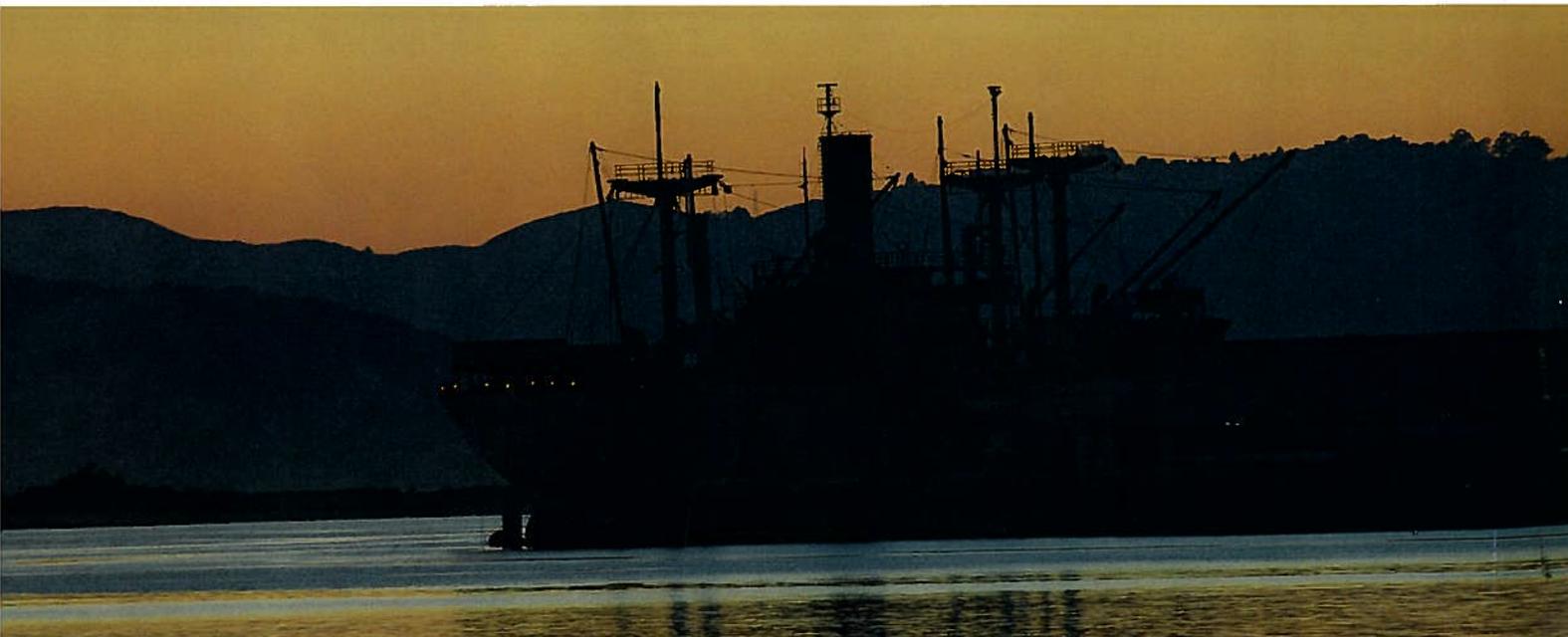




Comprehensive
Annual
Financial Report
Richmond, California

For The Year Ended June 30, 2006



CITY OF RICHMOND, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Prepared by
THE FINANCE DEPARTMENT

**CITY OF RICHMOND
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

FISCAL YEAR ENDED JUNE 30, 2006

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FINANCE DEPARTMENT



1401 MARINA WAY SOUTH
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February 22, 2007

Citizens of the City of Richmond
The Honorable Mayor and
Members of the City Council

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Richmond, California (City). The Finance Department has prepared this report to present the financial position and the results of the City's operations for the fiscal year ended June 30, 2006, and the cash flows of its proprietary fund types for the year then ended. The basic financial statements and supporting schedules have been prepared in compliance with Article IV, Section 1(b)3 of the City Charter, with California Government Code Sections 25250 and 25253, and in accordance with generally accepted accounting principles (GAAP) for local governments as established by the Governmental Accounting Standards Board (GASB).

Our Comprehensive Annual Financial Report is presented in three sections:

The **Introductory Section** includes the transmittal letter, information about the organizational structure of the City, the profile of the government and information useful in assessing the financial condition of the City.

The **Financial Section** is prepared in accordance with the GASB 34 requirements by including Management's Discussion and Analysis (MD&A), the Basic Financial Statements including notes and the Required Supplementary Information. The Basic Financial Statements include the government-wide financial statements that present an overview of the City's entire financial operations and the fund financial statements that present the financial information of each of the City's major funds, as well as non-major governmental, fiduciary, and other funds. Also included in this section is the Independent Auditors' Report on the basic financial statements.

The **Statistical Section** includes ten years of unaudited summary financial data, debt computations, and a variety of demographic, economic and social information that may be of interest to potential investors in the City's bonds and to other inquiring readers.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse, and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by an independent auditing firm of licensed certified public accountants. The objective of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion on the City's financial statements for the fiscal year ended June 30, 2006. The Independent Auditors' Report is presented as the first component of the Financial Section of this report.

GASB Statement No. 34 (GASB 34) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement 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.

The Reporting Entity and Its Services

The City has defined its reporting entity in accordance with generally accepted accounting principles that provide guidance for determining which governmental activities, organizations and functions should be included in the reporting entity. This CAFR presents information on the activities of the City and its component units.

As required by GAAP, these basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. Discretely presented component units, on the other hand, are reported in a separate column in the basic financial statements to emphasize their legal separateness from the City. Each blended component unit has a June 30 year-end. The City has no discretely presented component units. Please see note 1 for a detailed discussion of the financial reporting entity.

The City's component units and assessment districts are as follows: the Richmond Community Redevelopment Agency, the Richmond Housing Authority, RHA Properties, the Richmond Joint Powers Financing Authority, and the Hilltop Redemption, Castro Street, Hilltop A-D, Seaport District 816, Point Richmond Parking, Hilltop E, San Pablo 854, Harbor Navigation, Country Club Vista, Cutting/Canal and Atlas Interchange Special Assessment Districts. The City also has two inactive component units, Richmond Parking Authority and Richmond Surplus Property Authority.

Profile of the Government

The City of Richmond was chartered as a city in 1909, and is located 16 miles northeast of San Francisco, directly across San Francisco Bay. Richmond is on a peninsula separating San Francisco Bay (on the south) and San Pablo Bay (to the north), spanning 32 total miles of shoreline. The City's total area is 56.1 square miles, 33.8 of which is land area and 22.3 water area. Richmond is situated near major metropolitan cities and major new growth areas. San Francisco is within 35 minutes from Richmond by freeway; Oakland is 20 minutes; San Jose is approximately one hour's drive to the south and Sacramento, the state capitol, is approximately 90 minutes to the east. Central Marin County is 15 minutes from Richmond directly across the Richmond-San Rafael Bridge. Freeways provide direct access from Richmond to major new growth areas along Interstate 80 north and east to Vallejo, Fairfield and Sacramento; along Interstate 680 in central Contra Costa County; and south along Interstate 880 to the San Jose area.

Richmond's population is 103,468. The population within a 30-mile radius of Richmond is over 3.7 million, and within a 70-mile radius is approximately 7.8 million. Richmond is located on the western shore of Contra Costa County, and is the largest city in the "West County" region consisting of five cities: Richmond, El Cerrito, San Pablo, Hercules and Pinole.

The City of Richmond provides a full range of municipal services, including police and fire protection, construction and maintenance of highways, streets and infrastructure, library services, storm water and municipal sewer systems, wastewater treatment facility and the administration of recreational activities and cultural events. The City also operates the Richmond Memorial Convention Center and the Port of Richmond.

The City Council is the governing body of the City and has eight members elected at-large to alternating 4-year terms. The Mayor is elected at large and is a ninth member of the City Council. The City of Richmond is a Council-Manager form of government. The City Manager, appointed by the Mayor and Council, has administrative authority to manage administrative and fiscal operations of the City. In addition to the City Manager, the City Attorney, City Clerk and Investigative Appeals Officer are appointed by the Mayor and Council.

The mission of the City of Richmond is:

The City of Richmond provides services that enhance economic vitality, the environment and the quality of life of our community.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local economy

The economy of the City of Richmond includes heavy and light manufacturing, distribution facilities, service industry, high-tech, bio-tech and medical technologies, retail centers and a multi-terminal shipping port on San Francisco Bay. Richmond also serves as a government center for western Contra Costa County. The Richmond economy is experiencing growth in light industrial and high technology companies, as well as retail, including a Wal-Mart that will open April, 2007, in retail space at Hilltop Mall and a Target that will replace a vacant Montgomery Ward site at Macdonald and Interstate 80. Growth in these sectors is adding diversity to Richmond's broad-based economy. At the same time, the Port of Richmond has recently found new success in the importation of automobiles. Home-building continues to be an economic leader, providing jobs in construction, new property tax revenues and expanded demand for retail goods and services.

A number of prime factors appear to be attracting the new high-tech firms to Richmond:

- The ongoing development and leasing of light industrial/business park property at Hilltop and along the relatively new I-580 freeway along Richmond's South Shoreline evidence that an active market for this kind of space exists in the Richmond area;
- Availability of fairly extensive vacant or under-utilized land areas zoned for industrial use;
- Relatively lower land costs than most of the Bay Area;
- Richmond's central location in western Contra Costa County; within a short distance of San Francisco, Oakland, other East Bay cities and Marin County, and a relatively easy commute to and from the State's capitol, Sacramento.
- Proximity to the University of California, Berkeley, one of the major scientific universities and library systems in the world;
- Good access and transportation (Richmond has two Interstate freeways as well as good rail and water transportation facilities, including Southern Pacific and Santa Fe Railroads,

Santa Fe western terminal and the Port of Richmond and the new Richmond Transit Village featuring an inter-modal station providing easy access to Bay Area Rapid Transit (BART), Amtrak and busses); and

- Availability of relatively affordable housing for employees in a variety of neighborhoods, housing types and price ranges.

Small business firms, 20 or fewer employees, comprise a very high percentage of Richmond businesses. The City played a major role in building capacity to service this group by establishing the West Contra Costa Business Development Center, which is located in Richmond's historical Downtown. The Center supports the Richmond Main Street Initiative, provides small business loans through a revolving loan fund and recently implemented a façade improvement program.

Public policy decisions have been made that will improve the quality and quantity of the technical workforce ready to meet the challenges of the technological labor market. The Richmond area policy makers are working as a team to accomplish the common goal of retaining components of the current economic base and creating an economic environment that will attract and retain new businesses in growth industries. Some of the special programs and projects that have been created to accomplish this goal are as follows:

Richmond Enterprise Zone: This City of Richmond program offers businesses within its boundaries the opportunity to reduce their state business income taxes through a variety of tax credits. Most commercial and industrial areas of the City are within the Enterprise zone. Incentives include: a Hiring Tax Credit, Sales and Use Tax Credit, Business Expense Deduction for Real Property, Net Operating Loss Carry-over, Net Interest Deduction for Lenders and Employer Tax Credit for hiring Low-Income Employees.

Workforce Investment Board: The Richmond Workforce Investment Board (WIB) is the official oversight and policy-making body for federally-funded employer services and employment and training programs in Richmond. The mission of the Richmond WIB is to oversee the articulation and implementation of comprehensive workforce development strategies, policies and performance outcomes of the City of Richmond's integrated service delivery system.

Significant Events and Accomplishments

The City of Richmond is committed to providing excellent municipal services to its diverse residents and visitors. Highlights of the City's activities and accomplishments for the fiscal year ended June 30, 2006 include the following:

Public Safety

- Re-opened a fire station closed in prior cutbacks, utilizing revenues provided by the increased 0.5 percent sales tax.
- Implemented Rapid Intervention Team Operations at all fire scenes.
- Developed a coordinated and comprehensive initiative in support of families of homicide victims in the City.
- Participated in over 200 neighborhood council meetings.

Economic & Neighborhood Development

- Created over 600 new housing units within the City.
- Worked with consultant to update long-term business plan for Port of Richmond operations.
- Concluded a co-marketing effort with Auto Warehousing Company for additional automotive business at the Port of Richmond to enhance volumes and revenues.
- Commenced update of the City's General Plan.
- Completed a comprehensive review of the City's development fee program.
- Co-sponsored the first City Job Fair.
- Expanded the Summer Youth Employment Program by assisting over 200 Richmond youth in obtaining summer jobs.

Strategic Support

- Developed and implemented a customer response tracking and reporting system to ensure that citizen inquiries and issues are responded to.
- Initiated contract to conduct needs assessment for automated, integrated human resources/financial accounting/reporting system.
- Continued in-house and individualized professional training provided to all City fiscal personnel.
- Initiated actuarial valuation of the City's unfunded and on-going liability for post-retirement health benefits.
- Re-established a City Purchasing Division to effect better control and management of City procurement.
- Established a Treasury Division to provide better oversight and management of the City's bonds and investments, compliant with the government code and the City's investment policy.
- Obtained new investment grade ratings from Moody's and Standard & Poor's.
- Completed a City-wide cost allocation plan compliant with federal guidelines.
- Revised budget process to increase participation of and review by impacted departments.
- Implemented "positive pay" through local bank to better insure only checks issued by the City will be charged against City accounts.
- Implemented collection of business license fees on rental properties.

Recreation & Cultural Services

- Expanded hours at the Main Public Library and re-opened six community centers to better meet the needs of the seniors, youth and adults.
- Implemented a new Library Impact Fee Ordinance to mitigate the effect of new residential and commercial development on Library services and collections.

Public Works

- Started construction on the Central Richmond Greenway Bicycle Trail and successfully secured a \$1 million grant for Phase II.
- Purchased additional street sweepers to enhance street sweeping program.
- Passed an ordinance and implemented Fats, Oils and Grease (FOG) abatement program to limit their detriment to waste water processing.
- Completed refurbishment of Recreation Complex.
- Completed the Nevin Plaza Pedestrian Pathway that links BART with Transit Village.
- Completed two additional segments of the Bay Trail along the Richmond Parkway.
- Completed the construction of four overlook parks in Point Richmond.

Long-term Financial Planning

- Adopted and adhered to a structurally balanced budget for 2005-06 that resulted in designation of \$10 million for contingency reserves.
- Completed the pavement distress survey, updated the pavement condition index and generated a five-year work plan for the Pavement Management Program.

Recent growth in the City's revenues, coupled with a balance sheet that is significantly stronger than in recent years, enabled the City to include enhanced service levels in a number of areas as part of the Adopted Budget for Fiscal Year 2006-07:

Public Safety

- Implementing an Office of Violence Prevention in the City Manager's Office.
- Reorganizing the Police Department with a stronger focus on community-oriented policing.
- Contracting with the Contra Costa District Attorney's Office for more effective prosecution of misdemeanors.
- Expanding fire suppression capabilities through the addition of a truck company.
- Adding nine Police Report Transcribers to improve the productivity of Police officers and to facilitate the timely reporting of crime incidents and analysis of crime patterns.
- Relocating Police Department offices to renovated, leased facilities to facilitate Police operations and employee safety and morale.

Economic & Neighborhood Development

- Expansion of funding for the Summer Youth Employment Program.
- Commencing physical renovation of the downtown Civic Center.
- Initiating specific urban design and development strategies for Macdonald Avenue and 23rd Street corridors.

Strategic Support

- Added a grants manager to expand efforts in acquiring grants, as well as to assist departments with fiscal management of their grants.
- Received the Distinguished Budget Presentation Award from the Government Finance Officers Association for the FY 2006-2007 Adopted Budget.
- Adopted a comprehensive Five-Year Capital Improvement Plan; received the Meritorious Award for Capital Budgeting from the California Society of Municipal Finance Officers for the Fiscal Year 2006-07 through Fiscal Year 2010-2011 Five-Year Capital Improvement Plan
- Initiating and monitoring budget performance measures, transitioning to performance-based budgeting.
- Continuing efforts to select a provider for the City's new, integrated, automated Enterprise Resource Planning (ERP) system.
- Revising the City's website to promote greater transparency of City activities, especially financial activities and processes. The operating and capital budgets, ten years of annual financial statements, monthly investment and cash reports and many other reports are being posted to the website to facilitate user access to the City's financial operations.
- Implementation by Finance Purchasing of an on-line vendor registration and bid process system to expedite the City purchase of goods and services.
- Development and implementation of a financial dashboard for the City Manager and Department Heads providing real-time financial variance reports and other tools for decision making.
- Revision of purchasing and accounts payable processes to assure more-timely processing of all vendor invoices.
- Setting aside an additional \$2 million to commence contributions toward the unfunded actuarial liability of post-employment health benefits.
- Commencing an inspection program for rental properties.

Recreation & Cultural Services

- Reopening two branch libraries.
- Reorganizing Recreation Division and adding new positions to significantly expand programs.
- Rehabilitation of the two branch libraries and five community centers, along with surrounding parks in preparation for summer 2007.
- Commenced installation of computers at targeted community centers.
- Reorganizing and adding staff to enhance landscape maintenance of parks and medians.

Public Works

- Reorganizing Public Works Department with expanded staffing levels for increased field services and supervision.
- Increased staffing levels in Engineering to more effectively deliver capital projects on time and on budget.
- Instituting a sewer lateral inspection program.

CASH MANAGEMENT POLICIES AND PRACTICES

Public funds held by the City Treasury were invested in accordance with established investment procedures and with the Investment Policy adopted by the City Council on July 22, 2003. An updated Investment Policy was adopted by the City Council on February 28, 2006. The Investment Policy is in compliance with Section 53601 of the State of California Code.

The permitted investments include U.S. Treasury notes, bonds, or bills; instruments issued by a U.S. federal agency or a United States government sponsored enterprise; negotiable certificates of deposit (with certain restrictions); medium term corporate notes with a rating category of "A" or better; commercial paper of "prime quality"; bankers' acceptances; repurchase agreements not to exceed one year; money market mutual funds (with certain restrictions) and with the State of California Local Agency Investment Fund.

The objectives of the Investment Policy are to invest up to 100% of all idle funds, guarantee that funds are always available to meet all possible cash demands of the City and to manage the portfolio in order to take advantage of changing economic conditions that can aid in increasing the total return on the City's portfolio.

The average earned interest yield for the year ended June 30, 2006 was 2.93 percent. The City Council receives reports on the City's pooled investment program on a monthly basis. Please see note 3 for a detailed discussion of the City's cash and investments.

RISK MANAGEMENT

The Risk Management Division, a component of the Human Resources Department, is responsible for managing and controlling the City's overall cost of risk. This entails a number of components including exposure assessment, loss control and mitigation, loss funding and claims management. The Division's pre-loss efforts include safety training and employee education programs, operational, financial and transactional risk and hazard evaluation, implementation of regulatory and legislative requirements and the evaluation and use of risk financing methods including self-insured retentions, risk transfer opportunities and the purchase of insurance.

The City self-insures and self administers a portion of its Workers' Compensation program and purchases insurance coverage for claims up to \$24 million in excess of the annually-determined self-insured retention (\$1 million). Risk Management is instrumental in evaluating retention and insurance costs to optimize the City's cash flow and manage its overall Workers' Compensation costs. The City also self-insures a portion of its liability risk and purchases excess insurance above an annually-determined self-insured retention from a governmental risk pool. Liability claims are administered by the risk pool. As with Workers' Compensation risk, Risk Management is instrumental in evaluating retention and insurance costs to optimize the City's cash flow and manage its overall liability costs.

Risk Management works with the City Attorney, outside legal counsel and the City Council to review claims and establish claim management strategies. The Division also works continuously to identify practical, operational and strategic best practices to reduce the frequency and severity of losses in order to protect the general public and City employees and to reduce the overall frequency and severity of losses. Please see note 15 for a complete discussion of Richmond's risk management.

PENSION AND OTHER POST-EMPLOYMENT BENEFITS

The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan that covers substantially all eligible City employees. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance.

General Pension Plan – Retirement and other benefits are paid from the assets of the Plan and from related investment earnings. The City is required under its charter to contribute the remaining amounts necessary to fund the Plan using the entry age-normal actuarial method as specified by ordinance.

Police and Firemen's Pension Plan – Funding for the Plan is provided from the Pension Reserve Trust Fund. Employees were vested after five years of service. Members of the Plan are allowed normal retirement benefits after 25 or more continuous years of service. The City is required under its charter to contribute the remaining amounts necessary to fund the Plan using the entry age-normal actuarial method as specified by ordinance.

The City established the Secured Pension Override Special Revenue Fund to which proceeds of a special incremental property tax levy voted by the citizens of the City of Richmond are credited for the payment of benefits under the Plan.

Garfield Pension Plan – Retirement and other benefits are paid from the assets of the Plan and from related investment earnings. Benefit provisions have been established and may be amended upon agreement between the City and Mr. Garfield.

In addition to the pension benefits described in Notes 11 and 12, the City provides postretirement health care benefits, in accordance with City ordinances, to all employees who retire from the City on or after attaining retirement age (50 for policemen, 50 for firemen, and 55 for all other employees) and who have at least ten years of service. At June 30, 2006, 118 retirees met those eligibility requirements. The City funds these benefits on a pay-as-you-go basis. During fiscal year 2006, expenditures of \$1,846,855 were recognized for post employment health care benefits. Please see notes 11, 12, and 13 for a complete discussion of the City's pension and other post-employment benefits

ACKNOWLEDGEMENTS

The preparation of this CAFR represents the culmination of a concerted team effort by the entire staff of the Finance Department. They should be commended for their professionalism, dedication, efficiency, and their personal commitment and determination demonstrated through long days of focused attention to produce this exemplary document.

In addition, staff in all City departments should be recognized for responding so positively to the requests for detailed information that accompanies each annual audit. The role of Maze & Associates, Certified Public Accountants, should also be acknowledged as a significant contribution to a fine product.

Finally, we wish to express our sincere appreciation to the Mayor and City Council for providing policy direction and a firm foundation of support for the pursuit of excellence in all realms of professional endeavors.

Respectfully submitted,

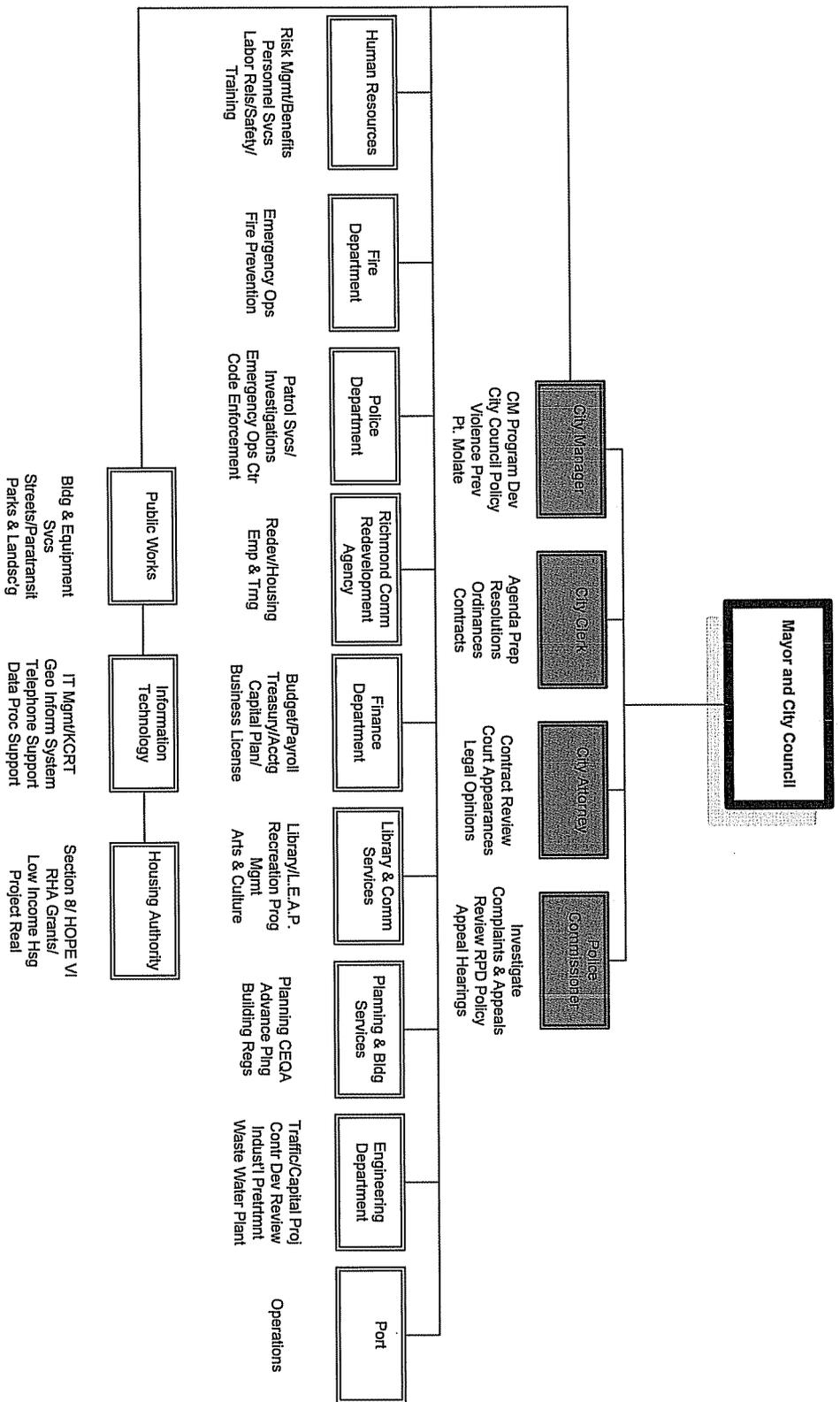


James C. Goins
Finance Director/Treasurer



City of Richmond

2006 Organizational Chart



CITY OF RICHMOND, CALIFORNIA

CITY OFFICIALS

CITY COUNCIL

Gayle McLaughlinMayor
Nathanial BatesVice-Mayor
Tom Butt.....Councilmember
Ludmyrna Lopez.....Councilmember
John Marquez.....Councilmember
Jim Rogers.....Councilmember
Harpreet SandhuCouncilmember
Tony Thurmond.....Councilmember
Maria Viramontes.....Councilmember

ADMINISTRATION AND DEPARTMENT HEADS

Bill Lindsay.....City Manager
Leslie Knight.....Asst. City Manager/Human Resources Director
John Eastman.....City Attorney
Diane Holmes.....City Clerk
James Goins.....Finance Director/Treasurer
Michael Banks.....Fire Chief
Monique LeConge.....Library and Community Services Director
Willie Haywood.....Public Works Director
Sal Vaca.....Employment & Training Director
Sue Hartman.....Information Technology Director
Jim Matzorkis.....Port Director
Tim Jones.....Public Housing Director
Christopher Magnus.....Police Chief
Richard Mitchell.....Planning Director
Steve Duran.....Community & Economic Dev. Director
Don CasimereConfidential Investigative & Appeals Officer

CITY OF RICHMOND, CALIFORNIA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Fiscal Year Ended June 30, 2006**

**Prepared by the City of Richmond Department of Finance
Accounting Division**

PROJECT TEAM

James C. Goins
Finance Director/Treasurer

Herbert L. Pike
Deputy Finance Director

General Accounting

Tina Mckenney, *Chief Accountant*

Nena Gapasin, *Senior Accountant*

Belinda Mitchell, *Accountant II*

Crispin Nunez, *Accountant II*

Other Finance Department Contributors

Administration Division Accounts Payable Division
Treasury Division Purchasing Division Revenue Division
Payroll Division Budget Division
Grants Division

Special Assistance from Other Departments

RICHMOND COMMUNITY REDEVELOPMENT AGENCY
HOUSING & COMMUNITY DEVELOPMENT
RICHMOND HOUSING AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Richmond, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Richmond, California as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the basic financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit 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, each major fund, and the aggregate remaining fund information of the City of Richmond, California at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof listed as part of the basic financial statements for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued reports dated February 16, 2007 on our consideration of the City's internal control structure and on its compliance with laws and regulations.

Management's Discussion and Analysis and the Budget and Actual Statement for the General Fund are not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. 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 this information and we express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Richmond. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical section listed in the table of contents were not audited by us and we do not express an opinion on this information.

Maze and Associates

February 16, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2006

Management of the City of Richmond (the "City") provides this Management's Discussion and Analysis of the City's Basic Financial Statements for readers of the City's financial statements. This narrative overview and analysis of the financial activities of the City is for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the financial statements, which begin on page 22.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$333 million (net assets). Of this amount, \$52 million is restricted for specific purposes (restricted net assets), \$238 million is invested in capital assets, net of related debt, and the City has a balance in unrestricted net assets of \$43.2 million.
- The City's total net assets increased by \$48.2 million during the fiscal year. Most of the increase is attributed to governmental activities. Restricted assets for governmental activities increased \$33.1 million (almost tripled) to \$49.3 million; capital assets, net of debt, increased \$230,915 to \$155.9 million and unrestricted net assets increased \$2.3 million (5.4 percent) to reach \$44.5 million. Business-type activities net assets increased \$12.6 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending balances of \$166.4 million, an increase of \$39.2 million in comparison to prior year. This increase of \$39.2 million includes a \$30.5 million increase in assets and an \$8.7 million decrease in liabilities. Approximately 82 percent of the fund balance, \$136.9 million, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the fiscal year, the General Fund had an unreserved fund balance of \$38.6 million, of which \$10 million was designated for contingencies. The unreserved balance of \$28.6 million represents a \$4.1 million, 17 percent, improvement over prior year. The latter was in addition to adding \$8.0 million to reach the \$10 million designated for contingencies, even after \$9.4 million was transferred to clear negative cash balances accrued in other funds in prior years.
- The City's debt increased \$116.2 million, or 44 percent. This increase is due primarily to new pension obligation bonds of \$116 million issued to pay the unfunded actuarial liability that the California Public Employees Retirement System (CalPERS) incorporated in determining annual retirement contributions. By funding this liability through bonds, the City was able to reduce its annual cost to fund this liability.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

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 private-sector business. They are comprised of the *Statement of Net Assets and Statement of Activities and Changes in Net Assets*.

The *Statement of Net Assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities and Changes in Net Assets* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

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 include general government, public safety, highways and streets, community development, culture and recreation, housing and development, and internal services. The business-type activities of the City include a housing authority, a port, a marina, a municipal sewer district, a storm sewer agency, a cable TV operation, and a convention center.

Governmental Activities - The activities in this section are mostly supported by taxes and charges for services. The governmental activities of the City include General Government, Public Safety, Highways & Streets, Community Development, Cultural Recreation, Housing & Redevelopment and Internal Services Funds.

Business-Type Activities - These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The business-type activities of the City include Richmond Housing Authority, Port of Richmond, Richmond Marina, Municipal Sewer District, Storm Sewer, Cable TV and Convention Center.

The government-wide financial statements can be found on pages 22-23 of the financial report.

Fund Financial Statements

Fund Financial statements are designed to report information about the groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like state and other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City has 20 governmental funds, of which five are considered major funds for presentation purposes. Each major fund is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The City's five major funds are the General Fund, Redevelopment Agency, Joint Powers Financing Authority (JPFA), General Capital Improvement and Secured Pension Override. The basic governmental fund financial statements can be found on pages 26 through 29 of the financial report. Data from the other fifteen governmental funds are combined into a single, aggregated presentation.

Proprietary Funds – Proprietary funds of the City are two types: (1) enterprise funds; and (2) internal service funds. The City maintains eight enterprise funds that provide the same type of information as the government-wide financial statements, only in more detail. The major enterprise funds consist of the Richmond Housing Authority, RHA Properties, Port of Richmond and Municipal Sewer. Enterprise funds financial statements can be found on pages 32 through 34 of the financial report.

The four internal service funds are also considered a proprietary fund type. The funds consist of the Insurance Reserves, Information Technology, Equipment Services and Replacement and Police Telecommunications.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of third parties outside the government. 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 for the City consist of Pension Trust Funds and Agency Funds. The accounting used for fiduciary funds is much like that used for proprietary funds. The financial statements for these funds can be found on pages 36-37.

Notes to the Financial Statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39 through 94 of this report.

Required Supplementary Information:

In addition to the basic financial statements and accompanying notes, this report also includes certain required supplementary information providing a budgetary comparison statement for the General Fund. Required supplementary information can be found on pages 95 through 97 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Assets:

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. The City’s combined net assets (government and business type activities) totaled \$333 million at the close of the fiscal year ending June 30, 2006. The government’s net assets increased by \$48.2 million during the current fiscal year. This is the result of robust growth in the major revenue categories, along with tighter controls on expenditures.

The largest portion of the City’s net assets is invested in capital assets (e.g. land, streets, sewers, buildings, machinery, and equipment). Investment in capital assets totaled \$238 million, 72 percent of the total net asset amount. The net asset amount for capital assets is net of the outstanding debt that was incurred to acquire the assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City 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.

A \$51.6 million portion of the City’s net assets is accounted for as restricted net assets and represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$43.2 million represents unrestricted net assets.

City of Richmond's Net Assets
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	FY2006	FY2005	FY2006	FY2005	FY2006	FY2005
Assets:						
Current assets	\$ 341,376	\$ 183,021	\$ 15,346	\$ 22,894	\$ 356,722	\$ 205,915
Capital assets	240,031	242,892	165,142	152,187	405,173	395,079
Total assets	<u>581,407</u>	<u>425,913</u>	<u>180,488</u>	<u>175,081</u>	<u>761,895</u>	<u>600,994</u>
Liabilities:						
Current liabilities	26,814	22,027	8,087	9,097	34,901	31,124
Long-term liabilities	304,845	189,767	89,050	95,932	393,894	285,699
Total liabilities	<u>331,659</u>	<u>211,794</u>	<u>97,137</u>	<u>105,029</u>	<u>428,795</u>	<u>316,823</u>
Net Assets:						
Invested in capital assets, net of related debt	155,931	155,700	82,420	76,671	238,351	232,371
Restricted	49,292	16,193	2,283	2,247	51,575	18,440
Unrestricted	44,526	42,226	(1,352)	(8,866)	43,174	33,360
Total net assets	<u>\$ 249,749</u>	<u>\$ 214,119</u>	<u>\$ 83,351</u>	<u>\$ 70,052</u>	<u>\$ 333,100</u>	<u>\$ 284,171</u>

At the end of the current fiscal year, the City is able to report positive and improved balances for all categories of net assets related to governmental activities. For business-type activities, total net assets and capital assets, net of related debt, both remain positive and growing. For unrestricted net assets, the balance is a negative \$1.4 million, but that is an improvement of \$7.5 million from prior year.

Analysis of Activities:

The following table indicates the changes in net assets for governmental and business-type activities:

City of Richmond's Changes in Net Assets						
For the Year Ended June 30, 2006						
(in thousands)						
	Governmental		Business-type		Totals	
	Activities		Activities			
	FY2006	FY2005	FY2006	FY2005	FY2006	FY2005
Revenues:						
Program revenues:						
Charges for services	\$ 21,136	\$ 15,806	\$ 25,608	\$ 23,354	\$ 46,744	\$ 39,160
Operating grants/contributions	10,738	9,036	-	-	10,738	9,036
Capital grants/contributions	4,585	2,502	33,223	32,708	37,808	35,210
General revenues:						
Property taxes-current collections	58,637	39,806	11	10	58,648	39,816
Property taxes-Pension Reserve Fd	17,316	8,343	-	-	17,316	8,343
Sales taxes	25,402	20,273			25,402	20,273
Utility user taxes	30,199	29,721			30,199	29,721
Documentary transfer taxes	10,671	10,612			10,671	10,612
Other taxes	4,019	3,234	-	-	4,019	3,234
Use of money and property	5,491	2,993	1,248	1,222	6,739	4,215
Unrestricted Intergovernmental	955	3,032			955	3,032
Gain on sale of capital assets	2,361	11,361	-	-	2,361	11,361
Pension stabilization revenue	4,175				4,175	-
Developer revenue sharing	3,255				3,255	
Settlement reimbursement	4,226				4,226	
Other	3,144	153	-	1,956	3,144	2,109
Transfers	376	167	(376)	(167)	-	-
Total revenues	<u>206,686</u>	<u>157,040</u>	<u>59,715</u>	<u>59,083</u>	<u>266,400</u>	<u>216,123</u>
Expenses:						
General government	20,757	11,799			20,757	11,799
Public safety	64,706	46,320			64,706	46,320
Public works	40,119	36,744			40,119	36,744
Community development	6,401	4,487			6,401	4,487
Cultural & recreation	10,516	7,120			10,516	7,120
Housing & redevelopment	14,588	10,884			14,588	10,884
Interest and fiscal charges	13,970	10,163			13,970	10,163
Richmond Housing Authority			25,762	28,055	25,762	28,055
RHA Properties			4,638	4,634	4,638	2,998
Port of Richmond			2,896	2,546	2,896	2,546
Richmond Marina			246	248	246	248
Municipal Sewer			9,600	9,021	9,600	9,021
Storm Sewer			2,954	2,142	2,954	2,142
Cable TV			703	647	703	647
Convention Center			275	269	275	269
Total expenses	<u>171,056</u>	<u>127,517</u>	<u>47,073</u>	<u>47,562</u>	<u>218,130</u>	<u>173,444</u>
Changes in Net Assets	35,630	29,523	12,642	11,521	48,271	41,044
Net assets at beginning of year, as restated	214,119	184,596	70,709	59,189	284,828	243,785
Net assets at end of year	<u>\$ 249,749</u>	<u>\$ 214,119</u>	<u>\$ 83,351</u>	<u>\$ 70,709</u>	<u>\$ 333,100</u>	<u>\$ 284,828</u>

Governmental Activities:

Governmental activities increased the City's net assets by \$35.6 million accounting for 73 percent of the City's total increase in net assets of \$48.9 million. A comparison of the cost of services by function for the City's governmental activities is shown in the preceding table, along with the revenues used to cover the net expenses of the governmental activities. Costs increased in almost every area reflecting the restoration of services supported by revenue growth.

Key elements of the increase in net assets for governmental activities are as follows:

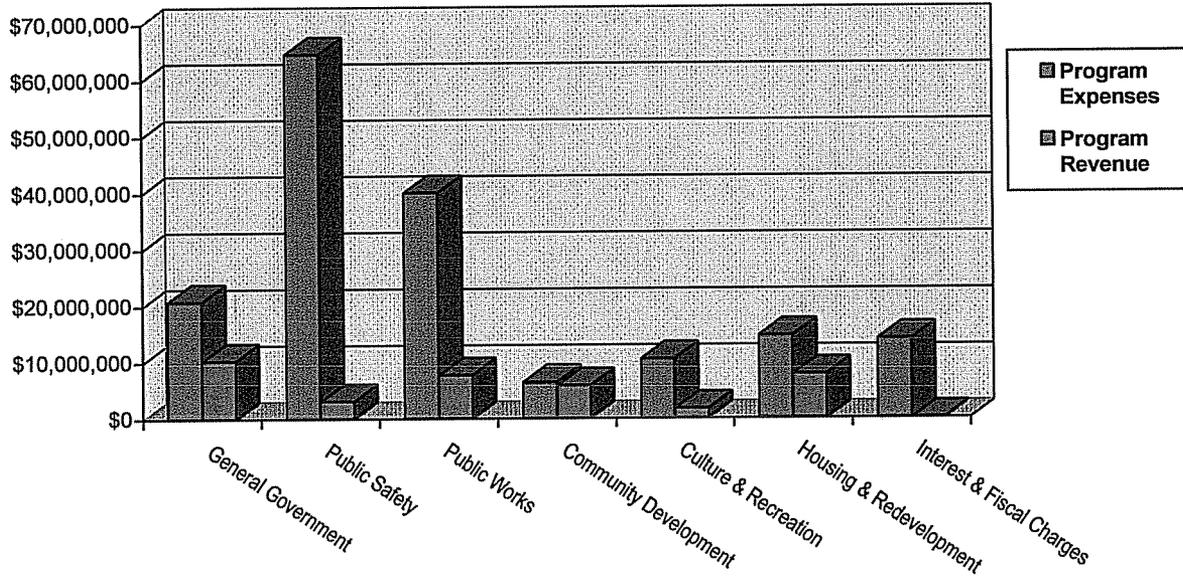
Revenue Highlights:

- Property taxes (current collections) increased by \$18.8 million, 47 percent over the prior year. However, \$14.4 million is from the newly added Secured Pension Override and Other Governmental Funds. The increase of \$4.4 million the General and Redevelopment Agency Funds is still a significant 11 percent increase. This \$4.4 million increase is primarily due to higher assessed property values and new development.
- The \$17.3 million released from the Pension Reserve Fund to the Secured Pension Override fund represents several years of monies held pending a favorable court ruling acknowledging the allowable benefits that could be funded.
- Sales taxes increased by \$5.1 million, 25 percent over the prior year. Fiscal year 2005-06 reflects the first full year that the additional half-cent sales tax was collected. The extra tax was approved by voters November 2004 and commenced in March 2005. Modest increases due to increased sales also contributed to the growth.
- Use of money increased \$2.7 million over the previous year to reach \$5.15 million. While as much as \$1 million of the increase may be attributed to funds added to the Governmental Funds group, there is still an increase of over \$1.7 million. This reflects not only an improved cash position, but also a significant improvement in the rate of return.
- The Redevelopment Agency was the beneficiary of several new revenue streams. Revenue from sources other than tax increment increased to \$15.7 million, a \$12.4 million increase over prior year. Increases include a settlement reimbursement of \$4.2 million; developer revenue sharing of \$3.3 million; licenses, permits and fees of \$3.1 million and intergovernmental revenue that doubled to \$2.3 million.

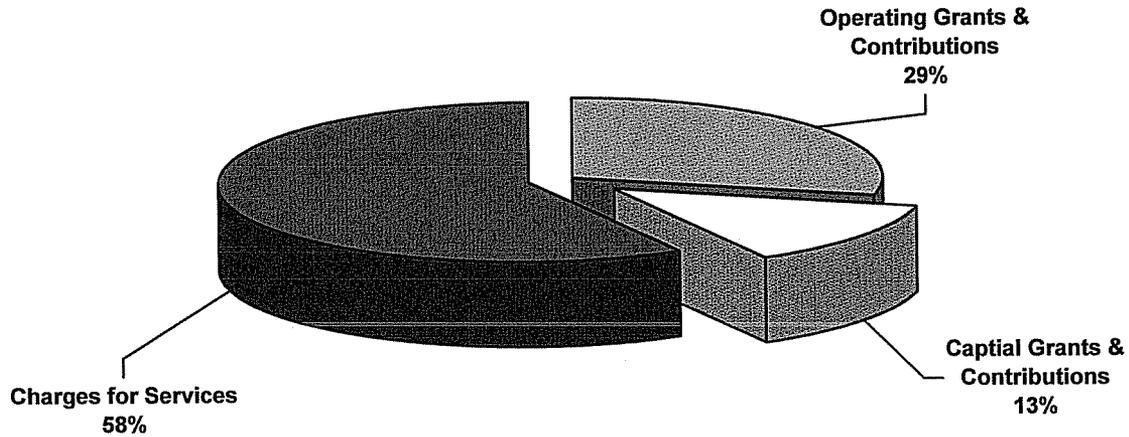
Expense Highlights:

- Expenditures increase \$38.0 million from the prior year, a 27.5 percent increase. Formerly non-Governmental or Non-Major funds represent \$5.7 million of the increase.
- Redevelopment expenditures increase \$16.9 million to \$40.0 million. The increase is comprised of increases in debt service—\$2.3 million, capital outlay--\$7.2 million and other operating expenses--\$7.4 million.
- With improved revenues, efforts were made to restore basic services reduced in previous years. Foremost in this effort were Police and Fire combined under Public Safety. General Fund Public Safety expense of \$59.8 million is an increase of \$8.6 million, or 17 percent.
- Cultural and recreational services is comprised of the Library and Recreation Services Department and Parks Maintenance. The expenditure of \$9.3 million is an increase of \$2.0 million from prior year, or 28 percent.
- Public Works expenditures of \$10.9 million represent a \$3.5 million increase from prior year. Most of the increase went toward facility maintenance, including associated utilities.

Expenses and Program Revenues Governmental Activities



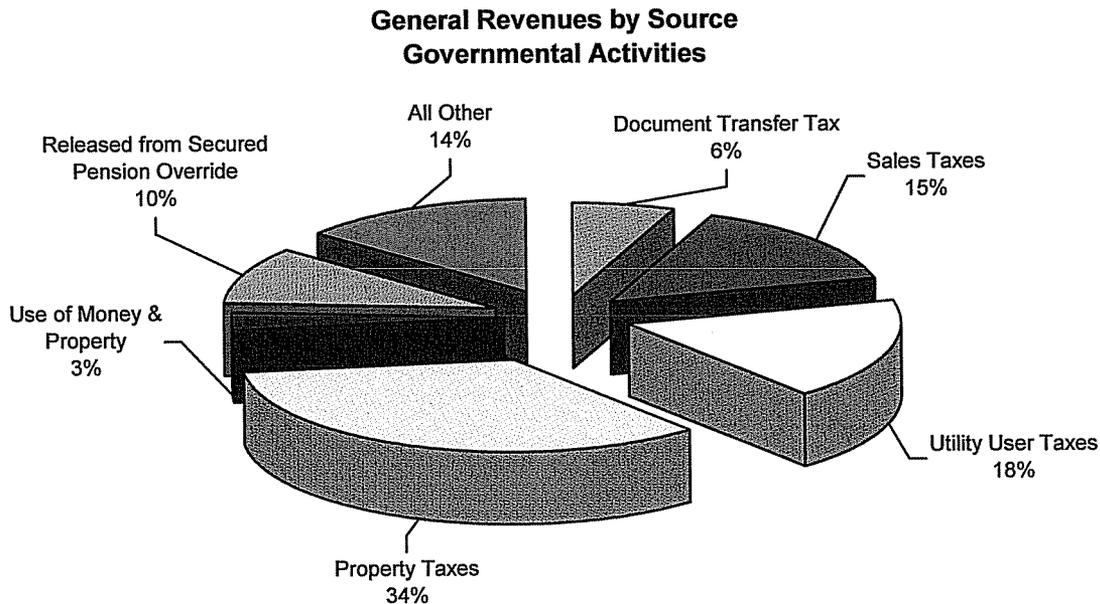
Program Revenue by Source Governmental Activities



Total governmental activities expenses were \$171.1 million in fiscal year 2006. The largest expenses, in descending order, were for Public Safety, Public Works, General Government, Housing and Redevelopment, and Interest on long term debt. These expenses do not include capital outlays, which are now reflected in the City’s capital assets.

Total program revenues from governmental activities were \$36.5 million in fiscal year 2006. Program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. They reduce the net cost of the function to be financed from the government's general revenues. As reflected in the pie chart above, 58 percent of the governmental program revenues came from Charges for Services, which includes licenses and permits and fees, fines, forfeitures and penalties, and several other revenues. Program revenues under the Operating Grants and Contributions category include restricted revenues such as Gas Tax, Transportation and Sales Tax, and Federal/State Grants.

General revenues are all other revenues not categorized as program revenues such as property taxes, sales taxes, utility users' tax, gain (loss) on sale of capital assets, and investment earnings, and grants and contributions not related to specific programs and several miscellaneous general revenues. Total general revenues from governmental activities were \$170.2 million in fiscal year 2006. The three largest components of general revenues received during fiscal year 2006 for governmental activities were Property Taxes-current collections of \$58.6 million, Utility User Taxes of \$30.2 million and Sales Taxes of \$25.4 million. These three components represent over two-thirds of all general revenues.

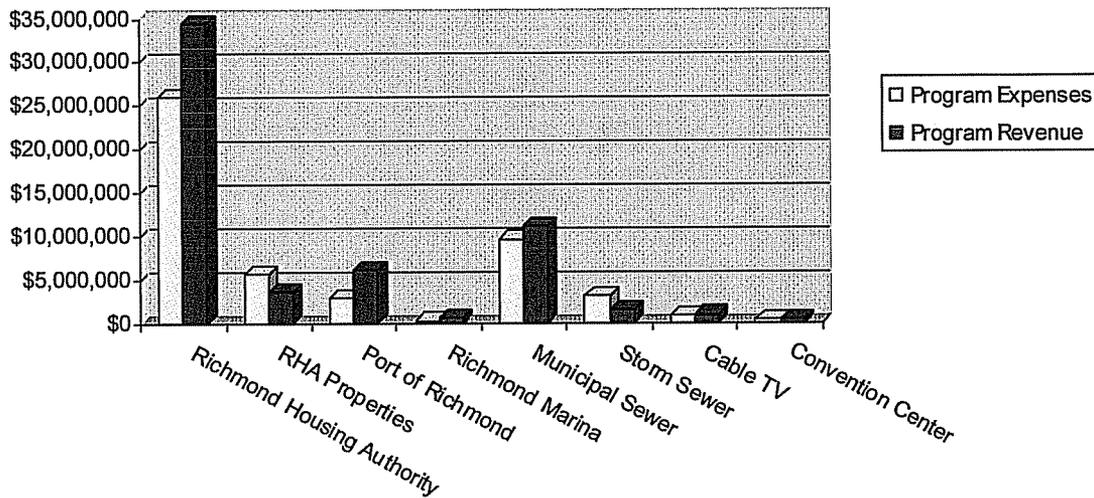


Business Type Activities: Business-type activities increased the City's net assets by \$12.6 million. Key factors in the business-type activities increase are as follows:

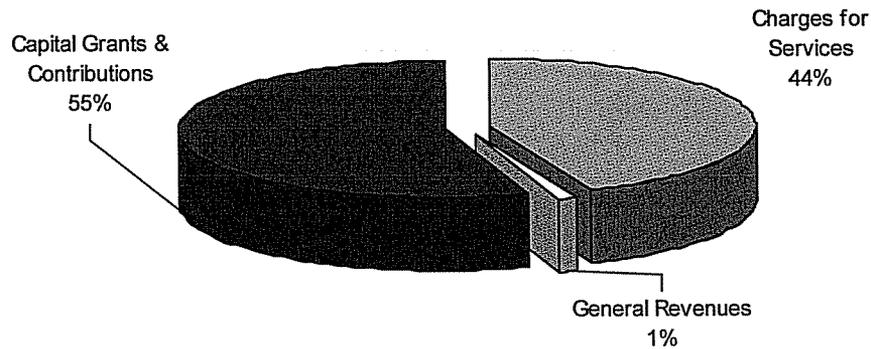
- The Richmond Housing Authority net assets increased by \$8.8 million. While total revenues of \$34.57 million represent a decrease of almost \$1.95 million from the previous year, operating expenditures of \$25.76 million represent a decrease of \$2.3 million from the previous year.
- RHA Properties saw operating revenues at the same level as prior year of \$3.4 million while operating expenses of \$2.85 million reflect a decrease of \$26,577 from the prior year. Because interest and amortization of bond issuance costs associated with the property are \$1.8 million for the year, a contribution of \$346,977 was required to contain the decrease in net assets to \$785 thousand.

- The Port of Richmond net assets increased \$3.3 million. The Port reported operating income \$6.1 million, up \$216,694 from the prior year. This increase in operating income is primarily due to increased service charge and lease revenue collected from tenants/customers.
- The Municipal Sewer net assets increased by \$2.3 million. The Municipal Sewer reported operating income of \$11.0 million, up \$1.9 million from prior year due to an increase in rates. Expenditures of \$9.6 million reflect a \$0.6 million increase over prior year. The increase is attributed to a \$1.0 million increase in operating expense as the operations are transferred to a contractor offset by a \$0.4 reduction in bond interest and amortized bond issuance costs.

Expenditures and Program Revenues Business-Type Activities



Revenue by Source Business-Type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial capacity. 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's governmental funds reported combined ending fund balances of \$166.4 million. Approximately \$136.9 million of this amount constitutes unreserved fund balance, which is available for spending at the government's discretion. Of the \$136.9 million, \$10.0 million has been designated for contingency reserve in compliance with Council's established policy. There is \$29.5 million of fund balance that is reserved to indicate that it is not available for spending because it has already been legally committed.

General Fund The General Fund is the primary operating fund of the City. It is used to report the financial results of the daily operations of the City. The major revenue sources are property taxes, utility users' tax and sales tax. The major expenditures are salaries and administrative expenses.

At the end of the current fiscal year, the General Fund had an undesignated, unreserved fund balance of \$28.6 million of a total fund balance that reached \$48.2 million. During the current year, the overall fund balance grew by over \$4.6 million, while the undesignated, unreserved balance increased by \$4.1 million, or 17 percent, plus an additional \$8.0 million was designated for contingency to fully fund the \$10 million contingency reserve pursuant to City policy. The gains in the General Fund would have been even more impressive, but over \$9.4 million in cash was transferred to other funds to clear negative cash balances that had accrued in prior years.

Redevelopment Agency The Richmond Community Redevelopment Agency (the "Redevelopment Agency") is responsible for redevelopment of areas identified under the Community Redevelopment Law as being blighted. The Agency's operations are funded primarily by the issuance of debt, which is expected to be repaid out of property tax increment revenue generated by increased in property assessed values in the redevelopment areas.

The Redevelopment Agency Fund was established to account for improvement projects related to the various redevelopment areas. At the end of fiscal year 2006, the unreserved fund balance had a balance of \$39.3 million, an increase of \$7.7 million from the prior year. The latter is primarily due to the reduction in "Advances from other funds" by \$6.7 million and a \$1.2 million increase in "Prepays, supplies and other assets". The reduction in advances was the result of using \$6,672,700 of the Urban Development Action Grant for allowable activities under the Marina Bay Master Agreement. Some of these activities included infrastructure and parks such as Marina Way South and Lucretia Edwards Park, and railroad crossings at various sites within Marina Bay and Marina Bay Trails.

Joint Powers Financing Authority Debt Service Fund The Richmond Joint Powers Financing Authority was established pursuant to a joint powers agreement between the City and the Redevelopment Agency to issue debt on behalf of the City to finance various capital improvements within the City. The Joint Powers Financing Authority Debt Service Fund accounts for debt service payments related to said debt. At the end of fiscal year 2006, the reserved fund balance was \$10.3 million, a decrease of \$1.5 million from prior year.

General Capital Improvements Capital-Project Fund This fund was established to account for monies designated for capital improvements projects. At the end of fiscal year 2006, the fund balance was \$22.0 million; an increase of \$8.1 million which is the result of reserving bond proceeds and one-time revenues to cover various capital outlay expenditures.

Secured Pension Override Fund This fund was established to record the receipt of Pension Tax Override funds collected through property taxes for payment of pension contributions.

Proprietary Funds:

The City's proprietary funds are enterprise and internal service funds. An enterprise fund is used to report any activity for which a fee is charged to external users for goods or services provided. An internal service fund is used to centralize certain services and then allocate the cost of the services within the government. The City's major enterprise funds are the Richmond Housing Authority, RHA Properties, Port of Richmond, and Municipal Sewer District.

Enterprise Funds:

Richmond Housing Authority The Richmond Housing Authority ("RHA") was established to administer funds provided by the Department of Housing and Urban Development (HUD) to assist low-income families in obtaining decent, safe and sanitary housing. Although RHA is a separate legal entity, it is a component unit of the City of Richmond. The City exercises management control over the Authority, and members of the City Council serve as the governing board of the Authority. RHA's total net assets were \$64.4 million at June 30, 2006, of which \$368,218 was unrestricted. Net Assets increased by \$8.8 million which was the result of a \$9.1 million increase in capital assets, net of related debt. Of this increase, \$7.3 million was in non-depreciable (land) assets.

RHA Properties RHA Properties is the product of a joint powers agreement between the City and the Richmond Housing Authority formed for the purpose of owning and managing the operations of an affordable housing residential complex dedicated to the needs of elderly persons. Total net assets were \$605,301 at June 30, 2006. This is down from the prior year by \$785,219, primarily due to debt service costs.

The Port of Richmond The Port of Richmond is a public enterprise established by the City of Richmond and is administered as a department of the City. Operations include the marine terminal facilities and commercial property rentals. The Port had a total net asset deficit of \$5.6 million as of June 30, 2006, which is a decrease of \$3.3 million from prior year. The reduced deficit is due to continuation of the prior year's improved revenues generated from new tenants, while continuing to hold down expenses.

Municipal Sewer Fund This fund is used to account for a variety of sewer service-related revenues and expenditures. At the end of fiscal year 2006, the total net assets for the sewer fund were \$10.4 million, which was a \$2.3 million increase from the prior fiscal year primarily due to an increase of \$1.9 million in service charge revenue from a rate increase.

Fiduciary Funds:

The City's fiduciary funds are the pension trust funds and various agency funds. The Pension Trust Funds were established to account for revenues and expenditures related to City employee's pension activities. The City administers the activities of the pension funds on behalf of the employees. The assets are not accessible for City operations. The City maintains the following pension funds: General Pension, Police and Firemen Pension and Garfield Pension Funds. The various agency funds are used to maintain records of assets and the fund's financial activities on behalf of a third party. The City does not make any decisions relating to the uses of the assets nor can they be used for City operations.

The Pension Trust Funds total assets at June 30, 2006 were \$21.3 million. Net Assets decreased by \$1.6 million which is the result of declining liability in the "closed" pension funds.

Agency Funds total assets at June 30, 2006 were \$23.3 million which is recorded on the City books as a liability to third parties.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended appropriation, including transfers out of \$6.2 million, totaled \$105.7 million. The final amended appropriation represented a \$0.6 million decrease from the original adopted budget.

Over the course of the year, the City Council revised the City budget a number of times.

The budget amendments fall into these three categories:

- Transfer of \$1.5 million from Police's 2005-06 budget into their 2006-07 budget for one-time cost items.
- Carry forward appropriations from 2004-2005 totaling \$0.7 million.
- New appropriations approved by the City Council amounting to \$0.2 million.

The final amended budget for revenues totaled \$108.1 million, which includes transfers in of \$4.6 million and proceeds from property sales of \$2.0 million. The final amended budget for revenues exceeded the adopted revenues by \$237,500.

The increase in budgeted revenues is a result of bringing the budgeted revenue estimates for "Charges for services" into closer alignment with the latest projections for the fiscal year ended June 30, 2006.

During the year, revenues exceeded adjusted budgetary estimates by \$5.0 million and transfers in exceeded budgetary estimates by another \$7.5 million, while proceeds from sale of property were \$1.1 million less than expected. The largest revenue variance was an additional \$4.4 million realized in sales tax revenue, most of which is attributed to the first full year of revenue from an extra half-cent sales tax approved by voters for city services. The increase in transfers in represents \$8.0 million transferred in from one-time transfers to fully fund designated reserves of \$10.0 million. While the \$2.0 million in land proceeds was realized, \$1.1 million was designated to and placed into another fund instead of being deposited into the General Fund.

Actual expenditures were \$5.8 million less than the final amended budget, but Transfers Out exceeded the final amended budget by \$15.0 million. Much of the savings is attributed to increased staffing and service levels that were budgeted, but not realized. Actual expenses in Public Safety were \$2.6 million under the final amended appropriation, even after transferring \$1.5 million in appropriation to 2006-07; \$1.8 million of the variance is attributable to personnel costs and \$0.6 million to operating costs, most notably contract services. Actual expenditures in Cultural and recreational services were \$1.6 million less than final amended appropriations, roughly half of which was in personnel costs and half in operating expense. Actual expenditures in General government were \$1.8 million less than final amended appropriations, with \$0.7 million in personnel costs and \$1.1 million in operating costs.

Transfers Out exceeded budget by \$15.0 million. Of this \$15.0 million, \$9.4 million was just recently authorized by Council to clear negative cash balances that had accrued in other funds in previous fiscal years. Direct payments to the California Public Employees Retirement System for unfunded actuarial liability for pensions were supplanted by a pension obligation bond, transfers out of \$2.6 million were required to fund a newly established Pension Stabilization Fund. Because most of these transactions were not finalized and authorized until after June 30, 2006, budget amendments were not sought in conjunction with the Council authorization of the transfers.

The net result of these variances between actual and final amended appropriation was an increase (improvement) in "Net Change in Fund Balance" of \$2.2 million resulting in a net \$4.6 million increase compared to the \$2.4 million budgeted. For fiscal year 2005-06, the fund balance improved from \$43.6 million at the beginning of the year to \$48.2 million as of June 30, 2006.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

The City's investment in capital assets for its governmental and business type activities as of June 30, 2006, amounted to \$405 million, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the City such as roads, bridges, streets and sidewalks, drainage systems, lighting systems and similar items. The net increase in the City's investment in capital assets for the current fiscal year was \$10.1 million, or 2.6 percent.

Capital assets, net of depreciation, for the governmental and business-type activities are presented below to illustrate changes from the prior year:

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 26,107,489	\$ 18,123,306	\$ 21,646,368	\$ 21,646,368	\$ 47,753,857	\$ 39,769,674
Construction in Progress	26,195,870	15,189,416	36,392,258	28,632,497	62,588,128	43,821,913
Building and improvements	18,238,135	18,053,147	70,188,090	69,821,324	88,426,225	87,874,471
Machinery and equipment	7,317,019	10,690,338	4,528,863	4,838,447	11,845,882	15,528,785
Infrastructure	162,172,980	180,835,608	32,386,172	27,248,414	194,559,152	208,084,022
Total Capital assets	\$ 240,031,493	\$ 242,891,815	\$ 165,141,751	\$ 152,187,050	\$ 405,173,244	\$ 395,078,865

The City's infrastructure assets are recorded at historical cost in the government-wide financial statements.

Additional information about the City's capital assets can be found in Note 7 on pages 60 through 61 in the financial statements.

Debt Administration:

Long Term Debt - At the end of the current fiscal year, the City had \$380.9 million in debt outstanding compared to the \$264.7 million the previous year; an increase of \$116.2 million, or 44 percent. This increase is due primarily to new pension obligation bonds of \$116 million issued to pay the unfunded actuarial liability that the California Public Employees Retirement System (CalPERS) had been incorporating in determining annual retirement contributions. By funding this liability through bonds, the City was able to reduce its annual cost to fund this liability.

The City does not have any general obligation bonds as of June 30, 2006.

Outstanding Debt June 30, 2006

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Tax Allocation bonds	\$ 96,801,090	\$ 98,578,513	-	-	\$ 96,801,090	\$ 98,578,513
Revenue bonds	8,695,000	9,705,000	72,241,264	73,403,632	80,936,264	83,108,632
Lease revenue bonds	26,510,000	27,010,000	9,251,513	10,650,351	35,761,513	37,660,351
Pension obligation bonds	140,799,778	26,225,000	-	-	140,799,778	26,225,000
Total bonds payable	272,805,868	161,518,513	81,492,777	84,053,983	354,298,645	245,572,496
Notes payable	-	3,204,394	-	-	-	3,204,394
Loans payable	12,200,843	-	11,195,682	11,877,513	23,396,525	11,877,513
Capital leases	3,195,340	4,045,158	-	-	3,195,340	4,045,158
Total outstanding debt	\$ 288,202,051	\$ 168,768,065	\$ 92,688,459	\$ 95,931,496	\$ 380,890,510	\$ 264,699,561

On April 13, 2006, Standard & Poor's Ratings Service ("S&P") assigned its "BBB+" issuer credit rating (ICR) to the City and a rating of "BBB" on the City's Wastewater Revenue Bonds, the Series 1996 Port Terminal Lease Revenue Bonds and the Richmond Joint Power Finance Authority's 1995A Refunding Revenue Bonds. On April 17, 2006, Moody's Investors Service (Moody's") upgraded the City's implied general obligation bond rating to A3 from Baa3 and upgraded the Limited Obligation Pension Bonds, Series 1999 to Baa1 from Baa3. The upgrades were based on and reflect the City's substantially improved financial position in Fiscal Year 2005.

With the continued increase in operating reserves and four years of structurally balanced budgets, the City expects to improve its credit position in the near future.

The City has previously purchased municipal bond insurance policies on its Series 1999 pension bonds, its tax allocation bonds and its lease revenue bonds, thereby resulting in those debt issues being assigned the ratings of the respective bond insurers. For the affected debt issues, the ratings are the highest possible ratings of "AAA" from Moody's and "AAA" from S&P.

For more detailed information on the City's long-term debt see Note 8 on pages 62-81.

Economic Factors, Next Year's Budget and Inflation Rates

- The City currently faces a continuation of a favorable economic environment. Revenues from recent strong growth in assessed valuation is slowing, but still growing. Projected strong growth in revenue streams from both increasing assessed valuation and increased retail sales are expected with the anticipated opening of a WalMart in April 2007 and the opening of a Target later in the calendar year. Coupled with a continuing tight rein on appropriations, a continuing positive cash flow is projected.
- The City has formally adopted debt and investment policies to guide critical financing and investment decisions.
- The City has established a reserves policy and has funded a \$10 million contingency reserve within the General Fund, equating to over eight percent of the City's current budget level.
- The City has adopted a structurally balanced budget policy requiring one-time revenues to be spent only on one-time expenditures, and on-going revenues to be spent on on-going expenditures.
- The City Manager has recommended to the City Council that City services only be expanded or re-opened as certain revenue milestones are met, thus preventing the creation of structural deficits.
- The City has established monthly revenue and expenditure variance monitoring reports to assure adherence to budget controls. Simultaneously, position control is being strictly enforced, ensuring that any hire is moving into a funded position.

- The City continues to search for and identify opportunities to refinance its debt obligations that should extract additional one-time funding for critical infrastructure improvements.
- The State budget will have a significant effect on the City's financial condition. However, the cessation of "ERAF III" and the restoration of roads funding should benefit the City.
- The inflation rate for the San Francisco Bay metropolitan area (annual 2006 over 2005) was 3.18 percent, which is lower than the national cities inflation rate for the same period of 3.23 percent.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all of its citizens, taxpayers, customers, investors and creditors. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Richmond, Finance Department, 1401 Marina Way South, Richmond, CA 94804. Alternatively, you may send your inquiries via e-mail to Finance@ci.richmond.ca.us

City of Richmond
June 30, 2006

**STATEMENT OF NET ASSETS AND
STATEMENT OF ACTIVITIES**

The purpose of the Statement of Net Assets and the Statement of Activities is to summarize the entire City's financial activities and financial position.

The Statement of Net Assets reports the difference between the City's total assets and the City's total liabilities, including all the City's capital assets and all its long-term debt. The Statement of Net Assets focuses the reader on the composition of the City's net assets, by subtracting total liabilities from total assets and summarizes the financial position of all the City's Governmental Activities in a single column, and the financial position of all the City's Business-Type Activities in a single column; these columns are followed by a Total column that presents the financial position of the entire City.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City's Business Type Activities include all its Enterprise Fund activities and any portion of the Internal Service Fund balances that service Enterprise Funds. Fiduciary activity is excluded.

The Statement of Activities reports increases and decreases in the City's net assets. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

Both these Statements include the financial activities of the City, the Redevelopment Agency of the City of Richmond, the Richmond Joint Powers Finance Authority, the City of Richmond Housing Authority and RHA Properties, which are legally separate but are component units of the City because they are controlled by the City, which is financially accountable for the activities of these entities.

CITY OF RICHMOND
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 3)	\$117,060,009	\$7,571,044	\$124,631,053
Restricted cash and investments (Note 3)	56,486,086	21,585,691	78,071,777
Receivables:			
Accounts, net	9,781,986	1,905,403	11,687,389
Interest	276,864	16,502	293,366
Grants	1,926,823	1,083,178	3,010,001
Loans, net of reserves (Note 5)	24,088,042		24,088,042
Internal balances (Note 4)	21,308,596	(21,308,596)	
Prepays, supplies, and other assets	1,688,321	798,626	2,486,947
Bond issuance costs and other investments, net of amortization		3,694,260	3,694,260
Net pension asset (Notes 11 and 12)	108,759,150		108,759,150
Capital assets (Note 7):			
Nondepreciable	52,303,359	58,038,626	110,341,985
Depreciable, net	187,728,134	107,103,125	294,831,259
Total Assets	<u>581,407,370</u>	<u>180,487,859</u>	<u>761,895,229</u>
LIABILITIES			
Accounts payable and accrued liabilities	5,112,040	2,208,063	7,320,103
Interest payable	3,942,409	918,215	4,860,624
Refundable deposits	3,190,531	539,481	3,730,012
Unearned revenue	34,305		34,305
Compensated absences (Note 2):			
Due within one year	1,038,179	193,572	1,231,751
Due in more than one year	7,429,287	588,971	8,018,258
Claims liabilities (Note 15):			
Due within one year	4,417,000		4,417,000
Due in more than one year	18,293,000		18,293,000
Long-term debt (Note 8):			
Due within one year	9,079,603	4,227,866	13,307,469
Due in more than one year	279,122,445	88,460,593	367,583,038
Total Liabilities	<u>331,658,799</u>	<u>97,136,761</u>	<u>428,795,560</u>
NET ASSETS			
Invested in capital assets, net of related debt	155,930,914	82,419,674	238,350,588
Restricted for:			
Capital projects	21,061,869		21,061,869
Debt service	7,723,718		7,723,718
Housing and redevelopment	18,534,422	2,283,065	20,817,487
Pension benefits	1,971,786		1,971,786
Total Restricted Net Assets	<u>49,291,795</u>	<u>2,283,065</u>	<u>51,574,860</u>
Unrestricted (deficit)	44,525,862	(1,351,641)	43,174,221
Total Net Assets	<u>\$249,748,571</u>	<u>\$83,351,098</u>	<u>\$333,099,669</u>

See accompanying notes to financial statements

CITY OF RICHMOND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$20,757,394	\$9,579,562	\$768,512		(\$10,409,320)		(\$10,409,320)
Public safety	64,704,505	2,674,213	381,873		(61,648,419)		(61,648,419)
Public services	40,119,182	2,017,908	3,438,907	\$2,248,048	(32,414,319)		(32,414,319)
Community development	6,400,700	2,488,628	3,361,095		(550,977)		(550,977)
Cultural and recreational	10,516,483	1,230,022	486,961		(8,799,500)		(8,799,500)
Housing and redevelopment	14,587,522	3,145,276	2,300,208	2,336,589	(6,805,449)		(6,805,449)
Interest on long term debt	13,970,272				(13,970,272)		(13,970,272)
Total Governmental Activities	171,056,058	21,135,609	10,737,556	4,584,637	(134,598,256)		(134,598,256)
Business-type Activities:							
Richmond Housing Authority	25,761,763	1,663,345		32,876,153		\$8,777,735	8,777,735
RHA Properties	4,638,099	3,408,235		346,977		(882,887)	(882,887)
Port of Richmond	2,896,324	6,130,166				3,233,842	3,233,842
Richmond Marina	245,732	579,581				333,849	333,849
Municipal Sewer	9,599,570	11,009,699				1,410,129	1,410,129
Storm Sewer	2,953,974	1,545,977				(1,407,997)	(1,407,997)
Cable TV	702,849	944,693				241,844	241,844
Convention Center	274,542	326,715				52,173	52,173
Total Business-type Activities	47,072,853	25,608,411		33,223,130		11,758,688	11,758,688
Total	\$218,128,911	\$46,744,020	\$10,737,556	\$37,807,767	(134,598,256)	11,758,688	(122,839,568)
General revenues:							
Taxes:							
Property taxes-current collections					58,637,096	10,867	58,647,963
Property taxes-released from Secured Pension Override Fund					17,315,525		17,315,525
Sales taxes					25,402,253		25,402,253
Utility user taxes					30,199,388		30,199,388
Documentary transfer taxes					10,670,869		10,670,869
Other taxes					4,019,165		4,019,165
Use of money and property					5,490,761	1,247,868	6,738,629
Unrestricted intergovernmental					954,905		954,905
Gain on sale of capital assets					2,361,410		2,361,410
Pension stabilization revenue					4,175,381		4,175,381
Developer revenue sharing					3,254,620		3,254,620
Settlement reimbursement					4,226,289		4,226,289
Other					3,144,463		3,144,463
Transfers					375,740	(375,740)	
Total general revenues and transfers					170,227,865	882,995	171,110,860
Change in Net Assets					35,629,609	12,641,683	48,271,292
Net Assets-Beginning, as Restated (Note 17)					214,118,962	70,709,415	284,828,377
Net Assets-Ending					\$249,748,571	\$83,351,098	\$333,099,669

See accompanying notes to financial statements

City of Richmond
June 30, 2006

FUND FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year.

The funds described below were determined to be Major Funds by the City in fiscal 2006. Individual non-major funds may be found in the Supplemental section.

GENERAL FUND

The General Fund is used for all the general revenues of the City not specifically levied or collected for other City funds and the related expenditures. The General Fund accounts for all financial resources of a governmental unit which are not accounted for in another fund.

REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND

The Redevelopment Agency Fund accounts for all activities of the Agency, including 1) tax increment allocations set aside for the purpose of increasing or improving housing for low-income residents; 2) the accumulation of property taxes for payment of interest and principal on the Agency's long-term debt; 3) capital projects connected with redevelopment funded by property tax increment revenues.

JOINT POWERS FINANCING AUTHORITY DEBT SERVICE FUND

The Joint Powers Financing Authority Fund accounts for the accumulation of resources from lease payments and the payment of long-term debt incurred by the Finance Authority.

GENERAL CAPITAL IMPROVEMENT FUND

This General Capital Improvement Fund is used to account for monies designated for capital improvement projects.

SECURED PENSION OVERRIDE SPECIAL REVENUE FUND

Records the receipt of Pension Tax override collected through property taxes for payment of pension contributions

CITY OF RICHMOND
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2006

	General	Redevelopment Agency	JPFA	General Capital Improvement	Secured Pension Override	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$30,326,744	\$19,046,314	\$1,176,327	\$13,524,871	\$1,963,221	\$26,511,890	\$92,549,367
Restricted cash and investments	17,020	28,973,086	9,211,207	8,635,241		9,621,348	56,457,902
Receivables:							
Accounts, net	6,640,872	337,565		32,030		1,901,050	8,911,517
Interest	84,483	63,748	2,736	23,231	8,565	49,565	232,328
Grants						1,926,823	1,926,823
Loans	1,055,124	21,606,965				4,535,986	27,198,075
Due from other funds	5,263,031	26,661					5,289,692
Advances to other funds	17,139,855	312,110					17,451,965
Prepays, supplies and other assets	247,048	1,200,000					1,447,048
Total Assets	\$60,774,177	\$71,566,449	\$10,390,270	\$22,215,373	\$1,971,786	\$44,546,662	\$211,464,717
LIABILITIES							
Accounts payable and accrued liabilities	\$1,046,498	\$2,130,593		\$133,842		\$1,208,807	\$4,519,740
Refundable deposits	1,504,483	379,527				1,306,521	3,190,531
Due to other funds			\$68,864			927,528	996,392
Advances from other funds	103,685		34,358				138,043
Deferred revenue	9,889,742	21,548,821				4,758,819	36,197,382
Total Liabilities	12,544,408	24,058,941	103,222	133,842		8,201,675	45,042,088
FUND BALANCES							
Fund balance							
Reserved for:							
Encumbrances	926,760	84,350		59,654		1,215,623	2,286,387
Prepays, supplies and other assets	247,048	1,200,000					1,447,048
Debt service		2,478,820	10,287,048				12,765,868
Advances to other funds	8,108,231	312,110					8,420,341
Loans receivable	356,804	58,144					414,948
Low and moderate income housing		4,020,442					4,020,442
Unreserved, designated for:							
Contingencies	10,000,000						10,000,000
Unreserved, Undesignated, Reported in:							
General Fund	28,590,926						28,590,926
Special Revenue Funds					1,971,786	20,295,145	22,266,931
Debt Service Funds						6,647,877	6,647,877
Capital Projects Funds		39,353,642		22,021,877		8,186,342	69,561,861
Total Fund Balances	48,229,769	47,507,508	10,287,048	22,081,531	1,971,786	36,344,987	166,422,629
Total Liabilities and Fund Balances	\$60,774,177	\$71,566,449	\$10,390,270	\$22,215,373	\$1,971,786	\$44,546,662	\$211,464,717

See accompanying notes to financial statements

CITY OF RICHMOND
 Reconciliation of the
 GOVERNMENTAL FUNDS -- BALANCE SHEET
 with the
 STATEMENT OF NET ASSETS
 JUNE 30, 2006

Total fund balances reported on the governmental funds balance sheet	\$166,422,629
<p>Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds above because of the following:</p>	
CAPITAL ASSETS	
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	240,031,493
ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS	
<p>Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance to individual governmental funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Assets.</p>	
Cash and investments	24,510,642
Restricted cash and investments	28,184
Accounts receivable	870,469
Interest receivable	44,536
Prepays and supplies	241,273
Accounts payable and accrued liabilities	(592,300)
Due to other funds	(298,626)
Compensated absences	(386,248)
Claims payable	(22,710,000)
ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES	
Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.	33,053,044
LONG TERM ASSETS AND LIABILITIES	
<p>The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:</p>	
Interest payable	(3,942,409)
Long-term debt	(288,202,048)
Net pension obligation	108,759,150
Governmental activities portion of compensated absences	(8,081,218)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$249,748,571</u></u>

See accompanying notes to financial statements

CITY OF RICHMOND
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2006

	General	Redevelopment Agency	JPFA	General Capital Improvement	Secured Pension Override	Other Governmental Funds	Total Governmental Funds
REVENUES							
Property taxes:							
Current collections	\$28,284,861	\$15,925,961			\$14,426,274	\$478,800	\$59,115,896
Released from Secured Pension Override Fund					17,315,525		17,315,525
Sales taxes	25,402,253						25,402,253
Utility user taxes	30,199,388						30,199,388
Other taxes	14,590,884					\$99,150	14,690,034
Licenses, permits and fees	3,028,837	3,145,300		\$46,260		8,052,406	14,272,803
Developer revenue sharing		3,254,620					3,254,620
Fines, forfeitures and penalties	372,951					23,306	396,257
Use of money and property	693,463	2,111,633	\$700,358	656,826	306,564	680,874	5,149,718
Intergovernmental	1,854,613	2,336,589		953,485		11,158,501	16,303,188
Charges for services	1,153,341					3,268,462	4,421,803
Pension stabilization revenue						4,175,381	4,175,381
Settlement reimbursement		4,226,289					4,226,289
Other	726,503	373,521		30,000	296,702	2,069,381	3,496,107
Rent	161,382	232,383				20,951	414,716
Total Revenues	106,468,476	31,606,296	700,358	1,686,571	32,345,065	30,027,212	202,833,978
EXPENDITURES							
Current:							
General government	12,686,072				148,186	6,152,465	18,986,723
Public safety	59,834,214				2,215,648	1,956,608	64,006,470
Public works	10,927,180			5,082,081		4,362,457	20,371,718
Community development	849,369					5,456,974	6,306,343
Cultural and recreational	9,270,951					1,029,505	10,300,456
Housing and redevelopment		17,184,758				3,593,536	20,778,294
Capital outlay	21,750	15,983,121		1,233,976		240,443	17,479,290
Debt service:							
Principal		2,280,000				4,235,045	6,515,045
Interest and fiscal charges		4,575,151	1,396,624			5,286,000	11,257,775
Total Expenditures	93,589,536	40,023,030	1,396,624	6,316,057	2,363,834	32,313,033	176,002,114
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	12,878,940	(8,416,734)	(696,266)	(4,629,486)	29,981,231	(2,285,821)	26,831,864
OTHER FINANCING SOURCES (USES)							
Issuance of debt		9,116,676				114,995,133	124,111,809
Proceeds from sale of property	869,880	200,571				2,097,234	3,167,685
Payment to retirement plan						(113,877,017)	(113,877,017)
Transfers in	12,101,059	7,672,968	145,612	13,454,412		19,718,896	53,092,947
Transfers (out)	(21,214,000)		(1,001,369)	(1,654,609)	(28,009,445)	(2,252,547)	(54,131,970)
Total Other Financing Sources (Uses)	(8,243,061)	16,990,215	(855,757)	11,799,803	(28,009,445)	20,681,699	12,363,454
NET CHANGE IN FUND BALANCES	4,635,879	8,573,481	(1,552,023)	7,170,317	1,971,786	18,395,878	39,195,318
BEGINNING FUND BALANCES	43,593,890	38,934,027	11,839,071	14,911,214		17,949,109	127,227,311
ENDING FUND BALANCES	\$48,229,769	\$47,507,508	\$10,287,048	\$22,081,531	\$1,971,786	\$36,344,987	\$166,422,629

See accompanying notes to financial statements

CITY OF RICHMOND
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2006

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$39,195,318

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

CAPITAL ASSETS TRANSACTIONS

Governmental Funds include capital outlays in departmental expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. The capital outlay expenditures are therefore added back to fund balance 20,194,154

Depreciation expense is deducted from the fund balance (20,423,260)

Retirements of capital assets are deducted from the fund balance (886,861)

Transfer of capital assets to internal service fund (352,119)

LONG TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Proceeds from the issuance of debt are deducted from fund balance (124,111,809)

Repayment of debt principal is added back to fund balance 6,515,045

Capital appreciation bonds accretion is deducted from fund balance (1,792,219)

Interest accrued to principal is deducted from fund balance (45,000)

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Interest payable (875,278)

Deferred revenue 2,562,175

Compensated absences (163,828)

Net pension asset 111,610,956

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.

Change in Net Assets - All Internal Service Funds 4,202,335

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$35,629,609

See accompanying notes to financial statements

City of Richmond
June 30, 2006

MAJOR PROPRIETARY FUNDS

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The concept of major funds established by GASB Statement 34 extends to Proprietary Funds. The City has identified the funds below as major proprietary funds in fiscal 2006.

GASB 34 does not provide for the disclosure of budget vs. actual comparisons regarding proprietary funds that are major funds.

RICHMOND HOUSING AUTHORITY

This fund accounts for all funds provided by the Department of Housing and Urban Development (HUD) to assist low income families in obtaining decent, safe and sanitary housing.

RHA PROPERTIES

This fund accounts for all financial transactions relating to the acquisition, ownership and operation of rental properties in order to maintain and increase the long-term supply of affordable and/or publicly owned housing.

PORT OF RICHMOND

This fund accounts for all financial transactions relating to the City-owned marine terminal facilities and commercial property rentals.

MUNICIPAL SEWER

This fund accounts for all financial transactions relating to the City's Wastewater Collection and Treatment. Services are on a user charge basis to residents and business owners located in Richmond.

CITY OF RICHMOND
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2006

	Business-type Activities-Enterprise Funds					Totals	Governmental Activities- Internal Service Funds
	Richmond Housing Authority	RHA Properties	Port of Richmond	Municipal Sewer	Other Enterprise Funds		
ASSETS							
Current assets:							
Cash and investments	\$1,116,012	\$116,729	\$7,670	\$3,008,131	\$3,322,502	\$7,571,044	\$24,510,642
Restricted cash and investments	176,808	2,106,257	2,907,584	16,314,525	80,517	21,585,691	28,184
Receivables:							
Accounts, net	567,726	16,161	449,179	399,566	472,771	1,905,403	870,469
Interest			12,570	(5,537)	9,469	16,502	44,536
Grants	1,083,178					1,083,178	
Prepays and other assets	700,264	6,409	91,953			798,626	241,273
Total current assets	<u>3,643,988</u>	<u>2,245,556</u>	<u>3,468,956</u>	<u>19,716,685</u>	<u>3,885,259</u>	<u>32,960,444</u>	<u>25,695,104</u>
Noncurrent assets:							
Capital assets:							
Nondepreciable	28,183,890	10,431,153	7,081,474	10,669,614	1,672,495	58,038,626	
Depreciable, net	35,672,399	21,471,552	15,702,086	21,926,777	12,330,311	107,103,125	4,065,030
Advances to other funds				481,220		481,220	
Bond issuance costs and other investments, net of amortization	1,886,892	752,472	248,679	806,217		3,694,260	
Total noncurrent assets	<u>65,743,181</u>	<u>32,655,177</u>	<u>23,032,239</u>	<u>33,883,828</u>	<u>14,002,806</u>	<u>169,317,231</u>	<u>4,065,030</u>
Total Assets	<u>69,387,169</u>	<u>34,900,733</u>	<u>26,501,195</u>	<u>53,600,513</u>	<u>17,888,065</u>	<u>202,277,675</u>	<u>29,760,134</u>
LIABILITIES							
Current liabilities:							
Accounts payable and accrued liabilities	519,953	327,298	127,344	1,091,231	142,237	2,208,063	592,300
Interest payable			175,571	601,214	141,430	918,215	
Refundable deposits	128,058	243,134	65,098	66,070	37,121	539,481	
Due to other funds	3,592,963		401,711			3,994,674	298,626
Compensated absences - due within one year	80,710				112,862	193,572	
Claims payable							4,417,000
Current portion of long term debt		565,000	1,754,980	1,855,358	52,528	4,227,866	
Total current liabilities	<u>4,321,684</u>	<u>1,135,432</u>	<u>2,524,704</u>	<u>3,613,873</u>	<u>486,178</u>	<u>12,081,871</u>	<u>5,307,926</u>
Noncurrent liabilities:							
Advances from other funds	174,067		17,139,855		481,220	17,795,142	
Compensated absences	490,103		74,040	24,828		588,971	386,248
Claims payable							18,293,000
Long term debt, net		33,160,000	12,395,185	39,529,335	3,376,073	88,460,593	
Total noncurrent liabilities	<u>664,170</u>	<u>33,160,000</u>	<u>29,609,080</u>	<u>39,554,163</u>	<u>3,857,293</u>	<u>106,844,706</u>	<u>18,679,248</u>
Total Liabilities	<u>4,985,854</u>	<u>34,295,432</u>	<u>32,133,784</u>	<u>43,168,036</u>	<u>4,343,471</u>	<u>118,926,577</u>	<u>23,987,174</u>
NET ASSETS							
Invested in capital assets, net of related debt	63,856,289			7,526,223	11,037,162	82,419,674	4,065,030
Restricted	176,808	2,106,257				2,283,065	
Unrestricted	368,218	(1,500,956)	(5,632,589)	2,906,254	2,507,432	(1,351,641)	1,707,930
Total Net Assets (Deficit)	<u>\$64,401,315</u>	<u>\$605,301</u>	<u>(\$5,632,589)</u>	<u>\$10,432,477</u>	<u>\$13,544,594</u>	<u>\$83,351,098</u>	<u>\$5,772,960</u>

See accompanying notes to financial statements

CITY OF RICHMOND
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities-Enterprise Funds					Totals	Governmental Activities- Internal Service Funds
	Richmond Housing Authority	RHA Properties	Port of Richmond	Municipal Sewer	Other Enterprise Funds		
OPERATING REVENUES							
Rental	\$1,597,078	\$3,257,059				\$4,854,137	
Marina berth rentals			\$136,200			136,200	
Service charges			4,611,293	\$11,008,775	\$2,584,969	18,205,037	\$30,899,141
Lease income			1,372,664		579,581	1,952,245	
Other	66,267	151,176	10,009	924	232,416	460,792	
Total Operating Revenues	<u>1,663,345</u>	<u>3,408,235</u>	<u>6,130,166</u>	<u>11,009,699</u>	<u>3,396,966</u>	<u>25,608,411</u>	<u>30,899,141</u>
OPERATING EXPENSES							
Salaries and benefits	4,739,188	624,245	682,846	730,828	1,511,193	8,288,300	6,349,957
General and administrative	1,377,934	645,231	855,095	5,172,427	1,396,154	9,446,841	2,316,882
Maintenance	2,368,713	699,939	2,988	14,746	21,756	3,108,142	3,248,234
Depreciation	334,810	881,804	686,352	1,404,103	1,093,074	4,400,143	2,097,395
Housing assistance	16,941,118					16,941,118	
Claims losses							14,900,802
Other			1,350		443	1,793	129,443
Total Operating Expenses	<u>25,761,763</u>	<u>2,851,219</u>	<u>2,228,631</u>	<u>7,322,104</u>	<u>4,022,620</u>	<u>42,186,337</u>	<u>29,042,713</u>
Operating Income (Loss)	<u>(24,098,418)</u>	<u>557,016</u>	<u>3,901,535</u>	<u>3,687,595</u>	<u>(625,654)</u>	<u>(16,577,926)</u>	<u>1,856,428</u>
NONOPERATING REVENUES (EXPENSES)							
Gain from sale of property							26,583
Interest income	25,567	97,668	107,542	913,565	103,526	1,247,868	552,442
Property taxes				10,867		10,867	
Grants	32,876,153					32,876,153	
Interest (expense)		(1,759,182)	(614,749)	(2,246,557)	(154,477)	(4,774,965)	
Amortization of bond issuance costs		(27,698)	(52,944)	(30,909)		(111,551)	
Total Nonoperating Revenues (Expenses)	<u>32,901,720</u>	<u>(1,689,212)</u>	<u>(560,151)</u>	<u>(1,353,034)</u>	<u>(50,951)</u>	<u>29,248,372</u>	<u>579,025</u>
Income (Loss) Before Contributions and Transfers	<u>8,803,302</u>	<u>(1,132,196)</u>	<u>3,341,384</u>	<u>2,334,561</u>	<u>(676,605)</u>	<u>12,670,446</u>	<u>2,435,453</u>
Contributions		346,977				346,977	352,119
Transfers in				546,561	241,414	787,975	2,026,164
Transfers (out)				(586,450)	(577,265)	(1,163,715)	(611,401)
Net contributions and transfers		<u>346,977</u>		<u>(39,889)</u>	<u>(335,851)</u>	<u>(28,763)</u>	<u>1,766,882</u>
Change in net assets	<u>8,803,302</u>	<u>(785,219)</u>	<u>3,341,384</u>	<u>2,294,672</u>	<u>(1,012,456)</u>	<u>12,641,683</u>	<u>4,202,335</u>
BEGINNING NET ASSETS (DEFICIT), AS RESTATED	<u>55,598,013</u>	<u>1,390,520</u>	<u>(8,973,973)</u>	<u>8,137,805</u>	<u>14,557,050</u>	<u>70,709,415</u>	<u>1,570,625</u>
ENDING NET ASSETS (DEFICIT)	<u>\$64,401,315</u>	<u>\$605,301</u>	<u>(\$5,632,589)</u>	<u>\$10,432,477</u>	<u>\$13,544,594</u>	<u>\$83,351,098</u>	<u>\$5,772,960</u>

See accompanying notes to financial statements

CITY OF RICHMOND
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities-Enterprise Funds						Governmental Activities- Internal Service Funds
	Richmond Housing Authority	RHA Properties	Port of Richmond	Municipal Sewer	Other Enterprise Funds	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers	\$3,699,226	\$3,402,273	\$6,797,651	\$11,209,810	\$3,244,041	\$28,353,001	\$30,044,258
Payments to suppliers	(22,574,348)	(1,022,339)	(888,975)	(7,957,469)	(1,313,046)	(33,756,177)	(3,377,677)
Payments to employees	(4,744,130)	(624,245)	(668,582)	(729,891)	(1,499,957)	(8,266,805)	(8,469,751)
Insurance premiums and claims paid							(10,484,977)
Cash Flows from Operating Activities	<u>(23,619,252)</u>	<u>1,755,689</u>	<u>5,240,094</u>	<u>2,522,450</u>	<u>431,038</u>	<u>(13,669,981)</u>	<u>7,711,853</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Interfund receipts	878,491				481,220	1,359,711	
Interfund payments			(1,111,745)	(481,220)	(144,810)	(1,737,775)	(1,157,384)
Receipts from other governments	31,792,975					31,792,975	
Property taxes				10,867		10,867	
Transfers in				546,561	241,414	787,975	2,026,164
Transfers (out)				(586,450)	(577,265)	(1,163,715)	(611,401)
Cash Flows from Noncapital Financing Activities	<u>32,671,466</u>		<u>(1,111,745)</u>	<u>(510,242)</u>	<u>559</u>	<u>31,050,038</u>	<u>257,379</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition of capital assets, net of retirements	(9,412,131)	367,277	(1,024,794)	(6,902,020)	(36,199)	(17,007,867)	(353,040)
Proceeds from sale of property							26,583
Principal payments on capital debt		(460,000)	(1,665,978)	(1,782,010)	(50,266)	(3,958,254)	
Interest paid		(1,759,182)	(584,091)	(1,550,318)	(156,550)	(4,050,141)	
Cash Flows from Capital and Related Financing Activities	<u>(9,412,131)</u>	<u>(1,851,905)</u>	<u>(3,274,863)</u>	<u>(10,234,348)</u>	<u>(243,015)</u>	<u>(25,016,262)</u>	<u>(326,457)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest	25,567	97,668	97,923	915,602	100,414	1,237,174	543,808
Cash Flows from Investing Activities	<u>25,567</u>	<u>97,668</u>	<u>97,923</u>	<u>915,602</u>	<u>100,414</u>	<u>1,237,174</u>	<u>543,808</u>
Net Cash Flows	<u>(334,350)</u>	<u>1,452</u>	<u>951,409</u>	<u>(7,306,538)</u>	<u>288,996</u>	<u>(6,399,031)</u>	<u>8,186,583</u>
Cash and investments at beginning of period	1,627,170	2,221,534	1,963,845	26,629,194	3,114,023	35,555,766	16,352,243
Cash and investments at end of period	<u>\$1,292,820</u>	<u>\$2,222,986</u>	<u>\$2,915,254</u>	<u>\$19,322,656</u>	<u>\$3,403,019</u>	<u>\$29,156,735</u>	<u>\$24,538,826</u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:							
Operating income (loss)	(\$24,098,418)	\$557,016	\$3,901,535	\$3,687,595	(\$625,654)	(\$16,577,926)	\$1,856,428
Adjustments to reconcile operating income to cash flows from operating activities:							
Depreciation	334,810	881,804	686,352	1,404,103	1,093,074	4,400,143	2,097,395
Change in assets and liabilities:							
Receivables, net	2,031,199	(3,677)	667,485	181,713	(65,426)	2,811,294	(854,883)
Prepays and other assets	(421,264)	(6,409)	7,662			(420,011)	(57,996)
Accounts payable and accrued liabilities and other accrued expenses	(1,465,319)	329,240	(37,204)	(2,770,296)	105,307	(3,838,272)	27,607
Refundable deposits	4,682	(2,285)		18,398	(87,499)	(66,704)	
Unearned revenue							
Compensated absences payable	(4,942)		14,264	937	11,236	21,495	169,481
Claims payable							4,473,821
Cash Flows from Operating Activities	<u>(\$23,619,252)</u>	<u>\$1,755,689</u>	<u>\$5,240,094</u>	<u>\$2,522,450</u>	<u>\$431,038</u>	<u>(\$13,669,981)</u>	<u>\$7,711,853</u>
Non cash transactions:							
Contributions of capital assets		\$346,977				\$346,977	\$352,119
Accretion of bond principal				\$715,217		715,217	

See accompanying notes to financial statements

City of Richmond
June 30, 2006

FIDUCIARY FUNDS

Fiduciary funds are presented separately from the Government-wide and Fund financial statements.

Trust funds are used to account for assets held by the City as a trustee agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the City-wide financial statement, but are presented in separate Fiduciary Fund financial statements.

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the City-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

CITY OF RICHMOND
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2006

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and investments (Note 3)		\$10,105,525
Restricted cash and investments (Note 3)		4,563,021
Investment in reassessment bonds (Note 3)		8,667,500
Pension plan assets (Note 12)	\$21,349,699	
Receivable from the City	2,100	
Accounts receivable		(2,383)
Interest receivable	<u>6,523</u>	<u>14,417</u>
Total Assets	<u>21,358,322</u>	<u>\$23,348,080</u>
LIABILITIES		
Accounts payable and accrued liabilities	8,833	\$3,139,098
Refundable deposits payable		779,251
Due to assessment district bondholders		<u>19,429,731</u>
Total Liabilities	<u>8,833</u>	<u>\$23,348,080</u>
NET ASSETS		
Held in trust for employees' pension benefits	<u>\$21,349,489</u>	

See accompanying notes to financial statements

CITY OF RICHMOND
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 JUNE 30, 2006

	Pension Trust Funds
ADDITIONS	
Net investment income:	
Net increase in the fair value of investments	\$907,990
Interest income	610,410
Investment management fees	(80,697)
Contribution from the City	163,995
Contribution from Pension Reserve	2,363,834
Total Additions	3,965,532
DEDUCTIONS	
Pension benefits	5,301,452
Administrative expenses	2,014
Total Deductions	5,303,466
Net Increase (Decrease)	(1,337,934)
NET ASSETS, BEGINNING OF YEAR	22,687,423
NET ASSETS, END OF YEAR	\$21,349,489

See accompanying notes to financial statements

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 1 - ORGANIZATION AND DEFINITION OF REPORTING ENTITY

The City was incorporated in 1905 under the laws of the State of California and adopted its charter in 1909. The City operates under a Council-Manager form of government and provides the following services to its citizens as authorized by its charter: police and fire protection, planning and community development, streets and roads, parks and recreation, sewage treatment, drainage and capital projects. In addition, the City has a port, marina, municipal and storm sewer enterprises, a housing authority, a redevelopment agency, a joint powers financing authority, and a parking authority which is inactive.

The basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City.

The City's component units include the Richmond Redevelopment Agency, the Richmond Housing Authority, RHA Properties, the Richmond Joint Powers Financing Authority, the Richmond Parking Authority and the Richmond Surplus Property Authority, all described below.

Blended Component Units:

Richmond Redevelopment Agency (Redevelopment Agency) - Formed in October 1949 as a separate legal entity under the provisions of the Community Redevelopment Law, the Redevelopment Agency was established primarily to assist in the clearance and rehabilitation of areas determined to be in a blighted condition in the City. Since that time various Project Area Plans (Plans) have been developed to provide an improved physical, social, and economic environment in various Project Areas.

The Redevelopment Agency is authorized to finance redevelopment through various sources, including assistance from the City, State, Federal governments, incremental property taxes, interest income, issuance of Redevelopment Agency notes and bonds, and sale and rental of real property acquired with these funds.

Although the Redevelopment Agency is a separate legal entity, it is an integral part of the City. The City exercises significant financial and management control over the Redevelopment Agency and members of the City Council serve as the governing board of the Redevelopment Agency. The Redevelopment Agency is presented as a major fund in the City's basic financial statements. Separate financial statements for the Redevelopment Agency may be obtained by contacting the Office of Finance, City of Richmond, 1401 Marina Way South, Richmond, California 94804.

Richmond Housing Authority (Housing Authority) - Formed in 1941 as a separate legal entity under the provisions of the Housing Act of 1937, the Housing Authority was established to use funds provided by the Department of Housing and Urban Development (HUD) to rehabilitate local deteriorated housing and to subsidize low-income families in obtaining decent, safe, and sanitary housing needs.

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 1 - ORGANIZATION AND DEFINITION OF REPORTING ENTITY (Continued)

Although the Housing Authority is a separate legal entity, it is an integral part of the City. The City exercises significant financial and management control over the Housing Authority and members of City Council serve as the governing board of the Housing Authority. The financial statements of the Housing Authority are included in the City's basic financial statements as an enterprise fund. Separate financial statements for the Housing Authority may be obtained by contacting the Richmond Housing Authority, 330 24th Street, Richmond, California 94804.

RHA Properties – A joint powers agreement between the City and the Housing Authority formed in 2004 for the purpose of owning and managing the operations of an affordable housing residential complex known as The Hilltop at Westridge Apartments in the City, dedicated to the needs of elderly persons. The City and the Housing Authority funded the acquisition of this complex through the issuance of debt. The City and Housing Authority exercise significant financial and management control over RHA and appoint members of the Board of Directors. The financial statements of RHA Properties are included in the City's basic financial statements as an enterprise fund. Separate financial statements for RHA Properties may be obtained by contacting the Richmond Housing Authority, 330 24th Street, Richmond, California 94804.

Richmond Joint Powers Financing Authority (JPFA) - A joint exercise of powers authority formed on December 1, 1989, by and between the City and the Redevelopment Agency, the JPFA was created to assist the City, the Redevelopment Agency, and other local public agencies in financing and refinancing capital improvements and working capital pursuant to the Marks-Roos Local Bond Pooling Act of 1985. The JPFA is authorized to purchase obligations of the City, Redevelopment Agency, and other local public agencies.

Although the JPFA is a separate legal entity, it is an integral part of the City. The City exercises significant financial and management control over the JPFA and members of the Board of Directors are appointed by City Council. The operations of the JPFA are included in the City's basic financial statements as a debt service fund. Separate financial statements for the JPFA may be obtained by contacting the Office of Finance, City of Richmond, 1401 Marina Way South, Richmond, California 94804.

Richmond Parking Authority (Parking Authority) - Formed in 1975 pursuant to the provisions of California statutes for the purpose of financing the construction of off-street parking facilities. Although the Parking Authority is a separate legal entity, it is an integral part of the City. The City exercises significant financial and management control over the Parking Authority and members of the City Council serve as the governing board of the Parking Authority. The Parking Authority is inactive.

Richmond Surplus Property Authority – Formed to become the owner of certain property declared surplus by the U.S. Government, the Authority is a separate legal entity but it is an integral part of the City. The City exercises significant financial and management control over the Authority and members of the City Council serve as the governing board of the Authority. The Authority is inactive.

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Richmond have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described below.

Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses. City resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

City-Wide Financial Statements - The City-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Fiduciary Activities of the City are not included in these statements; they are presented separately.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The City-wide financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the Statement of Net Assets. The Statement of Activities presents all the City's revenues, expenses and other changes in Net Assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total column. In the Statement of Activities, internal service fund transactions have been eliminated. However, transactions between governmental and business-type activities have not been eliminated.

The City applies all applicable GASB pronouncements and applicable FASB pronouncements issued on or before November 30, 1989 to the business type activities, unless those pronouncements conflict with GASB pronouncements.

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Financial Statements - Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and in the aggregate for all non-major funds. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the City-Wide financial statements.

All governmental funds are accounted for on the "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally sixty days after the fiscal year-end) are recognized when due. The primary revenue sources which have been treated as susceptible to accrual by the City are property taxes, sales taxes, transient occupancy taxes, franchise taxes, certain other intergovernmental revenues, and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred also generally sixty days after the fiscal year end.

Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences between the two approaches.

Proprietary Fund Financial Statements - Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and in the aggregate for all non-major funds. A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets.

Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of when cash changes hands.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Fund Financial Statements and Statement of Changes in Net Assets - Fiduciary Fund Financial Statements include a Statement of Fiduciary Net Assets, and a Statement of Changes in Fiduciary Net Assets. The City's Fiduciary funds represent Pension Trust funds and Agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Pension trust funds are accounted for on an economic resources measurement focus under the accrual basis of accounting.

Major Funds

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

General Fund – The General Fund is used for all the general revenues of the City not specifically levied or collected for other City funds and the related expenditures. The General Fund accounts for all financial resources of a governmental unit which are not accounted for in another fund.

Redevelopment Agency Capital Projects Fund – The Redevelopment Agency Fund accounts for all activities of the Agency, including 1) tax increment allocations set aside for the purpose of increasing or improving housing for low-income residents; 2) the accumulation of property taxes for payment of interest and principal on the Agency's long-term debt; 3) capital projects connected with redevelopment funded by property tax increment revenues.

Joint Powers Financing Authority Debt Service Fund – The Joint Powers Financing Authority Fund accounts for the accumulation of resources from lease payments and the payment of long-term debt incurred by the Finance Authority.

General Capital Improvement Fund – The General Capital Improvement Fund is used to account for monies designated for capital improvement projects.

Secured Pension Override Special Revenue Fund records the receipt of Pension Tax override collected through property taxes for payment of pension contributions

The City reported the following major enterprise funds in the accompanying financial statements:

Richmond Housing Authority – This fund accounts for all funds provided by the Department of Housing and Urban Development (HUD) to assist low income families in obtaining decent, safe and sanitary housing.

RHA Properties – This fund accounts for all financial transactions relating to the acquisition, ownership and operation of rental properties in order to maintain and increase the long-term supply of affordable and/or publicly owned housing.

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Port of Richmond – This fund accounts for all financial transactions relating to the City-owned marine terminal facilities and commercial property rentals.

Municipal Sewer – This fund accounts for all financial transactions relating to the City's Wastewater Collection and Treatment. Services are on a user charge basis to residents and business owners located in Richmond.

The City also reports the following fund types:

Internal Service Funds. The funds account for worker's compensation, general liability, information technology, equipment services and replacement, and police telecommunications; all of which are provided to other departments on a cost-reimbursement basis.

Fiduciary Funds. The Pension Trust Funds and the Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the government-wide financial statement, but are presented in separate Fiduciary Fund financial statements.

Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

Cash, Cash Equivalents and Investments

For purposes of reporting cash flows, the City considers each fund's share in the cash and investments pool and restricted cash and investments to be cash and cash equivalents.

All investments are stated at fair value. Market value is used as fair value for all securities.

The City participates in the State of California's Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structured Notes and Asset-backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-backed Securities are subject to market risk as to change in interest rates.

Prepays and Supplies

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items in governmental funds are equally offset by a fund balance reserve which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Supplies are valued at cost using the weighted average method. Supplies of the governmental funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure in the funds at the time individual inventory items are consumed rather than when purchased. Reported governmental fund inventories are equally offset by a fund balance reserve which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

Capital Assets

Capital assets are valued at historical cost or at estimated fair value on the date donated. If actual historical costs are not available, assets have been valued at approximate historical cost. The City's policy is to capitalize assets with a cost exceeding \$5,000. Depreciation is recorded on a straight-line basis over the following estimated useful lives:

Improvements other than buildings	20 years
Buildings and building improvements	50 years
Vehicles	5 - 10 years
Infrastructure	25 - 50 years
Machinery and equipment	5 - 20 years

Infrastructure includes streets systems, parks and recreation lands and improvement systems, storm water collection systems, and buildings combined with site amenities such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system is divided into subsystems. For example, the street system includes pavement, curbs and gutters, sidewalks, medians, streetlights, traffic control devices such as signs, signals and pavement markings, landscaping and land.

Net interest costs incurred during the construction of capital assets for the business-type and proprietary funds are capitalized as part of the asset's cost.

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Compensated absences comprise unused vacation and certain other compensated time off, which are accrued and charged to expense as earned. Governmental funds include only amounts expected to be paid after the end of the fiscal year, while their long-term liabilities are recorded in the Statement of Net Assets.

Changes in compensated absence liabilities were as follows:

	Governmental Activities	Business Type Activities	Total
Beginning Balance	\$8,134,157	\$761,047	\$8,895,204
Additions	17,792,731	674,740	18,467,471
Payments	(17,459,422)	(653,244)	(18,112,666)
Ending Balance	\$8,467,466	\$782,543	\$9,250,009
Current Portion	\$1,038,179	\$193,572	\$1,231,751

The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund. Compensated absences for business-type activities are liquidated by the fund that has recorded the liability.

Property Tax Levy, Collection and Maximum Rates

The State of California's Constitution limits the combined maximum property tax rate on any given property to one percent of its assessed value except for voter approved incremental property taxes. Assessed value equals purchase price and may be adjusted by no more than two percent per year unless the property is modified, sold, or transferred. The State Legislature distributes property tax receipts from among the counties, cities, school districts, and other districts.

Contra Costa County assesses properties and bills for and collects property taxes as follows:

	Secured	Unsecured
Valuation/lien dates	January 1	March 1
Levied dates	July 1	July 1
Due dates	50% on November 1 50% on February 1	July 1
Delinquent as of	December 10 (for November) April 10 (for February)	August 31

The term "unsecured" refers to taxes on personal property other than land and buildings. These taxes are secured by liens on the property being taxed. Property taxes levied are recorded as revenue in the fiscal year of levy.

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

City-Wide Financial Statements - Long-term debt is reported as liabilities of the appropriate governmental or business-type activity.

Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges.

Fund Financial Statements - Proprietary fund financial statements report long-term debt under the same principles as the City-wide financial statements. Governmental fund financial statements do not present long-term debt.

Governmental funds report bond premiums, discounts and issuance costs in the year the debt is issued. Bond proceeds are reported as other financing sources net of premium or discount. Issuance costs are reported as debt service expenditures.

Claims Liabilities

The City records a liability to reflect an actuarial estimate of ultimate uninsured losses for both general liability claims (including property damage claims) and workers' compensation claims. The estimated liability for workers' compensation claims and general liability claims includes "incurred but not reported" (IBNR) claims, and is recorded in the internal service funds.

Net Assets

In the City-wide financial statements, Net Assets are classified as follows:

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation, reduced by outstanding debt that was used for the acquisition, construction, or improvement of these capital assets.

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments. In addition net assets restricted for pension benefits are restricted as a result of enabling legislation.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

Fund Reservations and Designations

Reservations and designations of fund balances of governmental funds and restrictions of net assets of proprietary funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund equity be to segregated or identify the portion of the fund equity not available for future expenditures.

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Portions of the City's fund balances have been reserved for the following purposes:

Reserved for Encumbrances - represents commitments of funds to pay for future delivery of materials and services on firm purchase orders and contracts.

Reserved for Prepaids, Supplies and Other Assets - represents the portion of fund balance already expended for these assets and not available to be used to meet expenditures in the current period.

Reserved for Debt Service - represents amounts set aside in accordance with a bond indenture or similar covenant.

Reserved for Advances to Other Funds - represents receivables from other City Funds that are not expected to be received in the next fiscal year.

Reserved for Loans Receivable - represents the portion of fund balance already expended for these assets and not available to be used to meet expenditures in the current period.

Reserved for Low and Moderate Income Housing is the portion of redevelopment fund balance legally required to be set-aside for low and moderate income housing expenditures under the California Health and Safety Code.

Portions of the City's fund balances have been designated for the following purposes:

Designated for Contingencies is the portion of fund balance set-aside to be used in the event of fiscal need.

New Funds, Closed Funds and Other Revisions

The Pension Reserve Trust Fund was closed as of July 1, 2005 and the activity is now reported in the new Secured Pension Override Special Revenue Fund.

The Hilltop LMD Special Revenue Fund was established to account for the activities of the landscape maintenance district.

The 2005 Pension Obligation Bonds Debt Service Fund was established to account for the activities of the debt issue.

The Atlas Road Improvements and Marina Westshore Capital Projects Funds were closed as of June 30, 2006.

The Worker's Compensation and General Liability Internal Service Funds have been combined and are now reported as the Insurance Reserves Internal Service Fund.

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 3 - CASH AND INVESTMENTS

Investments and Cash Deposits

The City maintains a cash and investment pool of cash balances and authorized investments of all funds except for funds required to be held by fiscal agents under the provisions of bond indentures, which the City Treasurer invests to enhance interest earnings. The pooled interest earned is allocated to the funds based on average month-end cash and investment balances in these funds.

The City and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. Individual investments are generally made by the City's fiscal agents as required under its debt issues. In order to maximize security, the City employs the Trust Department of a bank as the custodian of all City managed investments, regardless of their form.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name. The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

Classification

Cash and investments are classified in the financial statements as shown below at June 30, 2006:

Cash and investments	\$124,631,053
Restricted cash and investments	<u>78,071,777</u>
Total City cash and investments	202,702,830
Cash and investments in Fiduciary Funds (Separate Statement)	
Cash and investments	10,105,525
Restricted cash and investments	4,563,021
Investments in reassessment bonds	<u>8,667,500</u>
Total cash and investments	<u><u>\$226,038,876</u></u>

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments Authorized by the California Government Code and the City's Investment Policy

Under the provisions of the City's Investment Policy, and in accordance with California Government Code, the following investments are authorized:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Bills, Bonds and Notes	5 years		None	None
Obligations issued by United States Government or its Agencies	5 years		None	None
Treasury bonds and notes issued by the State of California or any local agency with California	5 years	A	None	
Bankers Acceptances	180 days		40%	30%
Commercial Paper	270 days	A1/P1/F1	15% (A)	10%
Negotiable Certificates of Deposit	5 years	A	30%	None
Medium Term Corporate Notes	5 years	A	30%	None
Money Market Mutual Funds	N/A	Top rating category	15%	None
California Local Agency Investment Fund	N/A		None	\$40 Mil
Collateralized Time Deposits	5 years		30%	10%
Repurchase Agreements	5 years		None (B)	None

(A): City may invest an additional 15% or a total of 30% of City surplus money, only if dollar-weighted average maturity of the entire amount does not exceed 31 days.

(B): City may not utilize Reverse Repurchase Agreement without the prior approval of the Council.

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Issues and Lease Agreements:

Under the terms of the City's debt issues and lease agreements, it is subject to various restrictions in the type, maturity and credit ratings of investments of the unspent proceeds of these issues. These restrictions are generally no more restrictive than those listed above regarding investment of the City's funds. At June 30, 2006, the City was in compliance with the terms of all these restrictions.

Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity or earliest call date:

	Remaining Maturity (in Months)				Total
	12 months or Less	13 to 24 Months	25 to 60 Months	More than 60 months	
Federal agency securities	\$56,101,769	\$9,868,470	\$4,970,625		\$70,940,864
Money market mutual funds (U.S. Securities)	3,901,087				3,901,087
U.S. Treasury Notes	9,861,444				9,861,444
California Local Agency Investment Fund	29,536,066				29,536,066
Held by bond trustee:					
Federal agency securities	7,789,602				7,789,602
Commercial paper	2,998,584				2,998,584
Money market mutual funds (U.S. Securities)	39,046,654				39,046,654
California Local Agency Investment Fund	79,805				79,805
Guaranteed investment contracts		70,000		\$8,189,097	8,259,097
Investment agreements	13,113,530		1,095,500	1,039,778	15,248,808
Repurchase agreement			1,146,500		1,146,500
2003-01 Reassessment Bonds	502,500	532,500	1,737,500	5,895,000	8,667,500
Total Investments	<u>\$162,931,041</u>	<u>\$10,470,970</u>	<u>\$8,950,125</u>	<u>\$15,123,875</u>	197,476,011
Cash in Banks and on hand					<u>28,562,865</u>
Total Cash and Investments					<u>\$226,038,876</u>

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 3 - CASH AND INVESTMENTS (Continued)

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2006, these investments matured in an average of 152 days.

Money market funds and mutual funds are available for withdrawal on demand and at June 30, 2006, matured in an average of 29 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2006 for each investment type:

Investment Type	AAA	A-1	Total
Federal agency securities	\$78,730,466		\$78,730,466
Money market mutual funds (U.S. Securities)	42,947,741		42,947,741
Commercial paper		\$2,998,584	2,998,584
Totals	\$121,678,207	\$2,998,584	124,676,791
<i>Not rated:</i>			
California Local Agency Investment Fund			29,615,871
Guaranteed investment contracts			8,259,097
Investment agreements			15,248,808
Repurchase agreement			1,146,500
2003-01 Reassessment Bonds			8,667,500
<i>Exempt from credit rating disclosure:</i>			
U.S. Treasury Notes			9,861,444
Total Investments			197,476,011
Cash in Banks and on hand			28,562,865
Total cash and Investments			\$226,038,876

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 3 - CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk

Investments in the securities of any individual issuer, other than U. S. Treasury securities, mutual funds, and external investment fund that represent 5% or more of total Entity-wide investments are as follows at June 30, 2006:

Issuer	Type of Investments	Amount
Federal Home Loan Bank	Federal Agency Securities	\$41,078,941
Federal Home Loan Mortgage Corporation	Federal Agency Securities	21,254,295
FSA Capital Management Services	Investment Agreements	13,113,530

Significant investments in the securities of any individual issuers, other than U. S. Treasury securities, in individual major funds and in non-major funds at June 30, 2006 were as follows:

Fund	Issuer	Type of Investments	Amount
JPFA Debt Service Fund	MBIA Inc	Guaranteed Investment Contract	\$1,429,000
JPFA Debt Service Fund	Federal Home Loan Mortgage Association	Federal Agency Securities	1,525,245
JPFA Debt Service Fund	FGIC	Guaranteed Investment Contract	2,226,948
JPFA Debt Service Fund	AIG	Investment Agreement	1,095,500
General Capital Improvement Fund	AIG	Investment Agreement	2,406,414
Municipal Sewer Enterprise Fund	FSA Capital Management Services	Investment Agreement	13,113,530
Municipal Sewer Enterprise Fund	General Electric	Commercial Paper	2,998,584
Non Major Funds	Federal Home Loan Mortgage Corporation	Federal Agency Securities	4,464,357

Significant investments in the securities of any individual issuers, other than U. S. Treasury securities, in Agency Funds at June 30, 2006 were as follows:

Agency Fund	Issuer	Type of Investment	Amount
JPFA Reassessment District	City of Richmond	Municipal Bonds	\$8,667,500

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 4 - INTERFUND TRANSACTIONS

A. Current Interfund Balances

Current interfund balances arise in the normal course of business and represent short-term borrowings occurring as a result of expenditures which are paid prior to the receipt of revenues. These balances are expected to be repaid shortly after the end of the fiscal year when revenues are received. Current amounts due from one fund to another at June 30, 2006 were as follows:

<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Amount</u>
General Fund	JPFA Debt Service Fund	\$68,864
	Port of Richmond Enterprise Fund	401,711
	Housing Authority Enterprise Fund	3,592,963
	Non Major Governmental Funds	900,867
	Internal Service Funds	298,626
Redevelopment Agency Fund	Non Major Governmental Funds	<u>26,661</u>
		<u><u>\$5,289,692</u></u>

B. Long-Term Interfund Advances

At June 30, 2006 the funds below had made advances which were not expected to be repaid within the next year.

<u>Fund Receiving Advance</u>	<u>Fund Making Advance</u>	<u>Amount of Advance</u>
General Fund	Redevelopment Agency Fund	\$103,685
JPFA Fund	Redevelopment Agency Fund	34,358
Richmond Housing Authority	Redevelopment Agency Fund	174,067
Port of Richmond Enterprise Fund	General Fund	17,139,855
Storm Sewer Enterprise Fund	Municipal Sewer Enterprise Fund	<u>481,220</u>
Total		<u><u>\$17,933,185</u></u>

In fiscal 2006, the Redevelopment Agency advanced \$174,067 to the Richmond Housing Authority, collateralized by a deed of trust on the Westridge at Hilltop Apartments, to assist the Authority with its lease payments for the 2003 A-S Multifamily Housing Revenue Bonds. The term of the advance is one year and the loan bears interest of 3%.

The General Fund advanced \$17,139,855 to the Port of Richmond Enterprise Fund to assist the Port with various lease transactions and other projects. The advance does not bear interest and is payable as follows: \$6.3 million in fiscal year 2007, \$700 thousand in fiscal year 2009, and five annual installments of \$2,027,971 for fiscal years 2010 to 2014.

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

C. Transfers between funds

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund which has made an expenditure on behalf of another fund. Less often, a transfer may be made to open or close a fund.

Transfers between funds during the fiscal year ended June 30, 2006 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
General Fund	General Capital Improvement Fund	\$35,761
	Secured Pension Override Fund	10,970,609
	Non-Major Governmental Funds	884,448
	Internal Service Funds	210,241
Redevelopment Agency Fund	General Fund	6,672,700
	JPFA	1,000,268
JPFA Fund	General Capital Improvement Fund	145,612
General Capital Improvement Fund	General Fund	1,557,782
	Secured Pension Override Fund	11,000,000 (A)
	Municipal Sewer Enterprise Fund	586,450
	Internal Service Funds	310,180
Non-Major Governmental Funds	General Fund	12,792,263
	JPFA	1,101
	General Capital Improvement Fund	1,500
	Secured Pension Override Fund	6,038,836
	Non-Major Governmental Funds	763,512
	Non-Major Enterprise Funds	30,704
	Internal Service Funds	90,980
Municipal Sewer Enterprise Fund	Non-Major Enterprise Funds	546,561
Non-Major Enterprise Funds	General Fund	160,721
	General Capital Improvement Fund	176
	Non-Major Governmental Funds	80,517
Internal Service Funds	General Fund	30,534
	General Capital Improvement Fund	1,471,560
	Non-Major Governmental Funds	524,070
Total Interfund Transfers		\$55,907,086

With the exception of the items below none of these transfers were unusual or non-recurring in nature.

(A) Pension tax override funds set aside for the new City Hall project.

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

D. Internal Balances

Internal balances are presented in the City-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

NOTE 5 - NOTES AND LOANS RECEIVABLE

At June 30, 2006, notes and loans receivable consisted of the following:

	Amount
City's Loans:	
CalTrans Loan	\$905,124
Police Chief Loan	150,000
Community Development Block Grant Loans	
Mechanics Bank Loans	42,191
Deferred Loans	3,364,974
Home Improvement Program Loans	848,402
Rental Rehab Loans	280,419
Subtotal - CDBG Loans	4,535,986
Redevelopment Agency Loans:	
EDA Loans	473,648
Olson Urban Housing, LLC.	4,951,143
Harbour Capital Projects Loan	5,440,359
Atchison Village Annex Apartments	487,501
Heritage Park Development	444,565
Silent Second Mortgage Loans	2,267,161
Chesley Avenue Development	4,741,492
Ford Point Building Loan	2,687,321
CALHome Program	113,775
Subtotal- Redevelopment Agency Loans	21,606,965
Total Notes and Loans Receivable	27,198,075
Less Reserve For Conditional Grant	(3,110,033)
Net Notes and Loans Receivable	\$24,088,042

CalTrans Loan

The total of \$905,124 consists of two loans from the City of Richmond to Richmond Neighborhood Housing Services. These are pass-through loans from CalTrans for the construction of 27 new homes located in North Richmond.

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)

Police Chief Loan

Under the Resolution Number 169-05, the City made a long-term loan of \$150,000, and a short-term loan of \$50,000, for a total loan amount of \$200,000, to finance the acquisition of the new Police Chief's personal residence located within the City of Richmond. The loan is secured by a deed of trust on the property. The loan is due upon sale of the property, within eighteen months after the Police Chief's employment with the City terminates, or fifteen years from the date of the loan, whichever occurs first. The loan bears a variable interest rate from the date of disbursement until repaid in full at an amount equal to the average annual interest rate of the California State Treasurer's Office Local Agency Investment Fund, adjusted effective as of each annual anniversary date of the close of escrow of the Property purchased by the Police Chief. The short-term loan of \$50,000 was repaid during fiscal year 2006.

Mechanics Bank Loans

Loans are amortized home improvement loans to low and moderate income borrowers and are repaid at 3% per annum. CDBG loan contracts are forwarded to Mechanics Bank for servicing.

Deferred Loans

Deferred loans are granted to low and moderate income families to assist them in purchasing their homes. Emergency repair loans not exceeding \$10,000 funded by the HOME Investment Partnership Program (HIPP) are provided to low income families in Richmond to assist them in rehabilitating their existing housing units. These loans are required to be repaid over a period of 15 years to 30 years.

Home Improvement Program Loans

"Silent second" mortgage loans are provided to low and moderate income first time homebuyers as gap financing to provide the minimum amount needed to close the gap between the primary lender's requirements and the borrower's ability to pay down payments or closing costs.

Home improvement program loans include amortized loans to assist low income families in Richmond in the improvement of their homes. The interest rates for these loans range from 0% to 3% and are payable over a period of 15 to 30 years.

Rental Rehabilitation Loans

Rental Rehabilitation Loans help make rental units affordable to low and very low income housing families. Loans assist private and non-profit owners in purchasing and rehabilitating existing multifamily housing units.

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)

EDA loans

The City's Revolving Loan Fund (RLF) is a community based program with the goal of fostering local economic growth through the creation and retention of employment opportunities for Richmond residents and complementing community and individual development initiatives.

Olson Urban Housing, LLC.

This loan was made to provide assistance in the construction of low and moderate income housing. It provides for the eventual forgiveness of the balance upon the issuance of the Certificate of Completion for the Phase One Residential/ Retail Improvements.

Harbor Capital Projects Loan

The \$5,440,359 was based on two promissory notes resulting from the sale of the Ford building of \$3,400,000 and the sale of the North Shore properties of \$2,040,359.

Atchison Village Annex Apartments

In 1998, the Redevelopment Agency loaned Atchison Village Associates, LP \$464,000 collateralized by a deed of trust to finance the acquisition and rehabilitation of 100 units of family housing. Interest on the unpaid principal balance is 3% per annum. Loan payments are principal and interest payable in equal monthly payments of \$2,651.

In 2006, the Redevelopment Agency loaned Atchison Village Associates, LP \$44,000 collateralized by a deed of trust to finance the rehabilitation of low- and moderate-income housing. The loan bears no interest and the entire principal interest is due in 25 years.

Heritage Park Development

In 1999, the Redevelopment Agency loaned Hilltop Group, LP a total of \$500,000, collateralized by deeds of trust and bearing interest at an effective rate of 1½% starting September 2004. The loans were used to finance the development of the Heritage Park Development in the City. Monthly installments of interest and principal in the total amount of \$3,115 are payable through September 1, 2019.

Silent Second Mortgage Loans

Loans were provided to qualifying individuals for the difference between the amount received by the individuals who qualified for low and moderate income housing loans and the amount needed to purchase the homes. The loans are to be forgiven in the future if the property owners do not sell or refinance the property.

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)

Chesley Avenue Mutual Housing Development

On December 1, 2003, the Redevelopment Agency loaned Chesley Avenue Limited Partnership the amount of \$4,741,492, to construct very low and low income housing units. The loan's principal is due in 2058; interest is payable starting May 1, 2006, at the rate of 2% per annum or in the amount of 95% of any residual receipts remaining from the prior year, whichever is less.

Ford Assembly Building Loan

Under a loan agreement dated November 22, 2004 between the Redevelopment Agency and Ford Point LLC, the Redevelopment Agency agreed to loan \$3,000,000 to fund improvements to the Ford Assembly Building, collateralized by a Deed of Trust. The Redevelopment Agency funded the loan in fiscal 2006 with proceeds from the Section 108 HUD loan discussed in Note 8. The loan's principal is due in August 2025. Interest is payable starting August 2006 at a variable rate based on the 90-day LIBOR rate plus 70 basis points; adjusted quarterly. The interest rate converts to a fixed rate in accordance with the terms of the agreement after the Section 108 loan is sold by HUD. At June 30, 2006, the developer had drawn down a total of \$2,687,321 of the loan.

CALHome Program

The CalHome loan program provides housing assistance to Richmond residents to assist with first-time homeowner down payments or rehabilitation projects for owner-occupied homes. The loans are secured by deeds of trust on the properties. Principal and interest on the loans are deferred for 30 years, unless otherwise specified in the promissory note. At June 30, 2006, the Agency had issued loans of \$113,775.

Conditional Grant

The loan to Olson Urban Housing, LLC, provides for the eventual forgiveness of the loan balance if the borrower complies with all the terms of the loan over its full term. The City accounts for this loan as a conditional grant in the Government-wide financial statements, and provides a reserve against the eventual forgiveness.

NOTE 6 – CONDEMNATION DEPOSITS

The City had \$1,200,000 on deposit with the State of California as of June 30, 2006 to provide for the purchase of property located within the City of Richmond which the Agency is attempting to acquire. The funds will be released to the property owner upon completion of the condemnation process.

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 7 - CAPITAL ASSETS

The following is a summary of capital assets for governmental activities:

	Balance at June 30, 2005	Additions	Retirements	Transfers	Balance at June 30, 2006
<i>Governmental activities</i>					
Capital assets not being depreciated:					
Land	\$18,123,306	\$8,781,552	(\$797,369)		\$26,107,489
Construction in progress	15,189,416	11,381,748		(\$375,294)	26,195,870
Total capital assets not being depreciated	<u>33,312,722</u>	<u>20,163,300</u>	<u>(797,369)</u>	<u>(375,294)</u>	<u>52,303,359</u>
Capital assets being depreciated:					
Buildings and improvements	30,675,549				30,675,549
Machinery and equipment	31,372,132	374,792	(102,536)		31,644,388
Infrastructure	398,503,784			375,294	398,879,078
Total capital assets being depreciated	<u>460,551,465</u>	<u>374,792</u>	<u>(102,536)</u>	<u>375,294</u>	<u>461,199,015</u>
Less accumulated depreciation for:					
Buildings and improvements	(12,622,402)	(603,474)		788,462	(12,437,414)
Machinery and equipment	(20,681,794)	(2,879,259)	22,146	(788,462)	(24,327,369)
Infrastructure	(217,668,176)	(19,037,922)			(236,706,098)
Total accumulated depreciation	<u>(250,972,372)</u>	<u>(22,520,655)</u>	<u>22,146</u>		<u>(273,470,881)</u>
Capital asset being depreciated, net	<u>209,579,093</u>	<u>(22,145,863)</u>	<u>(80,390)</u>	<u>375,294</u>	<u>187,728,134</u>
Governmental activity capital assets, net	<u>\$242,891,815</u>	<u>(\$1,982,563)</u>	<u>(\$877,759)</u>		<u>\$240,031,493</u>

Governmental activities depreciation expenses for capital assets is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program for the year ended June 30, 2006 were as follows:

Governmental Activities	
General Government	\$110,315
Public Safety	286,238
Public Works	19,626,149
Community Development	5,414
Cultural and Recreational	208,488
Housing and Redevelopment	186,656
Internal Service Funds	2,097,395
Total Governmental Activities	<u>\$22,520,655</u>

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 7 - CAPITAL ASSETS (Continued)

The following is a summary of capital assets for business activities:

	Balance at June 30, 2005	Additions	Retirements	Transfers	Balance at June 30, 2006
<i>Business-type activities</i>					
Capital assets not being depreciated:					
Land	\$21,646,368				\$21,646,368
Construction in progress	28,632,497	\$17,004,614		(\$9,244,853)	36,392,258
Total capital assets not being depreciated	50,278,865	17,004,614		(9,244,853)	58,038,626
Capital assets being depreciated:					
Buildings and improvements	113,494,260	298,864	(\$15,970)	1,779,845	115,556,999
Machinery and equipment	15,034,910	71,666	(60,752)		15,045,824
Infrastructure	86,695,343			7,465,008	94,160,351
Total capital assets being depreciated	215,224,513	370,530	(76,722)	9,244,853	224,763,174
Less accumulated depreciation for:					
Buildings and improvements	(43,666,913)	(1,701,996)			(45,368,909)
Machinery and equipment	(10,202,486)	(370,897)	56,422		(10,516,961)
Infrastructure	(59,446,929)	(2,327,250)			(61,774,179)
Total accumulated depreciation	(113,316,328)	(4,400,143)	56,422		(117,660,049)
Capital asset being depreciated, net	101,908,185	(4,029,613)	(20,300)	9,244,853	107,103,125
Business-type activity capital assets, net	\$152,187,050	\$12,975,001	(\$20,300)		\$165,141,751

Business activities depreciation expenses for capital assets allocated to each program for the year ended June 30, 2006 were as follows:

Business-Type Activities	
Richmond Housing Authority	\$334,810
RHA Properties	881,804
Port of Richmond	686,352
Municipal Sewer	1,404,103
Richmond Marina	91,255
Storm Sewer	968,572
Cable TV	33,247
Total Business-Type Activities	\$4,400,143

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 8 - LONG-TERM DEBT OBLIGATIONS

Governmental Activities:

Following is a summary of governmental activities long-term debt transactions during the fiscal year ended June 30, 2006:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Due Within One Year	Due in More than One Year
Bonds payable	\$161,518,513	\$116,787,352	(\$5,500,000)	\$272,805,865	\$6,820,000	\$265,985,865
Loans payable	3,204,394	9,161,676	(165,227)	12,200,843	1,757,024	10,443,819
Capital leases	4,045,158		(849,818)	3,195,340	502,579	2,692,761
Total	<u>\$168,768,065</u>	<u>\$125,949,028</u>	<u>(\$6,515,045)</u>	<u>\$288,202,048</u>	<u>\$9,079,603</u>	<u>\$279,122,445</u>

Bonds Payable

Bonds payable at June 30, 2006 consisted of the following:

	Net
JPFA Revenue Refunding Bonds - 1995 Series A	\$8,695,000
Harbor Tax Allocation Refunding Bonds - 1991	210,000
Harbor Tax Allocation Refunding Bonds - 1998 Series A	24,316,090
Pension Obligation Bonds - 1999 Series A	24,515,000
JPFA Tax Allocation Revenue Bonds - 2000 Series A	22,255,000
JPFA Tax Allocation Revenue Bonds - 2000 Series B	4,775,000
JPFA Lease Revenue Bonds - 2001 Series A	26,510,000
JPFA Tax Allocation Revenue Bonds - 2003 Series A	16,080,000
JPFA Tax Allocation Revenue Bonds - 2003 Series B	12,500,000
JPFA Tax Allocation Revenue Bonds - 2004 Series A	14,740,000
JPFA Tax Allocation Revenue Bonds - 2004 Series B	1,925,000
Pension Funding Bond Series 2005	116,284,775
Total	<u>\$272,805,865</u>

1995 Richmond Joint Powers Financing Authority Refunding Revenue Bonds Series A - Original Issue Series A \$17,320,000

The Bonds were issued by the Richmond JPFA for the purpose of refinancing the cost of certain public capital improvements financed by 1990 Series A Revenue Bonds. The Series A Bonds consist of serial bonds that mature annually through 2013, in amounts ranging from \$525,000 to \$1,450,000. Interest rates vary from 4.0% to a maximum of 5.25% and payments are due semiannually on May 15 and November 15. The Series 1995A Local Obligations consist of a Master Lease with the City and an installment Purchase Agreement with the City payable solely from gas tax revenues.

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

The annual debt service requirements on the Series A Bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2007	\$1,055,000	\$453,323	\$1,508,323
2008	1,115,000	396,222	1,511,222
2009	1,175,000	337,422	1,512,422
2010	1,230,000	275,494	1,505,494
2011	1,305,000	210,590	1,515,590
2012-2013	2,815,000	211,597	3,026,597
Total	\$8,695,000	\$1,884,648	\$10,579,648

1991 Harbour Redevelopment Project Tax Allocation Refunding Bonds – Original Issue \$11,465,000

The Bonds were issued by the Redevelopment Agency to refund 1985 Tax Allocation and Refunding Bonds used for the Urban Renewal Plan for Project 11-A, the Harbour Redevelopment Plan. The Bonds consist of serial bonds in the amount of \$6,365,000 that mature annually through 2004, in amounts ranging from \$50,000 to \$740,000. Interest rates vary from 3.75% to a maximum of 6% and payments are due semiannually on January 1 and July 1. The Term Bonds bear interest at 7% and mature on July 1, 2009 with sinking fund payment requirements starting in 2004 and are secured by a pledge of incremental tax revenues.

The annual debt service requirements on the Bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2007	\$55,000	\$12,775	\$67,775
2008	60,000	8,750	68,750
2009	60,000	4,550	64,550
2010	35,000	1,225	36,225
Total	\$210,000	\$27,300	\$237,300

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

1998 Harbour Redevelopment Project Tax Allocation Refunding Bonds Series A – Original Issue
\$21,862,779

The bonds were issued by the Agency to refinance a portion of the 1991 Harbour Redevelopment Project Tax Allocation Refunding Bonds, refinance certain loans from the City to the Agency, which amount will be used by the City to finance certain publicly owned capital projects, finance certain redevelopment activities within the Harbour Redevelopment Project Area, fund a reserve account and pay certain costs of issuance of the 1998 bonds. The bonds mature annually through 2023, in amounts ranging from \$50,000 to \$1,130,000. Interest rates vary from 3.5% to a maximum of 5.2% and are payable semiannually on January 1 and July 1. The bonds are secured by a pledge of tax revenues. At June 30, 2006, the Bonds consisted of the following:

	<u>Maturity Value</u>	<u>Accretion/ Amortization</u>	<u>Unamortized Premium (Discount)</u>	<u>Net</u>
Current interest bonds	\$13,880,000			\$13,880,000
Capital appreciation bonds	16,935,000	\$502,577	(\$7,001,487)	10,436,090
Total	<u>\$30,815,000</u>	<u>\$502,577</u>	<u>(\$7,001,487)</u>	<u>\$24,316,090</u>

The annual debt service requirements on the bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2007	\$500,000	\$669,153	\$1,169,153
2008	525,000	647,753	1,172,753
2009	550,000	624,903	1,174,903
2010	1,575,000	600,571	2,175,571
2011	1,595,000	574,826	2,169,826
2012-2016	9,170,000	2,402,925	11,572,925
2017-2021	10,210,000	1,350,406	11,560,406
2022-2024	6,690,000	235,601	6,925,601
Total	<u>\$30,815,000</u>	<u>\$7,106,138</u>	<u>\$37,921,138</u>

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

1999 City of Richmond Taxable Limited Obligation Pension Bonds – Original Issue \$36,280,000

The bonds were issued to fund a portion of the unfunded accrued actuarial liability in the Pension Fund together with the prepayment of certain pension benefit costs of the Beneficiaries and to pay the costs of issuance associated with the issuance of the bonds. The bonds consist of serial bonds in the amount of \$23,885,000 that mature annually on through 2013, in amounts ranging from \$1,280,000 to \$3,240,000. Interest rates vary from 6.37% to a maximum of 7.39% and are payable semiannually on February 1, and August 1. The term bonds consist of \$8,960,000 due August 1, 2020 with an interest rate of 7.57% and \$3,435,000 due August 1, 2029 with an interest rate of 7.62%. The bonds are payable from certain pension tax override revenues received by the City from a special tax pursuant to City Council Ordinance 9-99 adopted by the City Council on March 30, 1999. The annual debt service requirements on the bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2007	\$1,690,000	\$1,753,742	\$3,443,742
2008	1,660,000	1,635,407	3,295,407
2009	1,620,000	1,518,726	3,138,726
2010	1,570,000	1,404,450	2,974,450
2011	1,505,000	1,293,528	2,798,528
2012-2016	6,890,000	4,941,987	11,831,987
2017-2021	6,145,000	2,306,273	8,451,273
2022-2026	2,700,000	730,759	3,430,759
2027-2030	735,000	84,013	819,013
Total	\$24,515,000	\$15,668,885	\$40,183,885

2000 Richmond Joint Powers Financing Authority Housing Set-Aside Tax Allocation Bonds Series A and Series B – Original Issue Series A \$25,720,000, Series B \$5,795,000

The Bonds consist of Series A Bonds issued to fund certain capital improvements of the Redevelopment Agency. The Series B Bonds were issued for use in certain low and moderate income housing activities.

The Series A Bonds consist of Serial Bonds in the amount of \$25,210,000 and Term Bonds in the amount of \$510,000. The Serial Bonds mature annually through 2018 in amounts ranging from \$1,110,000 to \$2,205,000. Interest rates range from 4.0% to 5.5% and payments are due semiannually on March 1 and September 1. The Term Bonds mature in 2029 and bear interest at 5.25%.

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

The Series B Bonds consist of Serial Bonds in the amount of \$1,245,000 and term bonds in the amount of \$4,550,000. The Serial Bonds mature annually through 2006 in amounts ranging from \$170,000 to \$260,000. Interest rate is 7% and payments are due semiannually on March 1 and September 1. The Term Bonds mature as follows: \$1,075,000 in 2010 at an interest rate of 7.35%, \$3,365,000 in 2018 at an interest rate of 7.7% and \$110,000 in 2029 at an interest rate of 8.0%. The Bonds are secured by a pledge of certain tax increment revenues derived from taxable property within certain Redevelopment Agency project areas.

The annual debt service requirements on the Series A Bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2007	\$1,255,000	\$1,073,353	\$2,328,353
2008	1,305,000	1,017,635	2,322,635
2009	1,365,000	952,441	2,317,441
2010	1,435,000	885,040	2,320,040
2011	1,500,000	819,720	2,319,720
2012-2016	8,610,000	2,949,855	11,559,855
2017-2021	6,445,000	655,275	7,100,275
2022-2026	205,000	55,781	260,781
2027-2030	135,000	14,570	149,570
Total	\$22,255,000	\$8,423,670	\$30,678,670

The annual debt service requirements on the Series B Bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2007	\$225,000	\$354,793	\$579,793
2008	240,000	338,098	578,098
2009	260,000	319,723	579,723
2010	275,000	300,061	575,061
2011	300,000	278,930	578,930
2012-2016	1,865,000	1,001,688	2,866,688
2017-2021	1,540,000	219,440	1,759,440
2022-2026	40,000	17,600	57,600
2027-2030	30,000	5,600	35,600
Total	\$4,775,000	\$2,835,933	\$7,610,933

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

2001 Richmond Joint Powers Financing Authority Lease Revenue Bonds – Original Issue \$29,205,000

The Bonds were issued to finance various street and stormwater improvements within the City and improvements to City facilities. The Bonds consist of serial bonds in the amount of \$11,665,000 and term bonds in the amount of \$17,540,000. The serial Bonds mature annually in amounts ranging from \$450,000 to \$905,000. Interest rates range from 3.2% to 5.125% and are payable on each February 1 and August 1. The term bonds mature as follows: \$7,745,000 due in 2026 bearing an interest rate of 5% and \$9,795,000 due in 2031 bearing an interest rate of 5%. The Bonds are secured by revenues of a lease agreement between the City and the Financing Authority. The Bonds are subject to redemption prior to maturity, starting in 2020.

The annual debt service requirements on the Bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2007	\$520,000	\$1,304,875	\$1,824,875
2008	545,000	1,284,075	1,829,075
2009	565,000	1,260,913	1,825,913
2010	590,000	1,236,194	1,826,194
2011	620,000	1,209,644	1,829,644
2012-2016	3,545,000	5,587,469	9,132,469
2017-2021	4,535,000	4,606,819	9,141,819
2022-2026	5,795,000	3,346,250	9,141,250
2027-2031	9,795,000	1,745,999	11,540,999
Total	\$26,510,000	\$21,582,238	\$48,092,238

2003 Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds Series A and Series B – Original Issue Series A \$16,080,000, Series B \$12,500,000

The Bonds were issued on August 27, 2003 by the Richmond JPFA. The proceeds of the Series A Bonds were used to finance certain capital improvements for the Richmond Redevelopment Agency and pay \$13,000,000 to the City in partial payment of the Prior Obligations. The proceeds of the Series B Bonds were used to finance certain capital improvements for the Agency and pay \$5,000,000 to the City in partial payment of the Prior Obligations. Interest rates range from 3.00% to 6.30% and are payable semiannually on March 1 and September 1. The bonds are secured by a pledge of certain tax increment revenues derived from taxable property within certain Redevelopment Agency project areas.

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

The annual debt service requirements on the bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2007		\$1,515,771	\$1,515,771
2008		1,515,771	1,515,771
2009	\$780,000	1,502,012	2,282,012
2010	810,000	1,472,834	2,282,834
2011	840,000	1,440,250	2,280,250
2012-2016	4,790,000	6,576,651	11,366,651
2017-2021	7,050,000	5,137,873	12,187,873
2022-2026	14,310,000	2,378,591	16,688,591
Total	<u>\$28,580,000</u>	<u>\$21,539,753</u>	<u>\$50,119,753</u>

2004 Richmond Joint Powers Financing Authority Tax Allocation Revenue Bonds Series A and Series B – Original Issue Series A \$15,000,000, Series B \$2,000,000

The Bonds were issued on October 28, 2004 by the Richmond JPFA. The proceeds from the Series A Bonds were used to repay advances from the City and finance certain working capital requirements and low and moderate income housing activities of the Redevelopment Agency. The proceeds of the Series B Bonds were used to finance certain low and moderate income housing activities of the Redevelopment Agency. Interest rates range from 2.00% to 5.44% and payments are due semiannually on March 1 and September 1. The Bonds are secured by certain amounts payable by the Redevelopment Agency to the Authority and certain tax increment revenues derived from the taxable property within the Merged Project Area.

The annual debt service requirements on the Bonds are as follows:

For the Year Ending June 30,	Principal	Interest	Total
2007	\$215,000	\$837,261	\$1,052,261
2008	215,000	831,229	1,046,229
2009	225,000	824,434	1,049,434
2010	230,000	816,766	1,046,766
2011	235,000	808,290	1,043,290
2012-2016	1,355,000	3,880,153	5,235,153
2017-2021	4,745,000	3,313,002	8,058,002
2022-2026	4,090,000	2,011,442	6,101,442
2027	5,355,000	145,105	5,500,105
Total	<u>\$16,665,000</u>	<u>\$13,467,682</u>	<u>\$30,132,682</u>

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

2005 Taxable Pension Funding Bonds – Original Issue \$114,995,133

These Bonds were issued to prepay the unfunded liability of the Miscellaneous and Safety pension plans provided through the California Public Employees' Retirement System (See Note 11). As of June 30, 2006, the City's prepaid pension obligation amounted to \$111,531,446. The Bonds consist of three series as shown below:

Bond Type & Series	Initial Interest Rate	Less: Credit Adjustment	Adjusted Interest Rate	Maturity Date	Principal Amount	Index Rate Conversion Data		
						Full Accretion Date	Adjusted Subsequent Interest Rate	Adjusted Maturity Value
Current Interest - 2005A	5.9350%	-0.1000%	5.8350%	8/1/13	\$26,530,000	n/a	n/a	n/a
Convertible Auction Rate Securities, Capital Appreciation Bonds -								
2005B-1	6.2550%	-0.1000%	6.1550%	8/1/23	47,061,960	8/1/13	LIBOR + 1.4%	\$75,218,000
2005B-2	6.5650%	-0.1000%	6.4650%	8/1/34	41,403,173	8/1/23	LIBOR + 1.4%	127,968,000
					\$114,995,133			\$203,186,000

Credit Adjustment - The Bonds were issued on November 1, 2005 in a private placement at the initial interest rates. Included in the Indenture were provisions which adjust the initial interest rates on each series based on the City's meeting certain conditions. As a result of the City issuing its June 30, 2005 financial statements and receiving an upgraded credit rating of A3 by Moody's by May 1, 2006, the initial interest rates were reduced by 1/10th of one percent.

Current Interest Bonds - The Series 2005A Bonds have principal payments due each August 1 in amounts ranging from \$845,000 to \$4,930,000. Interest is fixed and is payable semiannually on February 1 and August 1.

Capital Appreciation Bonds - The Series 2005B-1 Bonds and 2005B-2 Bonds are capital appreciation bonds, which means no interest is paid until the Adjusted Maturity Value is reached on the Full Accretion Date. Capital appreciation bonds are issued at a deep discount which then "accretes" over time. The discount on these bonds represented as the effective interest rate on each series is shown above.

Mandatory Index Rate Conversion - On the respective Full Accretion Date, the Series 2005B-1 or 2005B-2 Bonds convert from Capital Appreciation Bonds to Index Rate Bonds. From that date forward, the Bonds bear interest at a rate based on the LIBOR index plus 1.4%. This rate fluctuates according to the market conditions is limited to 17 percent per year. Following the applicable Full Accretion Date, interest on the converted bond series is due semiannually each February 1 and August 1. The Series 2005B-1 Bonds are due in annual installments from 2014 to 2023 ranging from \$4,468,000 to \$11,593,000. The 2005B-2 Bonds are due in annual installments from 2024 to 2034 ranging from \$6,466,000 to \$18,538,000.

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

Optional Auction Rate Conversion – On the respective Full Accretion Date, the 2005B-1 and the 2005B-2 Bonds may be converted to Auction Rate Bonds provided that certain conversion requirements are met. Auction rates fluctuate according to the market conditions is limited to a maximum 17 percent per year and a minimum of 80 percent of the LIBOR index rate.

At June 30, 2006, the Bonds consisted of the following:

	Maturity Value	Accretion/ Amortization	Unamortized Premium (Discount)	Net
Current interest bonds	\$26,530,000			\$26,530,000
Capital appreciation bonds	203,186,000	\$1,289,642	(\$114,720,867)	89,754,775
	<u>\$229,716,000</u>	<u>\$1,289,642</u>	<u>(\$114,720,867)</u>	<u>\$116,284,775</u>

The annual debt service requirements are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2007	\$1,305,000	\$1,516,585	\$2,821,585
2008	1,575,000	1,425,928	3,000,928
2009	845,000	1,355,325	2,200,325
2010	3,785,000	1,220,244	5,005,244
2011	4,330,000	983,489	5,313,489
2012-2016	23,850,000	10,193,289	34,043,289
2017-2021	37,857,000	12,247,825	50,104,825
2022-2026	41,354,000	17,259,150	58,613,150
2027-2031	47,351,000	23,056,625	70,407,625
2032-2035	67,464,000	6,975,100	74,439,100
Total	<u>\$229,716,000</u>	<u>\$76,233,560</u>	<u>\$305,949,560</u>

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

Loans Payable

Loans payable at June 30, 2006 consisted of the following:

Hilltop Exterior Renovation Loan	\$125,000
Wells Fargo Loan	500,000
CalTrans Home Loans	842,012
CHFA Help Loans	2,617,155
HUD Section 108 Loans	6,500,000
CERF Loan	1,616,676
Total	<u><u>\$12,200,843</u></u>

Hilltop Exterior Renovation Loan – Original Amount \$1,500,000

In 1995, the City made a loan to Richmond Associates to finance capital improvement costs of portions of the Hilltop Shopping Center. The loan is due in monthly installments of \$12,500 through 2007. Interest is at a floating rate equal to the prime rate of Wells Fargo Bank plus 2% per annum.

The annual debt service requirements on the Hilltop Exterior Renovation note are as follows:

For the Year Ending June 30,	Principal	Interest	Total
2007	\$125,000	\$6,068	\$131,068

Wells Fargo Loan – Original Amount \$500,000

The Richmond Redevelopment Agency entered into a loan agreement with Wells Fargo Bank for an original amount of \$500,000 to be used to provide direct predevelopment loans, subordinated loans, and line of credit to non-profit and profit developers primarily located in targeted community development areas in the City's jurisdiction. The interest rate on the loan is fixed at 1.5% for the first 10 years and adjustable to a fixed rate 3.5% below the ten year U.S. Treasury Note rate. The principal balance is due and payable 10 years from the date of the initial disbursement.

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

The annual debt service requirements on the Wells Fargo note are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2007		\$7,500	\$7,500
2008		7,500	7,500
2009		7,500	7,500
2010		7,500	7,500
2011		7,500	7,500
2012-2016		37,500	37,500
2017	\$500,000	7,500	507,500
Total	\$500,000	\$82,500	\$582,500

CalTrans Home Loans – Original Amount \$1,467,160

The City has a loan from CalTrans which it used to purchase 43 homes in 1991. These homes were resold to Richmond Neighborhood Housing Services in order to provide housing to very low, and low and moderate income persons. Interest on the loan is computed annually based upon the average rate of return by the Pooled Money Investment Board for the past five years. Payment of principal and interest for 16 of the homes is made in quarterly payments over a 40 year period. Payment of principal and interest for 27 of the homes is deferred at least for the period that each home was committed by CalTrans to be used as affordable housing, which varies from seven to ten years. When the payments mature for the 27 homes, the City has the option to either make the full payment of principal and interest to CalTrans or execute a promissory note to pay the balance in quarterly payments over thirty to thirty-three years.

CHFA Help Loans – Original Amounts \$1,500,000 and \$1,000,000

The Agency entered into two loan agreements with California Housing Finance Agency in September 2000 and November 2004 to assist the Agency with operating a local housing program, which provides loans to non-profit developers for the purpose of financing the acquisition, preconstruction, and construction of single-family ownership and multifamily rental properties. The loans are due 10 years from the date of each loan. The loans bear a simple 3% per annum interest rate, and all payments of principal and interest are deferred for a ten-year period. During fiscal year 2006 the Agency drew down proceeds of \$1,000,000 and interest accrued to principal totaled \$45,000.

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

HUD Section 108 – Original Amount \$3,000,000

In fiscal 2004, the Agency entered into a Disposition and Development Agreement to receive a Section 108 loan from the Department of Housing and Urban Development to finance costs related to the Ford Assembly Building project. Interest is payable quarterly and the interest rate is fixed at 2.58% or, in specific conditions, adjusted to the latest LIBOR Rate. The principal payments are due annually from 2009 through 2025.

For the Years Ending June 30,	Principal	Interest	Total
2007		\$77,400	\$77,400
2008		77,400	77,400
2009	\$142,822	77,400	220,222
2010	146,507	73,715	220,222
2011	150,286	69,935	220,221
2012-2016	811,633	289,476	1,101,109
2017-2021	921,878	179,232	1,101,110
2022-2025	826,874	50,781	877,655
Total	<u>\$3,000,000</u>	<u>\$895,339</u>	<u>\$3,895,339</u>

HUD Section 108 – Original Amount \$3,500,000

In fiscal 2006, the Agency received a Section 108 loan from the Department of Housing and Urban Development to finance costs related to the North Richmond-Iron Triangle project. Interest is payable quarterly and the interest rate is fixed at 2.58% or, in specific conditions, adjusted to the latest LIBOR Rate. The principal payments are due annually from 2009 through 2026.

For the Years Ending June 30,	Principal	Interest	Total
2007		\$90,300	\$90,300
2008		90,300	90,300
2009		90,300	90,300
2010		90,300	90,300
2011		90,300	90,300
2012-2016	\$900,000	388,548	1,288,548
2017-2021	1,150,000	248,970	1,398,970
2022-2025	1,110,000	79,722	1,189,722
2026	340,000	0	340,000
Total	<u>\$3,500,000</u>	<u>\$1,168,740</u>	<u>\$4,217,240</u>

CERF Loan – Original Amount \$4,500,000

In fiscal 2006, the Agency received a loan from the Continental Environmental Redevelopment Fund to finance the costs of an environmental remediation program. Interest is payable quarterly. The loan is due in full in March 2007, with the option to extend the agreement for two additional years. As of June 30, 2006, the Agency had drawn down proceeds of \$1,616,676.

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

Capital Leases

Capital leases payable at June 30, 2006 consisted of the following:

Sun Trust Leasing Corporation - 911 System Interface	\$127,275
Municipal Finance Corporation - Viron	3,068,065
Total	\$ 3,195,340

Sun Trust Leasing Corporation 911 System Equipment Lease— Original Amount \$1,900,000

In 2002, the City entered into a lease agreement with SunTrust Leasing Corporation to finance the purchase of 911 system interface hardware, software and services. The lease is payable in quarterly installments of \$128,473 including principal and interest through July 2006.

The annual debt service requirements on this capital lease are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2007	\$127,275	\$1,198	\$128,473

Municipal Finance Corporation (CNB) Viron Mechanical Retrofit & Energy Management – Original Amount \$4,069,623

In 2002 the City entered into a lease agreement with Municipal Finance Corporation to finance the purchase of the Viron mechanical retrofit and energy management equipment. The lease is payable in monthly installments of \$15,532 interest for the first nine months, then \$42,334 including principal and interest through July 2013.

The annual debt service requirements on this capital lease are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2007	\$375,304	\$132,704	\$508,008
2008	392,859	115,150	508,009
2009	411,234	96,774	508,008
2010	430,469	77,539	508,008
2011	450,604	57,405	508,009
2012-2014	1,007,595	50,755	1,058,350
Total	\$3,068,065	\$530,327	\$3,598,392

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

Business-Type Activities

The following is a summary of long-term debt of business-type activities during the fiscal year ended June 30, 2006:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Due Within One Year	Due in More than One Year
Bonds payable	\$84,053,983	\$715,217	(\$3,276,423)	\$81,492,777	\$3,520,000	\$77,972,777
Loans and leases payable	11,877,513		(681,831)	11,195,682	707,866	10,487,816
Total	<u>\$95,931,496</u>	<u>\$715,217</u>	<u>(\$3,958,254)</u>	<u>\$92,688,459</u>	<u>\$4,227,866</u>	<u>\$88,460,593</u>

Bonds payable at June 30, 2006 consisted of the following:

RHA Properties Affordable Housing Agency Bonds Series 2003 A and A-S	\$33,725,000
Wastewater Revenue Bonds Series 1999	38,516,264
Port Terminal Lease Revenue Refunding Bonds Series 1999	4,781,513
Port Terminal Lease Revenue Bonds Series 1996	4,470,000
Total	<u>\$81,492,777</u>

RHA Properties Affordable Housing Agency Bonds 2003 Series A and A-S

In September 2003, RHA Properties issued \$35,000,000 principal amount of multi-family housing revenue bonds to finance the acquisition of an affordable housing residential complex. Of these Bonds, \$12,000,000 bear interest at a rate of 6.375% and \$23,000,000 bear interest at variable rates; all the Bonds are due in 2033. The interest for the variable rate bonds is calculated weekly and is determined by the Remarketing Agent, or, in specific conditions, the latest BMA Index Rate. The rate fluctuates according to the market conditions, but is capped at 12% unless otherwise agreed upon by both the Credit Provider and Borrower.

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

The annual debt service requirements on this capital lease are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2007	\$565,000	\$1,685,314	\$2,250,314
2008	475,000	1,661,320	2,136,320
2009	585,000	1,632,030	2,217,030
2010	595,000	1,605,423	2,200,423
2011	610,000	1,574,611	2,184,611
2012-2016	3,770,000	7,349,566	11,119,566
2017-2021	5,135,000	6,245,237	11,380,237
2022-2026	6,985,000	4,740,570	11,725,570
2027-2031	9,655,000	2,688,242	12,343,242
2032-2034	5,350,000	343,692	5,693,692
Total	\$33,725,000	\$29,526,005	\$63,251,005

Wastewater Revenue Refunding Bonds Series 1999

The Bonds were issued to pay for the cost of improvements and renovation to the wastewater treatment system. The Bonds consist of current interest bonds in the amount of \$29,325,000 and capital appreciation bonds in the amount of \$37,765,000. The current interest bonds are due in annual installments through 2018 ranging from \$75,000 to \$2,195,000. Interest rates vary from 4.5% to 5.5% and are payable semiannually on February 1 and August 1. The capital appreciation bonds will accrete interest ranging from 6.1% to 6.23% compounded semiannually on February 1 and August 1 and are payable only at maturity beginning from 2019 through 2031. At June 30, 2006, the Bonds consisted of the following:

	Maturity Value	Accretion/ Amortization	Premium (Discount)	Net
Current interest bonds	\$26,330,000	(\$2,584)	\$64,821	\$26,392,237
Capital appreciation bonds	37,765,000	715,217	(26,356,190)	12,124,027
	<u>\$64,095,000</u>	<u>\$712,633</u>	<u>(\$26,291,369)</u>	<u>\$38,516,264</u>

The Bonds are payable from a lien on and pledge of net revenues, primarily consisting of charges, income and receipts derived by the City from the ownership and operation of the City's wastewater collection, treatment and disposal system, after deducting maintenance and operation costs of the wastewater system.

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

The annual debt service requirements on the bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2007	\$1,480,000	\$1,389,331	\$2,869,331
2008	1,545,000	1,318,984	2,863,984
2009	1,620,000	1,243,796	2,863,796
2010	1,695,000	1,163,389	2,858,389
2011	1,780,000	1,077,361	2,857,361
2012-2016	10,420,000	3,795,957	14,215,957
2017-2021	19,410,000	694,840	20,104,840
2022-2026	14,525,000		14,525,000
2027-2031	11,620,000		11,620,000
Total	\$64,095,000	\$10,683,658	\$74,778,658

Port Terminal Lease Revenue Refunding Bonds Series 1999 – Original Issue \$10,955,000

The Bonds were issued by the Authority to refund the Port Terminal Lease Revenue Bonds, Series 1994. The Bonds are special limited obligations of the Authority payable solely from revenues of the Authority pursuant to a Facilities Lease agreement with the City. The City has pledged subordinated Port revenues to the payment of the base rental payments of the Facilities Lease agreement. The Bonds consist of Serial Bonds that mature annually through 2009 in amounts ranging from \$930,000 to \$2,385,000. Interest rates vary from 3.7% to a maximum of 4.6% and payments are due semiannually on June 1 and December 1. Bonds outstanding are carried net of unamortized discount, as follows:

Bonds outstanding	\$4,800,000
Unamortized discount	(18,487)
Net	\$4,781,513

The annual debt service requirements on the Bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2007	\$1,180,000	\$218,413	\$1,398,413
2008	1,235,000	165,903	1,400,903
2009	2,385,000	109,710	2,494,710
Total	\$4,800,000	\$494,026	\$5,294,026

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

Port Terminal Lease Revenue Bonds Series 1996 – Original Issue \$6,500,000

The Bonds were issued by the Authority to pay the cost of certain public capital improvements at the Port of Richmond. The Bonds are special limited obligation of the Authority payable solely from revenues of the Authority pursuant to a Facilities Lease Agreement with the City. The City has pledged the subordinated revenues of its Port Enterprise to the payment of the base rental payments of the Facilities Lease Agreement. The Bonds consist of Term Bonds that mature on September 1, 2002, 2006, 2009 and 2016. Interest rates vary from 5.55% to a maximum of 6.6% and payments are due semiannually on February 15 and August 15.

The annual debt service requirements on the Bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2007	\$295,000	\$281,716	\$576,716
2008	310,000	263,208	573,208
2009	335,000	242,729	577,729
2010	355,000	220,821	575,821
2011	370,000	197,340	567,340
2012-2016	2,260,000	571,560	2,831,560
2017	545,000	17,985	562,985
Total	\$4,470,000	\$1,795,359	\$6,265,359

Loans and Leases Payable

Loans and leases payable at June 30, 2006, consisted of the following:

State Revolving Fund Loan Contract	\$2,868,429
California Department of Boating and Waterways	3,428,601
Pt. Potrero Lease Revenue Note	4,898,652
Total	\$11,195,682

State Revolving Fund Loan Contract

In 1992 the State of California Water Resources Control Board loaned the City \$6,737,658 at 3% interest for the improvement of the Richmond Wastewater Treatment Facility. Payments on the loan are due annually through 2013. Annual installments including principal and interest are \$461,410.

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

The annual debt service requirements on the State Revolving Fund Loan are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2007	\$375,358	\$86,053	\$461,411
2008	386,618	74,792	461,410
2009	398,217	63,194	461,411
2010	410,163	51,247	461,410
2011	422,468	38,942	461,410
2012-1015	875,605	39,482	915,087
Total	\$2,868,429	\$353,710	\$3,222,139

California Department of Boating and Waterways

The Agency has three loan agreements with the California Department of Boating and Waterways for total borrowings of \$9,427,000. Proceeds from the loans were used to finance marina construction projects. The loans bear interest at rates ranging from 4.5% to 7.9% and are due in annual installments through 2042. The total amount outstanding at June 30, 2006 was \$3,428,601.

The annual debt service requirements on these loans are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2007	\$52,528	\$154,287	\$206,815
2008	54,892	151,923	206,815
2009	57,362	149,453	206,815
2010	59,943	146,872	206,815
2011	62,641	144,174	206,815
2012-2016	358,109	675,966	1,034,075
2017-2021	446,269	587,806	1,034,075
2022-2026	556,133	477,942	1,034,075
2027-2031	693,042	341,033	1,034,075
2032-2026	640,872	182,112	822,984
2027-2041	438,942	52,647	491,589
2042-2043	7,868	535	8,403
Total	\$3,428,601	\$3,064,750	\$6,493,351

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

2004 Richmond Joint Powers Financing Authority Point Potrero Lease Revenue Note

On May 6, 2004 the Richmond JPFA borrowed \$5,424,178 from Comerica Bank under the terms of a Note which bears interest at the rate of 4.75% per annum payable quarterly. Principal payments are due in semi-annual installments until May 1, 2019. The loan provided funds for the construction of an automobile shipping and warehousing facility located in the Port. The Note is a limited obligation of the Authority payable solely from revenues from the facilities leased. Minimum annual lease payments are \$509,380 through 2019.

The annual debt service requirements on the Note are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2007	\$279,980	\$229,400	\$509,380
2008	293,437	215,943	509,380
2009	307,541	201,839	509,380
2010	322,323	187,058	509,381
2011	337,815	171,566	509,381
2012-2016	1,948,807	659,757	2,608,564
2017-2020	1,408,749	57,730	1,466,479
Total	\$4,898,652	\$1,723,293	\$6,621,945

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 8 - LONG-TERM DEBT OBLIGATIONS (Continued)

Special Assessment Debt Without City Commitment

Special assessment districts have been established in various parts of the City to provide improvements to properties located in those districts. Properties in these districts are assessed for the cost of improvements; these assessments are payable solely by property owners over the term of the debt issued to finance these improvements. The City is not legally or morally obligated to pay these debts or be the purchaser of last resort of any foreclosed properties in these special assessment districts, nor is it obligated to advance City funds to repay these debts in the event of default by any of these districts. At June 30, 2006, the balance of these Districts' outstanding debts was as follows:

1999 JPFA Revenue Refunding Bonds, Series A, secured solely by revenues from Hilltop Area Development District F and Cutting Boulevard/Canal Boulevard	\$3,375,000
Richmond JPFA Reassessment Revenue Bonds, 2003 Series A, secured solely by revenues from Reassessment District 2003-1 (Atlas Interchange/Atlas Road West)	9,295,000
Harbor Navigation Improvement District	1,605,000
Community Facilities District No. 1998-1	4,070,000
San Pablo Avenue Street Lighting District No. 854	115,000
Richmond JPFA Reassessment Revenue Refunding Bonds, Series 2006A (including Series 2006AT)	10,290,000
Richmond JPFA Reassessment Revenue Refunding Bonds, Series 2006B	2,020,000

Conduit Debt

The City has assisted private-sector entities by sponsoring their issuance of debt for purposes the City deems to be in the public interest. These debt issues are secured solely by the property financed by the debt. The City is not legally or morally obligated to pay these debts or be the purchaser of last resort of any foreclosed properties secured by these debts, nor is it obligated to advance City funds to repay these debts in the event of default by any of these issuers. At June 30, 2006, the balance of these issuers' outstanding debts was as follows:

Bridge Housing Acquisitions, Inc.	\$14,375,000
YMCA of the East Bay, 1996 Revenue Bonds	3,805,000
Baycliff Apartment Project, 2004 Revenue Bonds	32,200,000

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 9 - DEFERRED REVENUE

Fund Financial Statements

At June 30, 2006, the following deferred revenues were recorded in the Fund Financial Statements because either the revenues had not been earned or the funds were not available to finance expenditures of the current period:

	<u>General Fund</u>	<u>Redevelopment Agency</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
Loans Receivable	\$698,320	\$21,548,821	\$4,538,015	\$26,785,156
Grants Receivable	125,493		220,804	346,297
Interest accrual - Advances to other funds	9,031,624			9,031,624
Park & recreation receivable - unearned rents	34,305			34,305
Total	<u>\$9,889,742</u>	<u>\$21,548,821</u>	<u>\$4,758,819</u>	<u>\$36,197,382</u>

NOTE 10 - DEFICIT FUND BALANCES AND ACCUMULATED DEFICITS

The City plans to cure the deficit net assets of \$5,632,589 in the Port of Richmond Enterprise Fund by increased leasing activity at the Port.

Deficit net assets of \$7,621 in the Convention Center Enterprise Fund will be eliminated by future service revenues.

Deficit net assets of \$11,315,120 and \$273,967 in the Insurance Reserves and Information Technology Internal Service Funds, respectively, are expected to be eliminated through future increases in service charges.

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 11 - CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Plan Description and Provisions

The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan that covers substantially all eligible City employees. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required by state statute to contribute 8% for miscellaneous and 9% for safety employees of their annual covered salary. The City as employer was required to contribute for period from July 1, 2005 to January 31, 2006 at an actuarially determined rate of 20.417% and 34.045% of annual covered payroll for miscellaneous and safety employees, respectively. The employer contribution rate was changed on February 1, 2006. From February 1, 2006 to June 30, 2006, the City was required to contribute an actuarially determined rate of 11.328% and 16.485% of annual covered payroll for miscellaneous and safety employees, respectively. Total employer contributions based on the actuarially determined rates amounted to \$10,474,319 for the year ended June 30, 2006.

Annual Pension Cost and Net Pension Asset

For 2005-2006, the City's annual pension cost of \$12,819,890 for PERS was equal to the City's required and actual contributions and amortization of the prepaid pension contributions discussed below. The required contribution was determined by PERS using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.25% to 14.45% for miscellaneous employees and from 3.25% to 13.15% for safety employees depending on age, service, and type of employment, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization periods at June 30, 2006, were 30 years for both the miscellaneous and the safety employees plans for prior and current service unfunded liability.

The City uses the actuarially determined percentages of payroll to calculate and pay contributions to PERS. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by PERS, for the last three fiscal years were:

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 11 - CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (Continued)

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Prepaid Pension Obligation</u>
6/30/2004	\$8,608,154	100%	-
6/30/2005	12,284,671	100%	-
6/30/2006	12,819,890	100%	\$111,531,446

The City prepaid its pension contributions with proceeds from the 2005 Pension Obligation Bonds (See Note 8). These prepaid contributions are reflected in the accompanying financial statements as Prepaid Pension Obligations which amounted to \$111,531,446 at June 30, 2006. During fiscal 2006, the amortization of the prepayment increased the actuarially required contributions by \$2,345,571 to arrive at Annual Pension Costs of \$12,819,890. For years prior to fiscal 2006, Annual Pension Costs equal the Actuarially Required Contributions disclosed above.

SCHEDULE OF FUNDING PROGRESS - CALPERS

Safety Plan:

<u>Actuarial</u>						
<u>Valuation Date</u>	<u>Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded (Overfunded) as % of Payroll</u>
06/30/03	\$296,958,521	\$234,512,373	\$62,446,148	79%	\$28,428,911	219.7%
06/30/04	314,203,424	247,622,760	66,580,664	79%	23,992,233	277.5%
06/30/05	326,157,639	259,483,882	66,673,757	80%	22,128,726	301.3%

Miscellaneous Plan:

<u>Actuarial</u>						
<u>Valuation Date</u>	<u>Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded (Overfunded) as % of Payroll</u>
06/30/03	\$236,909,194	\$202,599,016	\$34,310,178	86%	\$36,800,434	93.2%
06/30/04	258,035,928	212,933,212	45,102,716	83%	32,316,594	139.6%
06/30/05	269,183,479	221,754,486	47,428,993	82%	28,600,241	165.8%

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 12 – OTHER CITY PENSION PLANS

Plan Descriptions and Funding Policies

The City maintains three, single-employer pension plans, which are funded entirely by City contributions. These are the General Pension Plan, Police and Firemen’s Pension Plan, and Garfield Pension Plan (collectively, the “Plans”). The General Pension Plan, a defined benefit pension plan, covering 36 former City employees not covered by PERS, all of whom have retired. The Police and Firemen’s Pension Plan, a defined benefit pension plan covers 98 police and fire personnel employed prior to October 1964. The Garfield Pension Plan is a defined benefit pension plan established for a retired police chief. The Plans provide retirement, disability, and death benefits based on the employee’s years of service, age, and final compensation. Benefit provisions for the Plans are established by City ordinance. No separate financial statements are issued for the Plans.

General Pension Plan – Retirement and other benefits are paid from the assets of the Plan and from related investment earnings. The City is required under its charter to contribute the remaining amounts necessary to fund the Plan using the entry age-normal actuarial method as specified by ordinance.

Police and Firemen’s Pension Plan – Funding for the Plan is provided from the Pension Reserve Trust Fund. Employees were vested after five years of service. Members of the Plan are allowed normal retirement benefits after 25 or more continuous years of service. The City is required under its charter to contribute the remaining amounts necessary to fund the Plan using the entry age-normal actuarial method as specified by ordinance.

The City established the Secured Pension Override Special Revenue Fund to which proceeds of a special incremental property tax levy voted by the citizens of the City of Richmond are credited for the payment of benefits under the Plan.

Garfield Pension Plan – Retirement and other benefits are paid from the assets of the Plan and from related investment earnings. Plan provisions have been established and may be amended upon agreement between the City and Mr. Garfield.

Pension Plan Assets

At June 30, 2006 the pension plans’ reported assets available for benefits of \$21,349,699. The composition of these assets at June 30, 2006 is shown below. For actuarial purposes, the value of the Plans’ assets was determined to be fair value.

Pooled cash and investments	\$2,060,927
Local Agency Investment Fund	270,819
Wellington Trust Company Fund	<u>19,017,953</u>
Net assets available for benefits at June 30, 2006	<u><u>\$21,349,699</u></u>

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 12 – OTHER CITY PENSION PLANS (Continued)

Actuarially Determined Required Contributions

General Pension Plan – As of July 1, 2005, the date of the most recent actuarial valuation available, the actuarial present value of pension benefits under the Plan was \$5,614,489 and the assets of the Plan at fair value were \$3,141,392 resulting in an unfunded actuarial liability of \$2,473,097. In computing the actuarial valuation, Plan assets were assumed to yield a 5% return and were assumed to increase 5% annually. Assumptions for retirement age, disability, withdrawal, and salary increases were not meaningful as substantially all of the participants had retired. The required contribution was determined by using the entry age normal actuarial cost method.

Police and Firemen's Pension Plan – The City established the Secured Pension Override Special Revenue Fund to which proceeds of a special incremental property tax levy voted by the citizens of the City of Richmond are credited for the payment of benefits under the Plan. The incremental property tax revenue received for the year ended June 30, 2006 was \$2,215,648. Pension benefits for the 2005/06 fiscal year were \$4,522,529. The actuarial present value of future pension liabilities under the Plan at July 1, 2005, the date of the most recent actuarial valuation, was approximately \$41,653,180, representing principally prior service costs. Assets of the Plan were \$19,251,702 resulting in an unfunded actuarial liability of \$22,401,478. Actuarial assumptions included an assumed rate of return of 6.5%. Mortality rates were based on the mortality tables currently used by California PERS. These PERS mortality tables were further adjusted to reflect anticipated future mortality improvement. Benefit payments were assumed to increase 3.5% annually. Assumptions for retirement age, disability, withdrawal, and salary increases have an insignificant effect on the valuation as substantially all of the participants had retired. The required contribution was determined by using the entry age normal actuarial cost method.

Garfield Pension Plan – As of July 1, 2005, the date of the most recent actuarial valuation available, the actuarial present value of pension benefits under the Plan was \$915,287 and the assets of the Plan at fair value were \$301,298 resulting in an unfunded actuarial liability of \$613,989. In computing the actuarial valuation, Plan assets were assumed to yield a 5% return and were assumed to increase 5% annually. Assumptions for retirement age, disability, withdrawal, and salary increases were not meaningful as the only participant had retired. The required contribution was determined by using the entry age normal actuarial cost method.

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 12 – OTHER CITY PENSION PLANS (Continued)

Three-year historical trend information relative to contributions is presented below:

Fiscal Year	General Pension Plan			Police and Firemen's Pension Plan		
	Annual Required Contribution	Amount Contributed	Percent Contributed	Annual Required Contribution	Annual Contribution	Percent Contributed
2003/04	\$357,744	\$1,119,537	313%	\$2,428,906	\$2,899,909	119%
2004/05	299,319	946,476	316%	2,191,252	2,440,857	111%
2005/06	238,264	238,264	100%	2,215,648	2,215,648	100%

Fiscal Year	Garfield Pension Plan		
	Annual Required Contribution	Amount Contributed	Percent Contributed
2003/04	\$56,920	\$0	0%
2004/05	62,856	0	0%
2005/06	73,917	73,917	100%

The Entry Age Normal Cost Method was used for the actuarial valuation of the plans.

Significant Accounting Policies

City contributions for all plans are recognized when due and the City has made a formal commitment to provide contributions. Benefit payments and refunds are recognized when due and payable in accordance with the terms of the Plan. Assets are valued at fair value based on available market information obtained from independent sources.

Net Pension Liability (Asset)

The net pension liability (asset) was determined in accordance with the provisions of GASB Statement No. 27 and represents contributions in excess of actuarially required contributions (net pension asset), or actuarially required contributions in excess of actual contributions (net pension obligation or liability). At June 30, 2005, the General Pension Plan had a net pension asset at of \$2,091,745. At June 30, 2005, the Police and Firemen's Pension Plan had a net pension liability \$4,701,533, and the Garfield Pension Plan had a net pension liability of \$242,018. The net amount of the net pension asset and the net pension liabilities has been recorded in the City-wide financial statements as Net Pension Obligation.

The net pension liability (asset) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization periods at June 30, 2006, were sixteen, fourteen, and ten years for the Police and Fireman's Plan, the General Pension Plan, and the Garfield Pension Plan, respectively for prior and current service unfunded liability.

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 12 – OTHER CITY PENSION PLANS (Continued)

The Plans' annual pension cost and net pension obligation for Fiscal 2005-06 were as follows:

	Police and Fireman's Plan	General Pension Plan	Garfield Pension Plan
Annual required contribution	\$2,215,648	\$238,264	\$73,917
Interest on net pension obligation	305,600	(104,587)	12,101
Adjustment to annual required contribution	<u>(465,011)</u>	<u>201,523</u>	<u>(29,136)</u>
Annual pension cost	2,056,237	335,200	56,882
Contributions made	<u>(2,215,648)</u>	<u>(238,264)</u>	<u>(73,917)</u>
(Decrease) increase in net pension obligations	(159,411)	96,936	(17,035)
Net pension obligation (asset) June 30, 2005	<u>4,701,533</u>	<u>(2,091,745)</u>	<u>242,018</u>
Net pension obligation (asset) June 30, 2006	<u>\$4,542,122</u>	<u>(\$1,994,809)</u>	<u>\$224,983</u>

The Plans' net pension obligation (asset) for the last three fiscal years were as follows:

Fiscal Year	Police and Fireman's Plan	General Pension Plan	Garfield Pension Plan
June 30, 2004	\$5,108,767	(\$1,508,346)	N/A
June 30, 2005	4,701,533	(2,091,745)	\$242,018
June 30, 2006	4,542,122	(1,994,809)	224,983

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 12 – OTHER CITY PENSION PLANS (Continued)

SCHEDULE OF FUNDING PROGRESS

Police and Firemen's Plan:

Actuarial						
Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
July 1, 2003	\$46,523,759	\$20,450,153	\$26,073,606	44%	(A)	N/A
July 1, 2004	43,244,772	20,384,607	22,860,165	47%	(A)	N/A
July 1, 2005	41,653,180	19,251,702	22,401,478	46%	(A)	N/A

General Pension Plan:

Actuarial						
Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
July 1, 2003	\$6,331,911	\$2,298,683	\$4,033,228	36%	(B)	N/A
July 1, 2004	6,030,516	2,786,571	3,243,945	46%	(B)	N/A
July 1, 2005	5,614,489	3,141,392	2,473,097	56%	(B)	N/A

Garfield Plan:

Actuarial						
Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
July 1, 2003	N/A (C)	N/A (C)	N/A (C)	N/A (C)	(B)	N/A
July 1, 2004	N/A (C)	N/A (C)	N/A (C)	N/A (C)	(B)	N/A
July 1, 2005	\$915,287	\$301,298	\$613,989	33%	(B)	N/A

- (A) Shown at zero, because only one participant had not retired and was assumed to retire on valuation date.
- (B) All participants were retired as of valuation date.
- (C) Actuarial valuations were not completed.

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Notes 11 and 12, the City provides postretirement health care benefits, in accordance with City ordinances, to all employees who retire from the City on or after attaining retirement age (50 for policemen, 50 for firemen, and 55 for all other employees) and who have at least ten years of service. At June 30, 2006, 118 retirees met those eligibility requirements. The City funds these benefits on a pay-as-you-go basis. During fiscal year 2006, expenditures of \$1,846,855 were recognized for post employment health care benefits.

NOTE 14 – DEFERRED COMPENSATION PLAN

City employees may defer a portion of their compensation under a City sponsored deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under this plan are not the City's property and are not subject to claims by general creditors of the City, they have been excluded from these financial statements.

NOTE 15 - RISK MANAGEMENT

The City is exposed to various risks of loss related to theft of, damage to, and destruction of assets; general liability; errors and omissions; injuries to employees; natural disasters; and inverse condemnation. The City began self-insuring its workers' compensation in 1976. In August 2002 the City joined the Municipal Pooling Authority (MPA) for general, automobile, property, and boiler and machinery liability. The City retains a self-insured retention of \$1 million on workers' compensation. The City has chosen to establish a risk financing internal service fund where assets are accumulated for claim settlements and expenses associated with the above risks of loss up to certain limits.

Excess coverage for the risk categories excluding inverse condemnation is provided by policies with various commercial insurance carriers. Self-insurance and insurance company limits are as follows:

<u>Type of Coverage</u>	<u>Self-Insurance</u>	<u>Commercial Insurance Carrier</u>
Workers' compensation	\$1,000,000 per claim	\$24,000,000 in excess of SIR

The MPA provides coverage against the following types of loss risks under the terms of a joint-powers agreement with the City and several other cities and governmental agencies as follows:

<u>Type of Coverage (Deductible)</u>	<u>Coverage Limits</u>
Liability (\$250,000)	\$15,000,000
All Risk Fire, Property, & Flood (\$5,000)	1,000,000,000
Boiler & Machinery (\$5,000)	100,000,000
Difference in Conditions (10% Total insured value of each building)	20,000,000
Employment Practices (\$50,000)	1,000,000
Crime/Employee Dishonesty (\$5,000)	500,000

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 15 - RISK MANAGEMENT (Continued)

The MPA is governed by a Board consisting of representatives from member municipalities. The Board controls the operations of the MPA, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board.

The City's deposits with the MPA are in accordance with formulas established by the MPA. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

Audited financial statements for the MPA are available from MPA, 1911 San Miguel Drive, Suite 100 Walnut Creek, California, 94596.

During the fiscal year ended June 30, 2006, there were no significant reductions in any of the City insurance coverage and settlements have not exceeded the self-insurance coverage in the past three fiscal years.

Liability for Uninsured Claims

The unpaid claims liabilities included in each of the self-insurance internal service funds are based on case reserves and include amounts for claims incurred but not reported (IBNR). At June 30, 2006, the estimated claims payable of \$22,710,000, consisting of reserves for both reported and IBNR losses, as well as allocated loss adjustment expenses, has been recorded in the Insurance Reserves internal service fund. Changes in the claims liabilities for the years ended June 30, 2006 and 2005 were as follows:

	2006	2005
Claims liabilities, beginning of year	\$18,236,179	\$21,140,000
Current year claims	8,947,642	1,151,843
Change in prior year claims	1,805,484	1,909,275
Claim payments	(4,717,413)	(4,641,550)
Legal, administrative and other expenses	(1,561,892)	(1,323,389)
Claims liabilities, end of year	\$22,710,000	\$18,236,179
Claims liabilities, due in one year	\$4,717,000	\$4,717,000

NOTE 16 – SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City's non-major enterprise funds include the following segments:

- Richmond Marina Fund – Marina operations and maintenance, including berth rentals and use of marina facilities.
- Storm Sewer Fund – Storm sewer management and urban runoff control.
- Cable TV Fund – Administration and enforcement of the franchise agreements with two cable television systems, management of a municipal cable channel, departmental video services, media and public information, and telecommunications planning.
- Convention Center Fund – Administrative and maintenance expenses incurred in the operation and rental of the facility.

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 16 – SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Fiscal 2006 segment information is as follows:

Condensed Statement of Net Assets

	Richmond Marina	Storm Sewer	Cable TV	Convention Center
Assets:				
Current assets	\$2,863,803	\$224,735	\$720,449	\$76,272
Capital assets	2,484,424	11,357,464	160,918	
Total assets	<u>5,348,227</u>	<u>11,582,199</u>	<u>881,367</u>	<u>76,272</u>
Liabilities:				
	481,220			
Current liabilities	193,958	134,301	74,026	83,893
Long-term liabilities	3,376,073	481,220		
Total liabilities	<u>4,051,251</u>	<u>615,521</u>	<u>74,026</u>	<u>83,893</u>
Net assets:				
Invested in capital assets		10,876,244	160,918	
Unrestricted	1,778,196	90,434	646,423	(7,621)
Total net assets (deficit)	<u>\$1,778,196</u>	<u>\$10,966,678</u>	<u>\$807,341</u>	<u>(\$7,621)</u>

**Condensed Statement of Revenues, Expenses and
Changes in Net Assets**

	Richmond Marina	Storm Sewer	Cable TV	Convention Center
Operating revenues:				
Service charges		\$1,545,977	\$793,144	\$245,848
Lease income	\$579,581			
Other			151,549	80,867
Depreciation expense	(91,255)	(968,572)	(33,247)	
Other operating expenses		(1,985,402)	(669,602)	(274,542)
Operating income (loss)	<u>488,326</u>	<u>(1,407,997)</u>	<u>241,844</u>	<u>52,173</u>
Nonoperating revenues (expenses):				
Interest income	80,477	12,685	12,554	(2,190)
Interest expense	(154,477)			
Transfers in	80,517		176	160,721
Transfers out	(30,704)	(546,561)		
Change in net assets	464,139	(1,941,873)	254,574	210,704
Beginning net assets (deficit)	1,314,057	12,908,551	552,767	(218,325)
Ending net assets (deficit)	<u>\$1,778,196</u>	<u>\$10,966,678</u>	<u>\$807,341</u>	<u>(\$7,621)</u>

Condensed Statement of Cash Flows

	Richmond Marina	Storm Sewer	Cable TV	Convention Center
Net cash provided (used) by:				
Operating activities	\$483,174	(\$315,464)	\$276,477	(\$13,149)
Noncapital financing activities	49,813	(65,341)	176	15,911
Capital and related financing activities	(206,816)		(36,199)	
Investing activities	80,465	11,792	10,919	(2,762)
Net increase (decrease)	406,636	(369,013)	251,373	
Beginning cash and investments	2,330,300	546,027	237,696	
Ending cash and investments	<u>\$2,736,936</u>	<u>\$177,014</u>	<u>\$489,069</u>	

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 17 - RESTATEMENTS

As of June 30, 2005, the Housing Authority Enterprise Fund had recorded \$125,474 as accounts receivable from the Department of Housing and Urban Development (HUD), representing revenues that the City believed were earned during fiscal year 2005. In fiscal year 2006 HUD issued guidance informing housing authorities that HUD would no longer settle these receivable amounts. Therefore, the City has restated accounts receivable and beginning net assets to reflect the write-off of these uncollectible amounts.

During fiscal year 2006 the City found that accrued liabilities in the RHA Properties Enterprise Fund had been overstated in the amount of \$783,064. Therefore, accrued liabilities and beginning net assets have been restated in that amount.

NOTE 18 - COMMITMENTS AND CONTINGENCIES

Commitments

The City occupies certain leased premises under the terms of a non-cancelable lease terminating in September 2009, which calls for minimum monthly lease payments of \$121,000.

The City's future commitments under construction projects totaled approximately \$4,186,323 at June 30, 2006 for projects including the West MacDonald Avenue street redesign, the general plan update and various paving projects.

Litigation

In January 2006 certain organizations filed suit against the City and other agencies alleging that they had violated the Clean Water Act and violated the National Pollution Discharge Elimination System permit by discharging pollutants into San Francisco Bay. The matter was settled in October 2006 with the City making the following commitments:

- Spend at least \$20 million over a five year period on the Richmond Collection System capital improvements
- Annually reduce the number of sanitary sewer overflows from the collection system
- Establish a Low Income Sewer Rate Increase Assistance Program for low income residents
- Establish low impact development principles for new development
- Fund a private lateral sewer replacement program in the amount of \$100 thousand per year for ten years
- Pay \$325 thousand to the Rose Foundation for environmentally beneficial activities
- Pay \$20 thousand to East Brother Light Station to improve treatment efficiency of the East Brother Light Station's sand filter

In addition, the City and the other defendants agreed to pay the attorney's fees and to pay the fees associated with monitoring compliance with the settlement agreement over the next ten years.

The City is involved in various claims and litigation resulting from its normal operations. The ultimate outcome of these matters is not presently determinable. In City management's opinion, with the exception of the item noted above, these matters will not have significant adverse effect of the City's financial position.

City of Richmond
Notes to Basic Financial Statements
June 30, 2006

NOTE 19 - SUBSEQUENT EVENTS

Wastewater Revenue Refunding Bonds Series 2006 A and Series B - Original Issue Series A \$16,570,000, Series B \$32,260,000

On October 6, 2006 the City issued Series 2006 A Wastewater Revenue Refunding Bonds in the amount of \$16,570,000 at 4.0%-5.0% interest. The proceeds from the Bonds will be used to pay for the cost of improvements and renovation to the wastewater treatment system and to defease a portion of the 1999 Wastewater Revenue Bonds. Principal and interest payments are due semi-annually each August 1 and February 1 through 2022.

On October 17, 2006 the City issued Series 2006 B Wastewater Revenue Refunding Bonds in the amount of \$32,260,000. The proceeds from the Bonds will be used to pay for the cost of improvements and renovation to the wastewater treatment system and to defease a portion of the 1999 Wastewater Revenue Bonds. The 2006B Wastewater Revenue Refunding Bonds were issued as variable rate, with interest calculated weekly. The rate fluctuates according to the market conditions. However, the City entered into an interest rate swap agreement for the entire amount of its 2006B Wastewater Revenue Refunding Bonds. The combination of the variable rate Bonds and a floating rate swap creates synthetic fixed-rate debt for the City.

CITY OF RICHMOND
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property tax-current collections	\$30,971,376	\$30,971,376	\$28,284,861	(\$2,686,515)
Sales tax	21,020,875	21,020,875	25,402,253	4,381,378
Utility user fees	30,032,421	30,032,421	30,199,388	166,967
Other taxes	12,221,509	12,221,509	14,590,884	2,369,375
Licenses, permits and fees	2,201,534	2,201,534	3,028,837	827,303
Fines, forfeitures and penalties	550,000	550,000	372,951	(177,049)
Use of money and property	1,277,000	1,277,000	693,463	(583,537)
Intergovernmental	1,180,998	1,180,998	1,854,613	673,615
Charges for services	845,684	1,083,184	1,153,341	70,157
Rent			161,382	161,382
Other	910,196	910,196	726,503	(183,693)
Total Revenues	101,211,593	101,449,093	106,468,476	5,019,383
EXPENDITURES:				
Current				
General government	14,371,357	14,485,299	12,686,072	1,799,227
Public safety	63,800,575	62,394,473	59,834,214	2,560,259
Public works	10,603,753	10,843,380	10,927,180	(83,800)
Community development	831,105	831,105	849,369	(18,264)
Cultural and recreational	10,428,309	10,861,175	9,270,951	1,590,224
Capital outlay			21,750	(21,750)
Total Expenditures	100,035,099	99,415,432	93,589,536	5,825,896
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,176,494	2,033,661	12,878,940	10,845,279
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property	2,000,000	2,000,000	869,880	(1,130,120)
Transfers in	4,601,896	4,601,896	12,101,059	7,499,163
Transfers (out)	(6,248,459)	(6,248,459)	(21,214,000)	(14,965,541)
Total other financing sources (uses)	353,437	353,437	(8,243,061)	(8,596,498)
NET CHANGE IN FUND BALANCE	1,529,931	2,387,098	4,635,879	2,248,781
Fund balance, July 1	43,593,890	43,593,890	43,593,890	
Fund balance, June 30	<u>\$45,123,821</u>	<u>\$45,980,988</u>	<u>\$48,229,769</u>	<u>\$2,248,781</u>

City of Richmond
Required Supplementary Information
June 30, 2006

NOTES TO BUDGETARY COMPARISON SCHEDULE

Budgets and Budgetary Accounting

The City adopts a budget annually to be effective July 1, for the ensuing fiscal year. Budgeted expenditures are adopted through the passage of a resolution. This resolution constitutes the maximum authorized expenditures for the fiscal year and cannot legally be exceeded except by subsequent amendments of the budget by the City Council.

The City uses an encumbrance system as an extension of normal budgetary accounting for the General Fund, special revenue funds, and capital projects funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as reservations of fund balance since they do not constitute expenditures or liabilities. Outstanding encumbrances at year-end are automatically reappropriated for the following year. Unencumbered and unexpended appropriations lapse at year-end.

An operating budget is adopted each fiscal year for the General Fund and certain special revenue funds. Public hearings are conducted on the proposed budgets to review all appropriations and sources of financing. Capital projects funds are budgeted by the Mayor and City Council over the term of the individual projects. Since capital projects are not budgeted on an annual basis, they are not included in the budgetary data. Debt service funds are not budgeted.

Expenditures are controlled at the fund level for all budgeted departments within the City. This is the level at which expenditures may not legally exceed appropriations. Budgeted amounts for the Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual include budget amendments approved by City Council.

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

State Gas Tax Fund accounts for the subventions received from state gas taxes under the provision of the Streets and Highways Code. State gas taxes are restricted to uses for street construction activities including location of underground utilities, geotechnical work relating to identification of soil and groundwater contamination, materials sampling and testing.

General Purpose Fund accounts for other restricted monies that are to be used for the specific purposes for which the funds were set up.

Paratransit Operations Fund accounts for monies used to provide subsidized, accessible transportation to the seniors and disabled residents of the City of Richmond and the adjacent unincorporated areas of West Contra Costa County.

Community Development Block Grant Fund is set up to record the receipt of grant monies and the use of it. The grant is to be used to provide, within the City of Richmond, new affordable housing, improve existing housing conditions, assist homeless and disabled with housing, and to expand economic opportunities in business, and employment for low and moderate income residents.

Parks, Recreation, and Environment Fund records receipt of developers' fees and Impact fees received by the City of Richmond.

Employment & Training Fund is a fund set up to plan, administer and operate job training programs for the adult and youth residents of Richmond.

Police and Crime Prevention Fund records the receipt and use of grant monies under the Local Law Enforcements Block Grant Program, Office of Traffic Safety Grants, OES Grants, FEMA Grants and various other grants.

Cost Recovery Fund records the receipt and use of monies for services provided to the public and developers.

Hilltop Landscape Maintenance Fund was set up to account for maintenance services in the nature of landscaping, lighting, cleaning provided to the Hilltop parking lot area and the Marina Way Development area.

City of Richmond
June 30, 2006

DEBT SERVICE FUND

2005 Pension Obligation Bonds Debt Service Fund receives transfers from the General Fund and the Pension Tax Override Fund, and pays the debt service on the 2005 Pension Obligation Bonds.

General Debt Service Fund accounts for monies received in connection with Caltrans Homes, Viron Energy Debt Service, Hilltop Mall Exterior Renovation, 2001 Series A, 1995 Series A, and 1999 Series A General Obligation Bonds and the related payments on such debt. The Caltrans loan was for the purchase of 43 homes from them in order to provide housing to low income people. Viron Energy loan is for the purchase of energy efficient equipment, while the Hilltop Mall loan was to finance the City's share of capital improvement costs of the Hilltop Shopping Center. The 2001 Series A bonds were issued to finance improvements to City facilities including the street and storm water improvements, the 1995 Series A were to refinance the cost of public capital improvements, and the 1999 Series A bonds were issued to fund a portion of the unfunded accrued actuarial liability in the Pension Fund.

CAPITAL PROJECTS FUNDS

Atlas Road Improvements Fund is used to record the City's share of the cost of acquisition of land and the construction of the interchange to connect the Richmond Parkway and Interstate 80.

Marina Westshore Fund records the acquisition and construction of certain public improvements to service property located in the Marina Westshore Development Projects District and complete certain soil remediation activities within the District.

Measure C Fund was set up when the voters of Contra Costa County approved Measure C providing for the creation of the Contra Costa County Transportation Authority. The Authority collects one-half of one percent sales and use tax. Twenty percent of this tax is allocated to the City of Richmond to be used for the improvement of local transportation, including streets and roads in accordance with Measure C compliance.

Harbor Navigation Fund records the expenses relating to the construction of certain public improvements relating to the Port of Richmond consisting of dredging and deepening of the Richmond Harbor.

CITY OF RICHMOND
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2006

	SPECIAL REVENUE FUNDS			
	State Gas Tax	General Purpose	Paratransit Operations	Community Development Block Grant
ASSETS				
Cash and investments	\$6,448,492	\$3,039,124	\$50	\$97,234
Restricted cash and investments				2,015,357
Receivables:				
Accounts, net	129,554	115,603	17,901	4,794
Interest	13,992	6,616	(2,668)	
Grants				786,085
Loans				4,535,986
	<u>\$6,592,038</u>	<u>\$3,161,343</u>	<u>\$15,283</u>	<u>\$7,439,456</u>
Total Assets				
LIABILITIES				
Accounts payable and accrued liabilities	\$115,549	\$160,171	\$10,135	\$106,693
Refundable deposits		177,200		
Due to other funds				927,528
Deferred revenue				4,538,015
	<u>115,549</u>	<u>337,371</u>	<u>10,135</u>	<u>5,572,236</u>
Total Liabilities				
FUND EQUITY				
Fund balances				
Reserved for encumbrances		24,000		
Unreserved, undesignated	6,476,489	2,799,972	5,148	1,867,220
	<u>6,476,489</u>	<u>2,823,972</u>	<u>5,148</u>	<u>1,867,220</u>
Total Fund Balances				
Total Liabilities and Fund Balances	<u>\$6,592,038</u>	<u>\$3,161,343</u>	<u>\$15,283</u>	<u>\$7,439,456</u>

SPECIAL REVENUE FUNDS					DEBT SERVICE FUNDS	
Parks, Recreation and Environment	Employment and Training	Police and Crime Prevention	Cost Recovery	Hilltop LMD	2005 Pension Obligation Bonds	General Debt Service
\$5,668,920 95	\$7,372	\$1,181,493	\$2,068,112	\$733,287	\$6,288,686	\$362,091 98
25,543 12,203	850,049 1,140,738	2,653	757,606 4,512	1,903		(2,998)
<u>\$5,706,761</u>	<u>\$1,998,159</u>	<u>\$1,184,146</u>	<u>\$2,830,230</u>	<u>\$735,190</u>	<u>\$6,288,686</u>	<u>\$359,191</u>
\$183,194	\$260,518 981	\$109,838	\$188,540 1,128,340	\$24,332		
	220,804					
<u>183,194</u>	<u>482,303</u>	<u>109,838</u>	<u>1,316,880</u>	<u>24,332</u>		
5,523,567	1,515,856	58,463 1,015,845	1,133,160 380,190	710,858	\$6,288,686	\$359,191
<u>5,523,567</u>	<u>1,515,856</u>	<u>1,074,308</u>	<u>1,513,350</u>	<u>710,858</u>	<u>6,288,686</u>	<u>359,191</u>
<u>\$5,706,761</u>	<u>\$1,998,159</u>	<u>\$1,184,146</u>	<u>\$2,830,230</u>	<u>\$735,190</u>	<u>\$6,288,686</u>	<u>\$359,191</u>

(Continued)

CITY OF RICHMOND
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2006

	<u>CAPITAL PROJECTS FUNDS</u>				<u>Total Nonmajor Governmental Funds</u>
	<u>Atlas Road Improvements</u>	<u>Marina Westshore</u>	<u>Measure C</u>	<u>Harbor Navigation</u>	
ASSETS					
Cash and investments			\$6,312,412	\$593,303	\$26,511,890
Restricted cash and investments				1,317,112	9,621,348
Receivables:					1,901,050
Accounts, net			11,887	1,465	49,565
Interest					1,926,823
Grants					4,535,986
Loans					
Total Assets			<u>\$6,324,299</u>	<u>\$1,911,880</u>	<u>\$44,546,662</u>
LIABILITIES					
Accounts payable and accrued liabilities			\$49,837		\$1,208,807
Refundable deposits					1,306,521
Due to other funds					927,528
Deferred revenue					4,758,819
Total Liabilities			<u>49,837</u>		<u>8,201,675</u>
FUND EQUITY					
Fund balances					1,215,623
Reserved for encumbrances					35,129,364
Unreserved, undesignated			6,274,462	\$1,911,880	
Total Fund Balances			<u>6,274,462</u>	<u>1,911,880</u>	<u>36,344,987</u>
Total Liabilities and Fund Balances			<u>\$6,324,299</u>	<u>\$1,911,880</u>	<u>\$44,546,662</u>

CITY OF RICHMOND
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2006

	SPECIAL REVENUE FUNDS			
	State Gas Tax	General Purpose	Paratransit Operations	Community Development Block Grant
REVENUES				
Property taxes				
Other taxes		\$99,150		
Licenses, permits and fees		7		
Fines, forfeitures and penalties		23,306		
Use of money and property	\$196,684	1,764	(\$24,265)	
Intergovernmental	2,342,657	311,759	485,709	\$2,560,112
Charges for services			43,830	
Pension stabilization revenue				
Other		100,000		968,535
Rent				
Total Revenues	<u>2,539,341</u>	<u>535,986</u>	<u>505,274</u>	<u>3,528,647</u>
EXPENDITURES				
Current				
General government				
Public safety				
Public works	52,926	493,766	1,185,151	
Community development		261,035		
Cultural and recreational		229,887		
Housing and redevelopment		540		3,592,996
Capital outlay	240,443			
Debt Service:				
Principal				
Interest and fiscal charges				
Total Expenditures	<u>293,369</u>	<u>985,228</u>	<u>1,185,151</u>	<u>3,592,996</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,245,972</u>	<u>(449,242)</u>	<u>(679,877)</u>	<u>(64,349)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt				
Payment to retirement plan				
Proceeds from sale of property		2,000,000		97,234
Transfers in		1,238,561	1,312,018	
Transfers (out)	(959,738)	(846,636)		
Total Other Financing Sources (Uses)	<u>(959,738)</u>	<u>2,391,925</u>	<u>1,312,018</u>	<u>97,234</u>
NET CHANGE IN FUND BALANCE	1,286,234	1,942,683	632,141	32,885
BEGINNING FUND BALANCES (DEFICIT)	<u>5,190,255</u>	<u>881,289</u>	<u>(626,993)</u>	<u>1,834,335</u>
ENDING FUND BALANCES	<u>\$6,476,489</u>	<u>\$2,823,972</u>	<u>\$5,148</u>	<u>\$1,867,220</u>

SPECIAL REVENUE FUNDS					DEBT SERVICE FUNDS	
Parks, Recreation and Environment	Employment and Training	Police and Crime Prevention	Cost Recovery	Hilltop LMD	2005 Pension Obligation Bonds	General Debt Service
				\$478,800		
\$2,566,188	\$77		\$5,454,663			\$31,471
162,761		\$107,319	14,990	19,695	\$7,376	(54,283)
112,401	2,771,282	351,712				
42,517	1,918,733		1,263,382		4,175,381	
68,687	37,123	34,978	4,564	815,097		40,397
	20,951					
<u>2,952,554</u>	<u>4,748,166</u>	<u>494,009</u>	<u>6,737,599</u>	<u>1,313,592</u>	<u>4,182,757</u>	<u>17,585</u>
411,267			5,741,198			4,235,045
328,224		489,243	1,467,365			3,822,887
799,618	4,593,205		756,008	602,734		
					1,463,113	
<u>1,539,109</u>	<u>4,593,205</u>	<u>489,243</u>	<u>7,964,571</u>	<u>602,734</u>	<u>1,463,113</u>	<u>8,057,932</u>
<u>1,413,445</u>	<u>154,961</u>	<u>4,766</u>	<u>(1,226,972)</u>	<u>710,858</u>	<u>2,719,644</u>	<u>(8,040,347)</u>
					114,995,133	
					(113,877,017)	
265,652	2,368,213	97,542	4,016,908		2,450,926	7,937,271
			(365,655)			
<u>265,652</u>	<u>2,368,213</u>	<u>97,542</u>	<u>3,651,253</u>		<u>3,569,042</u>	<u>7,937,271</u>
1,679,097	2,523,174	102,308	2,424,281	710,858	6,288,686	(103,076)
<u>3,844,470</u>	<u>(1,007,318)</u>	<u>972,000</u>	<u>(910,931)</u>			<u>462,267</u>
<u>\$5,523,567</u>	<u>\$1,515,856</u>	<u>\$1,074,308</u>	<u>\$1,513,350</u>	<u>\$710,858</u>	<u>\$6,288,686</u>	<u>\$359,191</u>

(continued)

CITY OF RICHMOND
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2006

	CAPITAL PROJECTS FUNDS				Total Nonmajor Governmental Funds
	Atlas Road Improvements	Marina Westshore	Measure C	Harbor Navigation	
REVENUES					
Property taxes					\$478,800
Other taxes					99,150
Licenses, permits and fees					8,052,406
Fines, forfeitures and penalties					23,306
Use of money and property	\$38,375	\$1,905	\$144,122	\$64,431	680,874
Intergovernmental			2,222,869		11,158,501
Charges for services					3,268,462
Pension stabilization revenue					4,175,381
Other					2,069,381
Rent					20,951
Total Revenues	38,375	1,905	2,366,991	64,431	30,027,212
EXPENDITURES					
Current					
General government					6,152,465
Public safety					1,956,608
Public works	1,493,320		49,838	3,224	4,362,457
Community development					5,456,974
Cultural and recreational					1,029,505
Housing and redevelopment					3,593,536
Capital outlay					240,443
Debt Service:					
Principal					4,235,045
Interest and fiscal charges					5,286,000
Total Expenditures	1,493,320		49,838	3,224	32,313,033
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,454,945)	1,905	2,317,153	61,207	(2,285,821)
OTHER FINANCING SOURCES (USES)					
Issuance of debt					114,995,133
Payment to retirement plan					(113,877,017)
Proceeds from sale of property					2,097,234
Transfers in		30,704		1,101	19,718,896
Transfers (out)		(80,518)			(2,252,547)
Total Other Financing Sources (Uses)		(49,814)		1,101	20,681,699
NET CHANGE IN FUND BALANCE	(1,454,945)	(47,909)	2,317,153	62,308	18,395,878
BEGINNING FUND BALANCES (DEFICIT)	1,454,945	47,909	3,957,309	1,849,572	17,949,109
ENDING FUND BALANCES			\$6,274,462	\$1,911,880	\$36,344,987

CITY OF RICHMOND
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	GENERAL PURPOSE			PARATRANSIT OPERATIONS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Other Taxes		\$99,150	99,150			
Licenses, permits and fees		7	7			
Fines, forfeitures and penalties	\$30,000	23,306	(6,694)			
Use of money and property		1,764	1,764		(\$24,265)	(\$24,265)
Intergovernmental		311,759	311,759	\$983,372	485,709	(497,663)
Charges for services				125,411	43,830	(81,581)
Other		100,000	100,000			
Total Revenues	<u>30,000</u>	<u>535,986</u>	<u>505,986</u>	<u>1,108,783</u>	<u>505,274</u>	<u>(603,509)</u>
EXPENDITURES						
Current						
General government						
Public safety						
Public works	3,000,000	494,306	2,505,694	1,281,654	1,185,151	96,503
Community development		261,035	(261,035)			
Cultural and recreational	266,587	229,887	36,700			
Capital outlay						
Total Expenditures	<u>3,266,587</u>	<u>985,228</u>	<u>2,281,359</u>	<u>1,281,654</u>	<u>1,185,151</u>	<u>96,503</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,236,587)</u>	<u>(449,242)</u>	<u>2,787,345</u>	<u>(172,871)</u>	<u>(679,877)</u>	<u>(507,006)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of property	3,000,000	2,000,000	(1,000,000)			
Transfers in		1,238,561	1,238,561	175,000	1,312,018	1,137,018
Transfers (out)		(846,636)	(846,636)			
Total Other Financing Sources (Uses)	<u>3,000,000</u>	<u>2,391,925</u>	<u>(608,075)</u>	<u>175,000</u>	<u>1,312,018</u>	<u>1,137,018</u>
NET CHANGE IN FUND BALANCES	<u>(\$236,587)</u>	<u>1,942,683</u>	<u>\$2,179,270</u>	<u>\$2,129</u>	<u>632,141</u>	<u>\$630,012</u>
BEGINNING FUND BALANCES (DEFICITS)		<u>881,289</u>			<u>(626,993)</u>	
ENDING FUND BALANCES		<u>\$2,823,972</u>			<u>\$5,148</u>	

PARKS, RECREATION AND ENVIRONMENT			COST RECOVERY		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
	\$2,566,188	\$2,566,188	\$8,782,711	\$5,454,663	(\$3,328,048)
	162,761	162,761		14,990	14,990
\$2,059,468	112,401	(1,947,067)			
	42,517	42,517	348,419	1,263,382	914,963
53,140	68,687	15,547	13,580	4,564	(9,016)
<u>2,112,608</u>	<u>2,952,554</u>	<u>839,946</u>	<u>9,144,710</u>	<u>6,737,599</u>	<u>(2,407,111)</u>
594,405	411,267	183,138	6,946,969	5,741,198	1,205,771
	328,224	(328,224)	1,749,713	1,467,365	282,348
			985,887	756,008	229,879
1,534,712	799,618	735,094			
<u>2,129,117</u>	<u>1,539,109</u>	<u>590,008</u>	<u>9,682,569</u>	<u>7,964,571</u>	<u>1,717,998</u>
<u>(16,509)</u>	<u>1,413,445</u>	<u>1,429,954</u>	<u>(537,859)</u>	<u>(1,226,972)</u>	<u>(689,113)</u>
	265,652	265,652		4,016,908	4,016,908
				(365,655)	(365,655)
	265,652	265,652		3,651,253	3,651,253
<u>(\$16,509)</u>	<u>1,679,097</u>	<u>\$1,695,606</u>	<u>(\$537,859)</u>	<u>2,424,281</u>	<u>\$2,962,140</u>
	3,844,470			(910,931)	
	<u>\$5,523,567</u>			<u>\$1,513,350</u>	

NON-MAJOR ENTERPRISE FUNDS

Richmond Marina Fund records revenues collected from berth rentals and the use of the marina facilities. The fund also records expenses incurred for the operation of the facility and for the payment of the loan from the California Department of Boating and Waterways.

Storm Sewer Fund records the revenues from storm water fees and transfers from operations reserves. It also records the expenses of maintaining a clean storm sewer system so that the City is in compliance with the federally mandated Storm Water Pollution Prevention Program.

Cable TV Fund was set up for the administration and enforcement of the franchise agreements with two cable television systems, management of municipal cable channel, departmental video services, media and public information, and telecommunications planning. The fund records revenue received from franchise fees and indirect charges to other funds and administration expenses incurred in operating the system.

Convention Center Fund records revenue received from the rental of the facility and the administrative and maintenance expenses incurred in the operation of the facility.

CITY OF RICHMOND
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2006

	Richmond Marina	Storm Sewer	Cable TV	Convention Center	Total
ASSETS					
Current Assets					
Cash and investments	\$2,656,419	\$177,014	\$489,069		\$3,322,502
Restricted cash and investments	80,517				80,517
Receivables:					
Accounts	120,247	45,935	230,168	\$76,421	472,771
Interest	6,620	1,786	1,212	(149)	9,469
Total Current Assets	2,863,803	224,735	720,449	76,272	3,885,259
Noncurrent Assets					
Capital assets:					
Nondepreciable		1,672,495			1,672,495
Depreciable, net	2,484,424	9,684,969	160,918		12,330,311
Total Noncurrent Assets	2,484,424	11,357,464	160,918		14,002,806
Total Assets	5,348,227	11,582,199	881,367	76,272	17,888,065
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities		102,975	34,858	4,404	142,237
Interest payable	141,430				141,430
Refundable deposits				37,121	37,121
Compensated absences		31,326	39,168	42,368	112,862
Current portion of long term debt	52,528				52,528
Total Current Liabilities	193,958	134,301	74,026	83,893	486,178
Noncurrent Liabilities:					
Advance to other funds		481,220			481,220
Long-term debt	3,376,073				3,376,073
Total Noncurrent Liabilities	3,376,073	481,220			3,857,293
Total Liabilities	3,570,031	615,521	74,026	83,893	4,343,471
NET ASSETS					
Invested in capital assets		10,876,244	160,918		11,037,162
Unrestricted	1,778,196	90,434	646,423	(7,621)	2,507,432
Total Net Assets	\$1,778,196	\$10,966,678	\$807,341	(\$7,621)	\$13,544,594

CITY OF RICHMOND
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

	Richmond Marina	Storm Sewer	Cable TV	Convention Center	Total
OPERATING REVENUES					
Service charges		\$1,545,977	\$793,144	\$245,848	\$2,584,969
Lease income	\$579,581				579,581
Other			151,549	80,867	232,416
Total Operating Revenues	<u>579,581</u>	<u>1,545,977</u>	<u>944,693</u>	<u>326,715</u>	<u>3,396,966</u>
OPERATING EXPENSES					
Salaries and benefits		803,040	470,830	237,323	1,511,193
General and administrative		1,182,296	177,924	35,934	1,396,154
Maintenance		66	20,848	842	21,756
Depreciation	91,255	968,572	33,247		1,093,074
Other				443	443
Total Operating Expenses	<u>91,255</u>	<u>2,953,974</u>	<u>702,849</u>	<u>274,542</u>	<u>4,022,620</u>
Operating Income (Loss)	<u>488,326</u>	<u>(1,407,997)</u>	<u>241,844</u>	<u>52,173</u>	<u>(625,654)</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income	80,477	12,685	12,554	(2,190)	103,526
Interest (expense)	(154,477)				(154,477)
Total Nonoperating Revenues (Expenses)	<u>(74,000)</u>	<u>12,685</u>	<u>12,554</u>	<u>(2,190)</u>	<u>(50,951)</u>
Income (Loss) Before Transfers	414,326	(1,395,312)	254,398	49,983	(676,605)
Transfers in	80,517		176	160,721	241,414
Transfers (out)	(30,704)	(546,561)			(577,265)
Net Transfers	<u>49,813</u>	<u>(546,561)</u>	<u>176</u>	<u>160,721</u>	<u>(335,851)</u>
Change in Net Assets	464,139	(1,941,873)	254,574	210,704	(1,012,456)
BEGINNING NET ASSETS	<u>1,314,057</u>	<u>12,908,551</u>	<u>552,767</u>	<u>(218,325)</u>	<u>14,557,050</u>
ENDING NET ASSETS	<u>\$1,778,196</u>	<u>\$10,966,678</u>	<u>\$807,341</u>	<u>(\$7,621)</u>	<u>\$13,544,594</u>

CITY OF RICHMOND
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

	Richmond Marina	Storm Sewer	Cable TV	Convention Center	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$483,174	\$1,572,986	\$935,854	\$252,027	\$3,244,041
Payments to suppliers		(1,087,797)	(188,496)	(36,753)	(1,313,046)
Payments to employees		(800,653)	(470,881)	(228,423)	(1,499,957)
Cash Flows from Operating Activities	483,174	(315,464)	276,477	(13,149)	431,038
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund receipt		481,220			481,220
Interfund payments				(144,810)	(144,810)
Transfer in	80,517		176	160,721	241,414
Transfer (out)	(30,704)	(546,561)			(577,265)
Cash Flows from Noncapital Financing Activities	49,813	(65,341)	176	15,911	559
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:					
Acquisition of capital assets			(36,199)		(36,199)
Repayment of long-term borrowing	(50,266)				(50,266)
Interest paid	(156,550)				(156,550)
Cash flows from capital financing activities	(206,816)		(36,199)		(243,015)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received	80,465	11,792	10,919	(2,762)	100,414
Cash Flows from Investing Activities	80,465	11,792	10,919	(2,762)	100,414
Net Cash Flows	406,636	(369,013)	251,373		288,996
Cash and investments at beginning of period	2,330,300	546,027	237,696		3,114,023
Cash and investments at end of period	<u>\$2,736,936</u>	<u>\$177,014</u>	<u>\$489,069</u>		<u>\$3,403,019</u>
Reconciliation of operating income (loss) to net cash flows					
from operating activities:					
Operating income (loss)	\$488,326	(\$1,407,997)	\$241,844	\$52,173	(\$625,654)
Adjustments to reconcile operating income to net cash flows					
from operating activities:					
Depreciation	91,255	968,572	33,247		1,093,074
Change in assets and liabilities:					
Accounts receivable	(36,407)	27,009	(8,839)	(47,189)	(65,426)
Accounts payable and accrued liabilities and other accrued expenses		94,565	10,276	466	105,307
Refundable deposits	(60,000)			(27,499)	(87,499)
Compensated absences		2,387	(51)	8,900	11,236
Cash Flows from Operating Activities	<u>\$483,174</u>	<u>(\$315,464)</u>	<u>\$276,477</u>	<u>(\$13,149)</u>	<u>\$431,038</u>

INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

The concept of major funds introduced by GASB Statement 34 does not extend to internal service funds because they do not do business with outside parties. GASB Statement 34 requires that for the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Assets.

However, internal service funds are still presented separately in the Fund financial statements, including the funds below.

Insurance Reserves Fund is used to report activities related to employee's claims due to industrial injuries and activities related to general claims against the City for damages incurred.

Information Technology Fund is used to report activities related to computer maintenance_services including networks, equipment leases and telephones.

Equipment Services and Replacement Fund is used to report activities related to maintenance and replacement of City vehicles.

Police Telecommunications Fund is used to report activities related to CAD dispatch, RMS records maintenance, and 800 MHz equipment expense.

CITY OF RICHMOND
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2006

	Insurance Reserves	Information Technology	Equipment Services and Replacement	Police Tele- communications	Total
ASSETS					
Current Assets					
Cash and investments	\$11,163,299	\$12,282	\$11,508,582	\$1,826,479	\$24,510,642
Restricted cash and investments			28,184		28,184
Receivables:					
Accounts	259,999		9,359	601,111	870,469
Interest	23,763	(729)	23,877	(2,375)	44,536
Prepays and supplies			241,273		241,273
Total Current Assets	11,447,061	11,553	11,811,275	2,425,215	25,695,104
Noncurrent Assets					
Capital assets:					
Depreciable, net		514,033	3,470,476	80,521	4,065,030
Total Assets	11,447,061	525,586	15,281,751	2,505,736	29,760,134
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	20,665	323,305	211,869	36,461	592,300
Due to other funds		298,626			298,626
Accrued claims liabilities	4,417,000				4,417,000
Total Current Liabilities	4,437,665	621,931	211,869	36,461	5,307,926
Noncurrent Liabilities					
Compensated absences	31,516	177,622	56,746	120,364	386,248
Accrued claims liabilities	18,293,000				18,293,000
Total Noncurrent Liabilities	18,324,516	177,622	56,746	120,364	18,679,248
Total Liabilities	22,762,181	799,553	268,615	156,825	23,987,174
NET ASSETS					
Invested in capital assets		514,033	3,470,476	80,521	4,065,030
Unrestricted	(11,315,120)	(788,000)	11,542,660	2,268,390	1,707,930
Total Net Assets	(\$11,315,120)	(\$273,967)	\$15,013,136	\$2,348,911	\$5,772,960

CITY OF RICHMOND
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

	Insurance Reserves	Information Technology	Equipment Services and Replacement	Police Tele- communications	Total
OPERATING REVENUES					
Charges for services-internal	\$16,313,025	\$4,744,547	\$4,799,805	\$3,545,435	\$29,402,812
Charges for services-external				1,496,329	1,496,329
Total Operating Revenues	16,313,025	4,744,547	4,799,805	5,041,764	30,899,141
OPERATING EXPENSES					
Salaries and benefits	418,304	1,411,525	1,335,012	3,185,116	6,349,957
General and administrative	121,172	1,399,203	347,457	449,050	2,316,882
Maintenance	5,081	1,194,628	1,309,994	738,531	3,248,234
Depreciation	11,772	1,125,385	958,824	1,414	2,097,395
Claims losses	14,900,802				14,900,802
Other	41,313	84,156	3,974		129,443
Total Operating Expenses	15,498,444	5,214,897	3,955,261	4,374,111	29,042,713
Operating Income (Loss)	814,581	(470,350)	844,544	667,653	1,856,428
NONOPERATING REVENUES (EXPENSES)					
Gain from sale of property			26,583		26,583
Interest income	297,936	4,546	230,973	18,987	552,442
Total Nonoperating Revenues (Expenses)	297,936	4,546	257,556	18,987	579,025
Income (Loss) Before Contributions and Transfers	1,112,517	(465,804)	1,102,100	686,640	2,435,453
Contributions			284,318	67,801	352,119
Transfers in			30,534	1,995,630	2,026,164
Transfers (out)		(210,241)		(401,160)	(611,401)
Net Contributions and Transfers		(210,241)	314,852	1,662,271	1,766,882
Change in Net Assets	1,112,517	(676,045)	1,416,952	2,348,911	4,202,335
BEGINNING NET ASSETS (DEFICIT)	(12,427,637)	402,078	13,596,184		1,570,625
ENDING NET ASSETS (DEFICIT)	(\$11,315,120)	(\$273,967)	\$15,013,136	\$2,348,911	\$5,772,960

CITY OF RICHMOND
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

	Insurance Reserves	Information Technology	Equipment Services and Replacement	Police Tele- communications	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$16,053,026	\$4,744,945	\$4,805,634	\$4,440,653	\$30,044,258
Payments to employees	(699,521)	(2,693,765)	(1,599,124)	(3,477,341)	(8,469,751)
Payments to suppliers	(46,394)	(1,278,784)	(1,313,968)	(738,531)	(3,377,677)
Insurance premiums and claims paid	(10,426,981)		(57,996)		(10,484,977)
Cash Flows from Operating Activities	4,880,130	772,396	1,834,546	224,781	7,711,853
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund payments	(696,932)	(460,452)			(1,157,384)
Transfers in			30,534	1,995,630	2,026,164
Transfers (out)		(210,241)		(401,160)	(611,401)
Cash Flows from Noncapital Financing Activities	(696,932)	(670,693)	30,534	1,594,470	257,379
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets		(94,696)	(244,210)	(14,134)	(353,040)
Proceeds from sale of property			26,583		26,583
Cash Flows from Capital and Related Financing Activities		(94,696)	(217,627)	(14,134)	(326,457)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest	284,992	5,275	232,179	21,362	543,808
Cash Flows from Investing Activities	284,992	5,275	232,179	21,362	543,808
Net Cash Flows	4,468,190	12,282	1,879,632	1,826,479	8,186,583
Cash and investments at beginning of period	6,695,109		9,657,134		16,352,243
Cash and investments at end of period	\$11,163,299	\$12,282	\$11,536,766	\$1,826,479	\$24,538,826
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	\$814,581	(\$470,350)	\$844,544	\$667,653	\$1,856,428
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	11,772	1,125,385	958,824	1,414	2,097,395
Change in assets and liabilities:					
Receivables, net	(259,999)	398	5,829	(601,111)	(854,883)
Inventories			(57,996)		(57,996)
Accounts and other payables	(165,636)	90,819	65,963	36,461	27,607
Compensated absences	5,591	26,144	17,382	120,364	169,481
Claims payable	4,473,821				4,473,821
Cash Flows from Operating Activities	4,880,130	772,396	1,834,546	224,781	7,711,853
Non cash transactions:					
Contributions of capital assets			\$284,318	\$67,801	\$352,119

City of Richmond
June 30, 2006

FIDUCIARY FUNDS

TRUST FUNDS are used to account for assets held by the City as a trustee agent for individuals, private organizations, and other governments. These funds include the following:

General Pension Fund records the activity of the General Pension Plan, a defined benefit pension plan that covers 41 former City employees not covered by PERS, all of whom have retired.

Police and Firemen's Pension Fund records the activity of the Police and Firemen's Pension Plan, a defined benefit pension plan that covers 109 police and fire personnel employed prior to October 1964.

Garfield Pension Fund records the activity of the Garfield Pension Plan, a defined contribution pension plan that was set up for a retired police chief.

AGENCY FUNDS account for assets held by the City as an agent for individuals, governmental entities, and non-public organizations. These funds include the following:

Special Assessment Fund accounts for the monies collected and disbursed for land-based debt, where the City is not obligated for the debt.

General Agency Fund accounts for assets held by the City as an agent for individuals, private organizations, and other governments.

Cafeteria Option Fund accounts for employee assets side aside for Medical Savings Accounts (MSAs).

Johnson Library Fund accounts for nonexpendable trust funds to be used to provide funding for special library projects.

Senior Center Fund accounts for assets held by the City in an agent capacity for programs benefiting the senior citizens residing within the City.

Shimada Sister City Fund accounts for expenses related to Sister City functions and events.

JPFA Reassessment Fund receives secured tax payments (from assessment rolls), and makes payments on the JPFA Revenue Reassessment Bonds Series 2003-1.

1999 Revenue Refunding Bonds Agency Fund receives payments of principal and interest on prior assessment bonds, and makes payments on the JPFA Revenue Refunding Bonds Series 1999-A.

Payroll Benefits Fund accounts for accumulation of monies relating to employee and employer payroll liabilities.

CITY OF RICHMOND
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2006

	PENSION TRUST FUNDS				Total
	General Pension	Police and Fireman's Pension	Garfield Pension	Agency Funds	
ASSETS					
Cash and investments				\$10,105,525	\$10,105,525
Restricted cash and investments				4,563,021	4,563,021
Investment in reassessment bonds				8,667,500	8,667,500
Pension plan assets	\$2,772,105	\$18,267,433	\$310,161		21,349,699
Receivable from City	592	1,508			2,100
Accounts receivable				(2,383)	(2,383)
Interest receivable	6,521	(3,052)	3,054	14,417	20,940
Total Assets	<u>2,779,218</u>	<u>18,265,889</u>	<u>313,215</u>	<u>23,348,080</u>	<u>44,706,402</u>
LIABILITIES					
Accounts payable and accrued liabilities	1,037	7,796		3,139,098	3,147,931
Refundable deposits payable				779,251	779,251
Due to assessment district bondholders				19,429,731	19,429,731
Total Liabilities	<u>1,037</u>	<u>7,796</u>		<u>23,348,080</u>	<u>23,356,913</u>
NET ASSETS					
Held in trust for employees' pension benefits	<u>\$2,778,181</u>	<u>\$18,258,093</u>	<u>\$313,215</u>		<u>\$21,349,489</u>

CITY OF RICHMOND
PENSION TRUST FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
JUNE 30, 2006

	<u>General Pension</u>	<u>Police and Fireman's Pension</u>	<u>Garfield Pension</u>	<u>Total</u>
ADDITIONS				
Net investment income:				
Net increase in the fair value of investments		\$907,990		\$907,990
Interest income	\$106,728	491,310	\$12,372	610,410
Investment management fees		(80,697)		(80,697)
Contribution from the City	90,078		73,917	163,995
Contribution from Pension Reserve	<u>148,186</u>	<u>2,215,648</u>		<u>2,363,834</u>
Total Additions	<u>344,992</u>	<u>3,534,251</u>	<u>86,289</u>	<u>3,965,532</u>
DEDUCTIONS				
Pension benefits	704,550	4,522,529	74,373	5,301,452
Administrative expenses	<u>1,063</u>	<u>951</u>		<u>2,014</u>
Total Deductions	<u>705,613</u>	<u>4,523,480</u>	<u>74,373</u>	<u>5,303,466</u>
Net Increase (Decrease)	<u>(360,621)</u>	<u>(989,229)</u>	<u>11,916</u>	<u>(1,337,934)</u>
NET ASSETS				
Beginning of year	<u>3,138,802</u>	<u>19,247,322</u>	<u>301,299</u>	<u>22,687,423</u>
End of year	<u>\$2,778,181</u>	<u>\$18,258,093</u>	<u>\$313,215</u>	<u>\$21,349,489</u>

CITY OF RICHMOND
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006
<u>Special Assessment</u>				
Cash and investments	\$4,188,095	\$19,346,336	\$17,384,272	\$6,150,159
Restricted cash and investments	2,082,293		41,401	2,040,892
Accounts receivable	330,051	1,000	330,051	1,000
Interest receivable	23,885	13,188	23,885	13,188
Total Assets	<u>\$6,624,324</u>	<u>\$19,360,524</u>	<u>\$17,779,609</u>	<u>\$8,205,239</u>
Accounts payable and accrued liabilities	\$17,863		\$17,863	
Due to assessment district bondholders	6,606,461	\$19,360,524	17,761,746	\$8,205,239
Total Liabilities	<u>\$6,624,324</u>	<u>\$19,360,524</u>	<u>\$17,779,609</u>	<u>\$8,205,239</u>
<u>General Agency</u>				
Cash and investments	\$733,633	\$350,934	\$362,539	\$722,028
Accounts receivable	253,179	(3,383)	253,179	(3,383)
Interest receivable	953	1,137	953	1,137
Total Assets	<u>\$987,765</u>	<u>\$348,688</u>	<u>\$616,671</u>	<u>\$719,782</u>
Accounts payable and accrued liabilities	\$21,584	\$15	\$21,584	\$15
Refundable Deposits	966,181	348,673	595,087	719,767
Total Liabilities	<u>\$987,765</u>	<u>\$348,688</u>	<u>\$616,671</u>	<u>\$719,782</u>
<u>Cafeteria Option</u>				
Interest receivable	(\$118)	(\$84)	(\$118)	(\$84)
Total Assets	<u>(\$118)</u>	<u>(\$84)</u>	<u>(\$118)</u>	<u>(\$84)</u>
Accounts payable and accrued liabilities	\$32,941		\$32,941	
Refundable Deposits	(33,059)	(\$84)	(33,059)	(\$84)
Total Liabilities	<u>(\$118)</u>	<u>(\$84)</u>	<u>(\$118)</u>	<u>(\$84)</u>

(Continued)

CITY OF RICHMOND
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006
<u>Johnson Library</u>				
Cash and investments	\$8,010	\$217		\$8,227
Interest receivable	25	20	\$25	20
Total Assets	<u>\$8,035</u>	<u>\$237</u>	<u>\$25</u>	<u>\$8,247</u>
Refundable deposits	<u>\$8,035</u>	<u>\$237</u>	<u>\$25</u>	<u>\$8,247</u>
<u>Senior Center</u>				
Cash and investments	\$49,616	\$448	\$4,486	\$45,578
Interest receivable	559	111	559	111
Total Assets	<u>\$50,175</u>	<u>\$559</u>	<u>\$5,045</u>	<u>\$45,689</u>
Accounts payable and accrued liabilities	\$4,581	\$792	\$4,581	\$792
Refundable Deposits	45,594	(233)	464	44,897
Total Liabilities	<u>\$50,175</u>	<u>\$559</u>	<u>\$5,045</u>	<u>\$45,689</u>
<u>Shimada Sister City</u>				
Cash and investments	\$9,002	\$29	\$2,623	\$6,408
Interest receivable	45	16	45	16
Total Assets	<u>\$9,047</u>	<u>\$45</u>	<u>\$2,668</u>	<u>\$6,424</u>
Refundable Deposits	<u>\$9,047</u>	<u>\$45</u>	<u>\$2,668</u>	<u>\$6,424</u>
Total Liabilities	<u>\$9,047</u>	<u>\$45</u>	<u>\$2,668</u>	<u>\$6,424</u>
<u>JPFA Reassessment</u>				
Cash and investments	\$37,101	\$231,318	\$233,585	\$34,834
Restricted cash and investments	925,008	21,086		946,094
Interest receivable		86		86
Investment in reassessment bonds	9,142,500		475,000	8,667,500
Total Assets	<u>\$10,104,609</u>	<u>\$252,490</u>	<u>\$708,585</u>	<u>\$9,648,514</u>
Due to assessment district bondholders	<u>\$10,104,609</u>	<u>\$252,490</u>	<u>\$708,585</u>	<u>\$9,648,514</u>

(Continued)

CITY OF RICHMOND
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006
<u>1999 Revenue Refunding Bonds</u>				
Cash and investments		\$964,839	\$964,839	
Restricted cash and investments		1,576,035		\$1,576,035
Interest receivable		(57)		(57)
Total Assets		<u>\$2,540,817</u>	<u>\$964,839</u>	<u>\$1,575,978</u>
Due to assessment district bondholders		<u>\$2,540,817</u>	<u>\$964,839</u>	<u>\$1,575,978</u>
<u>Payroll Benefits</u>				
Cash and investments	\$172,186	\$3,138,291	\$172,186	\$3,138,291
Accounts payable and accrued liabilities	\$172,186	\$3,138,291	\$172,186	\$3,138,291
<u>Total Agency Funds</u>				
Cash and investments	\$5,197,643	\$24,032,412	\$19,124,530	\$10,105,525
Restricted cash and investments	3,007,301	1,597,121	41,401	4,563,021
Investment in reassessment bonds	9,142,500		475,000	8,667,500
Accounts receivable	583,230	(2,383)	583,230	(2,383)
Interest receivable	25,349	14,417	25,349	14,417
Total Assets	<u>\$17,956,023</u>	<u>\$25,641,567</u>	<u>\$20,249,510</u>	<u>\$23,348,080</u>
Accounts payable and accrued liabilities	\$249,155	\$3,139,098	\$249,155	\$3,139,098
Refundable Deposits	995,798	348,638	565,185	779,251
Due to assessment district bondholders	<u>16,711,070</u>	<u>22,153,831</u>	<u>19,435,170</u>	<u>19,429,731</u>
Total Liabilities	<u>\$17,956,023</u>	<u>\$25,641,567</u>	<u>\$20,249,510</u>	<u>\$23,348,080</u>

City of Richmond
June 30, 2006

STATISTICAL SECTION

This part of the City'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 City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

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:

1. Net Assets by Component
2. Changes in Net Assets
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

Revenue Capacity

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

1. Assessed Value and Estimated Value of Taxable Property
2. Property Tax Rates, All Direct Overlapping Governments
3. Principal Property Tax Payers
4. Property Tax Levies and Collections

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:

1. Ratio of Outstanding Debt by Type
2. Revenue Bond Coverage – 1999 Wastewater Revenue Bonds
3. Revenue Bond Coverage – 1996, 1999, and 2004 Port Terminal Lease Revenue Bonds and Note
4. Bonded Debt Pledged Revenue Coverage – Redevelopment Tax Allocation Bonds
5. Computation of Direct and Overlapping Debt
6. Computation of Legal Bonded Debt Margin

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:

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information

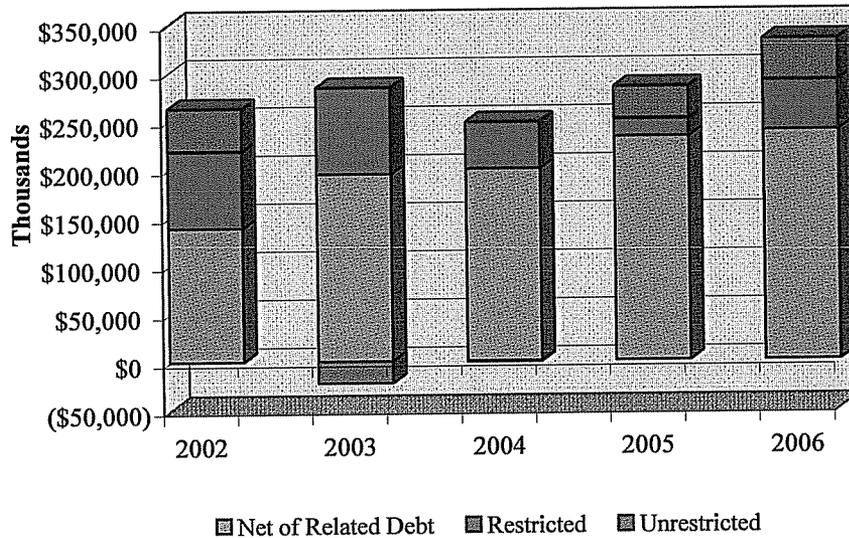
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

Sources

Unless otherwise noted, the information in these schedules is derived from the Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

CITY OF RICHMOND
Net Assets by Component
Last Five Fiscal Years
(accrual basis of accounting)



	Fiscal Year Ended June 30,				
	2002	2003	2004	2005	2006
Governmental activities					
Invested in capital assets, net of related debt	\$128,072,915	\$161,803,370	\$123,741,262	\$155,699,999	\$155,930,914
Restricted	79,855,592	90,011,285	45,358,192	16,193,394	49,291,795
Unrestricted	5,721,384	(40,308,547)	19,096,845	42,225,569	44,525,862
Total governmental activities net assets	\$213,649,891	\$211,506,108	\$188,196,299	\$214,118,962	\$249,748,571
Business-type activities					
Invested in capital assets, net of related debt	\$11,162,014	\$32,619,310	\$75,917,317	\$76,670,956	\$82,419,674
Restricted			3,156,207	2,246,548	2,283,065
Unrestricted	38,577,608	17,733,546	(19,724,085)	(8,865,682)	(1,351,641)
Total business-type activities net assets	\$49,739,622	\$50,352,856	\$59,349,439	\$70,051,822	\$83,351,098
Primary government					
Invested in capital assets, net of related debt	\$139,234,929	\$194,422,680	\$199,658,579	\$232,370,955	\$238,350,588
Restricted	79,855,592	90,011,285	48,514,399	18,439,942	51,574,860
Unrestricted	44,298,992	(22,575,001)	(627,240)	33,359,887	43,174,221
Total primary government net assets	\$263,389,513	\$261,858,964	\$247,545,738	\$284,170,784	\$333,099,669

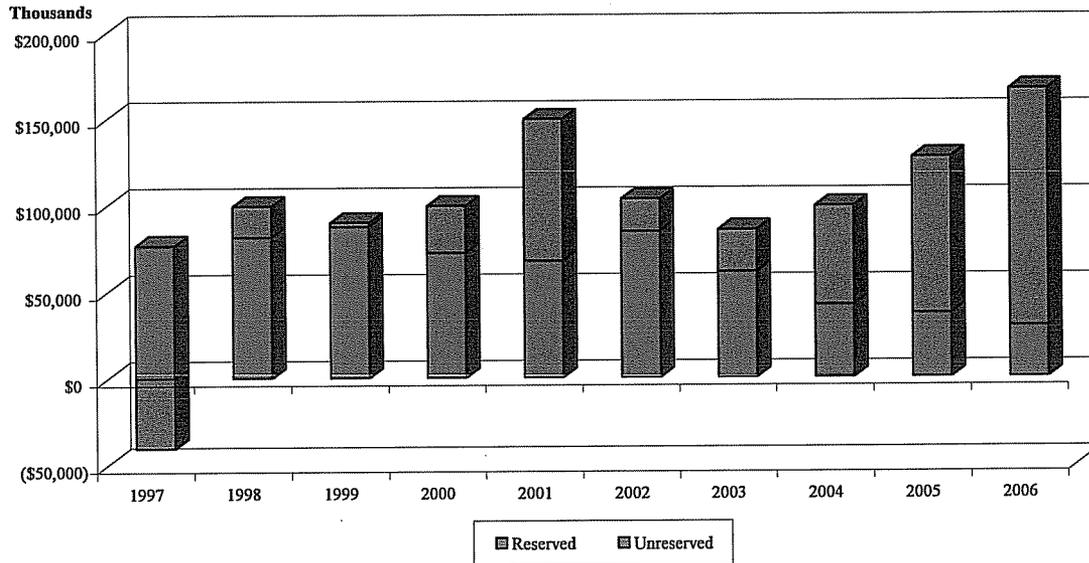
CITY OF RICHMOND
Changes in Net Assets
Last Five Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30,				
	2002	2003	2004	2005	2006
Expenses					
Governmental Activities:					
General Government	\$16,988,258	\$20,866,018	\$33,157,403	\$11,798,558	\$20,757,394
Public Safety	42,564,720	51,888,399	55,122,382	46,320,116	64,704,505
Public Works	31,578,894	32,986,223	39,509,425	36,743,774	40,119,182
Community Development	5,638,218	8,494,108	5,771,490	4,487,223	6,400,700
Cultural and Recreational	9,878,567	11,150,363	11,426,024	7,120,024	10,516,483
Housing and Redevelopment	9,890,332	26,645,808	9,610,845	10,883,850	14,587,522
Other	33,638	75,785			
Unallocated Cost	491,464	8,458,336			
Interest and Fiscal Charges	17,480,844	13,022,532	14,665,716	10,163,111	13,970,272
Total Governmental Activities Expenses	134,544,935	173,587,572	169,263,285	127,516,656	171,056,058
Business-Type Activities:					
Richmond Housing Authority	19,735,553	25,518,702	27,920,939	28,054,660	25,761,763
RHA Properties			2,997,658	4,633,810	4,638,099
Port of Richmond	3,011,432	2,811,056	2,911,772	2,545,842	2,896,324
Richmond Marina	357,066	578,370	272,694	248,045	245,732
Municipal Sewer	12,346,221	10,035,988	10,047,198	9,020,928	9,599,570
Storm Sewer	2,903,232	2,446,743	2,461,223	2,142,358	2,953,974
Cable TV	806,303	763,738	699,809	646,770	702,849
Convention Center	250,538	319,066	291,078	269,595	274,542
Total Business-Type Activities Expenses	39,410,345	42,473,663	47,602,371	47,562,008	47,072,853
Total Primary Government Expenses	\$173,955,280	\$216,061,235	\$216,865,656	\$175,078,664	\$218,128,911
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Government	\$5,077,586	\$5,509,407	\$12,779,067	\$6,195,631	\$9,579,562
Public Safety	1,171,026	697,659	22,300	1,061,832	2,674,213
Public Works	3,414,060	3,848,741	5,133,200	6,829,231	2,017,908
Community Development	173,060	1,682,781	17	1,488,832	2,488,628
Cultural and Recreational	457,027	364,665	234,308	230,187	1,230,022
Housing and Redevelopment		(680)	26	54	3,145,276
Operating Grants and Contributions	13,831,976	11,485,157	10,143,316	9,035,667	10,737,556
Capital Grants and Contributions	8,114,333	20,454,780	2,409,429	2,502,038	4,584,637
Total Government Activities Program Revenues	32,239,068	44,042,510	30,721,663	27,343,472	36,457,802
Business-Type Activities:					
Charges for Services:					
Richmond Housing Authority		2,064,716	2,234,580	1,822,316	1,663,345
RHA Properties			3,199,363	3,401,790	3,408,235
Port of Richmond		2,265,785	2,491,147	5,913,472	6,130,166
Richmond Marina		366,288	458,473	456,142	579,581
Municipal Sewer	7,261,695	8,020,968	10,008,499	9,099,788	11,009,699
Storm Sewer	1,444,521	1,477,853	1,478,790	1,546,345	1,545,977
Cable TV	720,213	677,314	911,227	840,773	944,693
Convention Center	1,181	172,793	202,246	273,008	326,715
Operating Grants and Contributions	17,436,628	24,072,750	9,498		
Capital Grants and Contributions			33,845,368	32,707,460	33,223,130
Total Business-Type Activities Program Revenue	26,864,238	39,118,467	54,839,191	56,061,094	58,831,541
Total Primary Government Program Revenues	\$59,103,306	\$83,160,977	\$85,560,854	\$83,404,566	\$95,289,343
Net (Expense)/Revenue					
Governmental Activities	(\$102,305,867)	(\$129,545,062)	(\$138,541,622)	(\$100,173,184)	(\$134,598,256)
Business-Type Activities	(12,546,107)	(3,355,196)	7,236,820	8,499,086	11,758,688
Total Primary Government Net Expense	(\$114,851,974)	(\$132,900,258)	(\$131,304,802)	(\$91,674,098)	(\$122,839,568)

CITY OF RICHMOND
Changes in Net Assets
(continued)
Last Five Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30,				
	2002	2003	2004	2005	2006
General Revenues and Other Changes in Net Assets					
Governmental Activities:					
Taxes:					
Property Taxes-Current Collections	\$37,152,483	\$39,816,120	\$36,475,512	\$39,806,022	\$58,637,096
Property Taxes-Released from Pension Reserve Fund				8,342,849	17,315,525
Sales Tax			12,352,198	20,273,363	25,402,253
Utility user taxes			29,322,850	29,721,091	30,199,388
Other Taxes	41,923,460	44,665,215	9,421,142	13,847,030	14,690,034
Use of Money and Property			2,597,233	2,993,086	5,490,761
Unrestricted Intergovernmental	1,003,303	978,228	4,157,098	3,031,587	954,905
Investment Income	10,736,228	6,568,865			
Rental Revenue		2,819,462			
Lease Revenue		3,017,547			
Repayment of Principal		1,940,375			
Miscellaneous	10,159,396	3,433,249	18,778,396	152,775	3,144,463
Gain (Loss) on Sales of Capital Assets	(15,241,536)	(175,225)		11,361,312	2,361,410
Pension stabilization revenue					4,175,381
Developer revenue sharing					3,254,620
Settlement reimbursement					4,226,289
Transfers	(7,738)	(2,116,594)	49,486	167,153	375,740
Reimbursement from Pension Fund		3,928,959			
Total Government Activities	<u>85,725,596</u>	<u>104,876,201</u>	<u>113,153,915</u>	<u>129,696,268</u>	<u>170,227,865</u>
Business-Type Activities:					
Taxes:					
Property Taxes	134,870			10,193	10,867
Use of Money and Property			1,809,249	1,222,413	1,247,868
Investment Income	7,975,357	2,281,921			
Other	720,263			1,956,342	
Loss on Sales of Capital Assets	(4,995)	(9,527)			
Transfers	7,738	2,116,594	(49,486)	(167,153)	(375,740)
Total Business-Type Activities	<u>8,833,233</u>	<u>4,388,988</u>	<u>1,759,763</u>	<u>3,021,795</u>	<u>882,995</u>
Total Primary Government	<u>\$94,558,829</u>	<u>\$109,265,189</u>	<u>\$114,913,678</u>	<u>\$132,718,063</u>	<u>\$171,110,860</u>
Change in Net Assets					
Governmental Activities	(\$16,580,271)	(\$24,668,861)	(\$25,387,707)	\$29,523,084	\$35,629,609
Business-Type Activities	(3,712,874)	1,033,792	8,996,583	11,520,881	12,641,683
Total Primary Government	<u>(\$20,293,145)</u>	<u>(\$23,635,069)</u>	<u>(\$16,391,124)</u>	<u>\$41,043,965</u>	<u>\$48,271,292</u>

CITY OF RICHMOND
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)



	Fiscal Year Ended June 30,									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved	\$31,456,000	\$43,896,000	\$42,392,000	\$41,937,449	\$40,004,328	\$39,572,550	\$36,921,700	\$23,334,569	\$17,083,473	\$9,638,843
Unreserved	1,757,000	(1,270,000)	854,000	3,840,804	8,150,386	6,284,507	(4,420,944)	12,440,443	26,510,417	38,590,926
Total General Fund	<u>\$33,213,000</u>	<u>\$42,626,000</u>	<u>\$43,246,000</u>	<u>\$45,778,253</u>	<u>\$48,154,714</u>	<u>\$45,857,057</u>	<u>\$32,500,756</u>	<u>\$35,775,012</u>	<u>\$43,593,890</u>	<u>\$48,229,769</u> (a)
All Other Governmental Funds										
Reserved	\$45,214,000	\$37,475,000	\$44,975,000	\$30,231,155	\$27,405,012	\$44,654,025	\$24,082,816	\$18,402,465	\$19,734,505	\$19,716,191
Unreserved, reported in:										
Special revenue funds	2,353,000	1,307,000	1,244,000	2,572,653	698,121	805,201	2,599,416	7,730,927	9,644,237	22,266,931
Debt service funds	1,330,000					(3,264,769)	(32,671,008)	(1,555,799)	462,267	6,647,877
Capital project funds	(45,968,000)	17,962,000	350,000	20,733,706	73,207,473	15,229,062	58,802,260	38,672,895	53,792,412	69,561,861
Total all other governmental funds	<u>\$2,929,000</u>	<u>\$56,744,000</u>	<u>\$46,569,000</u>	<u>\$53,537,514</u>	<u>\$101,310,606</u>	<u>\$57,423,519</u>	<u>\$52,813,484</u>	<u>\$63,250,488</u>	<u>\$83,633,421</u>	<u>\$118,192,860</u>

(a) The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.

CITY OF RICHMOND
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30,				
	1997	1998	1999	2000	2001
Revenues					
Property taxes	\$32,521,000	\$27,825,000	\$29,420,000	\$37,211,425	37,220,187
Sales taxes	8,742,000	9,697,000	10,736,000	12,431,034	14,255,927
Utility user fees	17,300,000	17,354,000	18,142,000	18,330,503	21,094,681
Other taxes	5,379,000	5,952,000	6,151,000	6,660,722	9,755,617
Licenses, permits and fees	2,087,000	2,155,000	2,502,000	2,954,637	3,854,140
Developer revenue sharing					
Fines, forfeitures and penalties	287,000	311,000	630,000	804,657	759,782
Use of money and property	6,229,000	12,377,000	6,117,000	5,561,947	8,521,642
Intergovernmental	40,791,000	16,489,000	18,663,000	23,669,018	19,539,785
Charges for services	14,097,000	14,087,000	5,511,000	8,546,061	4,824,336
Pension stabilization revenue					
Settlement reimbursement					1,306,391
Lease income					
Reimbursement from pension fund					
Rent	3,610,000	2,296,000	2,576,000	3,659,066	2,793,821
Proceeds from sale of land			322,000		
Other	2,025,000	1,854,000	2,036,000	2,362,505	3,971,315
Total Revenues	133,068,000	110,397,000	102,806,000	122,191,575	127,897,624
Expenditures					
Current:					
General government	17,221,000	18,341,000	18,824,000	25,213,454	19,657,294
Public safety	35,773,000	36,155,000	37,515,000	38,812,146	40,336,645
Public works					
Highway and streets	6,652,000	6,415,000	5,124,000	5,575,459	7,793,120
Health and sanitation	5,013,000	5,225,000		295,890	955,873
Community development	6,119,000	6,440,000	6,969,000	8,571,962	9,600,033
Culture and recreational	7,684,000	8,281,000	8,625,000	9,876,807	9,740,773
Housing and redevelopment	17,358,000	5,877,000	5,829,000	7,820,872	1,990,502
Salaries and wages					
General and administrative					
Maintenance					
Other	1,582,000	2,503,000	901,000	1,429,324	11,165,647
Capital outlay	31,414,000	21,080,000	16,629,000	17,492,266	15,894,297
Debt service:					
Principal repayment	7,062,000	10,985,000	5,671,000	14,827,335	13,436,978
Interest and fiscal charges	8,153,000	14,830,000	6,586,000	7,796,012	12,003,575
Effect of reduction in interest rates- notes receivable from other funds	(8,865,000)				
Total Expenditures	135,166,000	136,132,000	112,673,000	137,711,527	142,574,737
Excess (deficiency) of revenues over (under) expenditures	(2,098,000)	(25,735,000)	(9,867,000)	(15,519,952)	(14,677,113)
Other Financing Sources (Uses)					
Operating transfers in	67,984,000	47,489,000	24,272,000	33,409,953	52,731,159
Operating transfers out	(68,641,000)	(44,997,000)	(20,684,000)	(33,692,040)	(52,846,008)
Sale of property	1,220,000	1,551,000	322,000	4,882,030	308,775
Reimbursement of land cleanup costs	1,321,000				
Payment to refund bond escrow agent	(19,847,000)	(6,336,000)			
Proceeds of long-term debt	24,845,000	21,797,000		23,277,689	60,720,000
Bond issuance costs		(661,000)			
Payment to retirement plan					
Write-off of interfund receivables/payable	(4,495,000)	(1,620,000)			
Deferral of interfund interest		(16,725,000)			
Total other financing sources (uses)	2,387,000	498,000	3,910,000	27,877,632	60,913,926
Net Change in fund balances	\$289,000	(\$25,237,000)	(\$5,957,000)	\$12,357,680	\$46,236,813
Debt service as a percentage of noncapital expenditures	(a)	(a)	(a)	(a)	(a)

NOTE:

(a) The City implemented GASB Statement 34 in fiscal year 2002. Therefore this calculation is included only for fiscal years subsequent to that date.

Fiscal Year Ended June 30,

2002	2003	2004	2005	2006
\$37,152,483	\$39,816,120	\$36,475,512	\$48,148,871	\$76,431,421
13,199,899	12,282,691	12,352,198	20,273,363	\$25,402,253
21,144,888	23,463,409	29,322,850	29,721,091	\$30,199,388
7,578,673	10,810,643	9,421,142	13,847,030	\$14,690,034
6,459,773	5,267,568	8,414,668	8,347,868	14,272,803
				3,254,620
454,786	570,823	435,057	522,015	396,257
11,950,076	9,710,818	2,628,566	2,496,624	5,149,718
15,391,085	26,727,129	15,892,578	15,980,671	16,303,188
6,158,955	6,775,324	6,775,449	3,864,491	4,421,803
				4,175,381
				4,226,289
3,013,488	3,017,548			
4,017,246	3,928,959			
4,244,780	2,629,861	2,560,987	237,568	414,716
<u>2,364,500</u>	<u>6,184,893</u>	<u>23,152,932</u>	<u>3,191,685</u>	<u>3,496,107</u>
<u>133,130,632</u>	<u>151,185,786</u>	<u>147,431,939</u>	<u>146,631,277</u>	<u>202,833,978</u>
17,316,203	17,981,557		12,871,884	18,986,723
44,309,105	53,169,844		52,859,724	64,006,470
			20,947,719	20,371,718
24,689,873	18,345,397			
6,139,781	8,556,636		4,542,606	6,306,343
10,707,305	11,585,860		7,362,852	10,300,456
9,861,172	24,940,122		11,971,460	20,778,294
		86,240,536		
		40,886,151		
		2,182,381		
81,095	75,785	601,026		
8,461,827	13,170,857	12,570,471	10,630,365	17,479,290
12,988,661	6,245,552	7,989,730	7,639,995	6,515,045
13,939,372	13,930,315	12,102,434	9,206,783	11,257,775
<u>148,494,394</u>	<u>168,001,925</u>	<u>162,572,729</u>	<u>138,033,388</u>	<u>176,002,114</u>
<u>(15,363,762)</u>	<u>(16,816,139)</u>	<u>(15,140,790)</u>	<u>8,597,889</u>	<u>26,831,864</u>
29,129,749	37,541,392	66,659,138	27,587,164	53,092,947
(30,137,487)	(42,657,986)	(69,609,652)	(34,410,933)	(54,131,970)
223,115	61,624	578,907	9,071,591	3,167,685
	6,556,686			
7,437,213		29,145,759	17,356,100	124,111,809
				(113,877,017)
<u>6,652,590</u>	<u>1,501,716</u>	<u>26,774,152</u>	<u>19,603,922</u>	<u>12,363,454</u>
<u>(58,711,172)</u>	<u>(\$15,314,423)</u>	<u>\$11,633,362</u>	<u>\$28,201,811</u>	<u>\$39,195,318</u>
10.7%	4.2%	5.6%	6.3%	4.1%

CITY OF RICHMOND
ASSESSED AND ESTIMATED ACTUAL
VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(In Thousands)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
ASSESSED VALUE ⁽¹⁾										
Land	\$1,577,452	\$1,597,176	\$1,691,023	\$1,772,263	\$1,918,926	\$2,111,424	\$2,324,645	\$2,627,744	\$2,959,317	\$3,418,224
Improvements	4,563,209	4,456,155	4,498,749	4,591,723	4,784,954	5,616,334	5,626,587	5,738,751	6,621,854	7,266,076
Total Real Property	\$6,140,661	\$6,053,331	\$6,189,772	\$6,363,986	\$6,703,880	\$7,727,758	\$7,951,232	\$8,366,495	\$9,581,171	\$10,684,300
Personal Property	476,532	372,732	375,648	453,809	491,488	496,737	522,772	558,698	563,253	538,693
TOTAL	\$6,617,193	\$6,426,063	\$6,565,420	\$6,817,795	\$7,195,368	\$8,224,495	\$8,474,004	\$8,925,193	\$10,144,424	\$11,222,993
EXEMPTIONS ⁽²⁾										
Homeowners ⁽⁴⁾	\$111,660	\$111,212	\$111,686	\$112,543	\$114,012	\$115,472	\$116,607	\$116,687	\$115,580	\$117,722
Other ⁽⁵⁾	165,908	190,382	198,631	209,783	208,302	240,583	245,704	243,788	267,660	317,429
TOTAL	\$277,568	\$301,594	\$310,317	\$322,326	\$322,314	\$356,055	\$362,311	\$360,475	\$383,240	\$435,151
ASSESSED VALUE										
(Net of Exemptions)	\$6,339,625	\$6,124,469	\$6,255,103	\$6,495,469	\$6,873,054	\$7,868,440	\$8,111,693	\$8,564,718	\$9,761,184	\$10,787,842
Less: Redevelopment Tax Increments ⁽³⁾	614,172	601,425	714,929	729,227	792,046	903,230	1,020,387	1,102,499	1,200,250	1,346,439
NET ASSESSED VALUE	\$5,725,453	\$5,523,044	\$5,540,174	\$5,766,242	\$6,081,008	\$6,965,210	\$7,091,306	\$7,462,219	\$8,560,934	\$9,441,403
NET INCREASE (DECREASE)	\$146,229	(\$202,409)	\$17,130	\$226,068	\$314,766	\$884,202	\$126,096	\$370,913	\$1,098,715	\$880,469
% OF INCREASE (DECREASE)	2.62%	-3.54%	0.31%	4.08%	5.46%	14.54%	1.81%	5.23%	14.72%	10.28%

⁽¹⁾ Assessed value (full cash value) of taxable property represents all property within the City. For the fiscal year 1981-82 and thereafter, the assessed value is 100% of the full cash value in accordance with State legislation. The maximum tax rate is 1% of the full cash value or \$1/\$100 of the assessed value, excluding the tax rate for debt service.

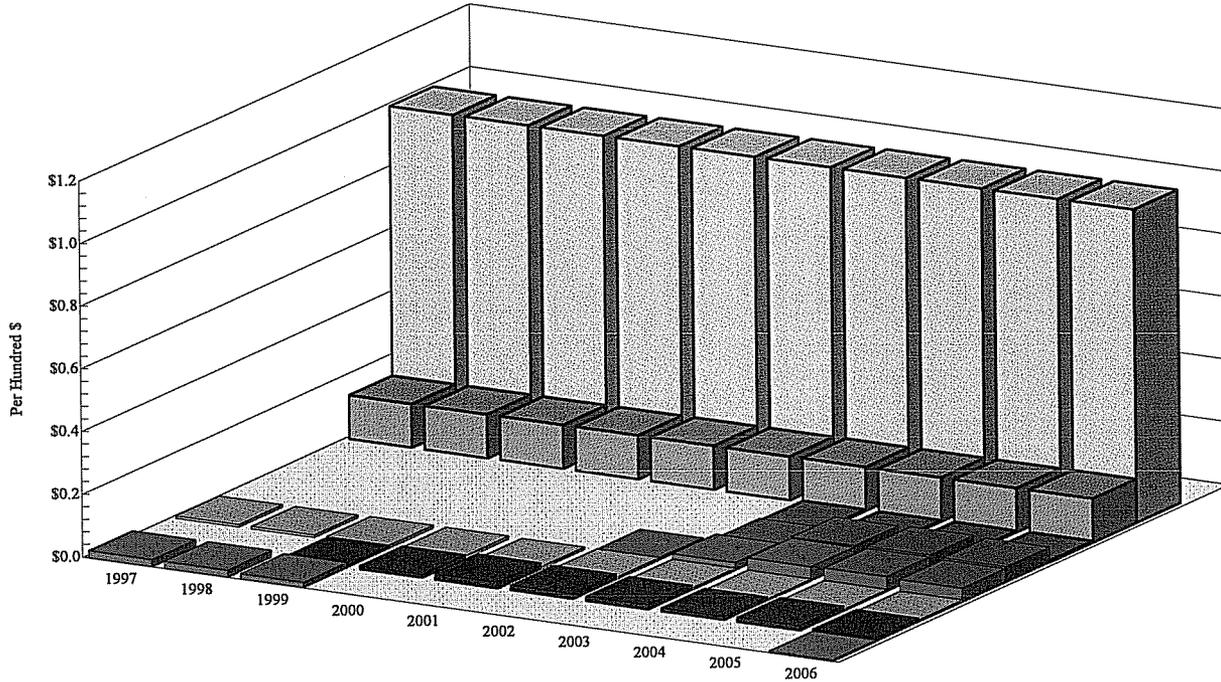
⁽²⁾ Exemptions are summarized as follows:

- (a) Homeowners' exemption arises from Article XIII(25) which reimburses local governments for revenues lost through the homeowners' exemption in Article XIII(3)(k).
- (b) Other exemptions are revenues lost to the City because of provisions of California Constitution, Article XIII(3).

⁽³⁾ Tax increments are allocations made to the Redevelopment Agency under authority of California Constitution, Article XVI.

Source: County of Contra Costa, Office of the Auditor-Controller

**CITY OF RICHMOND
PROPERTY TAX RATES
ALL OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**



<ul style="list-style-type: none"> ■ BART ■ East Bay Regional Parks District ■ West Contra Costa Unified 2002 ■ City of Richmond 1981 Pension Liability ■ West County Wastewater 	<ul style="list-style-type: none"> ■ West Contra Costa Unified 1998 ■ West Contra Costa Unified 2000 ■ Community College 2000 ■ Basic County Wide Levy
---	--

Fiscal Year	Basic County Wide Levy	City of Richmond 1981 Pension Liability (1)	BART	East Bay Regional Parks District	West County Wastewater	West Contra Costa Unified			Community College 2000	Total
						1998	2000	2002		
1997	\$1.0000	\$0.1400	\$0.0225	\$0.0080	\$0.0101					\$1.1806
1998	1.0000	0.1400	0.0220	0.0081	0.0107					1.1808
1999	1.0000	0.1400	0.0167	0.0092	0.0113	\$0.0061				1.1833
2000	1.0000	0.1400		0.0088		0.0125				1.1613
2001	1.0000	0.1400		0.0065		0.0204				1.1669
2002	1.0000	0.1400		0.0072		0.0181	\$0.0069			1.1722
2003	1.0000	0.1400		0.0065		0.0161	0.0250	\$0.0115	\$0.0040	1.2031
2004	1.0000	0.1400		0.0057		0.0123	0.0454	0.0487	0.0038	1.2559
2005	1.0000	0.1400		0.0057		0.0161	0.0469	0.0523	0.0042	1.2652
2006	1.0000	0.1400	0.0048	0.0057		0.0115	0.0437	0.0489	0.0047	1.2593

(1) Voter approved debt.

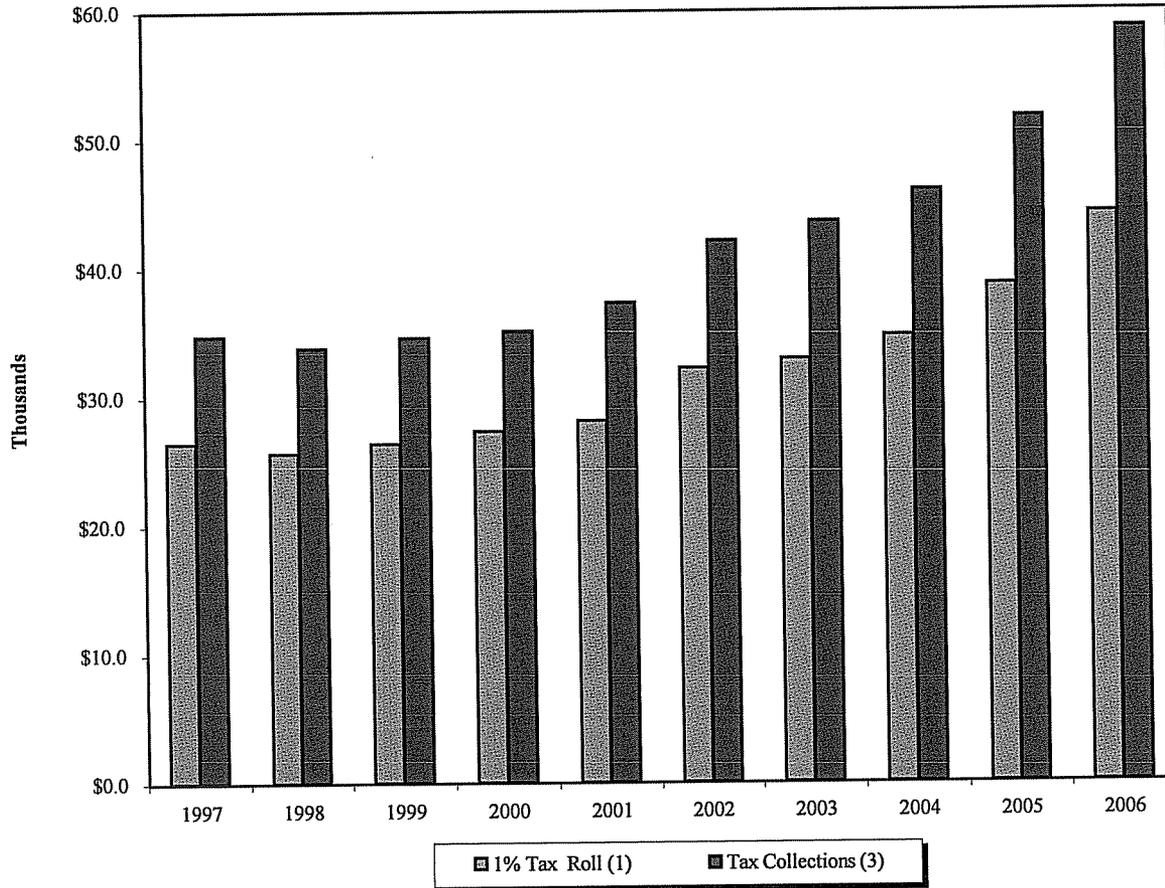
Source: County of Contra Costa, Office of the Auditor-Controller

CITY OF RICHMOND
Principal Property Tax Payers
Current Year and Nine Years Ago
(In Thousands)

Taxpayer	Type of Business	2005-06			1996-97		
		Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Chevron USA	Petroleum/Coal Products	\$2,959,274	1	31.3%	\$2,171,346	1	37.9%
Susie Gee	Apartments	98,516	2	1.0%	N/A		N/A
Dicon Fiberoptics	Semiconductors	56,737	3	0.6%	N/A		N/A
Berlex Laboratories	Chemical Production	130,246	4	1.4%	117,493	2	2.1%
BP West Coast Products	Petroleum Products	37,843	5	0.4%	N/A		N/A
California Fats & Oils Inc.	Food Manufacturer	28,653	6	0.3%	25,631	6	0.4%
Tosco Corporation	Oil Refining	25,548	7	0.3%	N/A		N/A
Shores of Marina Bay Community Association	Apartments	24,629	8	0.3%	N/A		N/A
Lennar Emerald Marina Shores	Apartments	24,510	9	0.3%	N/A		N/A
Point Richmond R&D Associates	Research and Development Facility	33,512	10	0.4%	N/A		N/A
Chronicle Publishing Company	Media Company	N/A		N/A	39,727	3	0.7%
ICI Americas, Inc.	Chemical Manufacturer	N/A		N/A	88,826	4	1.6%
Security Capital Pacific Trust	Real Estate Investment Trust	N/A		N/A	32,158	5	0.6%
Safeway Stores	Retail warehouse	N/A		N/A	26,505	7	0.5%
Atlantic Richfield Company	Petroleum Products	N/A		N/A	28,460	8	0.5%
Union Oil Company of California	Petroleum Products	N/A		N/A	21,434	9	0.4%
Gatx Terminals Corporation	Petroleum and Chemicals Storage and Distribution	N/A		N/A	19,571	10	0.3%
Subtotal		<u>\$3,419,468</u>		<u>36.2%</u>	<u>\$2,571,151</u>		<u>44.9%</u>
Total Net Assessed Valuation:							
Fiscal Year 2005-2006		\$9,441,403					
Fiscal Year 1996-1997		5,725,453					

Source: Contra Costa County Assessor Fiscal Year Combined Tax Rolls.

**CITY OF RICHMOND
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(In Thousands)**

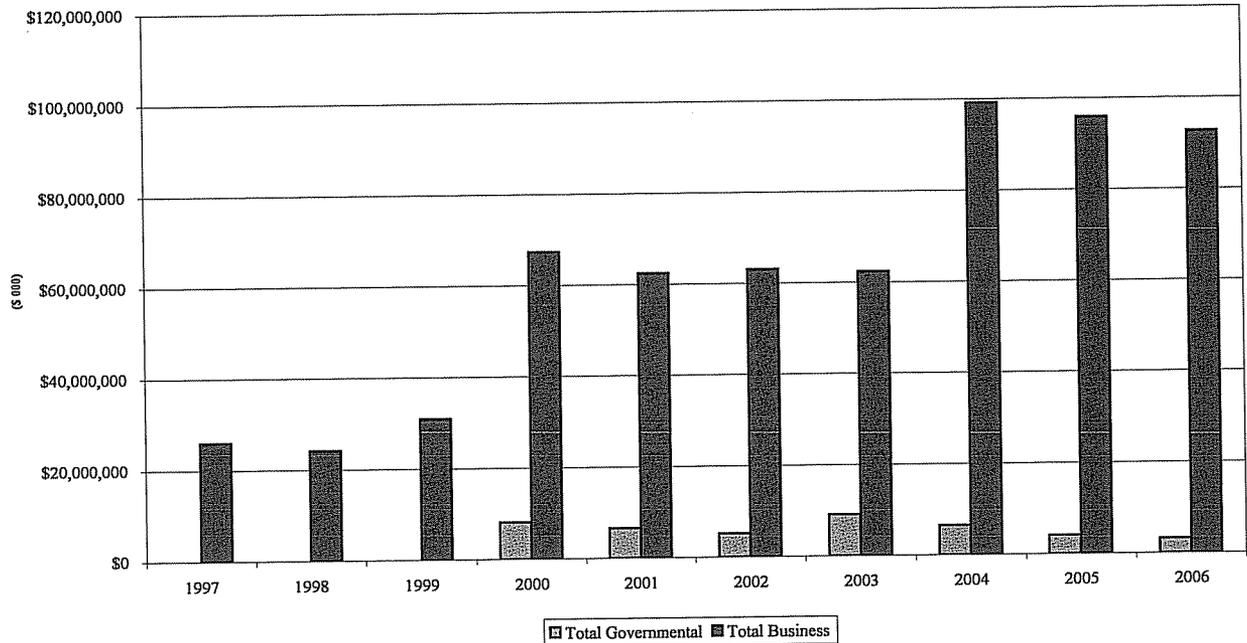


Fiscal Year	1% Tax Roll (1)	Voter Approve Debt Tax Rolls (2)	Total Tax Collections (3)
1997	\$26,458	\$8,317	\$34,775
1998	25,635	8,197	33,832
1999	26,379	8,202	34,581
2000	27,341	7,782	35,123
2001	28,125	9,129	37,254
2002	32,193	9,867	42,060
2003	32,890	10,656	43,546
2004	34,721	11,282	46,003
2005	38,687	13,009	51,696
2006	44,209	14,426	58,635

Source: City of Richmond Records

- NOTES: (1) The maximum tax rate is 1% of the assessed value or \$1/\$100 of the assessed value, excluding the tax rate for debt.
 (2) Voter approved tax roll for debt is in addition to the 1% rate shown in note (1).
 (3) During fiscal year 1995, the County began providing the City 100% of its tax levy under an agreement which allows the County to keep all interest and delinquency charges collected.

CITY OF RICHMOND
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years



Governmental Activities

Fiscal Year	Tax Allocation Bonds	Pension Obligation Bonds	Revenue Bonds	Loans and Notes Payable	Capital Leases	Special Assessments	Total
1997	\$9,510,000		\$22,167,000	\$46,311,000		\$26,895,000	\$104,883,000
1998	25,023,000		20,370,000	11,554,000		25,490,000	82,437,000
1999	24,408,000		19,363,000	4,326,000		24,585,000	72,682,000
2000	24,032,779	\$36,280,000	18,303,815	3,461,435	\$8,124,760		90,202,789
2001	55,162,779	33,040,000	42,445,000	2,850,650	6,551,646		140,050,075
2002	54,487,779	31,360,000	40,845,002	2,655,597	5,150,251		134,498,629
2003	53,877,779	29,660,000	39,530,000	2,683,222	9,058,762		134,809,763
2004	82,965,168	27,945,000	38,155,000	2,963,702	6,500,204		158,529,074
2005	98,578,513	26,225,000	36,715,000	3,204,394	4,045,158		168,768,065
2006	96,801,090	140,799,775	35,205,000	12,200,843	3,195,340		288,202,048

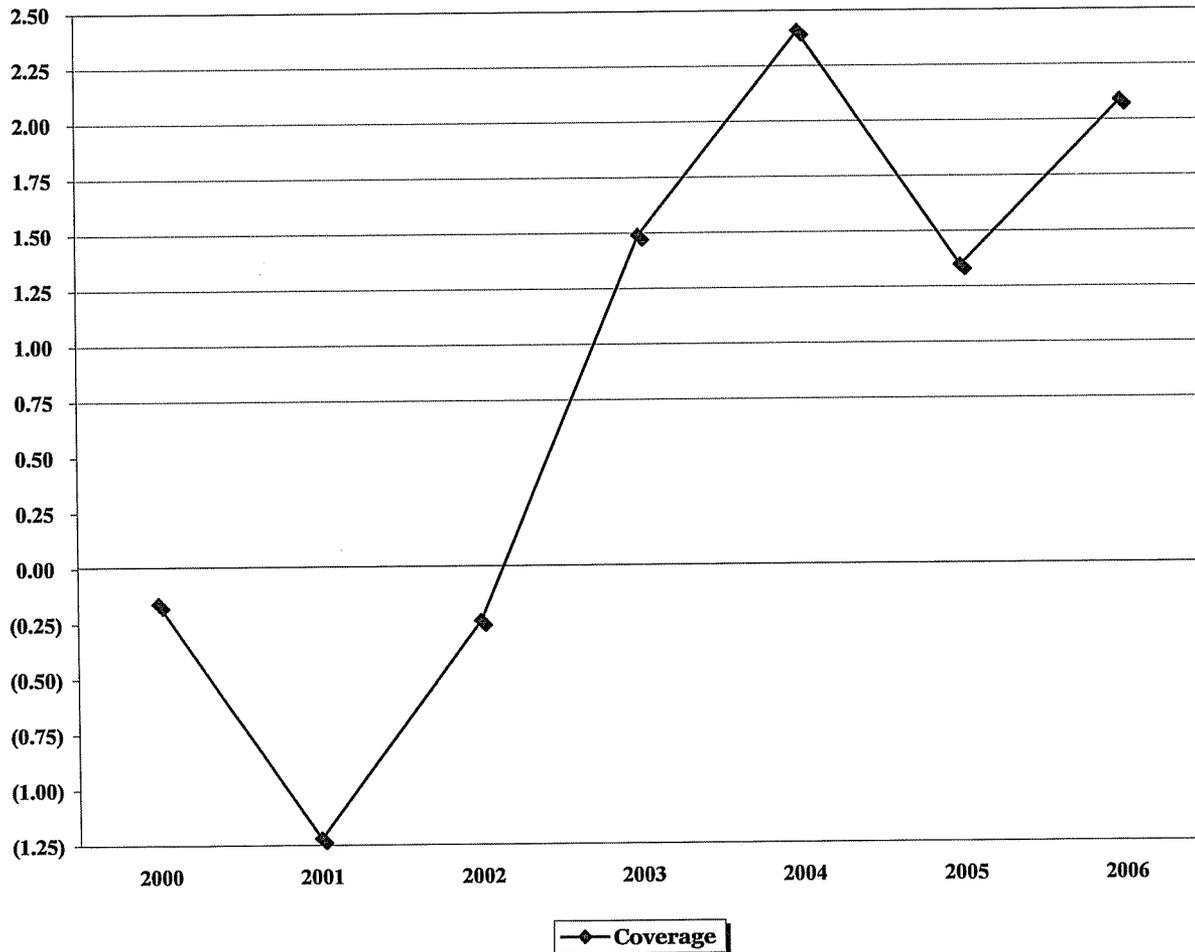
Business-Type Activities

Fiscal Year	Affordable Housing Agency Bonds	Wastewater Revenue Bonds	Port Lease Revenue Bonds	Loans and Notes Payable	Total	Total Total Primary Government	Percentage of Personal Income (B)	Per Capita (B)
1997			\$18,520,000	\$7,446,000	\$25,966,000	\$130,849,000	3.90%	1,380.26
1998			17,050,000	7,134,000	24,184,000	106,621,000	2.95%	1,107.18
1999			17,008,000	13,902,000	30,910,000	103,592,000	2.67%	1,059.22
2000		\$37,516,082	16,814,541	12,994,659	67,325,282	157,528,071	3.57%	1,587.73
2001		38,345,972	15,680,703	8,418,185	62,444,860	202,494,935	4.47%	1,990.79
2002		38,904,150	14,501,865	9,682,769	63,088,784	197,587,413	4.46%	1,954.84
2003		39,422,497	13,273,027	9,704,142	62,399,666	197,209,429	4.40%	1,945.38
2004	\$34,720,000	39,903,191	11,989,189	12,543,740	99,156,120	257,685,194	5.49%	2,534.90
2005	34,185,000	39,218,632	10,650,351	11,877,513	95,931,496	264,699,561	(A)	2,569.60
2006	33,725,000	38,516,264	9,251,513	11,195,682	92,688,459	380,890,507	(A)	3,681.24

Notes: Debt amounts exclude any premiums, discounts, or other amortization amounts.
 (A) Data not available.
 (B) See Demographic Statistics for personal income and population data.

Sources: City of Richmond
 State of California, Department of Finance (population)
 U.S. Department of commerce, Bureau of the Census (income)

**CITY OF RICHMOND
REVENUE BOND COVERAGE
1999 WASTEWATER REVENUE BONDS
LAST SEVEN FISCAL YEARS**

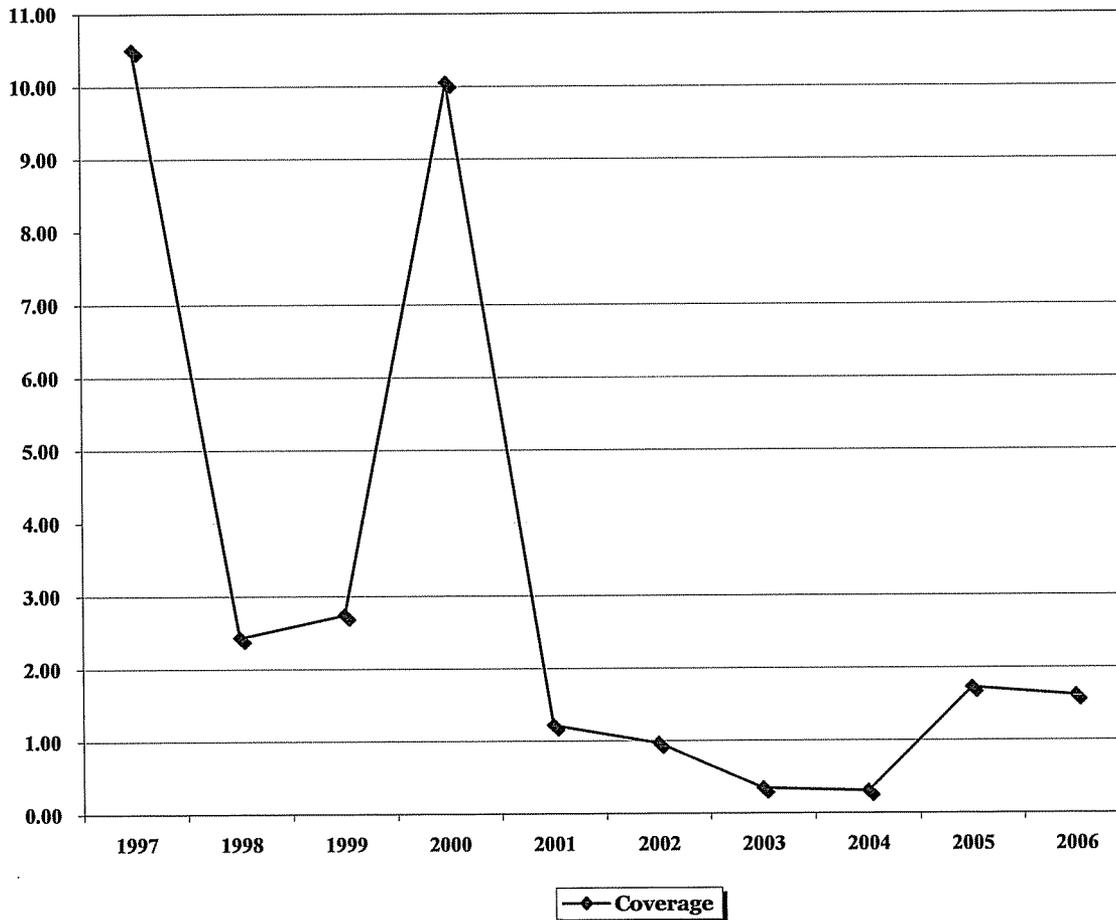


Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2000	\$7,431,700	\$7,478,491	(\$46,791)		\$294,584	\$294,584	(0.16)
2001	7,765,103	9,665,875	(1,900,772)		1,559,561	1,559,561	(1.22)
2002	9,690,868	10,059,777	(368,909)		1,559,561	1,559,561	(0.24)
2003	10,163,012	7,727,467	2,435,545	\$75,000	1,557,874	1,632,874	1.49
2004	11,825,418	7,715,459	4,109,959	150,000	1,552,811	1,702,811	2.41
2005	10,180,595	6,291,348	3,889,247	1,355,000	1,518,949	2,873,949	1.35
2006	11,922,340	5,918,001	6,004,339	1,415,000	1,455,916	2,870,916	2.09

Notes: (1) Includes all Municipal Sewer Operating Revenues, Non-operating Interest Revenue, Connection Fees and other Non-operating Revenue
(2) Includes all Municipal Sewer Operating Expenses less Depreciation and Interest

Source: City of Richmond Annual Financial Statements

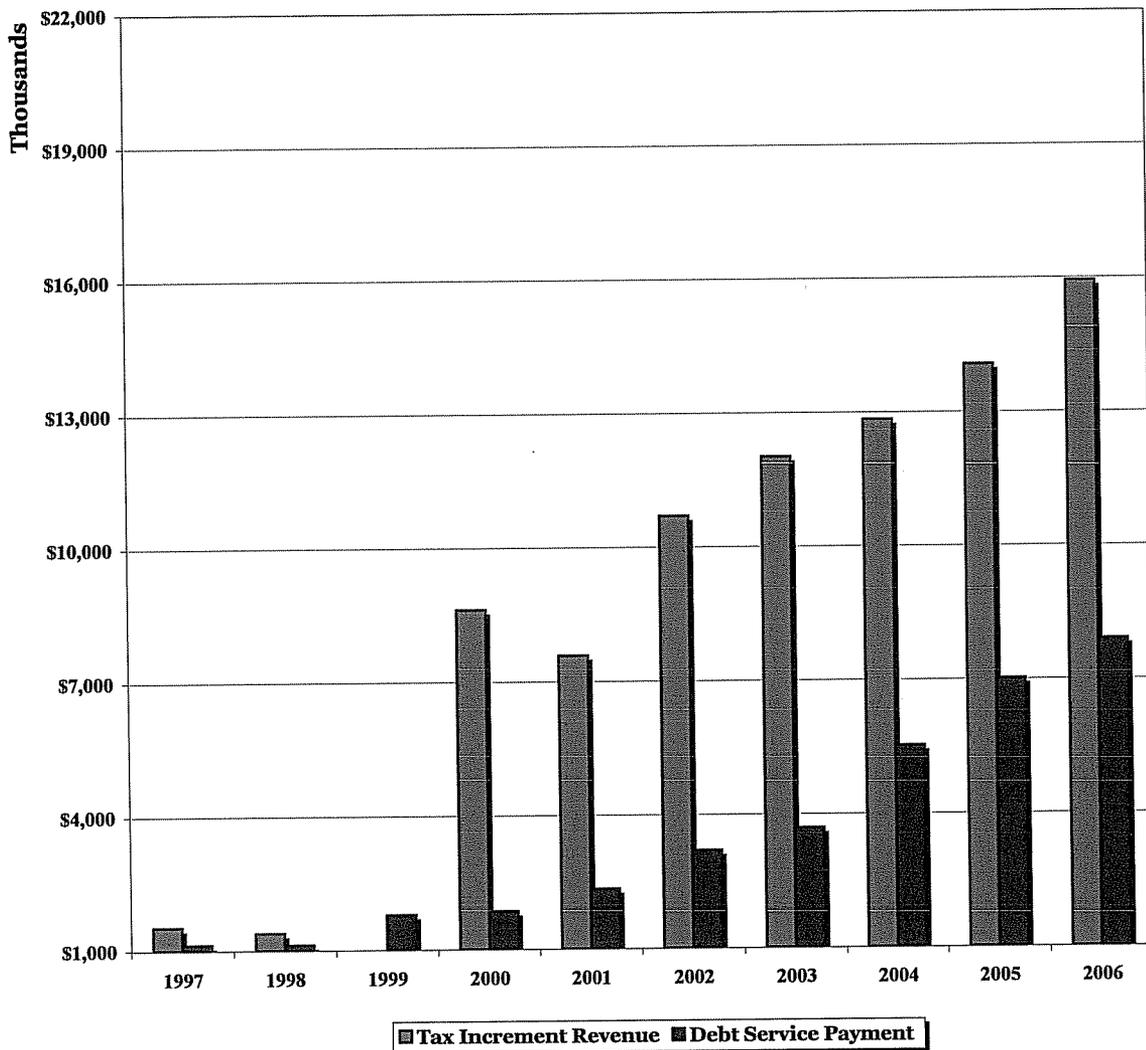
**CITY OF RICHMOND
REVENUE BOND COVERAGE
1996, 1999, and 2004 PORT TERMINAL LEASE REVENUE BONDS AND NOTE
LAST TEN FISCAL YEARS**



Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1997	\$3,910,000	\$2,065,000	\$1,845,000	\$0	\$175,752	\$175,752	10.50
1998	4,194,000	2,747,000	1,447,000	195,000	400,172	595,172	2.43
1999	4,448,000	2,862,000	1,586,000	190,000	389,486	579,486	2.74
2000	12,401,285	1,630,356	10,770,929	200,000	871,211	1,071,211	10.05
2001	5,078,601	2,664,299	2,414,302	1,140,000	836,379	1,976,379	1.22
2002	3,698,781	1,785,720	1,913,061	1,185,000	790,037	1,975,037	0.97
2003	2,319,180	1,618,331	700,849	1,235,000	739,776	1,974,776	0.35
2004	2,491,147	1,879,276	611,871	1,290,000	686,057	1,976,057	0.31
2005	5,944,719	1,655,877	4,288,842	1,603,385	878,851	2,482,236	1.73
2006	6,237,708	2,209,972	4,027,736	1,672,140	808,267	2,480,407	1.62

Notes: (1) Includes all Port of Richmond Operating Revenues, Non-operating Interest Revenue, Connection Fees and other Non-operating Revenue.
(2) Includes all Port of Richmond Operating Expenses, less Depreciation.

**CITY OF RICHMOND
 BONDED DEBT PLEDGED REVENUE COVERAGE
 TAX ALLOCATION BONDS (1)
 LAST TEN FISCAL YEARS**



Fiscal Year	Tax Increment Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
1997	\$1,523,000	\$510,000	\$616,058	\$1,126,058	1.35
1998	1,387,000	530,000	590,695	1,120,695	1.24
1999	922,000	615,000	1,173,299	1,788,299	0.52
2000	8,616,916	605,000	1,251,512	1,856,512	4.64
2001	7,583,609	630,000	1,711,896	2,341,896	3.24
2002	10,699,505	346,000	2,850,068	3,196,068	3.35
2003	12,010,629	895,000	2,794,504	3,689,504	3.26
2004	12,835,207	2,035,000	3,491,256	5,526,256	2.32
2005	14,065,091	2,610,000	4,404,180	7,014,180	2.01
2006	15,925,961	3,075,000	4,817,908	7,892,908	2.02

Note: (1) Includes the 1991, 1998, 2000, 2003, and 2004 Bonds.

Source: City of Richmond Annual Financial Statements

**CITY OF RICHMOND
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2006**

2005-2006 Assessed Valuation: \$10,787,842,000

	% Applicable	Debt as of June 30, 2006
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		
Bay Area Rapid Transit District	2.639%	\$2,639,000
Contra Costa Community College District	8.351%	9,603,650
West Contra Costa Unified School District	56.036%	304,851,242
West Contra Costa Healthcare District Parcel Tax Obligation	51.627%	13,423,020
East Bay Municipal Utility District	7.482%	157,122
East Bay Municipal Utility District, Special District No. 1	0.904%	330,005
East Bay Regional Park District	3.860%	4,291,162
City of Richmond Community Facilities District No. 1998-1	100.000%	4,070,000
City of Richmond 1915 Act Bonds	100.000%	24,400,000
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT		363,765,201
Less: East Bay Municipal Utility District (100% self-supporting)		(157,122)
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT		363,608,079
 <u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Contra Costa County General Fund Obligations	8.334%	25,149,512
Contra Costa County Pension Obligations	8.334%	44,753,997
Contra Costa County Board of Education Certificates of Participation	8.334%	109,175
Alameda-Contra Costa Transit District Certificates of Participation	7.781%	1,544,918
Contra Costa Community College District Certificates of Participation	8.351%	101,465
West Contra Costa Unified School District Certificates of Participation	56.036%	14,757,081
City of Richmond Port Terminal Authority	100.000%	9,270,000
City of Richmond General Fund Obligations	100.000%	32,767,791
City of Richmond Pension Obligations	100.000%	140,799,775
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		269,253,714
 GROSS COMBINED TOTAL DEBT		\$633,018,915
NET COMBINED TOTAL DEBT		\$632,861,793

(1)

(1) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2005-06 Assessed Valuation:

Total Net Overlapping Tax and Assessment Debt 3.34%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$66,552,791) 0.70%
Gross Combined Total Debt 5.41%
Net Combined Total Debt 5.41%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/06: \$0

Source: California Municipal Statistics, Inc. as of 7/1/06

**CITY OF RICHMOND
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2006**

ASSESSED VALUATION:

Secured property assessed value, net of exempt real property	\$10,787,842,000
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BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	\$404,544,075
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AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt	\$0
Less Tax Allocation Bonds and Sales Tax Revenue Bonds, Certificate of Participation not subject to limit	0

Amount of debt subject to limit	0
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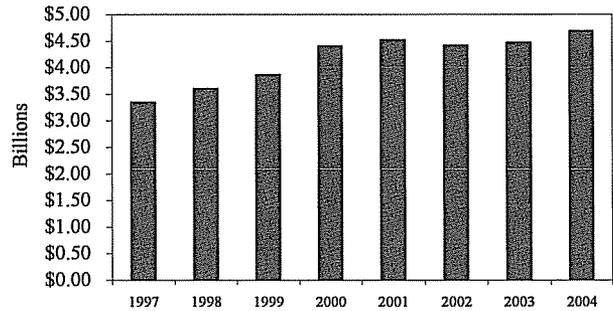
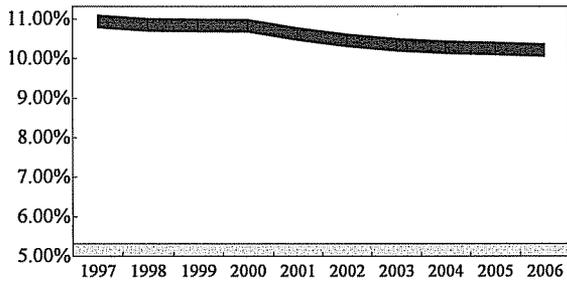
LEGAL BONDED DEBT MARGIN	\$404,544,075
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Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
1997	\$237,735,938	\$0	\$237,735,938	0.00%
1998	229,667,588	0	229,667,588	0.00%
1999	234,566,363	0	234,566,363	0.00%
2000	243,580,088	0	243,580,088	0.00%
2001	257,739,525	0	257,739,525	0.00%
2002	295,066,500	0	295,066,500	0.00%
2003	304,188,488	0	304,188,488	0.00%
2004	321,176,925	0	321,176,925	0.00%
2005	366,044,400	0	366,044,400	0.00%
2006	404,544,075	0	404,544,075	0.00%

NOTE:

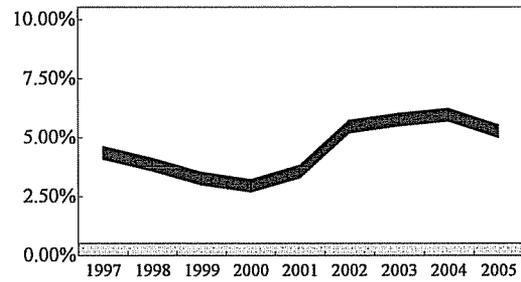
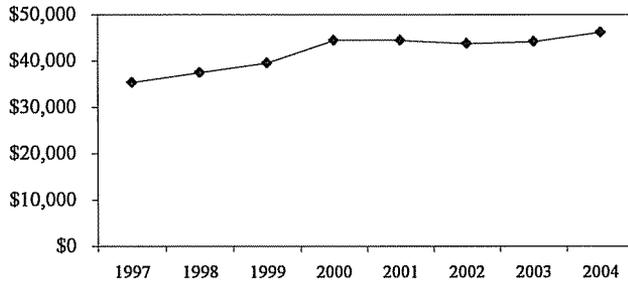
(a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing assessed valuation at full cash value.

**CITY OF RICHMOND
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**



■ City Population as a % of County Population

■ Total Personal Income



◆ Per Capita Personal Income

■ Unemployment Rate (%)

Fiscal Year	City Population	Total Personal Income	Per Capita Personal Income	Unemployment Rate (%)	Contra Costa County Population	City Population % of County
1997	94,800	\$3,355,066,800 (A)	\$35,391 (B)	4.1% (B)	879,200	10.78%
1998	96,300	3,613,657,500 (A)	37,525 (B)	3.6% (B)	900,688	10.69%
1999	97,800	3,875,129,400 (A)	39,623 (B)	3.0% (B)	915,793	10.68%
2000	99,216	4,413,028,464 (A)	44,479 (B)	2.7% (B)	930,025	10.67%
2001	101,716	4,527,277,444 (A)	44,509 (B)	3.3% (B)	972,103	10.46%
2002	101,076	4,428,442,788 (A)	43,813 (B)	5.2% (B)	981,600	10.30%
2003	101,373	4,479,875,616 (A)	44,192 (B)	5.5% (B)	994,900	10.19%
2004	101,655	4,697,579,205 (A)	46,211 (B)	5.7% (B)	1,003,900	10.13%
2005	103,012	(C)	(C)	5.0% (B)	1,020,898	10.09%
2006	103,468	(C)	(C)	(C)	1,029,377	10.05%

Notes: (A) Data not available. Calculated by multiplying City Population by Per Capital Personal Income.
 (B) Data not available for the City therefore data presented is for Contra Costa County.
 (C) Data not yet available.

Source: California State Department of Finance

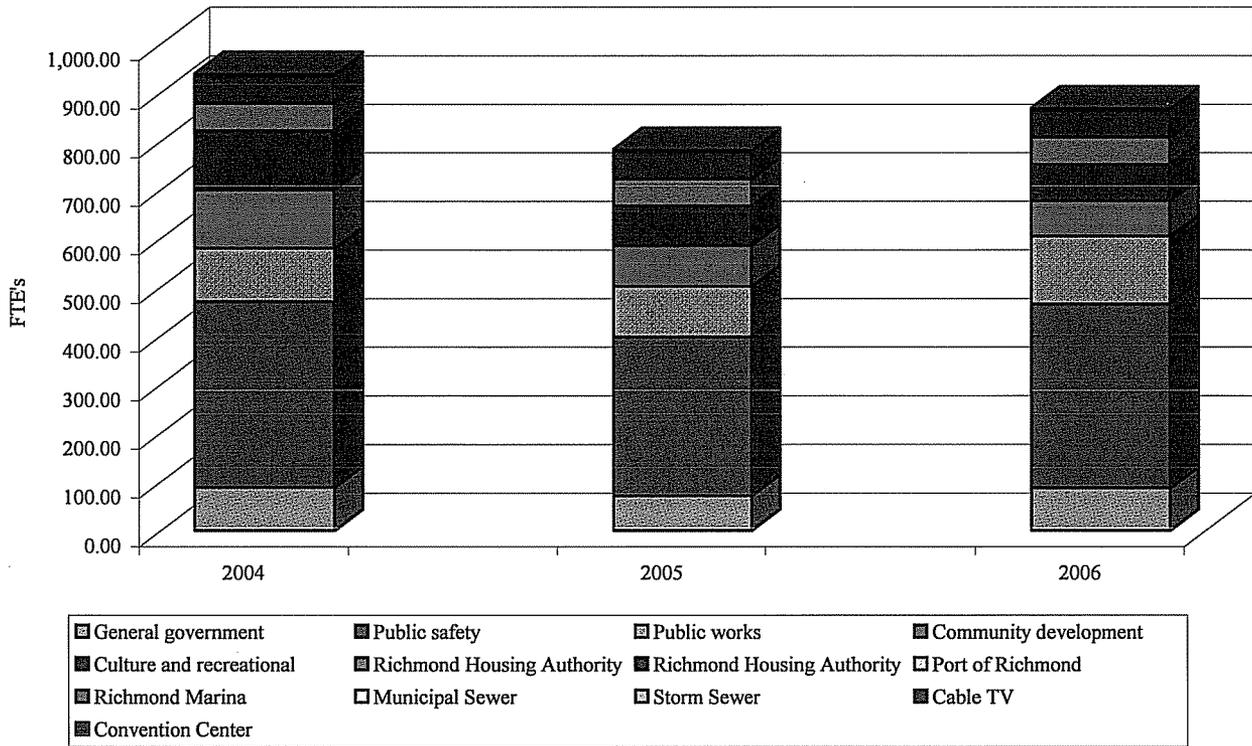
CITY OF RICHMOND
Principal Employers
Current Year

<u>Employer</u>	<u>2005-06</u>		
	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Chevron U.S.A., Inc.	2,461	1	2.5%
The Permanente Medical Group	732	2	0.8%
Berlex, Inc.	413	3	0.4%
Costco Wholesale #482	325	4	0.3%
Macy's Hilltop	261	5	0.3%
California Autism Foundation, Inc.	250	6	0.3%
Palecek Imports, Inc.	220	7	0.2%
The Home Depot #643	209	8	0.2%
QRS Corporation	188	9	0.2%
TPMG Regional Laboratory	176	10	0.2%
Subtotal	<u>5,235</u>		<u>5.4%</u>
Total City Day Population	<u>97,053</u>		

Source: City of Richmond Community Development Department

Notes: The City of Richmond did not prepare a Comprehensive Annual Financial Report prior to fiscal year 2006, therefore, information for fiscal year 1996/97 is not available.
Employers exclude governmental employees.

CITY OF RICHMOND
Full-Time Equivalent City Government Employees by Function
Last Three Fiscal Years



Function	Adopted for Fiscal Year Ended June 30,		
	2004	2005	2006
General government	89.00	71.50	87.20
Public safety	382.00	327.00	378.50
Public works	109.00	103.00	139.50
Community development	120.90	84.90	73.00
Culture and recreational	121.60	80.80	74.40
Housing and redevelopment	38.20	39.20	39.00
Richmond Housing Authority and RHA Properties	56.00	56.00	56.00
Port of Richmond	6.10	5.10	5.00
Richmond Marina	(1)	(1)	(1)
Municipal Sewer	(1)	(1)	(1)
Storm Sewer	(1)	(1)	(1)
Cable TV	(1)	(1)	(1)
Convention Center	(1)	(1)	(1)
Total	922.80	767.50	852.60

Source: City of Richmond Budget

Notes:

Data prior to fiscal year 2004 was not available

(1) These services are provided by outside contractors.

CITY OF RICHMOND
Operating Indicators by Function/Program
Fiscal Year Ended, June 30

2006

Function/Program

Public safety:

Fire:

Fire calls for service	10,068
Primary fire inspections conducted	5,502
Number of firefighters	77.5
Number of firefighters and civilians per thousand population	4

Police:

Number of police officers per thousand population	1.6
Number of sworn officers	164

Water

Daily average consumption in gallons per family	250
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Source: City of Richmond

Notes:

n/a denotes information not available.

The City of Richmond did not prepare a Comprehensive Annual Financial Report prior to fiscal year 2006, therefore, information prior to that year is not available.

CITY OF RICHMOND
Capital Asset Statistics by Function/Program
Fiscal Year Ended June 30,

	2006
Function/Program	
Public safety:	
Fire stations	7
Police stations	6
Public works	
Miles of streets	280
Street lights	7,000
Culture and recreation:	
Community services:	
City parks	55
City parks acreage	336.6
Lawn bowling	1
Recreation centers	8
Auditorium/Theater	1
Gymnasiums	3
Senior centers	2
Headstart centers/day cares	6
Putting green	1
Basketball courts	31
Swimming pools	1
Tennis courts	20
Baseball/softball diamonds	26
Soccer/football fields	17
Library:	
City Libraries	1
Mobile Units	1
Water	
Fire hydrants	3,153
Wastewater	
Miles of sanitary sewers	230
Miles of storm sewers	310
Harbor Facilities	
Miles of waterfront	32

Source: City of Richmond

Note: n/a denotes information is not available.

The City of Richmond did not prepare a Comprehensive Annual Financial Report prior to fiscal year 2006, therefore, information prior to that year is not available.