011	(755,489)
Department of General Services	248,130	248,130	369,056	120,926
Department of Finance	194,100	194,100	686,042	491,942
Department of Social Services	-	-	42,920	42,920
Departments of Police, Fire and Emergency Services	243,000	243,000	345,285	102,285
Department of Public Works	14,479,650	14,479,650	14,842,079	362,429
Department of Parks, Recreation and Community Facilities	143,000	143,000	134,811	(8,189)
Procurement Services	1,100	1,100	26	(1,074)
Total Service Charges	<u>20,975,480</u>	<u>21,375,480</u>	<u>21,761,128</u>	<u>385,648</u>
Fines and Forfeitures				
Richmond Public Library	94,000	94,000	106,714	12,714
Circuit Court	6,878,055	6,878,055	5,943,592	(934,463)
General District Court	1,151,945	1,151,945	1,551,794	399,849
Juvenile and Domestic Relations District Court	10,500	10,500	14,049	3,549
Parking Violations	3,250,000	3,250,000	3,090,099	(159,901)
License Code Violations	10,000	10,000	-	(10,000)
Total Fines and Forfeitures	<u>11,394,500</u>	<u>11,394,500</u>	<u>10,706,248</u>	<u>(688,252)</u>
Payment in Lieu of Taxes				
Gas Utility	19,301,330	19,301,330	7,353,010	(11,948,320)
Wastewater Utility	-	-	6,590,908	6,590,908
Water Utility	-	-	4,533,921	4,533,921
Electric Utility	60,000	60,000	458,501	398,501
Stores and Transportation Division	-	-	420,837	420,837
Total Payment in Lieu of Taxes	<u>19,361,330</u>	<u>19,361,330</u>	<u>19,357,177</u>	<u>(4,153)</u>
Miscellaneous Revenue				
Overhead Costs-Port of Richmond Commission	70,000	70,000	76,793	6,793
Department of Public Utilities Payment-City Service	2,865,016	2,865,016	2,865,016	-
Utilities Payment for Collection Service	1,025,000	1,025,000	592,130	(432,870)
Richmond Metropolitan Authority Payment	95,000	95,000	50,167	(44,833)
Department of Information Technology Charges	1,325,100	1,325,100	981,793	(343,307)
Administrative Payments to the General Fund	498,906	498,906	116,469	(382,437)
Sundries	488,237	490,237	719,507	229,270
Total Miscellaneous Revenues	<u>6,367,259</u>	<u>6,369,259</u>	<u>5,401,875</u>	<u>(967,384)</u>
Total General Fund Revenues	<u>633,624,527</u>	<u>634,380,132</u>	<u>648,390,325</u>	<u>14,010,193</u>

(Continued)



EXHIBIT H-1, Continued

CITY OF RICHMOND, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures				
Current				
General Government				
City Council	\$ 1,730,035	\$ 1,633,348	\$ 1,270,542	\$ 362,806
City Clerk	750,245	751,341	681,170	70,171
Department of Community Development	7,475,483	8,260,748	8,013,227	247,521
Assessor of Real Estate	2,908,284	2,989,332	2,903,694	85,638
City Auditor	1,919,811	1,871,087	1,035,583	835,504
Department of Law	2,626,743	2,580,286	2,415,053	165,233
Board of Review of Real Estate Assessments	33,110	33,110	32,515	595
General Registrar	1,010,510	1,010,087	1,077,410	(67,323)
Self -Insurance Cost	8,542,170	8,542,170	8,542,170	--
Department of Information Technology	13,420,865	13,971,418	15,774,436	(1,803,018)
Chief Administrative Officer	1,158,230	1,420,079	1,358,166	61,913
Budget and Strategic Planning	966,699	966,893	1,077,183	(110,290)
Department of Real Estate Services	417,657	2,428,954	1,693,916	735,038
Department of Human Resources	2,862,069	2,941,260	2,991,792	(50,532)
Department of Finance	7,579,571	8,079,602	8,594,219	(514,617)
Procurement Services	1,107,023	1,132,202	1,167,250	(35,048)
Office of Press Secretary to Mayor	427,908	456,546	495,088	(38,542)
City Treasurer	176,997	176,997	190,623	(13,626)
Economic Development	1,522,903	1,545,362	1,361,831	183,531
Legislative Services	974,620	894,602	676,390	218,212
Minority Business Development	440,186	440,186	451,245	(11,059)
City Mayor's Office	891,377	959,747	995,801	(36,054)
Total General Government	<u>58,942,496</u>	<u>63,085,357</u>	<u>62,799,304</u>	<u>286,053</u>
Public Safety and Judiciary				
Judiciary	8,558,921	8,808,244	8,564,853	243,391
Juvenile and Domestic Relations District Court	382,378	501,862	453,435	48,427
City Sheriff	29,665,076	29,738,894	28,694,672	1,044,222
Department of Police	73,619,416	73,734,809	78,808,064	(5,073,255)
Office of Emergency Management	275,000	278,780	340,577	(61,797)
Emergency Mangement Service	--	--	(1,624)	1,624
Department of Fire and Emergency Services	38,099,231	38,340,269	39,168,497	(828,228)
Total Public Safety and Judiciary	<u>150,600,022</u>	<u>151,402,858</u>	<u>156,028,474</u>	<u>(4,625,616)</u>
Highways, Streets, Sanitation and Refuse				
Department of Public Works	59,953,475	60,442,828	60,230,160	212,668
Human Services				
Human Services Advocacy	1,667,134	1,668,475	1,475,759	192,716
Department of Social Services	68,750,577	68,966,466	60,798,161	8,168,305
Justice Service	7,104,441	7,304,125	7,177,605	126,520
Department of Public Health	3,284,482	3,799,391	3,107,279	692,112
Total Human Services	<u>80,806,634</u>	<u>81,738,457</u>	<u>72,558,804</u>	<u>9,179,653</u>
Culture and Recreation				
Richmond Public Library	5,137,024	5,279,226	5,183,785	95,441
Department of Parks, Recreation and Community Facilities	14,845,452	14,916,218	15,680,114	(763,896)
Total Culture and Recreation	<u>19,982,476</u>	<u>20,195,444</u>	<u>20,863,899</u>	<u>(668,455)</u>
Education				
Richmond Public Schools	159,997,133	159,997,133	158,858,678	1,138,455

(Continued)



EXHIBIT H-1, Concluded

CITY OF RICHMOND, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Non-Departmental				
Old Manchester Projects (formerly Crestar)	\$ 2,883,600	\$ 2,823,697	\$ 2,823,696	\$ 1
Payments to Other Government Agencies	29,903,492	33,576,941	31,014,257	2,562,684
Tax Relief for the Elderly	3,660,000	4,760,000	4,049,576	710,424
Greater Richmond Transit Company	10,100,000	10,460,000	10,460,000	--
Retiree's Health Care	3,591,363	2,937,734	2,925,970	11,764
	<u>50,138,455</u>	<u>54,558,372</u>	<u>51,273,499</u>	<u>3,284,873</u>
Total Non-Departmental				
Total General Fund Expenditures	<u>580,420,691</u>	<u>591,420,449</u>	<u>582,612,818</u>	<u>8,807,631</u>
Excess of Revenues Over Expenditures	<u>53,203,836</u>	<u>42,959,683</u>	<u>65,777,507</u>	<u>22,817,824</u>
Other Financing Sources (Uses)				
Proceeds from Issuance of Bonds	2,000,000	2,000,000	--	(2,000,000)
Transfers In - Other Funds	3,597,432	3,597,446	7,757,575	4,160,129
Transfers Out - Other Funds	(58,801,268)	(58,801,268)	(72,389,469)	(13,588,201)
Total Other Financing (Uses), Net	<u>(53,203,836)</u>	<u>(53,203,822)</u>	<u>(64,631,894)</u>	<u>(11,428,072)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>--</u>	<u>(10,244,139)</u>	<u>1,145,613</u>	<u>11,389,752</u>
Fund Balance - Beginning of Year	<u>61,586,838</u>	<u>46,972,997</u>	<u>63,401,687</u>	<u>16,428,690</u>
Fund Balance- End of Year	<u>\$ 61,586,838</u>	<u>\$ 36,728,858</u>	<u>\$ 64,547,300</u>	<u>\$ 27,818,442</u>



Exhibit H-2

**CITY OF RICHMOND, VIRGINIA
NOTE TO BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2008**

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

- The General Fund, Special Revenue, 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. The Special Revenue Fund consists of multiple funds; however, the Fund is budgeted in total rather than by individual funds. In addition, the Capital Projects Fund is budgeted the same as the Special Revenue Fund. Public hearings are conducted to obtain taxpayer comments.
- Prior to May 31, the budget is legally enacted through passage of an ordinance.
- The level of budgetary control is the department level for the City. The Mayor, Chief Administrative Officer & Deputy Administrative Officers, and Directors/Agency Heads are 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, Special Revenue 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. Except for the Capital Projects Funds and the Special Revenue Funds that extend beyond the fiscal year, all appropriations not encumbered nor obligated 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.

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 and other financing sources were above budget by \$16.2 million for fiscal year ended June 30, 2008 which is primarily due to real estate tax collections exceeding the budget by \$1.8 million and all classes of delinquent tax payments exceeding the budget by \$9.38 million. This is offset by intergovernmental revenues being lower than budget by \$4.8 million. Also, the prepared food tax and general utility sales exceeded budget by \$2.0 and \$4.0 million, respectively. The General Fund expenditures and other financing uses were over budget by \$4.8 million for fiscal year ended June 30, 2008. This is primarily due to transfers made to Other Funds during FY 2008.

(Continued)



Exhibit H-2

The following department's expenditures exceeded appropriations for the year June 30, 2008:

General Government:

General Registrar	67,323
Department of Information Technology	1,803,018
Budget and Strategic Planning	110,290
Department of Human Resources	50,532
Department of Finance	514,617
Procurement Services	35,048
Office of Press Secretary to Mayor	38,542
City Treasurer	13,626
Minority Business Development	11,059
City Mayor's Office	36,054

Public Safety and Judiciary:

Department of Police	5,073,255
Office of Emergency Management	61,797
Department of Fire and Emergency Services	828,228

Culture and Recreation:

Department of Parks, Recreation and Community Facilities	763,896
--	---------

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.

Virginia Department of Transportation (VDOT) Urban Program

The VDOT Urban Program is used to provide for resurfacing, restoration, rehabilitation and reconstruction or 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 City 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, 2008**

	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	\$ --	\$ --	\$ 7,717,088	\$ --	\$ --
Accounts Receivable, Net	2,703,140	921,065	--	--	--
Due From Other Funds	3,303,665	--	5,999,776	1,858,019	--
Due From Other Governments	6,975,622	2,858,350	457,843	--	--
Restricted Assets	--	--	--	--	24,533,616
Total Assets	\$ 12,982,427	\$ 3,779,415	\$ 14,174,707	\$ 1,858,019	\$ 24,533,616
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	\$ 3,887,463	\$ 1,279,119	\$ 5,568,143	\$ --	\$ 459,932
Accrued Liabilities	109,971	15,669	--	--	--
Due To Other Funds	--	1,985,500	5,775	--	797,615
Due To Other Governments	30,714	--	--	--	--
Deferred Revenue	1,475,495	499,127	--	--	10,011,738
Total Liabilities	5,503,643	3,779,415	5,573,918	--	11,269,285
Fund Balances:					
Fund Balance-Reserved	--	--	8,600,789	1,858,019	13,264,331
Fund Balance-Unreserved	7,478,784	--	--	--	--
Total Fund Balances	7,478,784	--	8,600,789	1,858,019	13,264,331
Total Liabilities and Fund Balances	\$ 12,982,427	\$ 3,779,415	\$ 14,174,707	\$ 1,858,019	\$ 24,533,616

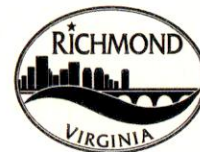


EXHIBIT I-1

Permanent Funds

J. Fulmer Bright Park				
Fund	Memorial	Recreation	Richmond Public Library	Total
\$ -	\$ -	\$ -	\$ -	\$ 7,717,088
-	-	-	-	3,624,205
-	303	-	-	11,161,763
-	-	-	-	10,291,815
398,742	27,458	32,644	12,140	25,004,600
<u>\$ 398,742</u>	<u>\$ 27,761</u>	<u>\$ 32,644</u>	<u>\$ 12,140</u>	<u>\$ 57,799,471</u>
\$ -	\$ -	\$ -	\$ -	\$ 11,194,657
-	-	-	-	125,640
-	-	-	-	2,788,890
-	-	-	-	30,714
-	-	-	-	11,986,360
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,126,261</u>
398,742	27,761	32,644	12,140	24,194,426
-	-	-	-	7,478,784
<u>398,742</u>	<u>27,761</u>	<u>32,644</u>	<u>12,140</u>	<u>31,673,210</u>
<u>\$ 398,742</u>	<u>\$ 27,761</u>	<u>\$ 32,644</u>	<u>\$ 12,140</u>	<u>\$ 57,799,471</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, 2008

	Special Revenue		Capital Projects		
	Grant Revenue Funds	Consolidated HUD Funds	Capital Fund	Reserve Fund for Permanent Public Improvements	VDOT Urban Program
Revenues					
Intergovernmental	\$ 28,863,259	\$ 7,621,482	\$ 7,255,276	\$ -	\$ -
Investment Income	170,069	-	870,333	-	1,011,626
Miscellaneous	15,227,554	1,006,729	207,407	539,503	4,564,008
Total Revenues	<u>44,260,882</u>	<u>8,628,211</u>	<u>8,333,016</u>	<u>539,503</u>	<u>5,575,634</u>
Expenditures					
Current:					
General Government	7,371,583	7,795,253	-	-	-
Public Safety and Judiciary	10,993,788	-	-	-	-
Highways, Streets, Sanitation and Refuse	777,250	-	-	-	-
Human Services	33,424,923	-	-	-	-
Culture and Recreation	1,556,389	-	-	-	-
Capital Outlay	-	-	34,386,150	-	3,582,938
Total Expenditures	<u>54,123,933</u>	<u>7,795,253</u>	<u>34,386,150</u>	<u>-</u>	<u>3,582,938</u>
Excess of Revenues Over (Under) Expenditures	<u>(9,863,051)</u>	<u>832,958</u>	<u>(26,053,134)</u>	<u>539,503</u>	<u>1,992,696</u>
Other Financing Sources (Uses)					
Transfers In-Other Funds	15,812,305	-	-	-	-
Transfers Out-Other Funds	(6,278,651)	(832,958)	-	-	-
Total Other Financing Sources (Uses), Net	<u>9,533,654</u>	<u>(832,958)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Extraordinary Item					
Extraordinary Item - Disaster Recovery	306,076	-	-	-	-
Total Extraordinary Item	<u>306,076</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures, Other Financing Uses, and Extraordinary Item	<u>(23,321)</u>	<u>-</u>	<u>(26,053,134)</u>	<u>539,503</u>	<u>1,992,696</u>
Fund Balance - Beginning of Year	7,502,105	-	34,653,923	1,318,516	11,271,635
Fund Balance - End of Year	<u>\$ 7,478,784</u>	<u>\$ -</u>	<u>\$ 8,600,789</u>	<u>\$ 1,858,019</u>	<u>\$ 13,264,331</u>



EXHIBIT I-2

Permanent Funds				
J. Fulmer Bright Park Fund	Memorial	Recreation	Richmond Public Library	Total
\$ --	\$ --	\$ --	\$ --	\$ 43,740,017
904	2,657	503	142	2,056,234
--	--	--	--	21,545,201
904	2,657	503	142	67,341,452
890	890	--	--	15,168,616
--	--	--	--	10,993,788
--	--	--	--	777,250
--	--	--	--	33,424,923
--	--	--	--	1,556,389
--	--	--	--	37,969,088
890	890	--	--	99,890,054
14	1,767	503	142	(32,548,602)
--	--	6,309	--	15,818,614
--	(6,309)	--	--	(7,117,918)
--	(6,309)	6,309	--	8,700,696
--	--	--	--	306,076
--	--	--	--	306,076
14	(4,542)	6,812	142	(23,541,830)
398,728	32,303	25,832	11,998	55,215,040
\$ 398,742	\$ 27,761	\$ 32,644	\$ 12,140	\$ 31,673,210



EXHIBIT I-3

CITY OF RICHMOND, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental				
Intergovernmental Revenues	\$ 72,829,438	\$ 77,262,072	\$ 28,863,259	\$ (48,398,813)
Investment Earnings and Contributions	-	-	170,069	170,069
Miscellaneous Revenue	16,403,156	16,498,832	15,227,554	(1,271,278)
Total Revenues	89,232,594	93,760,904	44,260,882	(49,500,022)
Expenditures				
General Government	18,123,845	20,797,765	7,371,583	(13,426,182)
Public Safety and Judiciary	13,754,451	15,262,772	10,993,788	(4,268,984)
Highways, Streets, Sanitation and Refuse	986,363	990,292	777,250	(213,042)
Human Services	50,425,935	50,756,914	33,424,923	(17,331,991)
Culture and Recreation	5,942,000	5,953,161	1,556,389	(4,396,772)
Total Expenditures	89,232,594	93,760,904	54,123,933	(39,636,971)
Excess of Revenues Under Expenditures	-	-	(9,863,051)	(9,863,051)
Other Financing Sources (Uses)				
Transfers In - Other Funds	-	-	15,812,305	15,812,305
Transfers Out - Other Funds	-	-	(6,278,651)	(6,278,651)
Total Other Financing Sources, Net	-	-	9,533,654	9,533,654
Extraordinary Items				
Extraordinary Item - Disaster Cost	-	-	306,076	306,076
Total Extraordinary Item	-	-	306,076	306,076
Excess of Revenues and Other Financing Sources, Net Over Expenditures, and Extraordinary Item	-	-	(23,321)	(23,321)
Fund Balance - Beginning of Year	12,894,613	12,891,613	7,502,105	(5,389,508)
Fund Balance - End of Year	\$ 12,894,613	\$ 12,891,613	\$ 7,478,784	\$ (5,412,829)



EXHIBIT I-4

**CITY OF RICHMOND, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUNDS
For the Fiscal Year Ended June 30, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental Revenue				
Regional STP Funds (TEA-21)	\$ 1,487,000	\$ 7,306,913	\$ 3,553,007	\$ (3,753,906)
VDOT Urban Funds	3,860,000	3,860,000	3,702,268	(157,732)
Total Intergovernmental Revenue	<u>5,347,000</u>	<u>11,166,913</u>	<u>7,255,275</u>	<u>(3,911,638)</u>
Investment Earnings and Contributions				
Interest Earned on Restricted Funds	--	--	1,881,960	1,881,960
Local Matches and Contributions	(50,500)	247,500	4,564,008	4,316,508
Total Investment Earnings	<u>(50,500)</u>	<u>247,500</u>	<u>6,445,968</u>	<u>6,198,468</u>
Miscellaneous Revenue	--	--	746,910	746,910
Total Revenues	<u>5,296,500</u>	<u>11,414,413</u>	<u>14,448,153</u>	<u>3,033,740</u>
Expenditures				
Capital Outlay:				
School Board	1,500,000	1,500,000	3,403,210	(1,903,210)
Infrastructure	22,619,972	28,737,885	18,442,425	10,295,460
Economic Development	450,000	450,000	2,417,073	(1,967,073)
Neighborhood Development	3,030,000	3,030,000	1,572,547	1,457,453
City Facilities	30,750,507	39,981,507	12,133,833	27,847,674
Total Expenditures	<u>58,350,479</u>	<u>73,699,392</u>	<u>37,969,088</u>	<u>35,730,304</u>
Excess of Revenues Over (Under) Expenditures	<u>(53,053,979)</u>	<u>(62,284,979)</u>	<u>(23,520,935)</u>	<u>38,764,044</u>
Other Financing Sources				
Proceeds from Issuance of General Obligation Bonds	53,053,979	62,284,979	--	(62,284,979)
Total Other Financing Sources	<u>53,053,979</u>	<u>62,284,979</u>	<u>--</u>	<u>(62,284,979)</u>
Excess of Revenues and Other Financing Sources Under Expenditures	<u>--</u>	<u>--</u>	<u>(23,520,935)</u>	<u>(23,520,935)</u>
Fund Balance - Beginning of Year	20,869,015	20,869,015	47,244,074	26,375,059
Fund Balance - End of Year	<u>\$ 20,869,015</u>	<u>\$ 20,869,015</u>	<u>\$ 23,723,139</u>	<u>\$ 2,854,124</u>





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

(Cemeteries) maintains and operates cemeteries.



CITY OF RICHMOND, VIRGINIA
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
June 30, 2008

	Coliseum	Landmark Theatre	Cemeteries	Total
Assets				
Current Assets:				
Accounts Receivable, Net	\$ 717,183	\$ 65,344	\$ 167,030	\$ 949,557
Inventories of Material and Supplies	50,087	--	--	50,087
Prepaid Expenses and Other Current Assets	45,634	--	--	45,634
Total Current Assets	<u>812,904</u>	<u>65,344</u>	<u>167,030</u>	<u>1,045,278</u>
Noncurrent Assets:				
Capital Assets:				
Land	4,582,160	44,690	8,188,700	12,815,550
Buildings and Structures	33,355,532	10,438,666	601,429	44,395,627
Equipment	5,159,639	963,644	140,942	6,264,225
Less Accumulated Depreciation	(30,417,584)	(4,394,263)	(430,999)	(35,242,846)
Total Noncurrent Assets	<u>12,679,747</u>	<u>7,052,737</u>	<u>8,500,072</u>	<u>28,232,556</u>
Total Assets	<u>\$ 13,492,651</u>	<u>\$ 7,118,081</u>	<u>\$ 8,667,102</u>	<u>\$ 29,277,834</u>
Liabilities				
Current Liabilities:				
Accounts Payable	\$ 1,334,981	\$ 32,016	\$ 26,675	\$ 1,393,672
Accrued Liabilities	--	262,180	12,945	275,125
Due To Other Funds	500,000	3,883,048	8,996	4,392,044
Compensated Absences	--	11,507	54,102	65,609
Accrued Interest on Bonds and Notes Payable	274,049	103,788	13,426	391,263
General Obligation Bonds and Capital Leases	1,056,678	364,560	38,559	1,459,797
Total Current Liabilities	<u>3,165,708</u>	<u>4,657,099</u>	<u>154,703</u>	<u>7,977,510</u>
Noncurrent Liabilities:				
Compensated Absences	--	7,660	12,596	20,256
General Obligation Bonds and Capital Leases	9,839,083	3,403,861	554,833	13,797,777
Total Noncurrent Liabilities	<u>9,839,083</u>	<u>3,411,521</u>	<u>567,429</u>	<u>13,818,033</u>
Total Liabilities	<u>13,004,791</u>	<u>8,068,620</u>	<u>722,132</u>	<u>21,795,543</u>
Net Assets				
Invested In Capital Assets, Net of Related Debt	1,783,986	3,284,316	7,906,680	12,974,982
Unrestricted	(1,296,126)	(4,234,855)	38,290	(5,492,691)
Total Net Assets	<u>\$ 487,860</u>	<u>\$ (950,539)</u>	<u>\$ 7,944,970</u>	<u>\$ 7,482,291</u>



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, 2008

	Coliseum	Landmark Theatre	Cemeteries	Total
Operating Revenues				
Charges for Goods and Services	\$ 2,202,374	\$ 463,078	\$ 1,423,292	\$ 4,088,744
Operating Expenses				
Salaries and Wages	-	785,333	1,093,479	1,878,812
Materials and Supplies	313,967	14,325	57,250	385,542
Rents and Utilities	817,273	257,386	39,499	1,114,158
Maintenance and Repairs	398,104	181,911	36,643	616,658
Depreciation and Amortization	2,127,794	349,474	17,583	2,494,851
Miscellaneous Operating Expenses	1,580,781	11,111	367,812	1,959,704
Total Operating Expenses	5,237,919	1,599,540	1,612,266	8,449,725
Operating Loss	(3,035,545)	(1,136,462)	(188,974)	(4,360,981)
Non-Operating Revenues (Expenses)				
Government Subsidies and Contributions	4,139,595	511,334	69,054	4,719,983
Interest Expense	(608,415)	(230,025)	(29,555)	(867,995)
Miscellaneous Revenue	-	438,376	-	438,376
Total Non-Operating Revenues, Net	3,531,180	719,685	39,499	4,290,364
Change In Net Assets	495,635	(416,777)	(149,475)	(70,617)
Net Assets - Beginning of Year	(7,775)	(533,762)	8,094,445	7,552,908
Net Assets - End of Year	\$ 487,860	\$ (950,539)	\$ 7,944,970	\$ 7,482,291



CITY OF RICHMOND, VIRGINIA
STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2008

	Coliseum	Landmark Theatre	Cemeteries	Total
Cash Flows From Operating Activities				
Receipts from Customers	\$ 2,263,316	\$ 712,910	\$ 1,384,135	\$ 4,360,361
Payments to Suppliers	(4,699,771)	(434,696)	(652,791)	(5,787,258)
Payments to Employees	--	(809,112)	(914,886)	(1,723,998)
Net Cash Used In Operating Activities	<u>(2,436,455)</u>	<u>(530,898)</u>	<u>(183,542)</u>	<u>(3,150,895)</u>
Cash Flows From Noncapital Financing Activities				
Government Subsidies and Contributions	4,139,595	511,334	69,054	4,719,983
Advances from Other Funds	--	180,909	211,004	391,913
Miscellaneous Receipts	--	438,376	--	438,376
Net Cash Provided By Noncapital Financing Activities	<u>4,139,595</u>	<u>1,130,619</u>	<u>280,058</u>	<u>5,550,272</u>
Cash Flows From Capital and Related Financing Activities				
Acquisition of Capital Assets	(25,491)	--	(27,462)	(52,953)
Repayments of GO Bonds and Capital Leases	(1,046,731)	(362,838)	(38,632)	(1,448,201)
Interest Paid on GO Bonds and Capital Leases	(630,918)	(236,883)	(30,422)	(898,223)
Net Cash Used In Capital and Related Financing Activities	<u>(1,703,140)</u>	<u>(599,721)</u>	<u>(96,516)</u>	<u>(2,399,377)</u>
Net Increase in Cash and Cash Equivalents	--	--	--	--
Cash and Cash Equivalents at July 1, 2007	--	--	--	--
Cash and Cash Equivalents at June 30, 2008	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Adjustments to Reconcile Operating Income (Loss) To Net Cash Used In Operating Activities				
Operating Loss	\$ (3,035,545)	\$ (1,136,462)	\$ (188,974)	\$ (4,360,981)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used In Operating Activities:				
Depreciation	2,127,794	349,474	17,583	2,494,851
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:				
Accounts Receivable	1,218,851	2,443	(39,157)	1,182,137
Inventories of Material and Supplies	(1,250)	--	--	(1,250)
Prepaid Expenses	32,030	--	--	32,030
Accounts Payable	(2,778,335)	30,037	10,603	(2,737,695)
Accrued Liabilities	--	236,303	7,595	243,898
Deferred Revenue	--	--	--	--
Compensated Absences	--	(12,693)	8,808	(3,885)
Total Adjustments	<u>599,090</u>	<u>605,564</u>	<u>5,432</u>	<u>1,210,086</u>
Net Cash Used In Operating Activities	<u>\$ (2,436,455)</u>	<u>\$ (530,898)</u>	<u>\$ (183,542)</u>	<u>\$ (3,150,895)</u>



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 management and insurance activities 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.

Advantage Richmond Corporation

provides lease space for the City's Social Service Departments.

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.



CITY OF RICHMOND, VIRGINIA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2008

	Fleet Management	Radio Maintenance	Risk Management	Public Works Stores	Advantage Richmond Corporation	Electric Utility	Stores and Transportation Division	Total
Assets								
Current Assets:								
Cash and Cash Equivalents	\$ --	\$ --	\$ --	\$ --	\$ 2,356,425	\$ 2,484,221	\$ 26,214,990	\$ 31,055,636
Accounts Receivable, Net	1,816,843	14,255	--	--	52,450	3,458,735	--	5,342,283
Due From Other Funds	--	50,363	20,201,399	148,936	258,500	--	7,217,948	27,877,146
Due From Component Units	--	62,338	--	--	--	--	--	62,338
Due From Other Governments	33,370	27,658	--	--	--	--	--	61,028
Inventory	28,321	52,762	--	754,903	--	--	2,941,811	3,777,797
Prepaid Expenses	--	--	486,000	--	--	152,929	210,420	849,349
Total Current Assets	1,878,534	207,376	20,687,399	903,839	2,667,375	6,095,885	36,585,169	69,025,577
Noncurrent Assets:								
Advances to Other Funds	--	--	--	--	--	3,294,908	--	3,294,908
Deferred Expenses	--	--	--	--	--	30,995	--	30,995
Capital Assets:								
Land	98,000	--	--	--	3,000,000	--	--	3,098,000
Buildings and Structures	1,211,217	--	--	--	9,000,000	42,928,301	60,982,535	114,122,053
Equipment	62,577,096	343,251	--	22,136	--	--	--	62,942,483
Less Accumulated Depreciation	(42,567,009)	(132,722)	--	(22,136)	(632,426)	(23,569,933)	(41,960,749)	(108,884,975)
Construction in Progress	--	--	--	--	--	2,731,980	10,049,034	12,781,014
Total Capital Assets	21,319,304	210,529	--	--	11,367,574	22,090,348	29,070,820	84,058,575
Total Noncurrent Assets	21,319,304	210,529	--	--	11,367,574	25,416,251	29,070,820	87,384,478
Total Assets	\$ 23,197,838	\$ 417,905	\$ 20,687,399	\$ 903,839	\$ 14,034,949	\$ 31,512,136	\$ 65,655,989	\$ 156,410,055
Liabilities								
Current Liabilities:								
Accounts Payable	\$ 777,388	\$ 260,372	\$ 91,028	\$ 87,623	\$ 59,011	\$ 756,821	\$ 2,095,661	\$ 4,127,904
Accrued Liabilities	51,397	7,553	100,179	1,653	751	2,500,344	5,211	2,667,088
Due To Other Funds	* 3,644,943	* 1,898,327	* 1,363,022	277,519	--	370,387	--	7,554,198
Accrued Interest on Bonds and Notes Payable	109,654	--	--	--	145,738	3,651,158	--	3,906,550
General Obligation Bonds Payable	1,600,000	--	--	--	--	96,594	--	1,696,594
Accrued Interest	--	--	--	--	--	14,345	--	14,345
Revenue Bonds Payable	--	--	--	--	604,708	--	--	604,708
Notes Payable	2,040,000	--	--	--	--	--	--	2,040,000
Compensated Absences	50,549	6,169	21,767	9,107	--	74,500	18,943	181,035
Other Liabilities and Claims	--	--	3,937,296	--	--	--	--	3,937,296
Total Current Liabilities	8,273,931	2,172,421	5,513,292	375,902	810,208	7,464,149	2,119,815	26,729,718
Noncurrent Liabilities:								
Accrued Interest	--	--	--	--	--	44,829	--	44,829
General Obligation Bonds Payable	3,600,000	--	--	--	--	1,507,277	--	5,107,277
Revenue Bonds Payable	--	--	--	--	10,377,099	--	--	10,377,099
Notes Payable	5,160,000	--	--	--	--	--	--	5,160,000
Compensated Absences	163,221	24,202	18,802	7,598	--	24,718	20,745	259,286
Other Liabilities and Claims	--	--	24,527,857	--	--	491,543	--	25,019,400
Advances from Other Funds	--	--	--	--	--	--	63,515,429	63,515,429
Total Noncurrent Liabilities	8,923,221	24,202	24,546,659	7,598	10,377,099	2,068,367	63,536,174	109,483,320
Total Liabilities	17,197,152	2,196,623	30,059,951	383,500	11,187,307	9,532,516	65,655,989	136,213,038
Net Assets								
Invested in Capital Assets, Net of Related Debt	8,919,304	210,529	--	--	385,767	20,427,303	29,070,820	59,013,723
Unrestricted	(2,918,618)	(1,989,247)	(9,372,552)	520,339	2,461,875	1,552,317	(29,070,820)	(38,816,706)
Total Net Assets	\$ 6,000,686	\$ (1,778,718)	\$ (9,372,552)	\$ 520,339	\$ 2,847,642	\$ 21,979,620	\$ --	\$ 20,197,017

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, 2008

	Fleet Management	Radio Maintenance	Risk Management	Public Works Stores	Advantage Richmond Corporation	Electric Utility	Stores and Transportation Division	Total
Operating Revenues								
Charges for Goods and Services	\$ 21,618,622	\$ 654,367	\$ 13,287,724	\$ 938,007	\$ 2,799,246	\$ 8,045,325	\$ 3,744,115	\$ 51,087,406
Operating Expenses								
Cost of Goods and Services Sold	12,688,452	1,293,670	--	880,709	--	--	--	14,862,831
Salaries and Wages and Benefits	1,339,353	189,992	372,414	170,872	--	1,226,651	304,010	3,603,292
Data Processing	174,660	16,225	--	--	--	202	--	191,087
Materials and Supplies	60,653	28,574	1,848	225	5,030	569,358	4,369	670,057
Rents and Utilities	201,140	36,327	8,871	19,687	180,883	2,631,887	17,654	3,096,449
Maintenance and Repairs	68,596	27,275	77	65,415	235,253	897,122	--	1,293,738
Depreciation and Amortization	5,842,904	38,883	--	--	225,000	1,427,023	2,940,921	10,474,731
Claims and Settlements	--	2,268	13,155,115	--	--	--	--	13,157,383
Miscellaneous Operating Expenses	1,993,599	162,314	498,850	--	243,841	1,221,226	477,161	4,596,991
Total Operating Expenses	22,369,357	1,795,528	14,037,175	1,136,908	890,007	7,973,469	3,744,115	51,946,559
Operating Income (Loss)	(750,735)	(1,141,161)	(749,451)	(198,901)	1,909,239	71,856	--	(859,153)
Non-Operating Revenues (Expenses)								
Government Subsidies and Contributions	--	--	--	--	--	1,167,741	--	1,167,741
Interest on Long-Term Debt	(322,817)	--	--	--	(630,678)	(532,827)	--	(1,486,322)
Miscellaneous Revenue	--	--	--	--	--	182,721	--	182,721
Total Non-Operating Revenues (Expenses), Net	(322,817)	--	--	--	(630,678)	817,635	--	(135,860)
Net Income (Loss) Before Transfers	(1,073,552)	(1,141,161)	(749,451)	(198,901)	1,278,561	889,491	--	(995,013)
Transfers Out-Other Funds	--	--	--	--	--	(70,633)	--	(70,633)
Change In Net Assets	(1,073,552)	(1,141,161)	(749,451)	(198,901)	1,278,561	818,858	--	(1,065,646)
Net Assets - Beginning of Year	7,074,238	(637,557)	(8,623,101)	719,240	1,569,081	21,160,762	--	21,262,663
Net Assets - End of Year	\$ 6,000,686	\$ (1,778,718)	\$ (9,372,552)	\$ 520,339	\$ 2,847,642	\$ 21,979,620	\$ --	\$ 20,197,017

CITY OF RICHMOND, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2008

	Fleet Management	Radio Maintenance	Risk Management	Public Works Stores	Advantage Richmond Corporation	Electric Utility	Stores and Transportation Division	Total
Cash Flows From Operating Activities								
Receipts from Customers	\$ 20,453,322	\$ 651,738	\$ 13,287,724	\$ 938,007	\$ 2,488,295	\$ 7,191,384	\$ 3,744,115	\$ 48,754,586
Payments to Suppliers	(15,952,516)	(1,314,468)	(11,357,038)	(906,598)	—	(4,098,900)	363,758	(33,265,762)
Payments to Employees	(1,249,987)	(180,537)	(342,266)	(170,064)	—	(1,076,096)	(298,449)	(3,317,399)
Receipts From Other Funds	—	—	—	—	—	(568,392)	(7,663,762)	(8,232,154)
Other Receipts or (Payments)	576,886	—	—	138,655	(660,074)	153,806	—	209,373
Net Cash Provided By (Used In) Operating Activities	3,827,705	(843,267)	1,588,420	—	1,828,222	1,601,902	(3,854,338)	4,148,644
Cash Flows From Capital and Related Financing Activities								
Acquisition of Fixed Assets	(3,348,730)	(132,430)	—	—	—	(1,018,870)	(4,783,163)	(9,283,193)
Proceeds from Issuance of Notes Payables	5,200,000	—	—	—	—	—	—	5,200,000
Repayments of Revenue and GO Bonds	(2,568,600)	—	—	—	(573,773)	(71,806)	—	(3,214,179)
Repayments of Notes Payable	(1,000,000)	—	—	—	—	—	—	(1,000,000)
Interest Paid on Long-Term Debt	(402,213)	—	—	—	(591,606)	(114,923)	—	(1,108,742)
Net Cash Used In Capital and Related Financing Activities	(2,119,543)	(132,430)	—	—	(1,165,379)	(1,205,599)	(4,783,163)	(9,406,114)
Cash Flows From Noncapital Financing Activities								
Government Subsidies and Contributions	—	—	—	—	—	1,167,741	—	1,167,741
Due to Other Funds	(1,708,162)	1,026,060	(1,656,417)	—	—	—	—	(2,338,519)
Due From Other Funds	—	(50,263)	—	—	—	—	—	(50,263)
Transfers - Out Other Funds	—	—	—	—	—	(70,633)	—	(70,633)
Net Cash Provided By (Used In) Noncapital Financing Activities	(1,708,162)	975,697	(1,656,417)	—	—	1,097,108	—	(1,291,774)
Net Increase (Decrease) in Cash and Cash Equivalents	—	—	(67,997)	—	662,843	1,493,411	(8,637,501)	(6,549,244)
Cash and Cash Equivalents at July 1, 2007	—	—	67,997	—	1,693,583	990,810	34,852,491	37,604,881
Cash and Cash Equivalents at June 30, 2008	\$ —	\$ —	\$ —	\$ —	\$ 2,356,426	\$ 2,484,221	\$ 26,214,990	\$ 31,055,637
Adjustments to Reconcile Operating Income (Loss)								
To Net Cash Provided By (Used In) Operating Activities								
Operating Income (Loss)	\$ (750,735)	\$ (1,141,161)	\$ (749,451)	\$ (198,901)	\$ 1,909,239	\$ 71,856	\$ —	\$ (859,153)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:								
Depreciation	5,842,904	38,883	—	—	225,000	1,427,023	2,940,921	10,474,731
Miscellaneous Revenues (Expenses)	—	—	—	—	—	180,608	—	180,608
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:								
Accounts Receivable	(588,621)	147,082	—	—	(52,450)	(853,941)	—	(1,347,930)
Due From Other Funds	—	—	—	—	(258,500)	—	(7,217,948)	(7,476,448)
Due From Component Units	—	(62,338)	—	—	—	—	—	(62,338)
Due From Other Governments	207	(27,658)	—	—	—	—	—	(27,451)
Inventories of Material and Supplies	(13,443)	(11,858)	—	30,567	—	—	71,167	76,433
Prepaid Expenses	—	—	—	—	33,466	(13,690)	3,153	22,929
Deferred Expenses	—	—	—	—	—	(26,702)	—	(26,702)
Accounts Payable	(751,973)	213,679	6,115	59,437	(28,534)	521,825	342,026	362,575
Accrued Liabilities	14,965	2,625	29,659	814	1	173,794	5,211	227,069
Due To Other Funds	—	—	—	108,089	—	980	—	109,069
Compensated Absences	74,401	6,830	489	(8)	—	2,830	1,132	85,676
Unearned Revenue	—	(9,351)	—	—	—	—	—	(9,351)
Other Liabilities and Claims	—	—	2,301,608	—	—	117,319	—	2,418,927
Total Adjustments	4,578,440	297,894	2,337,871	198,901	(81,017)	1,530,046	(3,854,338)	5,007,797
Net Cash Provided By (Used In) Operating Activities	\$ 3,827,705	\$ (843,267)	\$ 1,588,420	\$ —	\$ 1,828,222	\$ 1,601,902	\$ (3,854,338)	\$ 4,148,644



Fiduciary Funds

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. The City maintains two Fiduciary Fund types: 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 of up to 25% of salary with a maximum deferral of \$15,500 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, 2008

	Richmond Retirement System	Other Employee Benefits	Total
Assets:			
Cash and Short-term Investments	\$ 19,041,905	\$ --	\$ 19,041,905
Receivables:			
Due from Brokers on Sale of Securities	2,177,120	--	2,177,120
Interest and Dividends	1,414,220	--	1,414,220
Employee Loans Receivable	956,187	1,613,723	2,569,910
Investments, at Fair Value:			
U.S. Domestic and Agency	53,232,589	53,608,411	106,841,000
Corporate Bonds	54,015,473	--	54,015,473
Common Stock	172,110,044	--	172,110,044
International Stocks	90,315,739	--	90,315,739
International Bonds	55,054,963	--	55,054,963
Real Estate Investment Trusts	21,213,937	--	21,213,937
Emerging Market Debt	3,379,430	--	3,379,430
Hedge Funds	54,360,593	--	54,360,593
Total Investments, at Fair Value	503,682,768	53,608,411	557,291,179
Cash Collateral Received - Security Lending Program	96,090,802	--	96,090,802
Total Assets	623,363,002	55,222,134	678,585,136
Liabilities:			
Accounts Payable	14,467,316	--	14,467,316
Payable for Collateral Received - Security Lending Program	96,090,802	--	96,090,802
Due to Other Funds	1,148,004	--	1,148,004
Total Liabilities	111,706,122	--	111,706,122
Net Assets Held in Trust for Pension Benefits and Other Purposes	\$ 511,656,880	\$ 55,222,134	\$ 566,879,014

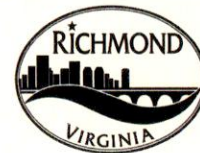


EXHIBIT L-2

CITY OF RICHMOND, VIRGINIA
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2008

	Richmond Retirement System	Other Employee Benefits	Total
Additions:			
Contributions:			
City of Richmond	\$ 30,803,388	\$ 5,464,030	\$ 36,267,418
Richmond Behavioral Health Authority	794,893	-	794,893
Richmond Public Schools	338,098	-	338,098
Revenue for DC Plan Expense	89,675	-	89,675
Plan members	2,799,698	-	2,799,698
Total Contributions	34,825,752	5,464,030	40,289,782
Investment Income:			
Depreciation in fair value of investments	(45,447,188)	(3,303,403)	(48,750,591)
Interest	3,804,389	117,113	3,921,502
Dividends	16,494,697	-	16,494,697
Net Income Earned On Securities Lending Transactions:			
Securities Lending Income	4,228,226	-	4,228,226
Securities Lending Expense	(3,768,382)	-	(3,768,382)
Total Net Income Earned on Securities Lending Transactions	459,844	-	459,844
Investment Income	(24,688,258)	(3,186,290)	(27,874,548)
Less Investment Expense	2,658,437	-	2,658,437
Net Investment Income	(27,346,695)	(3,186,290)	(30,532,985)
Total Additions	7,479,057	2,277,740	9,756,797
Deductions:			
Benefits	54,188,710	3,410,653	57,599,363
Administrative Expenses	1,162,247	18,036	1,180,283
Total Deductions	55,350,957	3,428,689	58,779,646
Net Decrease	(47,871,900)	(1,150,949)	(49,022,849)
Net Assets Held In Trust For Pension Benefits and Other Purposes - Beginning of Year	559,528,780	56,373,083	615,901,863
Net Assets Held In Trust For Pension Benefits and Other Purposes - End of Year	\$ 511,656,880	\$ 55,222,134	\$ 566,879,014



CITY OF RICHMOND, VIRGINIA
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Assets				
Cash and Cash Equivalents	\$ 254,672	\$ 686,155	\$ 435,706	\$ 505,121
Due From Other Funds	949,987	--	400,211	549,776
Total Assets	\$ 1,204,659	\$ 686,155	\$ 835,917	\$ 1,054,897
Liabilities				
Refundable Deposits	\$ 34,934	\$ 328,524	\$ --	\$ 363,458
Due to Various Agents	1,169,725	617,455	1,095,741	691,439
Total Liabilities	\$ 1,204,659	\$ 945,979	\$ 1,095,741	\$ 1,054,897



Statistical Section

This part of the City of Richmond's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the city provides and the activities it performs.



**CITY OF RICHMOND, VIRGINIA
MISCELLANEOUS STATISTICAL DATA
June 30, 2008**

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 2001 ⁽¹⁾	198,270
United States Census 2002 ⁽¹⁾	198,494
United States Census 2003 ⁽¹⁾	198,102
United States Census 2004 ⁽¹⁾	197,401
United States Census 2005 ⁽¹⁾	197,861
United States Census 2006 ⁽¹⁾	198,624
United States Census 2007 ⁽¹⁾	200,123

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

FORM OF GOVERNMENT

The City of Richmond is organized under the Strong Mayoral-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:

- \$1.20 per \$100 of Assessed Value: 2008
- \$1.23 per \$100 of Assessed Value: 2007
- \$1.29 per \$100 of Assessed Value: 2006
- \$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 - 2008
- \$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 - 2008
- \$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:

- 4% State and 1% Local: 2007-2008
- 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.

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 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 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, 2008, the Undesignated Fund Balance was \$47.6 million, which is 8.2% 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 Five Fiscal Years
(accrual basis of accounting)**

	Fiscal Year				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental Activities					
Invested In Capital Assets, Net of Related Debt	\$ 191,556,995	\$ 198,513,944	\$ 257,995,107	\$ 276,834,506	\$ 304,606,896
Restricted	68,923,046	50,038,794	11,902,266	14,911,689	14,992,862
Unrestricted	<u>(10,050,293)</u>	<u>40,670,738</u>	<u>25,435,347</u>	<u>26,438,982</u>	<u>45,954,323</u>
Total Governmental Activities Net Assets	<u>\$ 250,429,748</u>	<u>\$ 289,223,476</u>	<u>\$ 295,332,720</u>	<u>\$ 318,185,177</u>	<u>\$ 365,554,081</u>
Business-type Activities					
Invested In Capital Assets, Net of Related Debt	\$ 274,968,276	\$ 277,073,800	\$ 305,313,014	\$ 302,815,193	\$ 316,259,057
Restricted	8,650,941	40,067,236	-	-	-
Unrestricted	<u>69,315,730</u>	<u>43,272,098</u>	<u>69,958,764</u>	<u>79,842,538</u>	<u>78,044,664</u>
Total Business-type Activities Net Assets	<u>\$ 352,934,947</u>	<u>\$ 360,413,134</u>	<u>\$ 375,271,778</u>	<u>\$ 382,657,731</u>	<u>\$ 394,303,721</u>
Primary Government					
Invested In Capital Assets, Net of Related Debt	\$ 466,525,271	\$ 475,587,744	\$ 563,308,121	\$ 579,649,699	\$ 620,865,953
Restricted	77,573,987	90,106,030	11,902,266	14,911,689	14,992,862
Unrestricted	<u>59,265,437</u>	<u>83,942,836</u>	<u>95,394,111</u>	<u>106,281,520</u>	<u>123,998,987</u>
Total Primary Government Activities Net Assets	<u>\$ 603,364,695</u>	<u>\$ 649,636,610</u>	<u>\$ 670,604,498</u>	<u>\$ 700,842,908</u>	<u>\$ 759,857,802</u>



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

	Fiscal Year				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses					
Governmental Activities:					
General Government	\$ 102,182,099	\$ 82,897,797	\$ 108,538,958	\$ 108,443,704	\$ 82,078,049
Public Safety and Judiciary	147,054,040	150,077,017	159,938,162	175,163,038	170,498,404
Highways, Streets, Sanitation and Refuse	76,654,334	80,327,346	75,459,598	72,673,872	90,808,054
Human Services	91,316,190	93,480,016	90,316,536	95,346,598	110,423,497
Culture and Recreation	24,856,175	14,914,204	21,978,162	24,350,136	41,009,121
Education	137,780,535	131,661,501	152,646,701	165,971,219	158,858,678
Transportation	6,699,852	6,766,376	8,216,356	9,405,588	10,460,000
Interest and Fiscal Changes	40,538,281	42,868,983	40,153,584	42,083,543	25,030,424
Extraordinary Item ¹	14,728,475	4,020,240	--	--	--
Total Governmental Activities Expenses	641,809,981	607,013,480	657,248,057	693,437,698	689,166,227
Business-type Activities:					
Gas	178,520,751	207,682,064	248,535,630	216,255,114	216,059,214
Water	36,523,533	39,004,189	41,362,442	44,232,832	46,158,648
Wastewater	40,115,362	45,976,722	44,944,833	51,596,901	48,364,007
Coliseum	4,152,274	4,973,332	5,249,095	5,968,440	5,846,334
Landmark Theatre	1,876,343	1,730,408	1,835,924	1,788,114	1,829,565
Cemeteries	1,389,982	1,344,285	1,416,174	1,399,208	1,641,821
Total Business-type Activities Expenses	262,578,246	300,711,000	343,344,098	321,240,609	319,899,589
Total Primary Government Expenses	\$ 904,388,227	\$ 907,724,480	\$ 1,000,592,155	\$ 1,014,678,307	\$ 1,009,065,816
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Government	\$ 37,367,491	\$ 41,636,438	\$ 46,887,330	\$ 48,008,623	\$ 43,593,817
Culture and Recreation	611,105	561,893	759,632	109,692	719,586
Other Activities	27,671,318	20,602,746	29,109,017	27,368,011	30,450,928
Operating Grants and Contributions	133,650,110	149,167,449	147,151,168	159,269,020	169,105,387
Capital Grants and Contributions	10,516,738	8,227,292	3,714,468	18,929,229	12,566,194
Total Governmental Activities Program Revenues	\$ 209,816,762	\$ 220,195,818	\$ 227,621,615	\$ 253,684,575	\$ 256,435,912
Business-type Activities:					
Charges for Services:					
Gas	\$ 187,051,036	\$ 221,309,436	\$ 255,994,336	\$ 225,162,779	\$ 225,892,538
Water	45,205,312	44,853,864	47,689,474	49,995,955	51,616,053
Wastewater	46,317,014	48,599,478	51,484,083	55,541,836	56,795,731
Coliseum	2,358,184	2,068,567	2,284,149	2,149,644	2,202,374
Landmark Theatre	724,250	390,879	594,775	255,549	463,078
Cemeteries	1,440,051	1,412,205	1,458,283	1,395,957	1,423,292
Operating Grants and Contributions	3,578,979	5,607,052	4,928,275	4,779,151	7,967,099
Total Business-type Activities Program Revenues	286,674,826	324,241,481	364,433,375	339,280,870	346,360,166
Total Primary Government Program Revenues	\$ 496,491,588	\$ 544,437,299	\$ 592,054,990	\$ 592,965,445	\$ 602,796,078
Net (Expense)/Revenue					
Governmental Activities	\$ (431,993,219)	\$ (386,817,662)	\$ (429,626,442)	\$ (439,753,123)	\$ (432,730,315)
Business-type Activities	24,096,580	23,530,481	21,089,277	18,040,261	26,460,577
Total Primary Government Net Expense	\$ (407,896,639)	\$ (363,287,181)	\$ (408,537,165)	\$ (421,712,862)	\$ (406,269,738)

(Continued)



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

	Fiscal Year				
	2004	2005	2006	2007	2008
General Revenues and Other Changes in Net Assets					
Governmental Activities:					
Taxes:					
Real Estate	\$ 172,166,634	\$ 181,172,923	\$ 202,214,700	\$ 211,480,260	\$ 225,336,583
Sales-1% Local	24,067,131	26,302,100	27,116,326	31,019,396	31,274,790
Sales Tax For Education	-	-	-	27,558,938	26,959,337
Personal Property	41,918,417	45,091,878	25,156,191	42,095,364	55,220,158
Machinery and Tools	14,831,660	14,618,256	15,140,256	13,149,199	13,486,040
General Utility Sales	33,405,551	31,124,964	30,413,522	31,586,945	37,118,110
Bank Stock	2,362,154	2,904,338	2,891,777	3,085,172	3,317,298
Prepared Food	16,078,165	16,028,093	20,889,281	23,154,114	24,076,647
Lodging Tax	-	-	-	5,272,618	5,984,286
Admissions	1,804,701	1,195,603	1,218,238	1,073,673	2,447,670
Delinquent Tax Payments-All Classes	10,303,069	9,589,601	11,083,065	11,812,062	19,581,751
Private Utility Poles and Conduits	93,506	150,549	94,894	95,067	95,186
Penalties and Interest	4,564,352	4,242,744	4,676,998	5,319,892	3,657,510
Titling Tax-Mobile Home	7,324	16,942	7,197	5,800	9,014
State Recordation	605,153	609,343	749,102	843,137	954,315
Property Rental 1%	158,960	120,684	144,979	136,469	126,334
Vehicle Rental Tax	868,115	864,415	752,941	1,004,229	889,582
Telephone Commissions	2,018,645	466,562	6,029,547	416,003	477,935
Intergovernmental Revenue Not Restricted to Specific Programs	575,697	13,860,051	6,159,363	-	171,162
Investment Earnings	360,647	1,501,725	1,764,937	2,425,883	2,102,922
Miscellaneous	47,259,923	53,846,842	35,950,451	30,585,867	2,224,002
Transfers	17,993,646	21,130,671	20,165,228	20,884,181	24,282,511
Special Item ²	-	773,106	-	3,701	-
Extraordinary Item ¹	12,754,707	-	(323,858)	(402,390)	306,076
Total Governmental Activities	404,198,157	425,611,390	412,295,135	462,605,580	480,099,219
Business-type Activities:					
Investment Earnings	\$ 750,057	\$ 1,285,313	\$ 4,166,286	\$ 5,626,435	\$ 4,594,016
Miscellaneous	3,045,762	3,793,064	3,350,736	4,603,438	4,873,908
Transfers	(17,993,646)	(21,130,671)	(20,165,228)	(20,884,181)	(24,282,511)
Total Business-type Activities	(14,197,827)	(16,052,294)	(12,648,206)	(10,654,308)	(14,814,587)
Total Primary Government	\$ 390,000,330	\$ 409,559,096	\$ 399,646,929	\$ 451,951,272	\$ 465,284,632
Change in Net Assets					
Governmental Activities	\$ (27,795,062)	\$ 38,793,728	\$ (17,331,307)	\$ 22,852,457	\$ 47,368,904
Business-type Activities	9,898,753	7,478,187	8,441,071	7,385,953	11,645,990
Total Primary Government	\$ (17,896,309)	\$ 46,271,915	\$ (8,890,236)	\$ 30,238,410	\$ 59,014,894

¹Extraordinary Item:

Fiscal Year 2004 - Disaster Costs from Hurricane Isabel.
Fiscal Year 2005 - Disaster Costs

²Special Item:

Fiscal Year 2004 and 2008 - Gain on Sale of Land.
Fiscal Year 2005 - Disaster Recovery

Note: The changes in net assets for both Governmental and Business-type activities are explained in the Management's Discussion and Analysis Section.



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

	Fiscal Year				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
City Taxes					
Real Estate	\$ 172,166,634	\$ 181,172,923	\$ 202,214,700	\$ 211,480,260	\$ 225,336,583
Sales-1% Local	24,067,131	26,302,100	27,116,326	31,019,396	31,274,790
SalesTax for Education	-	-	-	27,558,938	26,959,337
Personal Property	41,918,417	45,091,878	25,156,191	42,095,364	55,220,158
Machinery and Tools	14,831,660	14,618,256	15,140,256	13,149,199	13,486,040
General Utility Sales	33,405,551	31,124,964	30,413,522	31,586,945	37,118,110
Bank Stock	2,362,154	2,904,338	2,891,777	3,085,172	3,317,298
Prepared Food	16,078,165	16,028,093	20,889,281	23,154,114	24,076,647
Transient Lodging	-	-	-	5,272,618	5,984,286
Admissions	1,804,701	1,195,603	1,218,238	1,073,673	2,447,670
Delinquent Tax Payments-All Classes	10,303,069	9,589,601	11,083,065	11,812,062	19,581,751
Private Utility Poles and Conduits	93,506	150,549	94,894	95,067	95,186
Penalties and Interest	4,564,352	4,242,744	4,676,998	5,319,892	3,657,510
Titling Tax-Mobile Home	7,324	16,942	7,197	5,800	9,014
State Recordation	605,153	609,343	749,102	843,137	954,315
Property Rental 1%	158,960	120,684	144,979	136,469	126,334
Vehicle Rental Tax	868,115	864,415	752,941	1,004,229	889,582
Telephone Commissions	2,018,645	466,562	6,029,547	416,003	477,935
Total Primary Government	\$ 325,253,537	\$ 334,498,995	\$ 348,579,014	\$ 409,108,338	\$ 451,012,546



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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$ 10,344,860	\$ 9,368,800	\$ 8,821,969	\$ 18,597,316	\$ 21,328,801	\$ 14,150,287	\$ 22,216,671	\$ 16,144,418	\$ 15,894,601	\$ 16,908,547
Unreserved	23,744,704	28,308,160	42,440,905	40,645,634	40,552,729	47,690,533	45,278,440	45,442,420	47,507,086	47,638,753
Total General Fund	\$ 34,089,564	\$ 37,676,960	\$ 51,262,874	\$ 59,242,950	\$ 61,881,530	\$ 61,840,820	\$ 67,495,111	\$ 61,586,838	\$ 63,401,687	\$ 64,547,300
All Other Governmental Funds										
Reserved	\$ --	\$ --	\$ --	\$ 25,281,516	\$ 46,983,399	\$ 68,923,046	\$ 50,413,044	\$ 22,836,669	\$ 48,645,510	\$ 25,399,353
Unreserved, reported in:										
Special Revenue Funds	2,614,199	2,697,447	16,817,411	19,581,096	20,589,668	12,249,538	11,473,432	12,894,614	7,502,105	7,478,784
Capital Project Funds	(8,097,147)	22,365,817	27,756,774	34,500	34,500	--	--	--	--	--
Debt Service Fund	--	--	2,041,583	--	11,461	11,461	11,461	(8,058)	--	--
Total All Other Governmental Funds	\$ (5,482,948)	\$ 25,063,264	\$ 46,615,768	\$ 44,897,112	\$ 67,619,028	\$ 81,184,045	\$ 61,897,937	\$ 35,723,225	\$ 56,147,615	\$ 32,878,137

Note: The changes in fund balances are explained in Management's Discussion and Analysis.



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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Taxes	\$ 265,002,918	\$ 276,103,556	\$ 292,646,965	\$ 299,399,915	\$ 306,292,416	\$ 317,204,260	\$ 334,498,995	\$ 350,466,022	\$ 409,441,193	\$ 435,695,263
Licenses, Permits and Privilege Fees	28,133,557	29,873,435	30,799,567	32,890,826	33,259,137	31,821,328	35,302,960	37,275,652	37,543,533	35,514,381
Intergovernmental	150,485,792	172,423,975	188,769,821	149,159,095	154,433,332	146,970,902	173,750,992	158,577,638	164,137,422	163,694,270
Service Charges	16,370,280	17,277,579	16,251,466	16,866,068	17,924,528	14,933,169	16,343,965	20,421,258	21,119,157	21,761,128
Fines and Forfeitures	6,018,244	6,194,670	6,376,530	8,646,605	7,774,458	8,559,606	10,328,752	11,429,454	11,023,780	10,706,248
Sales of Land	569,158	11,603,469	393,597	638,321	--	--	--	--	--	--
Payment in Lieu of Taxes	18,801,872	17,120,170	16,179,103	16,518,950	17,518,465	18,102,353	19,630,782	18,898,355	18,635,494	19,357,177
Investment Income	1,662,578	3,624,616	2,023,562	703,044	669,795	365,625	1,501,725	1,764,937	2,425,882	2,103,022
Miscellaneous	51,675,521	50,669,229	54,567,917	55,309,546	57,211,587	72,862,719	64,264,540	70,850,022	64,820,190	27,454,098
Total Revenues	538,739,920	584,889,699	608,008,548	580,132,370	595,083,718	610,820,162	655,622,701	669,683,338	729,146,651	716,285,587
Expenditures										
General Government	43,434,202	48,427,718	56,789,037	60,464,041	66,113,349	68,978,772	72,082,519	80,895,144	76,901,063	77,967,920
Public Safety and Judiciary	126,630,270	135,110,701	133,327,645	136,486,136	139,318,995	145,509,707	151,733,584	157,743,772	175,232,251	167,022,262
Highways, Streets, Sanitation and Refuse	40,906,693	40,107,566	43,149,174	44,018,321	46,004,841	44,054,142	54,373,540	57,844,331	62,404,860	61,007,410
Human Services	90,439,735	99,726,253	98,478,164	81,957,017	87,637,237	89,044,511	90,924,428	88,715,030	96,880,070	105,983,727
Culture and Recreation	17,485,368	19,972,427	20,999,465	21,604,557	22,101,310	23,539,612	19,628,668	19,540,997	21,399,788	22,420,288
Education	213,297,750	219,953,535	239,213,047	125,669,753	128,823,925	131,762,289	129,041,941	142,303,624	159,927,313	158,858,678
Non-Departmental	29,219,373	31,017,235	32,195,041	26,410,541	23,461,527	25,153,039	26,211,317	33,373,394	41,164,869	51,273,499
Capital Outlay	53,532,545	36,168,455	26,224,080	39,828,063	35,347,332	58,250,207	43,109,262	35,531,084	26,247,426	37,989,088
Debt Service:										
Principal Retirement	34,142,892	36,382,328	39,822,931	36,896,795	37,206,080	41,473,735	43,743,522	48,061,126	48,020,086	33,368,115
Interest Payments	36,880,670	35,431,775	37,113,765	34,692,049	34,974,162	40,304,483	40,812,004	39,385,830	38,490,977	25,054,610
Issuance Costs	1,391,076	990,023	891,649	1,054,532	362,904	685,283	625,909	671,476	846,451	--
Total Expenditures	687,360,574	703,288,016	728,204,018	609,061,805	621,371,662	668,753,780	672,286,694	704,065,828	747,515,154	740,925,597
Other Financing Sources (Uses)										
Transfers In	34,594,732	44,967,931	40,598,584	44,620,298	47,449,811	53,904,655	57,680,867	61,784,636	60,691,246	82,480,356
Transfers Out	(28,816,908)	(37,856,247)	(40,388,749)	(41,729,562)	(46,073,628)	(51,675,655)	(54,938,228)	(59,386,273)	(57,501,875)	(79,507,387)
Proceeds from Refunding Bonds	101,450,000	--	--	74,300,000	36,630,116	9,300,000	--	90,847,799	--	--
Payment to Escrow Agent	--	--	--	(74,300,000)	(36,630,116)	(9,300,000)	--	(90,822,799)	--	--
Proceeds from Issuance of Bonds	31,757,040	--	--	31,845,867	50,097,993	68,297,167	3,536,671	--	42,194,332	--
Premium on Issuance of Bonds	--	--	--	--	--	2,905,526	--	--	--	(762,900)
Total Other Financing Sources (Uses)	138,984,864	7,111,684	209,835	34,736,603	51,474,176	73,431,693	6,279,310	2,623,363	45,383,703	2,210,069
Special Item										
Gain on Sale of Land	--	--	--	638,321	174,264	--	--	--	--	--
Disaster Recovery	--	--	--	--	--	12,754,707	773,106	--	--	--
Total Special Item	--	--	--	638,321	174,264	12,754,707	773,106	--	--	--
Extraordinary Item										
Disaster Costs	--	--	--	--	--	(14,728,475)	(4,020,240)	(323,859)	(402,390)	306,076
Total Extraordinary Item	--	--	--	--	--	(14,728,475)	(4,020,240)	(323,859)	(402,390)	306,076
Net Change in Fund Balances	\$(9,635,730)	\$(111,286,633)	\$(119,985,635)	\$ 6,445,489	\$ 25,360,496	\$ 13,524,307	\$ (13,631,817)	\$ (32,082,985)	\$ 26,612,810	\$ (22,123,865)
Debt Service as a Percentage of Noncapital Expenditures	10.1%	10.3%	10.7%	11.9%	14.6%	12.3%	12.7%	12.5%	11.7%	8.0%

Note: The changes in fund balances are explained in Management's Discussion and Analysis.



CITY OF RICHMOND, VIRGINIA
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE

Last Ten Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Real Estate	\$ 126,754,301	\$ 130,504,242	\$ 139,820,593	\$ 151,824,518	\$ 159,003,009	\$ 170,251,093	\$ 181,172,923	\$ 195,007,601	\$ 211,744,174	\$ 220,312,237
Sales 1% Local	25,577,922	25,685,234	24,977,517	22,202,874	20,123,954	24,067,131	26,302,100	27,116,326	31,019,396	31,274,790
Sales Tax for Education	-	-	-	-	-	-	-	-	27,556,938	26,959,337
Personal Property	39,802,288	42,335,471	42,719,428	42,133,029	41,488,407	41,918,417	45,091,878	43,819,129	42,147,896	44,734,218
Machinery and Tools	16,796,001	19,166,096	18,208,204	17,010,104	15,674,402	14,831,660	14,618,256	14,726,382	13,165,608	13,679,043
General Utility Sales	25,571,639	27,508,352	32,327,821	32,439,687	32,415,856	30,272,507	31,124,964	30,413,522	31,586,945	37,118,110
Bank Stock	4,378,141	4,005,723	5,135,665	5,161,545	2,854,562	2,362,154	2,904,338	2,891,777	3,085,172	3,317,288
Prepared Food	12,445,465	13,323,757	13,337,315	13,294,593	13,111,219	14,548,707	16,028,093	17,404,622	23,154,114	24,076,647
Lodging Tax	2,667,184	555,107	1,049,342	-	-	-	-	-	5,272,618	5,984,266
Admission	1,306,473	1,456,535	1,423,044	1,391,847	1,465,338	1,604,701	1,195,603	1,218,238	1,073,673	2,447,670
Delinquent Tax Payments-All Classes	6,006,435	6,736,271	7,892,823	7,958,401	12,546,757	10,303,069	9,589,601	11,083,065	11,812,062	19,581,751
Private Utility Poles and Conduits	91,154	90,656	91,814	91,538	93,137	93,506	150,549	94,894	95,067	95,186
Penalties and Interest	3,293,668	3,602,646	3,990,082	4,450,781	5,203,306	4,584,352	4,242,744	4,676,998	5,319,892	3,637,510
Tilling Tax-Mobile Home	33,980	38,817	19,726	10,345	10,402	7,324	16,942	7,197	5,800	9,014
State Recreation	693,905	766,477	727,681	702,360	675,810	605,153	609,343	749,102	843,137	954,315
Property Rental 1%	-	-	-	-	236,383	158,960	120,684	144,979	138,469	126,334
Vehicle Rental Tax	584,372	318,192	926,160	730,303	955,513	868,115	864,415	752,941	1,004,229	889,582
ABC Board Receipts	-	-	-	-	400,770	-	-	-	-	-
Rolling Stock Tax	-	-	-	-	33,591	-	-	-	-	-
Telephone Commissions	-	-	-	-	-	547,411	466,562	356,249	416,003	477,935
Total General Governmental Tax Revenues	\$ 265,002,918	\$ 276,103,556	\$ 282,646,985	\$ 299,399,915	\$ 306,292,416	\$ 317,204,260	\$ 334,498,995	\$ 350,468,022	\$ 409,441,193	\$ 435,695,263



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

Calendar Year	Real Property		Personal Property	Machinery & Tools	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Tax Rate Per \$100 of Assessed Value		Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property					Real Property	Machinery & Tools		
1999	5,773,535,701	6,073,281,040	1,360,589,983	809,994,254	2,006,465,050	11,410,935,938	1.43	3.70	11,410,935,938	100.00%
2000	5,408,964,656	6,349,654,161	1,457,324,132	829,049,430	2,240,265,650	11,804,726,729	1.43	3.70	11,804,726,729	100.00%
2001	5,745,560,736	6,744,788,690	1,478,905,318	821,122,856	2,210,297,652	12,580,079,947	1.41	3.70	12,580,079,947	100.00%
2002	6,473,254,985	7,599,038,460	1,507,088,801	790,901,800	2,892,351,707	13,477,932,339	1.39	3.70	13,477,932,339	100.00%
2003	7,396,450,777	8,358,905,035	1,393,327,487	678,581,056	3,103,519,875	14,723,744,480	1.38	3.70	14,723,744,480	100.00%
2004	7,930,422,754	8,649,174,035	1,172,806,822	631,645,652	3,344,887,395	15,039,161,868	1.38	3.70	15,039,161,868	100.00%
2005	9,448,941,200	9,291,733,951	1,330,154,149	670,556,827	3,661,451,800	17,079,934,327	1.33	3.70	17,079,934,327	100.00%
2006	10,739,603,660	9,246,483,112	1,522,890,436	637,469,276	3,914,062,202	18,232,384,282	1.29	3.70	18,232,384,282	100.00%
2007	12,273,304,550	11,495,448,724	1,418,934,404	647,387,014	4,726,230,820	21,108,843,872	1.23	3.70	21,108,843,872	100.00%
2008	13,189,929,800	12,416,702,435	1,468,366,859	627,880,746	5,000,713,600	22,702,174,240	1.20	3.70	22,702,174,240	100.00%

Source: Assessor's Office



CITY OF RICHMOND, VIRGINIA
PRINCIPAL PROPERTY TAXPAYERS
 2008 Assessed Values as of January 1, 2008

2008				1999			
<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Rank</u>	<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Rank</u>
Philip Morris, Inc. & Philip Morris, USA	\$ 720,633,800	3.54%	1	Philip Morris, Inc. & Philip Morris, USA	\$ 220,125,800	2.38%	1
Hines Riverfront Plaza LP	272,500,000	1.34%	2	Boston Properties	153,000,000	1.66%	2
James Center Property LLC	190,517,000	0.94%	3	Crestar Bank (Sun Trust Banks, Inc.)	140,353,500	1.52%	3
Dominion Resources, Inc	138,568,000	0.68%	4	Federal Reserve Bank of Richmond	84,781,500	0.92%	4
Chippenhams Hospital, Inc	105,595,100	0.52%	5	Ethyl Corporation	70,675,300	0.76%	5
Federal Reserve Bank of Richmond	95,498,200	0.47%	6	Bank of America	65,169,400	0.71%	6
SunTrust Bank	89,985,700	0.44%	7	One James Center Associates	63,570,000	0.69%	7
Parmenter 919 Main St. LP	89,120,000	0.44%	8	Whitehall Robins	61,886,000	0.67%	8
Riverside Owner LLC	81,450,000	0.40%	9	Chippenhams Hospital, Inc	57,859,000	0.63%	9
Stony Point Fashion Park Associates LLC	78,388,000	0.39%	10	AAPOP, LLP	50,000,000	0.54%	10
First States Invest 3500 LLC	64,402,000	0.32%	11	Two James Center Associates	49,900,000	0.54%	11
Robins A H Co, Inc	48,212,400	0.24%	12	Dominion Resources Inc	39,000,000	0.42%	12
Atlantic American Properties	47,519,000	0.23%	13	ARC Imperial Services	33,540,000	0.36%	13
Media General	47,156,000	0.23%	14	Alleghany Warehouse Co, Inc	32,773,000	0.35%	14
American Retirement Corp	46,324,000	0.23%	15	S J W Limited Partnership	25,310,000	0.27%	15
SJW Limited Partnership	39,722,000	0.20%	16	SCDHC-Southwood, LLC	21,201,500	0.23%	16
Alleghany Warehouse Co., Inc.	39,052,200	0.19%	17	Marriott Corporation	20,548,000	0.22%	17
Total of Taxpayer	2,194,643,400	10.79%		Total of Taxpayer	1,189,693,000	12.87%	
All Other Properties	18,139,765,635	89.21%		All Other Properties	8,050,658,691	87.13%	
Totals	\$ 20,334,409,035	100.00%		Totals	\$ 9,240,351,691	100.00%	

Source: City's Real Estate Assessor

**CITY OF RICHMOND, VIRGINIA
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago**

	2008			1999		
	Approximate Number of Employees	Percentage of Principal Employment	Rank	Approximate Number of Employees	Percentage of Principal Employment	Rank
Commonwealth of Virginia	27,124	14.71%	1	11,879	15.05%	1
Federal Government	15,100	8.19%	2	8,769	11.11%	2
Chesterfield County	11,067	6.00%	3	5,352	6.78%	3
Henrico County	10,372	5.62%	4	6,900	8.74%	4
Richmond City	8,445	4.58%	5	4,921	6.24%	5
Virginia Commonwealth University Health System	7,082	3.84%	6	4,380	5.55%	6
HCA, Inc.	6,941	3.76%	7	4,000	5.07%	7
Capital One Financial Corp	6,474	3.51%	8	3,861	4.89%	8
Wal-mart Stores, Inc.	6,173	3.35%	9	3,609	4.57%	9
Philip Morris, USA	5,630	3.05%	10	3,553	4.50%	10
Dominion Resources Inc	5,362	2.91%	11	3,400	4.31%	11
Wachovia Corporation	5,345	2.90%	12	3,250	4.12%	12
Bon Secours Richmond Health System	5,292	2.87%	13	3,036	3.85%	13
Hanover County	4,017	2.18%	14	2,965	3.76%	14
SunTrust Banks, Inc.	3,596	1.95%	15	2,950	3.74%	15
Ukrop's Super Markets Inc	3,545	1.92%	16	2,600	3.30%	16
DuPont	3,198	1.73%	17	1,850	2.34%	17
Bank of America Corp	3,100	1.68%	18	1,631	2.07%	18
Total of Principal Employers	137,863	74.75%		78,906	100.00%	
Other Principal Employers ¹	46,577	25.25%		--	--	
Totals	184,440	100.00%		78,906	100.00%	

Other Principal Employers¹: These numbers represent the amount and percentage of the remaining top 50 employers for the citizens within the Richmond Metropolitan Statistical Area.

Source: Richmond Times-Dispatch





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

Tax Year	Tax Rate	Current Tax Collections'		Delinquent Tax Collections ²	Total Tax Collections	
		Total Tax Levy	Percentage of Levy		Amount	Percentage of Levy
1999	1.43	\$ 132,833,908	96.6%	\$ 1,451,563	\$ 129,760,061	97.7%
2000	1.43	136,171,412	96.2%	7,940,112	138,981,338	102.1%
2001	1.41	147,235,718	95.0%	4,336,433	144,157,026	97.9%
2002	1.39	162,359,912	94.7%	5,221,188	158,941,055	97.9%
2003	1.38	175,100,400	94.4%	9,498,935	174,829,188	99.8%
2004	1.38	184,806,582	96.9%	7,715,852	186,740,341	101.0%
2005	1.33	201,274,826	95.3%	7,619,922	199,459,187	99.1%
2006	1.29	214,819,901	96.1%	6,901,572	213,318,350	99.3%
2007	1.23	224,815,976	97.1%	5,696,407	223,907,238	99.6%
2008	1.20	233,179,816	94.9%	15,227,545	236,426,948	101.4%

Source: City of Richmond - Department of Finance

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

Tax Year	Tax Rate	Current Tax Collections'		Delinquent Tax Collections ²	Total Tax Collections to Date	
		Total Tax Levy	Percentage of Levy		Amount	Percentage of Levy
1999	3.70	\$ 43,204,634	90.8%	\$ 3,577,421	\$ 42,788,980	99.0%
2000	3.70	48,336,851	89.4%	4,865,852	48,067,085	99.4%
2001	3.70	50,255,928	85.0%	5,835,595	48,555,023	96.6%
2002	3.70	48,353,865	87.1%	5,068,925	47,201,954	97.6%
2003	3.70	46,689,746	89.2%	3,864,364	45,526,953	97.5%
2004	3.70	46,468,895	90.6%	3,297,269	45,377,462	97.7%
2005	3.70	48,443,250	90.3%	4,868,959	48,608,656	100.3%
2006	3.70	50,187,847	86.1%	4,328,616	47,559,339	94.8%
2007	3.70	52,721,272	83.7%	5,826,972	49,939,813	94.7%
2008	3.70	53,094,279	84.5%	2,687,649	47,532,677	89.5%

Current Tax Collections': 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.

Source: City of Richmond - Department of Finance



CITY OF RICHMOND, VIRGINIA
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten 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	Lease Revenue Bond	Certificates of Participation Series 2001A		General Obligation Bonds	Utility Revenue Bonds	Debt Per Capita			
						Participation Series	Participation Series						
1999	\$ 287,185,620	\$ 4,359,845	\$ 28,579,221	\$ 6,760,000	\$ --	\$ --	\$ --	\$ 307,659,579	\$ 145,603,624	\$ 780,152,889	14.57%	4,078	
2000	330,677,656	4,140,564	28,146,923	7,495,000	--	--	294,081,149	151,520,200	816,061,492	13.84%	4,126		
2001	328,958,449	3,921,755	21,666,666	6,985,000	--	18,840,000	342,554,106	128,453,301	851,379,277	13.53%	4,311		
2002	350,618,669	3,703,159	12,983,333	6,475,000	--	18,840,000	284,116,304	264,061,852	940,798,317	14.60%	4,791		
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	14.26%	4,870		
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	13.49%	5,027		
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	13.23%	5,193		
2006	376,095,157	2,820,514	5,600,000	5,020,000	12,100,000	16,920,000	246,092,420	320,513,843	985,161,934	12.44%	5,107		
2007	387,222,408	2,597,288	4,700,000	4,465,000	11,555,580	16,230,000	234,590,147	414,194,548	1,075,544,971	N/A	N/A		
2008	354,881,308	2,372,353	8,500,000	3,910,000	10,981,807	15,510,000	222,734,874	406,325,632	1,025,215,974	N/A	N/A		

N/A: Information is not available from the U.S. Department of Commerce Bureau of Economic Analysis
 Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

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

Fiscal Year	Governmental Activities					Business-Type Activities					Total	Percentage of Estimated Actual Taxable Value of Property
	General Obligation Bonds	Virginia Public School Authority Bonds	General Obligation Notes	HUD Section 108 Notes	Lease Revenue Bond	Certificates of Participation Series 2001A		General Obligation Bonds	Utility Revenue Bonds	Debt Per Capita		
						Participation Series	Participation Series					
1999	\$ 594,845,199	\$ 4,359,845	\$ 28,579,221	\$ 6,760,000	\$ --	\$ --	\$ --	\$ 634,544,265	5.56%	3,317		
2000	624,758,805	4,140,564	28,146,923	7,495,000	--	--	664,541,292	5.63%	3,360			
2001	671,512,555	3,921,755	21,666,666	6,985,000	--	18,840,000	722,925,976	5.75%	3,661			
2002	634,734,973	3,703,159	12,983,333	6,475,000	--	18,840,000	676,736,465	5.02%	3,446			
2003	655,676,034	3,483,946	5,290,000	6,765,000	--	18,840,000	690,054,980	4.69%	3,535			
2004	688,578,837	3,263,521	1,820,000	6,125,000	--	18,225,000	718,012,358	4.77%	3,703			
2005	652,153,050	3,042,389	7,000,000	5,595,000	--	17,585,000	685,375,439	4.01%	3,537			
2006	622,187,577	2,820,514	5,600,000	5,020,000	12,100,000	16,920,000	664,648,091	3.65%	3,445			
2007	621,802,555	2,597,288	4,700,000	4,465,000	11,555,580	16,230,000	661,350,423	3.13%	N/A			
2008	577,616,182	2,372,353	8,500,000	3,910,000	10,981,807	15,510,000	618,890,342	3.00%	N/A			

N/A: Information is not available from the U.S. Department of Commerce Bureau of Economic Analysis
 Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.



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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt Limit	\$ 924,035,169	\$ 947,995,253	\$ 1,028,005,177	\$ 1,117,994,174	\$ 1,196,677,008	\$ 1,325,845,739	\$ 1,507,923,335	\$ 1,665,270,552	\$ 1,904,252,245	\$ 2,060,991,864
Total net applicable to limit	650,789,848	676,232,520	629,602,521	681,368,153	689,578,088	738,231,520	685,384,668	635,988,545	633,857,964	592,625,025
Legal Debt Margin	\$ 273,245,321	\$ 269,762,733	\$ 398,402,656	\$ 436,626,021	\$ 507,098,920	\$ 587,614,219	\$ 822,538,667	\$ 1,029,282,007	\$ 1,270,394,281	\$ 1,468,366,839

Total net debt applicable to the limit
 as a percentage of debt limit

	70.43%	71.54%	61.25%	60.95%	57.62%	55.68%	45.45%	38.19%	33.29%	28.75%
--	--------	--------	--------	--------	--------	--------	--------	--------	--------	--------

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed Value (Taxable)	\$ 20,609,918,635
Debt limit (10% of total assessed value)	2,060,991,864
General Obligation Bonds	592,625,025
Legal Debt Margin	\$ 1,468,366,839

Source: City of Richmond - Department of Finance

Note: Article VII, Section 10 of the Constitution of Virginia provides that the legal debt limit for municipalities is ten (10) percent of the preceding assessment for real estate taxes. The Total Net Debt Applicable to Limit shown on 6/30/2008 does not include \$406,325,632 of self-supporting Public Utility Revenue Bonds, \$15,510,000 of Certificates of Participation, and \$10,981,807 of Lease Revenue Bonds that by State law are not required to be included in calculations for legal margin for the creation of additional debt.



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

Fiscal Year	Gross Revenue	Less: Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1999	\$ 185,353,000	\$ 133,333,000	\$ 52,020,000	\$ 9,540,395	\$ 23,621,157	\$ 33,161,552	1.57
2000	199,211,000	148,082,000	51,129,000	9,783,218	22,590,361	32,373,579	1.58
2001	250,206,000	202,824,000	47,382,000	11,369,282	20,070,628	31,439,910	1.51
2002	222,293,385	174,842,378	47,451,007	8,960,861	21,019,119	29,979,980	1.58
2003	257,454,148	200,480,366	56,973,782	9,378,904	23,896,768	33,275,672	1.71
2004	273,973,867	214,894,187	59,079,680	14,015,416	27,051,440	41,066,856	1.44
2005	311,528,607	248,572,360	62,956,247	15,117,801	27,684,009	42,801,810	1.47
2006	354,513,119	267,435,241	87,077,878	13,877,566	28,234,697	47,051,991	1.85
2007	332,534,070	264,341,546	68,192,524	15,512,828	28,242,331	43,279,000	1.58
2008	335,154,223	270,811,760	64,342,463	20,562,701	27,066,681	47,629,382	1.35

Debt Service Coverage Covenant

Net Revenues and Balances Available for the Payment of Debt Service will be at least 1.15 times the Debt Service Requirement in each Fiscal Year

Source: City of Richmond - Department of Public Utilities



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

Fiscal Year	Population(1)	Personal Income		Per Capita Personal Income(2)	Median Age	School Enrollment(3)	City Unemployment Rate(4)	State Unemployment Rate(4)
		(Amounts expressed in thousands)						
1999	191,300	\$ 5,353,531		27,985	N/A	27,332	3.3%	2.7%
2000	197,790	\$ 5,895,329		29,806	N/A	27,237	2.6%	2.3%
2001	197,484	\$ 6,291,248		31,857	N/A	26,840	4.2%	3.2%
2002	196,387	\$ 6,442,093		32,803	N/A	26,136	5.7%	4.2%
2003	195,200	\$ 6,664,323		34,141	37.5	25,266	5.8%	4.1%
2004	193,915	\$ 7,228,957		37,279	36.7	25,054	5.6%	3.7%
2005	193,777	\$ 7,604,778		39,245	35.9	24,726	5.2%	3.5%
2006	192,913	\$ 7,294,041		37,810	35.4	24,247	4.5%	3.0%
2007	192,490	\$ 7,052,449		36,638	34.0	23,987	4.3%	3.0%
2008	200,123	\$ 7,917,208		39,860	34.0	24,226	4.5%	4.0%

(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, Fall Membership collected on September 30th.

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



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

Function	Fiscal Year				
	2004	2005	2006	2007	2008
Governmental Activities:					
General Government	554	583	502	650	731
Public Safety and Judiciary					
Police	846	905	982	979	1,028
Firefighters and Officers	416	423	426	425	463
Others	671	690	658	588	603
Highways, Streets, Sanitation and Refuse					
Engineering & Maintenance	521	532	551	538	566
Human Services					
Human Services Advocacy	21	37	47	26	24
Social Services	461	466	411	455	481
Public Health	104	112	--	--	--
Culture and Recreation	247	266	235	295	260
Transportation	8	7	5	--	--
Business-type Activities:					
Gas Utility	314	304	213	320	322
Water Utility	90	81	214	101	102
Wastewater Utility	98	90	61	108	113
Electric Utility	19	18	32	15	19
Stores and Transportation Division	14	13	11	12	13
Coliseum	25	25	28	25	25
Landmark Theatre	7	7	--	5	5
Cemeteries NCO	18	18	21	20	20
Total	4,434	4,577	4,397	4,562	4,775

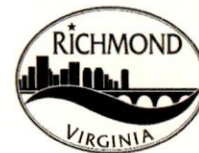
Source: Various City departments



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

Function	Fiscal Year				
	2004	2005	2006	2007	2008
Governmental Activities:					
Police					
Physical Arrests	15,911	17,536	17,034	19,210	20,064
Parking Violations	101,813	103,594	19,455	73,335	101,675
Traffic Violations	21,224	30,516	22,474	25,047	28,195
Fire					
Number of calls answered	28,258	30,956	31,746	28,234	19,864
Inspections	3,662	1,853	2,104	2,660	1,322
Highways and Streets					
Street resurfacing (miles)	82	70	102	85	70
Potholes repaired	12,167	21,011	10,691	7,500	898
Sanitation and Refuse					
Refuse collected (tons/day)	307	N/A	338	293	335
Recyclables collected (tons/day)	39.2	38.3	37.3	35.2	24.7
Culture and Recreation					
Parks permits issued	482	539	610	584	543
Business-type Activities:					
Gas					
Maximum daily sendout (MCF)	151,823	163,129	129,755	151,996	147,713
Annual Sendout (MCF)	17,952,764	18,500,224	16,620,288	16,551,672	17,722,952
Water					
Average daily consumptions (MGD)	88.2	74.8	66.8	63.1	65.6
Maximum daily consumptions (MCD)	104.7	94.8	98.0	98.3	90.3
Water in Storage (gallons)	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000
Wastewater					
Average daily sewage treatment (MGD)	59.8	64.0	51.1	59.2	48.7
Maximum daily sewage treatment (MGD)	85.0	85.0	83.0	84.0	83.7
Coliseum					
Average daily attendance per activity	1,013	883	921	1,220	1,193
Average daily number of events	0.37	0.33	0.38	0.29	0.27
Landmark Theatre					
Total tickets sold for all activities	141,726	129,598	140,097	150,596	139,506
Total attendances for all activities	202,645	221,602	220,615	180,155	196,893
Cemeteries					
Number of interments	1,080	1,050	973	777	841
Number of lot sales	24	22	17	23	18
Number of single grave sales	700	646	382	664	601
Number of foundations	649	637	627	525	532

Source: Various City departments



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

Function	Fiscal Year				
	2004	2005	2006	2007	2008
Police					
Stations	7	7	7	10	4
Patrol Units	132	128	232	222	323
Fire					
Stations	20	20	20	20	20
Fire trucks	46	46	46	55	64
Highways and Streets					
Streets (miles)	1,867	1,865	1,857	1,865	1,858
Streetlights	33,063	33,184	32,900	33,188	33,000
Traffic Signals	456	460	502	511	465
Sanitation and Refuse					
Collection Trucks	33	38	45	38	37
Culture and Recreation					
Parks acreage	2,801	2,801	2,807	2,805	2,805
Parks	58	58	67	71	71
Baseball/Softball Diamonds	54	54	55	48	48
Athletic Fields	25	25	27	31	31
Golf Courses (Driving Range/Par 3 Course)	1	1	1	1	1
Swimming Pools	9	9	9	9	9
Tennis Courts	141	138	138	130	130
Community Centers	18	18	24	24	24
Theatres	2	2	2	1	2
Coliseums	1	1	1	1	1
Gas					
Miles of Service Lines	1,777	1,796	1,818	1,850	1,868
Number of Gate Stations	8	8	8	8	8
Water					
Miles of Water Lines	1,200	1,200	1,200	1,200	1,200
Water Pumping Stations	12	13	13	12	12
Wastewater					
Miles of Sewer Lines	1,500	1,500	1,500	1,500	1,500
Miles of Interceptors	42	47	47	47	47
Sewer Pumping Stations	3	3	3	5	5

Source: Various City departments





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

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