

City of Richmond

*Basic Financial Statements,
Supplemental Information and
Independent Auditors' Report*

For the year ended June 30, 2002

City of Richmond

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
of the City of Richmond
Richmond, California

We have audited the accompanying 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 (City), as of and for the year ended June 30, 2002, 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 did not audit the financial statements of the following entity that is included in the accompanying basic financial statements:

	<u>Assets</u>	<u>Revenues</u>
Richmond Housing Authority Enterprise Fund	<u>\$ 43,913,235</u>	<u>\$ 19,460,953</u>

We also did not audit or issue a report on the City's internal control over financial reporting and its compliance with certain provisions, laws, regulations, contracts, and grants under requirements established by OMB A-133 (Single Audit Reports). Those financial statements and Single Audit Reports were audited by other auditors whose reports have been furnished to us, and our opinion on the basic financial statements of the City, insofar as it relates to those amounts included for the Richmond Housing Authority in the accompanying basic financial statements of the City, is based on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit included 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 basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

To the Honorable Mayor and Members of City Council
of the City of Richmond
Richmond, California

As described in Note 1 to the basic financial statements, the City adopted Statements of the Governmental Accounting Standards Board No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*; No 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*; and No. 38, *Certain Financial Statement Note Disclosures*.

The accompanying Required Supplementary Information, such as management’s discussion and analysis, budgetary comparison information and other information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The accompanying supplemental information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Capricci & Carson

Oakland, California
May 7, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2002

Management of the City of Richmond (the "City") provides this Management 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, 2002. We encourage readers to consider this information in conjunction with the City's financial statements, which follows.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT

Government-Wide Highlights:

Net Assets - The assets of the City exceeded its liabilities at fiscal year ending June 30, 2002 by \$263 million. Of this amount, \$44 million was reported as "unrestricted net assets" and may be used to meet the government's ongoing obligations to citizens and creditors.

Changes in Net Assets - The City's total net assets decreased by \$20 million in fiscal year 2002. Net assets of governmental activities decreased by \$16 million, while net assets of the business type activities decreased by \$4 million.

Fund Highlights:

Governmental Funds - Fund Balances- As of the close of fiscal year 2002, the City's governmental funds reported a combined ending fund balance of \$103 million, a decrease of \$8.7 million from the prior year. Of this amount, \$19 million represents "unreserved fund balances" available for appropriation.

General Fund - The unreserved fund balance of the general fund on June 30, 2002 was \$6 million, a decrease of \$2 million from the prior year.

Long-Term Debt:

The City's total debt obligations decreased by \$5 million, during fiscal year 2002. The key factor in this decrease was the regular retirement of the debt.

City Highlights:

The City commenced implementation for improvements to various City facilities, including the storm water system, parks, public streets and public buildings. Total cost of the projects is \$24.8 million.

The City/Richmond Redevelopment Agency (RRA) made a significant commitment (\$8 million plus \$15 million FEMA funds) to redevelop a 25,000 square foot building known as the "Ford Building" in the Harbor section of the RRA project area. The Ford Building was approved as a Historic site in 1988. The project developments include light industrial and commercial uses, a visitor center, site improvements for parking and site access to the Bay Trail.

The City/RRA has entered into a Disposition Development Agreement (DDA) with two transit agencies, Municipal Transit Committee and the Bay Area Rapid Transit (BART). The project known as the "Transit Village" includes a mix use area for housing and retail developments. The developments include residential units, art and public uses and open space landscaping, which is located adjacent to Bay Area Rapid Transit transportation.

The City leased a 26,000 square foot building to house City employees temporarily. The occupants include the Mayor, City Clerk, City Council, City Attorney, City Manager, Fire Administration, Finance, Human Resources and the Redevelopment Agency. This building will be leased for a period up to five years while Civic Center (City Hall) is being seismically retrofitted.

The Housing Authority of the City of Richmond was awarded with a HOPE VI Revitalization Grant in the amount of \$35 million that will enable the City to revitalize the Easter Hill Public Housing Development. A total of 237 units severely distressed will be replaced with 191 public housing rental units, 139 tax credits rental units, 45 market rental units, 46 public housing homeownership opportunities, 28 affordable homeownership units and 45 market rate for sale homes. Richmond's HOPE VI Grant will leverage a total of \$89.8 million of other public and private funds. Total estimated cost of the project is \$125.7 million.

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 supplementary information in addition to the basic financial statements.

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. This statement, for the first time, combines and consolidates governmental fund's current financial resources with capital assets and long-term obligations.

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 above financial statements have separate sections for three different types of programs or activities. These three types of activities are:

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 Fund.

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 19 through 21 of the financial report.

Fund Financial Statements and Major Component Unit Financial Statements:

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and 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.

The fund financial statements provide detail information about each of the City's most significant funds, called Major Funds. The concept of Major Funds, and the determination of major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented in a single column. Detail on the Non-major funds is presented on pages 98 through 115 of the financial report.

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 evaluating a government's near-term financial capacity.

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. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The City has 19 governmental funds, of which 4 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 four major funds are - the General Fund, Redevelopment Agency, Joint Powers Financing Authority (JPFA) Debt Service and General Capital Improvements. The basic governmental fund financial statements can be found on pages 26 through 31 of the financial report. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 98 through 104 of the financial report.

Proprietary Funds - The City maintains nine proprietary funds - Enterprise and Internal Service Funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Enterprise Funds consists of the Richmond Housing Authority, Port of Richmond, Municipal Sewer and Storm Sewer, and Other Non-Major Enterprise Funds. The Enterprise funds financial statements can be found on pages 34 through 39 of the financial report. Individual fund data for each of these non-major enterprise funds is provided in the form of combining statements on pages 105 through 107 of this report.

The Internal Service Fund is also considered a Proprietary Fund. The financial statements can be found on pages 108 to 110. The funds consist of the City's Workers' Compensation and General Liability Funds.

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 Trust and Agency Funds. The financial statements for these funds can be found on page 42.

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 46 through 96 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 88 through 96 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets:

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. The City of Richmond combined net assets (government and business type activities) totaled \$263 million at the close of the fiscal year ending June 30, 2002.

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 \$139,234,929, 53% 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.

City of Richmond’s Net Assets

	Governmental Activities 2002	Business-Type Activities 2002	Total 2002
Current Assets	\$227,948,272	\$33,675,238	\$261,623,510
Capital Assets	266,113,013	84,290,894	350,403,910
Total Assets	494,061,288	117,966,132	612,027,420
Current Liabilities	140,455,633	6,845,667	147,301,300
Long-term Liabilities	139,955,765	61,380,843	201,336,608
Total Liabilities	280,411,398	68,226,510	348,637,908
Investments in Capital	128,072,915	11,162,014	139,234,929
Net of Related Debt			
Restricted	79,855,592	-	79,855,592
Unrestricted	5,721,384	38,577,608	44,298,992
Total Net Assets	\$213,649,891	\$49,6739,622	\$263,389,513

Changes in Net Assets:

In fiscal year 2002, City expenses, which include both governmental and business-type activities, exceeded program revenues by \$115 million. General Revenues are used to cover expenses that exceed program revenues. The City's expenses cover a range of services. Highways & Streets, Public Safety and General Government represent some of the larger expense categories. Further analysis is provided within the governmental and business-type activity sections below.

City of Richmond's Changes in Net Assets Fiscal Year Ended June 30, 2002

	Governmental Activities	Business-Type Activities	Total
Revenues:			
Program Revenues:			
Charges for Services	\$10,292,759	\$9,427,611	\$19,720,370
Operating Grants/Contributions	13,831,976	17,436,628	31,268,604
Capital Grants and Contributions	8,114,333	-	8,114,333
General Revenues:			
Property Taxes	37,152,483	134,870	37,287,353
Other Taxes	41,923,460	-	41,923,460
Grants/Contributions non-restricted specific	1,003,303	-	1,003,303
Investment Income	10,736,228	7,975,357	18,711,585
Miscellaneous	10,159,396	720,263	10,879,659
Loss on Sale of Capital Assets	(15,241,536)	(4,995)	(15,246,531)
Total Revenues	117,972,402	35,689,734	153,662,136
Expenses:			
General Government	16,988,258		16,988,258
Public Safety	42,564,720		42,564,720
Highways and Streets	31,578,894		31,578,894
Community Development	5,638,218		5,638,218
Cultural & Recreation	9,878,567		9,878,567
Housing & Redevelopment	9,890,332		9,890,332
Other	33,638		33,638
Unallocated costs	491,464		491,464
Interest and Fiscal charges	17,480,844		17,480,844
Total Expenses	134,544,935		134,544,935
Richmond Housing Authority		19,735,553	19,735,553
Port of Richmond		3,011,432	3,011,432
Richmond Marina		357,066	357,066
Municipal Sewer		12,346,221	12,346,221
Storm Sewer		2,903,232	2,903,232
Cable TV		806,303	806,303
Convention Center		250,538	250,538
Total business-like activities		39,410,345	39,410,345
Increase (Decrease) in Net Assets Before Transfers	(16,572,534)	(3,789,040)	(20,293,144)
Transfers	(7,738)	7,738	-
Change in Net Assets	(16,580,272)	(3,712,872)	(20,293,144)
Net Assets, Beginning of Year (as restated)	230,230,163	53,452,494	283,682,657
Net Assets, End of Year	\$213,649,891	\$49,739,622	\$263,389,513

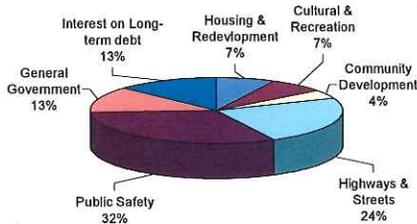
Governmental Activities:

Governmental activities decreased the City's net assets by \$16 million accounting for 80% of the City's total reduction in net assets of \$20 million. A comparison of the cost of services by function for the City's governmental activities is shown below, along with the revenues used to cover the net expenses of the governmental activities.

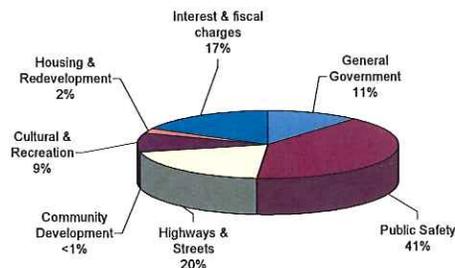
	<u>Governmental Activities</u>
Expenses Net of Program Revenues:	
General Government	\$(11,665,641)
Public Safety	(40,512,049)
Highways & Streets	(20,441,598)
Community Development	(187,238)
Cultural & Recreation	(9,212,956)
Housing & Redevelopment	(2,280,439)
Other	(33,638)
Unallocated costs	(491,464)
Interest & Fiscal Charges	<u>(17,480,844)</u>
Total expenses net of program revenues	(102,305,867)
General Revenues:	
Taxes	79,075,943
Grants and Contributions (not restricted)	1,003,303
Investment Income	10,736,228
Miscellaneous	10,159,396
Loss on sale of Capital Assets	(15,241,536)
Transfers	<u>(7,738)</u>
Total General Revenues	<u>\$85,725,596</u>
Increase/(Decrease) in Governmental Activities Net Assets	<u>\$<u>(16,580,271)</u></u>

Total governmental activity type expenses were \$134.5 million in fiscal year 2002. The largest expenses were for Highways & Streets, Public Safety, Interest and fiscal charges and General Government. These expenses do not include capital outlays, which are now reflected in the City's capital assets.

Governmental Expenses by Activity

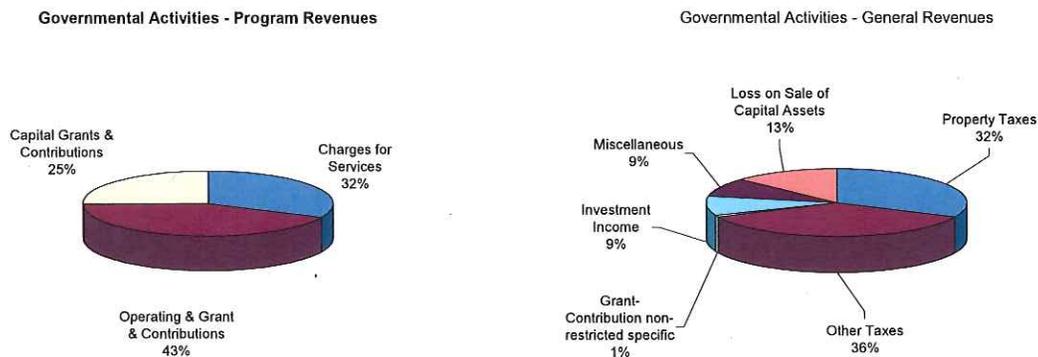


Net Cost of Governmental Activities (Net of Program Revenues)



Total program revenues from governmental activities were \$32 million in fiscal year 2002. Per GASB 34, 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 below, 32% of the governmental program revenues came from Charges for Services, which includes licenses and permits, plan checking fees, developer fees and several other revenues. Program revenues under the Operating Grants and Contributions category include restricted revenues such as Gas Tax, Transportation Sales Tax, Asset Seizure funds and Federal/State Grants.

General revenues are all other revenues not categorized as program revenues such as property taxes, sales taxes and investment earnings. Total general revenues from governmental activities were \$86 million in fiscal year 2002. The largest percentage of general revenues received during fiscal year 2002 for the governmental activities were Other Taxes, \$42 million, which include franchise fees, transient occupancy taxes, utility users tax, business license tax and residential construction tax.



Business Type Activities:

Net assets for business-type activities were \$49.7 million. Total program revenues for business-type activities were \$26.8 million. The largest program revenues were in Operating Grants and Contributions of \$17.4 million, which represents Housing & Urban development grants received by the Richmond Housing Authority. Other program revenues included Charges for Services of \$9.4 million received for services provided by the Municipal Sewer District, Storm Sewer, Cable Television, and the Richmond Convention Center. Total expenses for the business-type activities were \$39.4 million during fiscal year 2002, which were related to Salaries and Administrative and Operations and Maintenance expenses.

FINANCIAL ANALYSIS OF INDIVIDUAL 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 \$103 million. Approximately, \$19 million of this amount constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance 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 the salaries and administrative expenses.

At the end of the current fiscal year, unreserved fund balance of the general fund was \$6 million, while total fund balance reached \$45.8 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 7% of total general fund expenditures including transfers out, while total fund balance represents 53% of that same amount.

During the current year, unreserved fund balance of the general fund, excluding the other general fund type funds, decreased to \$6 million. This represents 7% of the general fund operating budget. This is greater than the City Council's targeted minimum reserve level of 5% of the operating budget for the general fund.

Redevelopment Agency Capital Improvement Fund 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 Capital Project Fund was established to account for capital improvement projects related to the various redevelopment areas. At the end of fiscal year 2002, the unreserved fund balance was \$8 million, a decrease of \$32 million from the prior year. The decrease is primarily related to a prior period adjustment in the amount of 36.5 million.

Joint Powers Financing Authority Debt Service Fund was established to issue debt on behalf of the City to finance various capital improvements within the City. At the end of fiscal year 2002, the unreserved fund balance was \$7.8 million, a decreased of \$1.3 million which is the results of using assets to pay off long-term debt.

General Capital Improvements Capital-Project Fund was established to account for monies designated for capital improvements projects. At the end of fiscal year 2002, the fund balance was \$31.4 million; a decrease of \$10.5 million which is the result of using bond proceeds to cover various capital outlay expenditures.

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. A Internal Service Fund is used to centralize certain services and then allocate the cost of the services within the government. The City Major Enterprise Funds are the Richmond Housing Authority, Port of Richmond, Municipal Sewer District and Storm Sewer and other Non-Major Enterprise Funds.

Enterprise Funds

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 total net assets are \$41 million at June 30, 2002, of which \$8 million is unrestricted. Net Assets decreased by \$1 million which is the result of a prior period adjustment of \$860,000 and expenditures in excess of revenues in the amount of \$140,000.

The Port of Richmond is a public enterprise established by the City of Richmond and is administered as department of the City. Operations include the marine terminal facilities and commercial property rentals. The Port total net assets at June 30, 2002 are \$(10.7) million, of which \$(2.5) million is unrestricted. Net Assets increased by \$728,000 which is the result of a prior period adjustment of \$41,000 and revenues in excess of expenditures in the amount of \$687,000.

Sewer Fund The Sewer Fund is used to account for a variety of sewer service related revenues and expenditures. At the end of fiscal year 2002, the total net assets for the sewer fund are \$4.6 million, which is a decrease of \$4.2 million from the prior fiscal year. The decrease is related to a prior period adjustment of \$1.5 million and expenses in excess or revenues of \$2.7 million.

Storm Sewer Fund is used to account for a variety of storm sewer service related revenues and expenditures. At the end of fiscal year 2002, total net assets are \$13.7 million, of which \$(122,000) is unrestricted. Net assets increased by \$12.9 million, which is the result of a prior period adjustment of \$14.3 million and the excess of expenses over revenues in the amount of \$1.4 million.

Internal Service Funds

The City's Internal Service Funds are the Workers' Compensation and General Liability Funds. The Workers Compensation Fund is used report activities related to employee's claims due to industrial injuries. The General Liability Fund is used to report activities related general claims against the City for damages incurred.

Workers' Compensation Fund total net assets at June 30, 2002 are negative \$(6) million, which also represents unrestricted net assets. Net assets increased by \$5 million, which is the result of revenues in excess of expenses.

General Liability Fund total net assets at June 30, 2002 are negative \$(264,195) of which negative \$(311,283) represents unrestricted net assets. Net assets decreased by \$(1.1) million, which is the result of revenues in excess of expenses.

Trust & Agency Funds:

The City's Trust & Agency Funds are the Pension Trust Funds and various agencies funds. The Pension Trust Fund was 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; The Pension Reserve, General Pension, Police and Firemen Pension and Garfield Pension. The various agencies 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 neither can it be used for City operations.

The Pension Trust Funds total assets at June 30, 2002 are \$30 million. Net Assets decreased by \$5 million which is the result of deductions in excess of additions. The deductions mainly consist of a debt payment for the Pension Obligation Bonds and monthly Pensioner's payments.

Agency Funds total assets at June 30, 2002 are \$8.4 million which is recorded on the City books as a liability to third parties.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended budget totaled \$88.2 million, which includes \$13.5 million in amendments to the originally adopted budget. The amendments can be briefly summarized as follows; Salary adjustments as a result of the union negotiations. Additional Grant Revenues received during the fiscal year. An increase in the lease amount for the temporary City Hall building.

Of the \$13.5 million in "supplemental" appropriations, \$1.2 million were covered by specific funding sources from grants. \$7.2 million was funded with set-aside reserves for retirement and medical increases and \$4 million was funded with available fund balance. During the year, however, revenues exceeded budgetary estimates and expenditures were the same as budgetary estimates. The General Fund unreserved fund balance decreased by \$2 million as previously discussed.

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, 2002, amounts to \$128 million, net of related debt. 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 total addition to the City's investment in capital assets for the current fiscal year was \$8 million.

Major capital asset additions during the current fiscal included the following:

Additional information on the City's capital assets can be found in note 5 on pages 64 through 65 of this report.

Debt Administration:

Long Term Debt - At the end of the current fiscal year, the City had \$197 million in debt outstanding compared to the \$202 million last year, a 3% net decrease.

At this time, the General Fund annual debt service commitment is approximately \$4.4 million, or 5% of the projected General Fund operating budget. Further detail on long-term debt is available under note 6 on page 65 through 77.

The City maintains an "AAA" rating from Standard & Poors on its outstanding debt. The Redevelopment Agency maintains an "AAA" rating Bonds from Standard & Poors for Tax Allocation Revenue Bonds. Additional information on the City's long-term debt obligations can be found in Note 6 of the notes to the financial statements.

ECONOMIC CLIMATE

Fiscal Year 2002 was entirely engulfed by the national recession that began in early 2001. Although according to the experts, the economic downturn was generally less severe than most previous recessions; the recovery is predicted to be very gradual beginning sometime in the first half of calendar year 2003.

The impacts to the State and regional economies were less severe than at the national level, with local unemployment rates remaining well below the national average. However, the dramatic decline in the stock market has severely impacted the fiscal condition of the State of California, to the point where it is evident that the solution will include at least moderate impacts to local governments.

Richmond's property tax base in fiscal year 2002 remains very healthy, which remained constant with the previous fiscal year at \$26 million. Although sales tax revenue growth slowed significantly during the year, it remained positive as compared to the declines realized in many regions of the State, especially in the San Francisco Bay Area.

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.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF RICHMOND

Statement of Activities and Changes in Net Assets For the year ended June 30, 2002

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Current:					
General government	\$ 16,988,258	\$ 5,077,586	\$ 245,031	\$ -	\$ 5,322,617
Public safety	42,564,720	1,171,026	881,645	-	2,052,671
Highways and streets	31,578,894	3,414,060	2,461,245	5,261,991	11,137,296
Community development	5,638,218	173,060	5,277,920	-	5,450,980
Cultural and recreational	9,878,567	457,027	208,584	-	665,611
Housing and redevelopment	9,890,332	-	4,757,551	2,852,342	7,609,893
Other	33,638	-	-	-	-
Unallocated cost	491,464	-	-	-	-
Interest and fiscal charges	17,480,844	-	-	-	-
Total Governmental Activities	134,544,935	10,292,759	13,831,976	8,114,333	32,239,068
Business-Type Activities:					
Richmond Housing Authority	19,735,553	-	17,436,628	-	17,436,628
Port of Richmond	3,011,432	-	-	-	-
Richmond Marina	357,066	-	-	-	-
Municipal Sewer	12,346,221	7,261,695	-	-	7,261,695
Storm Sewer	2,903,232	1,444,521	-	-	1,444,521
Cable TV	806,303	720,213	-	-	720,213
Convention Center	250,538	1,181	-	-	1,181
Total Business-Type Activities	39,410,344	9,427,611	17,436,628	-	26,864,239
Total primary government	\$ 173,955,279	\$ 19,720,370	\$ 31,268,604	\$ 8,114,333	\$ 59,103,307

General Revenues:

Taxes:

Property taxes

Other taxes

Total taxes

Grants and contributions not restricted to specific programs

Investment income

Miscellaneous

Loss on sale of capital assets

Transfers

Total general revenues and transfers

Change in net assets

Net Assets - Beginning, as restated

Net Assets - Ending

See accompanying Notes to Basic Financial Statements.

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

CITY OF RICHMOND

Balance Sheet Governmental Funds June 30, 2002

	General	Redevelopment Agency	JPPA Debt Service	General Capital Improvements Capital Projects
ASSETS				
Cash and investments	\$ 4,928,122	\$ 14,179,765	\$ 7,774,381	\$ (6,017,141)
Restricted cash and investments	3,845,142	27,547,459		39,921,929
Receivables:				
Accounts (net)	3,018,543	103,010		298,831
Interest	74,334	496,014	47,856	28,257
Grants	-	27,353	-	-
Loans	1,444,368	2,365,235	-	-
Leases	-	-	86,645,000	-
Other	446,244	-	-	(501)
Due from other funds	464,131	-	-	-
Advances to other funds	50,444,248	360,408	-	-
Inventories	391,024	-	-	-
Prepaid and other assets	557,136	52,653	-	3,808
Total assets	\$ 65,613,292	\$ 45,131,897	\$ 94,467,237	\$ 34,235,183
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 3,466,867	\$ 1,155,417	\$ 2,719	\$ 2,779,659
Refundable deposits	465,412	29,950	-	-
Due to other funds	-	-	-	-
Advances from other funds	125,408	34,033,691	-	-
Deferred revenue	15,698,548	1,774,535	86,645,000	-
Total liabilities	19,756,235	36,993,593	86,647,719	2,779,659
Fund Balances:				
Reserved for:				
Inventories	407,433	-	-	-
Debt service	19,311	27,155,818	7,819,518	-
Encumbrances	2,607,979	2,253,751	-	1,641,332
Long term receivables	36,537,827	525,230	-	-
Unreserved, reported in:				
General fund	6,284,507	-	-	-
Special revenue funds	-	115,201	-	-
Debt service funds	-	-	-	-
Capital project funds	-	(21,911,696)	-	29,814,192
Total fund balances	45,857,057	8,138,304	7,819,518	31,455,524
Total liabilities and fund balances	\$ 65,613,292	\$ 45,131,897	\$ 94,467,237	\$ 34,235,183

See accompanying Notes to Basic Financial Statements.

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CITY OF RICHMOND

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets June 30, 2002

Total Fund Balances - Total Governmental Funds	\$ 103,280,576
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	266,062,119
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet.	(3,541,472)
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Government-Wide Statement of Net Assets.	(6,394,975)
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet.	<u>(145,756,357)</u>
Net Assets of Governmental Activities	<u>\$ 213,649,891</u>

See accompanying Notes to Basic Financial Statements.

CITY OF RICHMOND

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the year ended June 30, 2002

	General	Redevelopment Agency	JPFA Debt Service	General Capital Improvements Capital Projects
REVENUES:				
Property taxes	\$ 26,452,977	\$ 10,699,505	\$ -	\$ -
Sales taxes	13,198,303	-	-	-
Utility user fees	21,144,888	-	-	-
Other taxes	5,850,420	-	-	-
Licenses, permits and fees	6,459,773	-	-	-
Fines, forfeitures and penalties	454,786	-	-	-
Use of money and property	4,149,148	3,349,110	1,072,814	1,950,327
Intergovernmental	1,897,281	244,199	-	1,107,894
Charges for services	5,251,500	-	-	630,973
Lease income	-	-	3,013,488	-
Reimbursement from pension fund	-	-	-	-
Other	821,670	962,203	580,627	-
Rent	2,636,536	-	-	708,562
Total revenues	88,317,282	15,255,017	4,666,929	4,397,756
EXPENDITURES:				
Current:				
General government	17,244,717	-	-	-
Public safety	43,319,085	-	-	-
Highways and streets	12,138,779	-	-	11,786,834
Community development	1,568,126	-	-	-
Cultural and recreational	10,707,305	-	-	-
Housing and redevelopment	-	5,425,807	-	-
Other	47,457	7,851	18,577	3,227
Capital outlay	1,633,124	1,875,880	-	4,574,592
Debt service:				
Principal retirement	-	1,105,865	1,599,999	-
Interest and fiscal charges	235,880	2,959,245	4,486,807	101,983
Total expenditures	86,894,473	11,374,648	6,105,383	16,466,637
REVENUES OVER (UNDER) EXPENDITURES	1,422,809	3,880,369	(1,438,453)	(12,068,880)
OTHER FINANCING SOURCES (USES):				
Sale of property	109,715	-	-	113,400
Proceeds of long-term debt	-	500,000	-	-
Operating transfers in	2,472,237	19,039,806	123,785	4,616,288
Operating transfers out	(4,842,928)	(19,039,806)	(635)	(3,957,906)
Total other financing sources (uses)	(2,260,976)	500,000	123,150	771,782
Net change in fund balances	(838,166)	4,380,369	(1,315,303)	(11,297,098)
FUND BALANCES:				
Beginning of year	48,154,714	40,271,831	9,134,821	41,922,425
Prior period adjustments	(1,459,491)	(36,513,896)	-	830,197
End of year	\$ 45,857,057	\$ 8,138,304	\$ 7,819,518	\$ 31,455,524

See accompanying Notes to Basic Financial Statements.

CITY OF RICHMOND

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes
in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets
For the year ended June 30, 2002**

Net Change in Fund Balances - Total Governmental Funds	\$ (8,711,171)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	7,970,363
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds.	(9,376,089)
Loss on the disposal of capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, it is not reported as expenditures in governmental funds.	(15,241,536)
Proceeds from sale of property provides current financial resources to governmental funds, but sale of property results in a gain or loss on sale of property in the Government-Wide Statement of Activities and Changes in Net Assets.	(223,115)
Long-term compensated absences are reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, long-term compensated absences are not reported as expenditures in governmental funds.	746,124
Bond proceeds and proceeds from long-term debt provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets.	
This amount represents bond proceeds.	(7,437,213)
This amount represents long-term debt repayments.	12,988,661
Interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. The following amount represents the change in accrued interest from prior year.	(3,541,472)
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the Internal Service Funds is reported with Governmental Activities.	<u>6,245,176</u>
Change in Net Assets of Governmental Activities	<u>\$ (16,580,272)</u>

See accompanying Notes to Basic Financial Statements.

PROPRIETARY FUNDS FINANCIAL STATEMENTS

CITY OF RICHMOND

Statement of Net Assets Proprietary Funds June 30, 2002

	Major Funds			
	Richmond Housing Authority	Port of Richmond	Municipal Sewer	Storm Sewer
ASSETS				
Cash and investments	\$ 4,402,902	\$ 8,330,203	\$ (5,719,985)	\$ (72,655)
Restricted cash investments	-	-	36,497,780	-
Receivables:				
Accounts	1,434,772	987,695	302,005	8,950
Interest	-	67,573	4,175	4,166
Other	-	-	18,155	1,539
Due from other funds	603,919	-	-	-
Inventories	69,718	-	-	-
Deferred charges	-	229,199	898,944	-
Prepays and other assets	207,795	-	52,188	-
Total current assets	<u>6,719,106</u>	<u>9,614,670</u>	<u>32,053,262</u>	<u>(58,000)</u>
Noncurrent assets:				
Capital assets:				
Non depreciable assets	4,328,438	5,931,119	2,379,369	880,326
Depreciable assets, net of accumulated depreciation	32,865,691	5,086,283	16,268,915	13,559,253
Total capital assets	<u>37,194,129</u>	<u>11,017,402</u>	<u>18,648,284</u>	<u>14,439,579</u>
Total noncurrent assets	<u>37,194,129</u>	<u>11,017,402</u>	<u>18,648,284</u>	<u>14,439,579</u>
Total assets	<u>43,913,235</u>	<u>20,632,072</u>	<u>50,701,546</u>	<u>14,381,579</u>
LIABILITIES				
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	818,155	31,231	2,121,912	700,005
Interest payable	-	164,056	649,817	-
Refundable deposits	127,429	52,098	66,070	-
Due to other funds	603,919	-	-	-
Deferred revenue	10,880	-	-	-
Compensated absences	-	38,037	-	-
Claims liability	-	-	-	-
Current portion long-term debt	-	1,235,000	408,355	-
Total current liabilities	<u>1,560,383</u>	<u>1,520,422</u>	<u>3,246,154</u>	<u>700,005</u>
Noncurrent liabilities:				
Advances from other funds	-	16,525,557	-	-
Compensated absences	-	-	-	-
Claims liability	-	-	-	-
Long-term debt	1,775,645	13,266,865	42,765,334	-
Total noncurrent liabilities	<u>1,775,645</u>	<u>29,792,422</u>	<u>42,765,334</u>	<u>-</u>
Total liabilities	<u>3,336,028</u>	<u>31,312,844</u>	<u>46,011,488</u>	<u>700,005</u>
NET ASSETS				
Invested in capital assets net of related debt	32,865,691	(8,180,582)	(26,496,419)	13,559,253
Unrestricted	7,711,516	(2,500,190)	31,186,477	122,321
Total net assets	<u>\$ 40,577,207</u>	<u>\$ (10,680,772)</u>	<u>\$ 4,690,058</u>	<u>\$ 13,681,574</u>

See accompanying Notes to Basic Financial Statements.

CITY OF RICHMOND

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the year ended June 30, 2002

	Major Funds			
	Richmond Housing Authority	Port of Richmond	Municipal Sewer	Storm Sewer
OPERATING REVENUES:				
Property taxes	\$ -	\$ -	\$ 134,870	\$ -
Dwelling rents	1,961,893	-	-	-
HUD grants and other government grants	17,436,628	-	-	-
Rental	-	448,701	-	-
Dockage and wharfage	-	1,501,221	-	-
Marina berth rentals	-	909,313	-	-
Service charges	-	-	7,261,695	1,444,521
Lease income	-	-	-	-
Reimbursement for dredging	-	567,604	-	-
Other	62,432	67,042	7,370	-
Total operating revenues	19,460,953	3,493,881	7,403,935	1,444,521
OPERATING EXPENSES:				
Salaries and wages	3,819,335	519,256	5,171,295	726,277
General and administrative	1,246,199	1,002,480	4,193,441	1,209,247
Maintenance	1,428,628	13,892	195,458	-
Depreciation	407,195	250,092	499,583	967,708
Housing assistance	12,801,713	-	-	-
Claims losses	-	-	-	-
Other	32,483	-	-	-
Total operating expenses	19,735,553	1,785,720	10,059,777	2,903,232
OPERATING INCOME (LOSS)	(274,600)	1,708,162	(2,655,842)	(1,458,711)
NONOPERATING REVENUES AND EXPENSES:				
Investment income	135,874	204,900	2,286,933	21,843
Interest expense	-	(1,192,969)	(2,255,535)	-
Amortization of bond issuance costs	-	(32,743)	(30,909)	-
Gain (loss) on sale of fixed assets	-	-	(4,995)	-
Total nonoperating revenues and expenses	135,874	(1,020,812)	(4,506)	21,843
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(138,726)	687,350	(2,660,348)	(1,436,868)
OPERATING TRANSFERS:				
Operating transfers in	-	2,480,703	1,861,704	345,714
Operating transfers out	-	(2,480,703)	(1,861,704)	(345,714)
Total operating transfers	-	-	-	-
Net income (loss)	(138,726)	687,350	(2,660,348)	(1,436,868)
NET ASSETS (DEFICIT):				
Beginning of year	41,576,106	(11,408,797)	8,803,435	766,012
Prior period adjustments	(860,173)	40,675	(1,453,029)	14,352,430
End of year	\$ 40,577,207	\$ (10,680,772)	\$ 4,690,058	\$ 13,681,574

See accompanying Notes to Basic Financial Statements.

CITY OF RICHMOND

Statement of Cash Flows

Proprietary Funds

For the year ended June 30, 2002

	Major Funds			
	Richmond Housing Authority	Port of Richmond	Municipal Sewer	Storm Sewer
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers/other funds	\$ 1,486,307	3,392,781	\$ 7,108,032	\$ 1,438,574
Cash payments to suppliers for goods and services	(17,763,923)	(366,880)	(2,838,495)	(377,003)
Cash payments to employees for services	(3,819,335)	(519,256)	(5,171,295)	(726,277)
Payments received from HUD	17,436,628	-	-	-
Intergovernmental revenue received (expenses paid)	-	(297,897)	(441,271)	(202,716)
Other operating revenues	62,432	634,646	7,370	-
Net cash provided (used) by operating activities	(2,597,891)	2,843,395	(1,335,659)	132,578
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating transfers in	-	2,480,703	1,861,704	345,714
Operating transfers (out)	-	(2,480,703)	(1,861,704)	(345,714)
Net cash provided (used) by noncapital financing activities	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Repayment of long-term borrowing	-	(1,211,581)	(354,554)	-
Proceeds from long-term borrowing	1,448,058	-	558,178	-
Net change in capital assets	(275,542)	(1,505,370)	(2,060,876)	(1,041,925)
Net cash provided (used) by capital and related financing activities	1,172,516	(2,716,951)	(1,857,252)	(1,041,925)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest revenue	135,874	231,077	1,156,177	21,843
Interest expense	-	(1,200,684)	(2,255,535)	-
Net cash provided (used) by investing activities	135,874	(969,607)	(1,099,358)	21,843
Net increase (decrease) in cash and cash equivalents	(1,289,501)	(843,163)	(4,292,269)	(887,504)
CASH AND CASH EQUIVALENTS:				
Beginning of year	5,692,403	9,173,366	(1,427,716)	814,849
End of year	\$ 4,402,902	\$ 8,330,203	\$ (5,719,985)	\$ (72,655)
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (274,600)	\$ 1,708,162	\$ (2,655,842)	\$ (1,458,711)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Prior period adjustments	(860,173)	-	-	-
Depreciation	407,195	250,092	499,583	967,708
Changes in operating assets and liabilities:				
Accounts receivable	428,104	500,803	(249,099)	(8,950)
Interest receivable	-	-	-	4,542
Other receivable	-	-	(18,155)	(1,539)
Deferred charges	-	32,743	-	-
Inventories	37,556	-	30,909	-
Prepaid items	(81,073)	-	(52,188)	-
Accounts payable	282,840	(4,745)	1,043,063	629,528
Accrued liabilities	323,998	-	-	-
Deferred revenue	(1,065,286)	-	-	-
Compensated absences	-	38,037	-	-
Due to HUD	(936,651)	-	-	-
Due to City of Richmond	(860,778)	-	-	-
Claims liability	-	-	-	-
Advances from other funds	-	322,321	-	-
Refundable deposits	977	(4,018)	66,070	-
Total adjustments	(2,323,291)	1,135,233	1,320,183	1,591,289
Net cash provided (used) by operating activities	\$ (2,597,891)	\$ 2,843,395	\$ (1,335,659)	\$ 132,578

See accompanying Notes to Basic Financial Statements.

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FIDUCIARY FUNDS FINANCIAL STATEMENTS

CITY OF RICHMOND

**Combining Balance Sheet
Fiduciary Funds
June 30, 2002**

	Pension Trust Funds	Agency Funds	Total
ASSETS			
Cash, cash equivalents and investments	\$ 8,732,810	\$ 5,319,229	\$ 14,052,039
Restricted cash investments	32,421,032	3,062,320	35,483,352
Receivables:			
Interest	44,798	54,210	99,008
Total assets	<u>\$ 41,198,640</u>	<u>\$ 8,435,759</u>	<u>\$ 49,634,399</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 41,690	\$ (28,250)	\$ 13,440
Deferred property tax override	8,613,068	-	8,613,068
Refundable deposits	-	8,464,009	8,464,009
Net pension obligation	2,574,334	-	2,574,334
Total liabilities	<u>11,229,092</u>	<u>8,435,759</u>	<u>19,664,851</u>
Fund Balances:			
Reserved for employees' retirement benefits	29,969,548	-	29,969,548
Total fund balances	<u>29,969,548</u>	<u>-</u>	<u>29,969,548</u>
Total liabilities and fund balances	<u>\$ 41,198,640</u>	<u>\$ 8,435,759</u>	<u>\$ 49,634,399</u>

See accompanying Notes to Basic Financial Statements.

City of Richmond
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For the year ended June 30, 2002

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City of Richmond
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For the year ended June 30, 2002

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NOTES TO BASIC FINANCIAL STATEMENTS

City of Richmond
Notes to Basic Financial Statements
For the year ended June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Richmond, California (City) 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 more significant of the City's accounting policies are described below.

A. Financial 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.

As required by GAAP, these general purpose 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 combined general purpose 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.

The City's component units and assessment districts are as follows: the Richmond Redevelopment Agency, the Richmond Housing Authority, the Richmond Joint Powers Financing Authority, the Richmond Parking Authority, and the Hilltop F Refunding Series AF, Atlas Road West, Cutting/Canal and Atlas Interchange Special Assessment Districts.

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 (California Health and Safety Code, commencing with Section 33000). 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 from the City, 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 operations of the Redevelopment Agency are included in the City's financial statements as special revenue, debt service and capital projects funds. 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.

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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. Under State laws, the Housing Authority is subject to California Health and Safety Code Sections 34200 - 34606. Although the Housing Authority is a separate legal entity from the City, 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 general purpose financial statements as an enterprise fund. Separate financial statements for the Housing Authority may be obtained by contacting the Richmond Housing Authority, 330 24th, 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, through the issuance of bonds or other instruments of indebtedness, capital improvements and working capital pursuant to the Marks-Roos Local Bond Pooling Act of 1985. The JPFA is authorized to purchase at public or negotiated sale of any bonds, notes, commercial paper, lease-purchase agreement, certificates of participation, floating rate, and variable maturity securities of the City, Redevelopment Agency, and other local public agencies. Although the JPFA is a separate legal entity from the City, 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 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. One such facility has been built to date and has been leased to the City. Although the Parking Authority is a separate legal entity from the City, 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. Separate financial statements for the Parking Authority are not required or issued.

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. 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, as appropriate. 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.

Governmental-Wide Financial Statements - The City Government-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. Fiduciary Activities of the City are not included in these statements

The basic 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 accompanying Statement of Net Assets. The Statement of Activities presents 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. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. 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 primary government 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 (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, to the business type activities, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on Accounting Procedure. The City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

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 non-major funds aggregated. 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 Government-Wide financial statements. The City has presented all major funds that met the qualifications for major fund reporting.

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

All governmental funds are accounted for on a spending or "*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 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, taxpayer-assessed tax revenues (sales taxes, transient occupancy taxes, franchise taxes, etc.) and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

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 non-major funds aggregated. 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. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that Use Proprietary Fund Accounting*, the City applies all GASB pronouncements currently in effect as well as Financial Accounting Standard Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989.

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.

Fiduciary Fund Financial Statements - Fiduciary Fund Financial Statements include a Statement of Net Assets. The City's Fiduciary funds represent Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting as are the governmental funds explained above.

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. 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.

D. Encumbrances

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.

E. Cash, Cash Equivalents and Investments

For purposes of reporting cash flows, the City considers each fund's share in the cash and investments pool to be cash and cash equivalents. With respect to cash and investments held by fiscal agents, the City considers investments with original maturities of three months or less to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City participates in an investment pool managed by the State of California titled 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.

F. Inventories

Inventories are valued at cost using the weighted average method. Inventories of the General Fund and special revenue 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.

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Capital Assets

Capital assets are valued at historical cost or, for donated fixed assets, at their estimated fair value on the date donated. Certain assets, for which actual historical costs are not available, have been valued using methods to approximate their historical costs. City policy has set the capitalization threshold for reporting capital assets at \$5,000. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

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

In June 1999, the Governmental Accounting Standard Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with GASB Statement No. 34, the City has included all infrastructure into the 2001-02 Basic Financial Statements.

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include streets systems, parks and recreation lands and improvement systems, storm water collection system, and buildings combined with the site amenities such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. These subsystems were not delineated in the Basic Financial Statements. The appropriate operating department maintains information regarding the subsystems.

Interest accrued during capital assets construction, if any, is capitalized for the business-type and proprietary funds as part of the asset cost.

The City elected to use the modified approach, as defined by GASB Statement No. 34, for infrastructure reporting of its streets, concrete and asphalt pavements. The City commissioned a physical assessment of the streets' condition in October, 2000. This condition assessment will be performed every 2 years for collector streets and every 5 years for residential streets. Each homogeneous segment of City-owned streets was assigned a physical condition based on a site inspection. A Pavement Condition Index (PCI) was assigned to each street segment. The index is expressed in a continuous scale from 0 to 100, as defined in the Pavement Condition Index Distress Identification Manual published by the Metropolitan Transportation Commission: Excellent condition is assigned to segment with a scale rating between 86 and 100, very good condition is assigned to segments with a scale rating between 71 and 85, good condition is assigned to segments with a rating between 56 and 70, fair condition is assigned to segments with a scale rating between 41 and 55, poor condition is assigned to segments with a scale rating between 26 and 40, very poor segments have a range of 11 to 25 and failed condition is assigned to segments

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

with a scale rating between 0 and 10. The City's policy relative to maintaining its street assets is to achieve an average rating of 70 for all street segments. This acceptable rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at the posted speeds.

For all other infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City conducted a valuation of its infrastructure assets as of July 1, 2001. This valuation determined the original cost using one of the following methods:

- 1) Use of historical records where available.
- 2) Standard unit costs appropriate for the construction/acquisition date of the asset.
- 3) Present replacement cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date.

The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date was computed on a straight-line method using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

H. Land Held for Conveyance

The City, through the Redevelopment Agency, holds certain parcels of land intended for ultimate sale or other means of conveyance for redevelopment related projects. Proceeds, if any, from conveyance of such property (net of related disposition costs) are recorded as revenue when the conveyance is consummated.

I. Compensated Absences

Compensated absences are charged to operating expenditures when paid. Vacation and related benefits fully vest as earned and are paid in full upon termination. Vested vacation obligations are recorded in the General Long-Term Debt Account Group as accrued compensated absences until paid. The City is not liable for payment to employees for accrued sick leave and no related liability is recorded in the accompanying general purpose financial statements.

J. Property Tax Levy, Collection and Maximum Rates

The State of California Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed one percent of its assessed value except for voter approved incremental property taxes adopted prior to the passage of Article XIII A and any additional amount for general obligation debt approved by voters subsequent to the passage of Article XIII A. Assessed value is calculated at 100 percent of market value as defined by Article XIII A and may be adjusted by no more than two percent per year unless the property is modified, sold, or transferred. The State Legislature has determined the method of distribution of receipts from a one percent tax levy among the counties, cities, school districts, and other districts.

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

K. Long-Term Obligations

Government-Wide Financial Statements - Long-term debt and other financed obligations are reported as liabilities in the appropriate activities.

Bond premiums and discounts, as well as 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 - The fund financial statements do not present long-term debt but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

L. Bond Premiums, Discounts and Issuance Costs

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures.

For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using a straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges in the accompanying financial statements.

M. 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.

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

N. Net Assets and Fund Equity

Government-Wide Financial Statements:

Invested in Capital Assets, Net of Related Debt - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

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 Financial Statements:

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

O. Use of Estimates

In preparing basic financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of June 30, 2002, and the reported amount of revenues, expenditures and expenses during the year then ended. Actual results could differ from those estimates.

P. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operation. Certain reclassifications to prior year comparative amounts have been made in order to be consistent with the current year presentation. Comparative data have not been presented in statements where their inclusion would make those statements unduly complex and difficult to understand.

Q. New Implementation of GASB Pronouncements

In fiscal year 2002, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.*
- Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*
- Statement No. 38, *Certain Financial Statement Note Disclosures*

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

2. CASH AND INVESTMENTS

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds, 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.

A. Cash Deposits

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

The carrying amounts of the City's cash deposits were \$(2,142,668) at June 30, 2002. Bank balances before reconciling items were \$2,433,156 at that date, the total amount of which was collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

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.

B. Investments

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

- Securities of the U.S. Government, or its agencies
- Certificates of Deposit
- Bankers' Acceptances
- Commercial Paper
- California Local Agency Investment Fund
- Passbook Savings Account Demand Deposits
- Repurchase Agreements
- Medium-Term Corporate Notes
- Mutual Funds

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

2. CASH AND INVESTMENTS, Continued

Fair Value of Investments

The City has complied with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for certain investments and for External Investments Pools*. No current adjustments have been made to the accompanying general purpose financial statements, because the City's investments were primarily in the State of California Local Agency Investment Fund and the fair value adjustment was immaterial.

Governmental Accounting Standards Board Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, requires that deposits and investments be classified by credit risk.

Classification of deposits and investments by credit risk:

Deposits:

Category 1 - Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 - Deposits which are uninsured or uncollateralized.

Investments:

Category 1 - Insured or registered or securities held by the entity or its agent in the entity's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the entity's name.

Investments Not Subject to Categorization - Investments in the California Local Agency Investment Fund (LAIF) are not categorized, as GASB No. 3 does not require categorization of investment pools managed by another government. Certain fiscal agent investments are not categorized because the underlying assets are open-ended mutual funds. Guaranteed investment contracts are not categorized because they are direct contractual investments and are not securities. All such investments are not required to be categorized under interpretive guidelines issued by the GASB.

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

2. CASH AND INVESTMENTS, Continued

The following is a summary of cash and investments at June 30, 2002:

	Government-Wide Statement of Net Assets			Funds Financials	Total
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of Net Assets	
Cash and Investments	\$ 22,974,415	\$ 8,984,982	\$ 31,959,397	\$ 14,052,039	\$ 46,011,436
Restricted Cash and Investments	\$ 84,299,436	\$ 36,722,438	\$ 121,021,874	\$ 35,483,352	\$ 156,505,226

Deposits and investments were categorized as follows at June 30, 2002:

	Category		Uncategorized	Fair Value
	1	3		
City Treasury:				
Demand deposits:				
Petty cash	\$ 6,040	\$ -	\$ -	\$ 6,040
Certificates of deposits	163,940	-	-	163,940
Cash deposit	(578,298)	-	-	(578,298)
Total demand deposits	(408,318)	-	-	(408,318)
Investments:				
Repurchase agreement	-	-	500,000	500,000
Local Agency Investment Funds	-	-	45,919,754	45,919,754
Total investments	-	-	46,419,754	46,419,754
Total City Treasury	(408,318)	-	46,419,754	46,011,436
Cash and Investments with Fiscal Agents	-	156,505,226	-	156,505,226
Total cash and investments	\$ (408,318)	\$ 156,505,226	\$ 46,419,754	\$ 202,516,662

The City had no Category 2 deposits and investments

The City's investments with Local Agency Investment Funds (LAIF) at June 30, 2002, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

2. CASH AND INVESTMENTS, Continued

Structured Notes - are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities - the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMOs) or credit card receivables.

As of June 30, 2002, the City had \$45,919,754 invested in LAIF, which had invested 3.086% of the pool investment funds in Structured Notes and Asset-Backed Securities.

Cash and investments held in the City Treasury grouped by maturity date at June 30, 2002, are shown below:

<u>Maturity</u>	
Current to one year	\$ 46,419,754
Total	\$ 46,419,754

3. NOTES RECEIVABLE

As of June 30, 2002, notes receivable consisted of the following:

CalTrans Loan	\$ 1,292,189
Walter T. Miller	152,179
Community Development Block Grant:	
Mechanics Bank Loans	62,321
Deferred Loans	2,935,643
Home Improvement Program Loans	1,700,939
Rental Rehab Loans	473,067
Non-Profit Loans	6,830
Redevelopment Agency:	
West County Housing Corporation	87,500
Miscellaneous Housing Loans	234,856
EDA Loans	222,278
Lucas Park Loans Receivable	216,000
Merchant Bank Serviced Loans	155,230
Atchison Village Annex Apartments	477,920
Heritage Park Development	250,000
PY Silent Second Mortgage Loans	721,451
Total notes receivable	\$ 8,988,403

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

3. NOTES RECEIVABLE, Continued

CalTrans Loan: this loan of \$1,292,189 consists of \$1,166,781 and \$125,408 loans from the City of Richmond to Richmond Neighborhood Housing Services which were a pass through loans from CalTrans for the construction of 27 new homes located in North Richmond.

Walter T. Miller Loan: this loan of \$152,179 was for the original purchase of the Jelani Park site.

Mechanics Bank Loans: are amortized home improvement loan accounts which the low and moderate income borrowers have to pay at 3% per annum. Approved CDBG loan contracts are forwarded to Mechanics Bank for servicing. Mechanics Bank gives the City a monthly reports showing the transactions of these accounts such as loan repayments, payoffs and approved new loans forwarded to them for servicing which are reconciled monthly with the City's records for accuracy and proper recording. The outstanding balance of the loans at June 30, 2002 was \$62,321.

Deferred Loans: are granted by the City to low and moderate income families in Richmond to assist them in purchasing their homes. The City also gives emergency repair loans to help them rehabilitate existing housing units which shall not exceed \$10,000. These loans are funded by HOME Investment Partnership Program (HIPP) which are given to low income families in Richmond to assist them in rehabilitating their homes. These loans have to be repaid over a period of 15 years and in some cases over a period of 30 years. The outstanding balance of the loans at June 30, 2002 was \$2,935,643.

Home Improvement Program Loans: include silent second mortgage loans given to low and moderate income first time homebuyers in Richmond that will be used as a gap financing to cover the minimum amount needed to close the gap between the primary lender's requirements and the borrower's ability to pay for the downpayment or closing costs. Home improvement program loans also include amortized loans given by the City to assist low income families in Richmond in the improvement of their homes. The interest rate for these loans range from 0% to 3% and are payable over a period of 15 years and in some cases over a period of 30 years. This revolving loan account was formerly serviced by Bank of America and was transferred in 11/2000 to USE now known as Amerinational. As these loans are approved, these contracts are forwarded to Amerinational for servicing. Amerinational gives the City a monthly report showing the activities of these accounts such as loan repayments, payoffs and new loans awarded. The outstanding balance of the loans at June 30, 2002 was \$1,700,939.

Rental Rehabilitation Loans: are awarded to assist private and non-profit owners purchase and rehabilitate existing multifamily housing units. The purpose is to be able to make these rental units affordable to low and very low income housing families. The outstanding balance of the loans at June 30, 2002 was \$473,067.

Non-Profit Loans: are deferred loans that that were improperly categorized as non-profit loans prior to 1996. The outstanding balance of the loans at June 30, 2002 was \$6,830.

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

3. NOTES RECEIVABLE, Continued

West County Housing Corporation: the Redevelopment Agency loaned the West County Housing Corporation (West County) \$875,000 to cover part of the cost to construct 10 housing units. The loan agreement required West County to repay the Agency \$87,500 for each home sold. Two homes located at 930 and 940 Lucas Avenue, respectively have not been sold and \$175,000 was not repaid.

Miscellaneous Housing Loans: Low/Mod Income Housing Revolving Loan Fund Consist of monies advanced to the City's Agent (Amerinational Community Services, Inc.) covering the amount of City home improvement loans to eligible home owners. Amerinational uses the advances to pay Contractors for home repairs covered by contracts covered by the loans. The advances are removed and recorded as reimbursable CDBG expenditures based on Amerinational reports of payments to contractors pursuant to the loans. HUD does not recognize Advances as reimbursable expenditures.

EDA loans: The City of Richmond'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. The loans will be repaid. The outstanding balance at June 30, 2002 was \$227,278.

Lucas Park Loans Receivable: a promissory note was signed by the Richmond Civic Center Development, LP payable to the Redevelopment Agency to repay a \$216,000 loan received from the Agency. There is no repayment schedule for the loan.

Merchant Bank Serviced Loans: of \$155,230 represent four loans given to individuals by Richmond Redevelopment Agency to establish businesses in the blighted area. One of the loans matures in 2002 and has an interest rate of 3%. The remaining three loans mature in 2049 and have interest rates of 6%. Payments of principal and interest on the loans are due monthly and are received by the Mechanic Bank and credited to the Richmond Redevelopment Agency's account.

Atchison Village Annex Apartments: on August 3, 1998, the Agency entered into an agreement with Atchison Village Associates, LP for a loan in the total original amount of \$464,000 collateralized by a deed of trust. The loan is used to finance the acquisition and rehabilitation of 100 units of family housing. The accrued simple interest rate on the unpaid principal balance is 3% per annum. No payments shall be made during the first year, but the interest on the loan shall be deferred and capitalized. Beginning in year two, the principle amount shall increase to \$477,920. Year two through five, loan payments shall be interest only at \$1,195 per month. Years six through twenty-five the principal and interest shall be fully amortized and payable in equal monthly payments of \$2,651. The outstanding balance of the loan including accrued interest of \$13,920 at June 30, 2002 was \$477,920.

Heritage Park Development: on July 22, 1999, the Agency entered into an agreement with Hilltop Group, LP for a loan in the total original amount of \$250,000 collateralized by a deed of trust. The loan is used to finance the expenses related to the development of the Heritage Park Development in the City of Richmond. The monthly installments of interest and principal in the amount of \$1,726 are payable commencing September 1, 2004 to September 1, 2019, at the interest rate of 3% per annum. The outstanding balance of the loan at June 30, 2002 was \$250,000.

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

3. NOTES RECEIVABLE, Continued

PY Silent Second Mortgage Loans: represent loans given 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 will be forgiven in the future if the property owners do not sell or refinance the property. The outstanding balance of the loan at June 30, 2002 was \$721,451.

4. INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2002, the City had the following short-term Receivables and Payables:

Fund Financial Statements:

		Due From Other Funds		
		General Fund	Non-Major Governmental Funds	Total
Due to Other Funds	Non-Major Governmental Funds	\$ 464,131	\$ 1,949,161	\$ 2,413,292
	Total	\$ 464,131	\$ 1,949,161	\$ 2,413,292

At June 30, 2002, the City had the following Advances To/From Other Funds:

Government-Wide Statements:

		Advances from other funds	
		Business-Type Activities	Total
Advances to other funds	Governmental Activities	\$ 16,645,557	\$ 16,645,557
	Total	\$ 16,645,557	16,645,557

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

4. INTERFUND RECEIVABLES AND PAYABLES, Continued

Fund Financial Statements:

		Advances to Other Funds		
		General Fund	Redevelopment Agency	Total
Advances from Other Funds	Governmental Activities:			
	General Fund	\$ -	\$ 125,408	\$ 125,408
	Redevelopment Agency	34,033,691	-	34,033,691
	Total Governmental Activities	34,033,691	125,408	34,159,099
	Business Type Activities:			
	Port of Richmond	16,290,557	235,000	16,525,557
	Non Major Enterprise Funds	120,000	-	120,000
	Total business type activities	16,410,557	235,000	16,645,557
	Total	\$ 50,444,248	\$ 360,408	\$ 50,804,656

At June 30, 2002, the City had the following Transfers In/Out:

Government-Wide Statements:

		Transfers In	
		Business-Type Activities	Total
Transfers Out	Governmental Activities	\$ 7,738	\$ 7,738
	Total	\$ 7,738	\$ 7,738

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

4. INTERFUND RECEIVABLES AND PAYABLES, Continued

Fund Financial Statements

	Transfers In										Total		
	General Fund	Redevelopment Agency	JPPA	Capital Improvement	Non-Major Governmental Funds	Total Governmental Funds	Port of Richmond	Storm Sewer	Municipal Sewer	Non-Major Enterprise Funds		Total Proprietary Funds	Internal Service
Governmental Activities:													
General Fund	\$ 608,849	\$ -	\$ -	\$ 776,000	\$ 2,448,941	\$ 3,835,190	\$ -	\$ -	\$ -	\$ 7,738	\$ 7,738	\$ 1,000,000	\$ 4,842,928
Redevelopment Agency	-	19,039,806	-	-	-	19,039,806	-	-	-	-	-	-	19,039,806
JPPA Debt Service	-	-	-	-	635	635	-	-	-	-	-	-	635
General Capital Improvement	660,741	-	102,330	3,176,639	18,196	3,957,906	-	-	-	-	-	-	3,957,906
Non-Major Governmental Funds	1,202,647	-	21,455	661,648	410,843	2,296,213	-	-	-	-	-	-	2,296,213
Total Governmental Funds	2,472,237	19,039,806	123,785	4,616,288	2,877,633	29,129,749	-	-	-	7,738	7,738	1,000,000	30,157,487
Business Type Activities:													
Port of Richmond	-	-	-	-	-	-	2,480,703	-	-	-	-	-	2,480,703
Storm Sewer	-	-	-	-	-	-	-	345,714	-	-	-	-	345,714
Municipal Sewer	-	-	-	-	-	-	-	-	1,861,704	-	-	-	1,861,704
Non-Major Enterprise Funds	-	-	-	-	-	-	-	-	-	353,233	-	-	353,233
Total Proprietary Funds	-	-	-	-	-	-	2,480,703	345,714	1,861,704	353,233	5,041,354	-	5,041,354
Total	\$ 2,472,237	\$ 19,039,806	\$ 123,785	\$ 4,616,288	\$ 2,877,633	\$ 29,129,749	\$ 2,480,703	\$ 345,714	\$ 1,861,704	\$ 360,971	\$ 5,049,092	\$ 1,000,000	\$ 35,178,841

During the fiscal year ended June 30, 2002, the City had no unusual transfers in/out between funds.

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

5. CAPITAL ASSETS

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

	Balance July 1, 2001	Reclassification/ Additions	Retirements	Inventory Adjustments	Balance June 30, 2002
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 24,306,395	\$ -	\$ (15,109,846)	\$ 9,922,627	\$ 19,119,176
Construction in progress	-	3,925,641	-	767,464	4,693,105
Infrastructure: streets, concrete and asphalt pavements	-	-	-	135,851,122	135,851,122
Total capital assets, not being depreciated	<u>24,306,395</u>	<u>3,925,641</u>	<u>(15,109,846)</u>	<u>146,541,213</u>	<u>159,663,403</u>
Capital assets, being depreciated:					
Building and improvements	32,602,770	94,787	(997,194)	(2,206,575)	29,493,788
Machinery and equipment	22,028,453	3,949,935	(1,022,081)	(541,593)	24,414,714
Infrastructure:	<u>1,548,477</u>	<u>-</u>	<u>-</u>	<u>159,196,254</u>	<u>160,744,731</u>
Total capital assets, being depreciated	56,179,700	4,044,722	(2,019,275)	156,448,086	214,653,233
Accumulated depreciation	<u>(3,189,941)</u>	<u>(9,388,360)</u>	<u>1,664,470</u>	<u>(97,289,789)</u>	<u>(108,203,620)</u>
Total capital assets, being depreciated, net	<u>52,989,759</u>	<u>(5,343,638)</u>	<u>(354,805)</u>	<u>59,158,297</u>	<u>106,449,613</u>
Governmental activities capital assets, net	<u><u>\$ 77,296,154</u></u>	<u><u>\$ (1,417,997)</u></u>	<u><u>\$ (15,464,651)</u></u>	<u><u>\$ 205,699,510</u></u>	<u><u>\$ 266,113,016</u></u>

Governmental activities depreciation expense for capital assets for the year ended June 30, 2002 are as follows:

General government	\$ 1,266,902
Public safety	344,148
Highways and streets	7,366,618
Community development	17,030
Cultural and recreational	236,868
Housing and redevelopment	144,523
Total depreciation for governmental activities	<u>9,376,089</u>
Internal Service Funds depreciation allocated to governmental activities	<u>12,271</u>
Total depreciation expense	<u><u>\$ 9,388,360</u></u>

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

5. CAPITAL ASSETS, Continued

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

	Balance July 1, 2001	Additions	Deletions	Prior Period Adjustments	Balance June 30, 2002
Capital Assets Not Being Depreciated:					
Land	\$ 8,285,893	\$ -	\$ -	\$ -	\$ 8,285,893
Construction in Progress	1,391,564	3,284,463	-	561,762	5,237,789
Total capital assets not being depreciated	9,677,457	3,284,463	-	561,762	13,523,682
Capital Assets Being Depreciated:					
Buildings and Improvements	87,780,980	193,938	-	-	87,974,918
Machinery and equipment	13,056,450	159,166	(55,091)	(14,951)	13,145,574
Infrastructure	43,423,057	419,756	-	29,024,774	72,867,587
Total Capital Assets Being Depreciated	144,260,487	772,860	(55,091)	29,009,823	173,988,079
Less Accumulated Depreciation	(85,042,280)	(2,235,296)	9,393	(15,952,684)	(103,220,867)
Total capital assets being depreciated, net	59,218,207	(1,462,436)	(45,698)	13,057,139	70,767,212
Business type activities, capital assets, net	\$ 68,895,664	\$ 1,822,027	\$ (45,698)	\$ 13,618,901	\$ 84,290,894

Depreciation expense was \$2,235,296 for the year ended June 30, 2002.

6. LONG-TERM OBLIGATIONS

A. Long-Term Obligations

Following is a summary of long-term debt transactions during the fiscal year ended June 30, 2002:

	Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002	Due Within One Year	Due in More than One Year
Bonds payable	\$ 130,647,780	\$ -	\$ (3,954,999)	\$ 126,692,781	\$ -	\$ 126,692,781
Notes payable	2,850,650	500,000	(695,053)	2,655,597	-	2,655,597
Capital leases	6,551,647	6,937,213	(8,338,609)	5,150,251	-	5,150,251
Total	\$ 140,050,077	\$ 7,437,213	\$ (12,988,661)	\$ 134,498,629	\$ -	\$ 134,498,629

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

6. LONG-TERM OBLIGATIONS, Continued

Bonds Payable

Bonds payable at June 30, 2002 consisted of the following:

JPFA Revenue Refunding Bonds - 1995 Series A	\$ 12,435,002
Harbor Tax Allocation Refunding Bonds - 1991	1,460,000
Harbor Tax Allocation Refunding Bonds - 1998 Series A	21,772,779
Pension Obligation Bonds - 1999 Series A	31,360,000
JPFA Tax Allocation Revenue Bonds - 2000 Series A	25,720,000
JPFA Tax Allocation Revenue Bonds - 2000 Series B	5,535,000
JPFA Lease Revenue Bonds - 2001 Series A	28,410,000
Total	\$ 126,692,781

1. 1995 Richmond Joint Powers Financing Authority Refunding Revenue Bonds Series A and Series B - Original Issue Series A \$17,320,000, Series B \$5,335,000

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, fund a separate Reserve Fund for the respective Series of Bonds and pay costs of issuance of the 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 are payable semiannually on May 15 and November 15. The Series B bonds consist of serial bonds that mature annually through 2013, in amounts ranging from \$155,000 to \$440,000. Interest rates vary from 4.0% to a maximum of 5.25% and are payable semiannually on May 15 and November 15. The Series 1995A Local Obligations consist of a Master Lease with the City of Richmond and an installment Purchase Agreement with the City payable solely from gas tax revenues. The Series 1995B Local Obligations consist of three separate issues of tax allocation bonds issued by the Redevelopment Agency of the City of Richmond.

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

For the Years Ending June 30,	Principal	Interest	Total
2003	\$ 865,000	\$ 657,408	\$ 1,522,408
2004	910,000	607,670	1,517,670
2005	955,000	561,260	1,516,260
2006	1,010,000	511,600	1,521,600
2007	1,055,000	458,070	1,513,070
2008-2012	6,190,000	1,388,625	7,578,625
2013	1,450,000	76,125	1,526,125
Total	\$ 12,435,000	\$ 4,260,758	\$ 16,695,758

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

6. LONG-TERM OBLIGATIONS, Continued

Series B Bonds were defeased during the fiscal year ended June 30, 2002. Proceeds of \$4,288,815 were paid to the fiscal agent for the purpose of generating resources for all future debt service payments. The balance of the defeased bonds outstanding as of June 30, 2002, was \$3,820,000.

2. 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 are payable semiannually on January 1 and July 1. The term bonds in the amount of \$5,100,000 bear interest at 7% and mature on July 1, 2009 with sinking fund payment requirements starting in 2004. In 1998, \$5,820,000 outstanding principal amount of these bonds were advance refunded by issuance of the 1998 Harbour Redevelopment Project Tax Allocation Bonds Series A. The bonds are secured by a pledge of tax revenues and certain other funds held by Bankers Trust Company of California, N.A.

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

For the Years Ending June 30,	Principal	Interest	Total
2003	\$ 415,000	\$ 77,992	\$ 492,992
2004	740,000	43,550	783,550
2005	-	21,350	21,350
2006	-	21,350	21,350
2007	-	21,350	21,350
2008-2009	305,000	53,375	358,375
Total	\$ 1,460,000	\$ 238,967	\$ 1,698,967

3. 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 5.5% and are payable semiannually on January 1 and July 1. The bonds are secured by a pledge of tax revenues.

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

6. LONG-TERM OBLIGATIONS, Continued

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

For the Years Ending June 30,	Principal	Interest	Total
2003	\$ 25,000	\$ 718,228	\$ 743,228
2004	-	717,728	717,728
2005	470,000	708,328	1,178,328
2006	485,000	689,228	1,174,228
2007	500,000	669,153	1,169,153
2008-2012	4,622,361	2,995,578	7,617,939
2013-2017	6,180,722	2,218,163	8,398,884
2018-2022	6,637,146	1,117,081	7,754,227
2023-2024	2,852,551	106,163	2,958,714
Total	\$ 21,772,779	\$ 9,939,646	\$ 31,712,425

4. 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 are payable from certain Pension Tax Override Revenues received by the City from a special tax pursuant to City Council Ordinance 99-9 adopted on March 30, 1999. 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.

For the Years Ending June 30,	Principal	Interest	Total
2003	\$ 1,700,000	\$ 2,225,869	\$ 3,925,869
2004	1,715,000	2,110,777	3,825,777
2005	1,720,000	1,992,784	3,712,784
2006	1,710,000	1,873,251	3,583,251
2007	1,690,000	1,753,742	3,443,742
2008-2012	7,790,000	7,038,852	14,828,852
2013-2017	7,025,000	4,422,745	11,447,745
2018-2022	5,285,000	1,873,470	7,158,470
2023-2027	2,285,000	540,831	2,825,831
2028-2030	440,000	39,245	479,245
Total	\$ 31,360,000	\$ 23,871,566	\$ 55,231,566

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

6. LONG-TERM OBLIGATIONS, Continued

5. 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 were issued by the Richmond JPFA and consisted of Series A Bonds were issued for the purpose of funding certain capital improvements of the Redevelopment Agency, to fund the reserve accounts and capitalized interest. The Series B Bonds were issued for use in certain low and moderate income housing activities and to fund a reserve account. 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 are payable semiannually on March 1 and September 1. The term bonds mature in 2029 and bear interest of 5.25%. 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 is due semiannually on March 1 and September 1. The term bonds mature as follows: \$1,075,000 in 2010 at interest rate of 7.35%, \$3,365,000 in 2018 at interest rate of 7.7% and \$110,000 in 2029 at interest rate of 8.0%. The bonds are secured by a pledge of certain tax increment revenues derived from taxable property within certain redevelopment project areas.

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

For the Years Ending June 30,	Principal	Interest	Total
2003	\$ -	\$ 1,244,308	\$ 1,244,308
2004	1,110,000	1,222,108	2,332,108
2005	1,155,000	1,176,808	2,331,808
2006	1,200,000	1,126,708	2,326,708
2007	1,255,000	1,073,353	2,328,353
2008-2012	7,175,000	4,424,696	11,599,696
2013-2017	9,020,000	2,517,445	11,537,445
2018-2022	4,560,000	353,181	4,913,181
2023-2027	140,000	46,725	186,725
2028-2029	105,000	8,269	113,269
Total	\$ 25,720,000	\$ 13,193,599	\$ 38,913,599

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

6. LONG-TERM OBLIGATIONS, Continued

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

For the Years Ending June 30,	Principal	Interest	Total
2003	\$ 170,000	\$ 409,918	\$ 579,918
2004	185,000	397,493	582,493
2005	195,000	384,193	579,193
2006	210,000	370,018	580,018
2007	225,000	354,793	579,793
2008-2012	1,395,000	1,492,396	2,887,396
2013-2017	2,010,000	852,500	2,862,500
2018-2022	1,095,000	117,843	1,212,843
2023-2027	25,000	15,000	40,000
2028-2029	25,000	3,400	28,400
Total	\$ 5,535,000	\$ 4,397,551	\$ 9,932,551

6. 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 City will make lease payments from amounts included in the City's annual budget. The Bonds are subject to optional, mandatory and extraordinary 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
2003	\$ 450,000	\$ 1,378,625	\$ 1,828,625
2004	465,000	1,362,875	1,827,875
2005	485,000	1,344,275	1,829,275
2006	500,000	1,324,875	1,824,875
2007	520,000	1,304,875	1,824,875
2008-2012	2,965,000	6,172,569	9,137,569
2013-2017	3,720,000	5,415,206	9,135,206
2018-2022	4,765,000	4,376,838	9,141,838
2023-2027	6,080,000	3,056,500	9,136,500
2028-2031	8,460,000	1,256,250	9,716,250
Total	\$ 28,410,000	\$ 26,992,888	\$ 55,402,888

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

6. LONG-TERM OBLIGATIONS, Continued

Notes Payable

Notes payable at June 30, 2002 consisted of the following:

Hilltop Exterior Renovation Loan	\$	725,000
University of California		263,816
Wells Fargo Loan		500,000
CalTrans Home Loans		<u>1,166,781</u>
Total	\$	<u>2,655,597</u>

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

On June 26, 1995, the City entered into an agreement with Richmond Associates for a loan to finance the City's share of capital improvement costs of portions of the Hilltop Shopping Center. The note is due in monthly installments of \$12,500 through 2007. The interest is a floating rate equal to the prime rate of Wells Fargo Bank plus 2% per annum. The amount outstanding at June 30, 2002, was \$725,000.

2. University of California – Original Amount \$5,476,229

On March 19, 1979, the Agency entered into an agreement with the Regents of the University of California for the purchase of certain real property. The loan is due in annual installments of \$486,439 through 2003 and bears an interest rate of 8%. The amount outstanding at June 30, 2002 was \$263,816.

The annual debt service requirements on the Hilltop Exterior Renovation and University of California notes are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2003	\$ 413,816	\$ 80,999	\$ 494,815
2004	150,000	46,206	196,206
2005	150,000	32,519	182,519
2006	150,000	18,831	168,831
2007	125,000	5,241	130,241
Total	\$ 988,816	\$ 183,796	\$ 1,172,612

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

6. LONG-TERM OBLIGATIONS, Continued

3. CalTrans Home Loans - Original Amount \$1,460,000

The City entered into an agreement with Caltrans to purchase 43 homes for a total price of \$1,710,050. The purpose of this purchase is to sell the homes to Richmond Neighborhood Housing Services in order to provide housing to very low, and low and moderate income persons. Upon execution of the contract the City paid \$10,000 nonrefundable deposit which will be applied to purchase price at the close of the escrow. Upon the close of the escrow the City shall pay an additional sum of \$232,890 for a total down payment of \$242,890. The remainder of the purchase price will be paid by the City in the form of promissory notes which will provide for quarterly payments over a 40 year period at simple interest rate and for one lump sum payment plus simple interest at the end of the period that each house was committed by Caltrans to be used as affordable housing. Interest will be computed annually based upon the average rate of return by the Pooled Money Investment Board for the past five years. The amount outstanding at June 30, 2002 was \$1,166,781.

4. 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. 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 US Treasury Note rate. Interest is payable quarterly starting in the calendar year 2003. The principal balance is due and payable 10 years from the date of the initial disbursement.

For the Years Ending June 30,	Principal	Interest	Total
2003	\$ -	\$ 7,500	\$ 7,500
2004	-	7,500	7,500
2005	-	7,500	7,500
2006	-	7,500	7,500
2007	-	7,500	7,500
2008-2012	-	37,500	37,500
2013-2017	500,000	37,500	537,500
Total	\$ 500,000	\$ 112,500	\$ 612,500

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

6. LONG-TERM OBLIGATIONS, Continued

Capital Leases

Capital leases payable at June 30, 2002 consisted of the following:

Sun Trust Leasing Corporation - Financial System	\$ 2,411,662
Sun Trust Leasing Corporation - Capital Equipment	<u>2,738,589</u>
Total	<u><u>\$ 5,150,251</u></u>

1. SunTrust Leasing Corporation Equipment Lease – Original Amount \$3,214,192

On October 31, 2001 the City entered into a lease agreement with SunTrust Leasing Corporation to refinance the existing lease with Banc one Leasing Corporation. The refinanced lease was to purchase computer software, hardware, licenses and implementation, to remodel the computer room by adding team rooms, offices and workstations, data warehousing and imaging facilities. The lease is payable in semiannual installments of \$430,787 including principal and interest through May 2005.

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

For the Years Ending June 30,	Principal	Interest	Total
2003	\$ 772,008	\$ 89,567	\$ 861,574
2004	803,460	58,114	861,574
2005	<u>836,194</u>	<u>25,380</u>	<u>861,574</u>
Total	<u><u>\$ 2,411,662</u></u>	<u><u>\$ 173,061</u></u>	<u><u>\$ 2,584,723</u></u>

2. SunTrust Leasing Corporation Equipment Lease– Original Amount \$3,723,021

On October 31, 2001 the City entered into a lease agreement with SunTrust Leasing Corporation to refinance an existing lease with Banc One Leasing Corporation. The refinanced lease was to purchase four fire trucks and related equipment and computer hardware and software for the financial system. The lease is payable in annual installments ranging from \$420,000 to \$1,066,000 including principal and interest through May 2006.

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

For the Years Ending June 30,	Principal	Interest	Total
2003	\$ 954,204	\$ 111,795	\$ 1,065,999
2004	993,157	72,843	1,066,000
2005	387,700	32,300	420,000
2006	<u>403,527</u>	<u>16,473</u>	<u>420,000</u>
Total	<u><u>\$ 2,738,589</u></u>	<u><u>\$ 233,410</u></u>	<u><u>\$ 2,971,999</u></u>

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

6. LONG-TERM OBLIGATIONS, Continued

B. Long-Term Debt of Business-Type Activities

A summary of changes in long-term debt of proprietary fund types for the year ended June 30, 2002 is as follows:

	Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002	Due Within One Year	Due in More than One Year
Bonds payable	\$ 54,026,675	\$ 566,924	\$ (1,187,584)	\$ 53,406,015	\$ -	\$ 53,406,015
Loans payable	8,418,185	1,619,647	(355,063)	9,682,769	-	9,682,769
Total	\$ 62,444,860	\$ 2,186,571	\$ (1,542,647)	\$ 63,088,784	\$ -	\$ 63,088,784

Bonds Payable

Bonds payable at June 30, 2002 consisted of the following:

Wastewater Revenue Bonds Series 1999	\$ 38,904,150
Port Terminal Lease Revenue Refunding Bonds Series 1999	9,016,865
Port Terminal Lease Revenue Bonds Series 1996	5,485,000
Total	\$ 53,406,015

1. 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, 2002, the Bonds consisted of the following:

	Face Value	Accretion/ Amortization	Unamortized Premium (Discount)	Net
Current interest bonds	\$ 29,325,000	\$ (2,584)	\$ 75,157	\$ 29,400,157
Capital appreciation bonds	37,765,000	560,762	(28,261,007)	9,503,993
	\$ 67,090,000	\$ 558,178	\$ (28,185,850)	\$ 38,904,150

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

6. LONG-TERM OBLIGATIONS, Continued

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.

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

For the Years Ending June 30,	Principal	Interest	Total
2003	\$ 75,000	1,557,874	\$ 1,632,874
2004	150,000	1,552,811	1,702,811
2005	1,355,000	1,518,949	2,873,949
2006	1,415,000	1,455,916	2,870,916
2007	1,480,000	1,389,331	2,869,331
2008-2012	8,510,000	5,787,771	14,297,771
2013-2017	11,000,000	3,192,486	14,192,486
2018-2022	14,055,000	314,070	14,369,070
2023-2027	14,525,000	-	14,525,000
2028-2031	14,525,000	-	14,525,000
Total	\$ 67,090,000	\$ 16,769,208	\$ 83,859,208

2. 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 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 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 are payable semiannually on June 1 and December 1. The bonds are payable solely from revenues of the Authority consisting principally of base rental payments to be received by the Authority from the City of Richmond.

Bonds outstanding	\$ 9,060,000
Unamortized discount	43,135
Net	\$ 9,016,865

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

6. LONG-TERM OBLIGATIONS, Continued

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

For the Years Ending June 30,	Principal	Interest	Total
2003	\$ 1,000,000	\$ 397,048	\$ 1,397,048
2004	1,045,000	357,048	1,402,048
2005	1,085,000	313,680	1,398,680
2006	1,130,000	267,568	1,397,568
2007	1,180,000	218,413	1,398,413
2008-2009	3,620,000	275,613	3,895,613
Total	\$ 9,060,000	\$ 1,829,368	\$ 10,889,368

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

The Bonds are being issued by the Authority to pay the cost of certain public capital improvements related to 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 are payable semiannually on February 15 and August 15. The Bonds are payable solely from revenues of the Authority consisting principally of base rental payments to be received by the Authority from the City of Richmond.

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

For the Years Ending June 30,	Principal	Interest	Total
2003	235,000	342,727	577,727
2004	245,000	329,009	574,009
2005	260,000	314,175	574,175
2006	275,000	153,269	428,269
2007	295,000	281,716	576,716
2008 - 2012	1,765,000	1,096,193	2,861,193
2013 - 2017	2,410,000	417,450	2,827,450
Total	\$ 5,485,000	\$ 2,934,539	\$ 8,419,539

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

6. LONG-TERM OBLIGATIONS, Continued

Loans Payable

Loans payable at June 30, 2002, consisted of the following:

State Revolving Fund Loan Contract	\$ 4,269,538
Housing Authority	1,775,645
California Department of Boating and Waterways	<u>3,637,585</u>
Total	<u><u>\$ 9,682,769</u></u>

1. State Revolving Fund Loan Contract

In 1992 the City entered into an agreement with the State of California Water Resources Control Board to receive financial assistance in the amount of \$6,737,658 for the improvement of the Richmond Wastewater Treatment Facility. The loan is due in annually through 2013 and bears interest of 3%. Annual installments including principal and interest are \$461,440. The amount outstanding at June 30, 2002 was \$4,269,538.

2. California Department of Boating and Waterways

The Agency entered into three loan agreements with the California Department of Boating and Waterways (Contract Nos. 6-21-114, 88-21-85, 91-102-030) for a total of \$9,427,000. Proceeds of the loans were used to finance marina construction projects. The loans bear interest ranging from 4.5% to 7.9% and are due in annual installments through 2022. The total amount outstanding at June 30, 2002 was \$3,637,585.

The annual debt service requirements on the State revolving fund loan and California Department of Boating and Waterways are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2003	\$ 397,941	\$ 369,778	\$ 767,719
2004	389,385	376,908	766,293
2005	401,757	363,465	765,222
2006	414,531	253,724	668,255
2007	427,722	240,534	668,256
2008-2012	2,352,009	989,270	3,341,279
2013-2017	822,225	673,291	1,495,516
2018-2022	466,351	767,724	1,234,075
2023-2027	581,159	452,916	1,034,075
2028-2032	724,204	309,846	1,034,050
Thereafter	929,840	186,347	1,116,187
Total	<u><u>\$ 7,907,123</u></u>	<u><u>\$ 4,034,695</u></u>	<u><u>\$ 12,890,927</u></u>

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

7. FUND EQUITY AND OTHER CREDITS

Fund balances consist of reserved and unreserved amounts. Reserved fund balance represents that portion of a fund balance that is not appropriable for expenditures or is legally segregated for a specific future use. The remaining portion is unreserved fund balance. Portions of unreserved fund balance may be designated to indicate tentative plans for financial resource utilization in a future period, such as for general contingencies or capital projects. Such plans or intent are subject to change and may never be legally authorized or result in expenditures.

At June 30, 2002, the City had reserved the following fund balances:

	General Fund	Redevelopment Agency	JPFA Debt Service	General Capital Improvement	Non-Major Governmental Funds
Reserved for:					
Inventories	\$ 407,433	\$ -	\$ -	\$ -	\$ -
Debt service	19,311	27,155,818	7,819,518	-	-
Encumbrances	2,607,979	2,253,751	-	1,641,332	5,258,376
Long-term receivable	36,537,827	525,230	-	-	-
Total reserved	<u>39,572,550</u>	<u>29,934,799</u>	<u>7,819,518</u>	<u>1,641,332</u>	<u>5,258,376</u>
Unreserved, Reported in:					
General fund	6,284,507	-	-	-	-
Special revenue funds	-	115,201	-	-	690,000
Debt service funds	-	-	-	-	(3,264,769)
Capital project funds	-	(21,911,696)	-	29,814,192	7,326,566
Total unreserved	<u>6,284,507</u>	<u>(21,796,495)</u>	<u>-</u>	<u>29,814,192</u>	<u>4,751,797</u>
Total fund balances	<u>\$ 45,857,057</u>	<u>\$ 8,138,304</u>	<u>\$ 7,819,518</u>	<u>\$ 31,455,524</u>	<u>\$ 10,010,173</u>

Descriptions of reserved amounts follow:

Reserved for Employees' Retirement Benefits - represents funds to cover future retirement benefit claims.

Reserved for Inventories - represents assets set aside as inventory and not available to be used to meet expenditures in the current period.

Reserved for Encumbrances - represents commitments for materials and services on purchase orders and contracts which are unperformed.

Reserved for Long-Term Receivables - represents funds that are to be received from other funds on a long-term basis.

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

Reserved for Program Obligations - represents funds set aside to fund specific program obligations.

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

7. FUND EQUITY AND OTHER CREDITS, Continued

Deficit Fund Balances and Accumulated Deficits

The City plans to remove the deficit fund balance of \$282,087 in the Maintenance Special Revenue Fund by future fees from developers and transfers from the General Fund.

The City plans to remove the deficit fund balance of \$775,348 in the Employment and Training Special Revenue Fund by reimbursement for grant expenditures from Federal and State agencies.

The City plans to remove the deficit fund balance of \$3,365,089 in the General Debt Service Fund by transferring funds from the General Fund to cover costs of capital lease.

The City plans to remove the deficit fund balance of \$135,459 in the Port Remediation Capital Project Fund by future revenues from the Port of Richmond.

The City plans to remove the deficit in retained earnings of \$10,680,772 in the Port of Richmond Enterprise Fund by fees received from charges for services.

The City plans to remove the deficit in retained earnings of \$6,130,780 in the Worker's Compensation Internal Service Fund by future charges for services to other funds.

The City plans to remove the deficit in retained earnings of \$264,195 in the General Liability Internal Service Fund by future charges for services to other funds.

Excess of Expenditures over Appropriations

At June 30, 2002, the following funds had excess of expenditures over appropriations:

<u>Fund</u>	<u>Final Appropriation</u>	<u>Expenditures</u>	<u>Expenditures over Appropriations</u>
General Fund	\$ 88,221,299	\$ 91,737,400	\$ (3,516,101)
Redevelopment Agency	9,809,783	29,868,864	(20,059,081)

The General Fund expenditures in excess of appropriations in the amount of \$3.5 million represents un-appropriated amounts for the City's Operating Transfers In and Out and various small capital outlay projects.

The Richmond Redevelopment Agency Board exercised control over expenditures through approval of the Redevelopment expenditure budget. This budget Contained approved operating transfers into and out of non-Agency "Accounting Funds". It also contained expenditures for third party administration costs, debt service, etc. However, since budgeted revenues exceeded budgeted expenditures for some Redevelopment Funds and vice versa, operating transfers between the funds were allowed as needed for budgeted expenditures.

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

8. CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEMS

A. 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. 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.

B. Funding Policy

Active plan members are required by state statute to contribute 7% for miscellaneous and 9% for safety employees of their annual covered salary. The City employer makes the contributions required of City employees on their behalf and for their account, which amounted to \$4,888,134 for the year ended June 30, 2002. The City employer was required to contribute for fiscal year ending 2001-2002 at an actuarially determined rate of 0% and 0% of annual covered payroll for miscellaneous and safety employees respectively.

C. Annual Pension Cost

For 2001-2002, the City's annual pension cost of \$0 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2000, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.75% to 14.20% for miscellaneous employees and from 4.27% to 11.59% for safety employees depending on age, service, and type of employment, and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.5%. 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 period at June 30, 2000, was 20 years for miscellaneous and 12 years for safety employees for prior and current service unfunded liability.

THREE-YEAR TREND INFORMATION FOR PERS

<u>Fiscal Year</u>	<u>Pension Cost (APC)</u>	<u>APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2000	\$ 2,521,032	100%	\$ -
6/30/2001	488,526	100%	-
6/30/2002	-	100%	-

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

9. CITY ADMINISTERED SINGLE-EMPLOYER RETIREMENT PLANS

A. Plan Description and Funding Policy

The City maintains three, single-employer, defined benefit pension plans, which are funded entirely by City contributions: 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, covers 47 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 116 police and fire personnel employed prior to October 1964. The City has also established a separate defined contribution pension plan (Garfield Pension Plan) 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. No separate financial statements are issued for these 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 Pension Reserve Trust 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. In the current year, the City was not required to make any contributions to fund this plan. Benefit provisions have been established and may be amended upon agreement between the City and Mr. Garfield.

B. Actuarially Determined Required Contributions

General Pension Plan - As of July 1, 2001, the date of the most recent actuarial valuation available, the actuarial present value of pension benefits under the Plan was \$6,669,380 and the assets of the Plan at fair value were \$2,971,068 resulting in an unfunded actuarial liability of \$3,698,312. In computing the actuarial valuation, Plan assets were assumed to yield a 7.75% 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.

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

9. CITY ADMINISTERED SINGLE-EMPLOYER RETIREMENT PLANS, Continued

B. Actuarially Determined Required Contributions, Continued

Police and Firemen's Pension Plan - The City established the Pension Reserve Trust 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, 2002 was \$9,867,245. Benefit payments of \$4,890,101 were funded from a transfer from the Pension Reserve Trust Fund. The actuarial present value of future pension liabilities under the Plan at July 1, 2001, the date of the most recent actuarial valuation, was approximately \$39,994,299, representing principally prior service costs. Assets of the Plan were \$32,730,805 resulting in an unfunded actuarial liability of \$7,263,494. Actuarial assumptions included an assumed rate of return of 7.75% and mortality rates based on the 1983 Group Annuity Mortality Table for Males with an additional five year setback for females. Benefit payments were assumed to increase 3.25% 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.

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

	General Pension Plan			Police and Firemen's Pension Plan		
	Annual Required Contribution	Amount Contributed	Percent Contributed	Annual Required Contribution	Annual Contribution	Percent Contributed
1998/99	\$ 304,206	\$ 400,000	131%	\$ 4,502,050	\$ 4,782,000	106%
1999/00	307,250	777,244	253%	4,063,853	4,832,063	119%
2000/01	355,480	-	253%	249,239	-	119%

The aggregate actuarial cost method is used for the actuarial valuation for both plans and that method does not identify or separately amortize unfunded liabilities. As a result, a schedule of funding progress is not required.

C. 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.

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

9. CITY ADMINISTERED SINGLE-EMPLOYER RETIREMENT PLANS, Continued

D. Net Pension Liability (Asset) at Transition

The City has adopted the provisions of GASB Statement No. 27. The net pension liability (asset) at adoption of GASB No. 27 was determined in accordance with the provisions of that statement. The General Pension Plan had net pension asset at transition of \$294,540. At July 1, 2001, the General Pension Plan has a net pension asset of \$391,129.

The Police and Firemen's Pension Plan had a net pension liability at transition of \$2,965,463, which was recorded in government-wide statement. During the year ended June 30, 2002, the City's did not make any annual pension contribution to the Police and Firemen's Pension Plan which increased the net pension obligation that is reported in the Police and Fireman's Pension Fund to \$2,965,463.

The City's annual pension cost and net pension obligation to the Police and Firemen's Pension Fund for the current year were as follows:

Annual required contribution	\$ 249,239
Interest on net pension obligation	215,345
Adjustment to annual required contribution	<u>(277,766)</u>
Net pension obligation	186,818
Contributions made	<u>-</u>
Decrease in net pension obligations	186,818
Net pension obligation beginning of year	<u>2,778,645</u>
Net pension obligation end of year	<u><u>\$ 2,965,463</u></u>

E. Pension Tax Override

As of June 30, 2002, the City has decided to set aside the pension property tax override, after pension debt service payments of \$4,017,247 received as restricted cash and deferred revenue. This pension property tax override was to be used to pay pension contributions. However, the Superior Court of California, County of Orange, made a tentative decision (Case No. 81-87-80) that stated "The Court declares the defendant...Property Tax Override violates California Constitution Article XIII A, Section 1(b) to the extent it exceeds the City employer contributions for PERS obligation as it existed prior to July 1, 1978 and cannot lawfully be assessed or collected". Until the Court's decision, including appeals, is final, the City has elected to set aside the pension property tax override, after pension debt service payments, of \$5,849,999 in the Pension Trust Fund in the accompanying financial statements.

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

10. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Notes 8 and 9, 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, 2002, 259 retirees met those eligibility requirements. The City funds these benefits on a pay-as-you-go basis. During fiscal year 2002, expenditures of \$848,862 were recognized for postemployment health care benefits.

11. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and inverse condemnation. The City began self-insuring its workers' compensation and its general and auto liability in 1976. The City has chosen to establish risk financing internal service funds where assets are accumulated for claim settlements associated with the above risks of loss up to certain limits. Excess coverage for the above-mentioned risk categories excluding wrongful termination, sexual harassment and inverse condemnation is provided by policies with various commercial insurance carriers. Self-insurance and insurance company limits are as follows:

Type of Coverage	Self-Insurance	Commercial Insurance Carrier
General and auto liability	\$0 - 250,000 per claim	\$250,000 - 10,000,000 per claim
Workers' compensation for public safety employees	0 - 400,000 per claim	400,000 - 10,000,000 per claim
Workers' compensation for general employees	0 - 300,000 per claim	300,000 - 10,000,000 per claim

Losses greater than \$10 million per claim are not insured. Property damage risks are covered on an occurrence basis up to \$25,000,000 by commercial insurance purchased from independent third parties. All properties are insured at full replacement values. During the fiscal year ended June 30, 2002, there were no significant reductions in any of the City insurance coverage and no settlement amounts exceeded the self-insurance coverage.

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, 2002, the estimated claims payable of \$13,355,000, consisting of reserves for both reported and IBNR losses, as well as allocated loss adjustment expenses, has been recorded in the internal service funds. Changes in the claims liabilities for the years ended June 30, 2002 and 2001 were as follows:

	2002	2001
Claims liabilities, beginning of year	\$ 18,555,000	\$ 27,955,178
Claims and changes in estimates	(2,935,886)	(4,674,147)
Claim payments	(4,627,031)	(5,430,856)
Legal administrative and other expenses	2,362,917	704,825
Claims liabilities, end of year	\$ 13,355,000	\$ 18,555,000

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

12. COMMITMENTS AND CONTINGENCIES

A. Construction in Progress

The City has committed to spend approximately \$194,677,000 on a number of capital improvement projects as described in the City's Five Year Capital Improvement Plan for 1999-2004.

B. Litigation

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, these matters will not have significant adverse effect of the City's financial position.

13. SUBSEQUENT EVENT

A. Tax and Revenue Anticipation Note

In July 1, 2002, the City issued Tax and Revenue Anticipation Note in the amount of \$7,500,000 to finance current operations. The Note carry an interest rate of 3.00% and is due on June 30, 2003.

B. Public Employee Retirement System (PERS)

The City approved enhanced retirement plans for its Miscellaneous and Public Safety employees during the fiscal year 2002-2003. The cost of the plans significantly increased the amount of employee and employer contributions, which is based on a percentage of salaries. The current contribution rate for Miscellaneous, starting January 2003, is 16.08% and is expected to increase to 16.31% in July 2003. The following contribution rates will be in effect for Public Safety: 11.52% (July to September 2002), 18.86% (October 2002 to February 2003), 22.26% (March to June 2003), and 30.14% in July 2003. This action accounted for an approximately \$1.5 million increase in PERS costs for Fiscal Year 2002-03. In addition to the increased contribution rate, Miscellaneous Employees will receive a 4% cost of living increase effective July 1, 2003, which will impact the salary base and subsequently PERS costs.

C. SunTrust Leasing Corporation Equipment Lease - Original Amount \$1,900,000

On July 2003, the City entered into a lease agreement with SunTrust Leasing Corporation to purchase a 911 system interface hardware, software, and services. The lease is payable in quarterly installments of \$128,473 including principal and interest through July 2006

City of Richmond
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2002

14 PRIOR PERIOD ADJUSTMENTS

During the fiscal year 2001, the City recorded prior period adjustments to correct certain transactions that were recorded in error in prior years. Adjustments were made as follows:

A. Government-Wide Statements

During the fiscal year 2002, the City implemented GASB Statement No. 34 which resulted in the following adjustments. Also the City recorded some prior period adjustments to record to record some advances and to correct some accounting errors.

	Net Assets as Previously Reported	GASB 34 Adjustments		Prior Period Adjustments	Net Assets as Restated
		Capital Assets	Long-term Debt		
Net assets	\$ 136,819,204	\$ 282,932,496	\$ (152,053,935)	\$ (37,467,602)	\$ 230,230,163
Total government-wide activities	\$ 136,819,204	\$ 282,932,496	\$ (152,053,935)	\$ (37,467,602)	\$ 230,230,163

B. Fund Financial Statements

The City recorded the following prior period adjustments to record long-term advances payable and to correct some accounting errors.

	Fund Balance as Previously Reported	Prior Period Adjustments	Fund Balance as restated
General	\$ 48,154,714	\$ (1,459,491)	\$ 46,695,223
Redevelopment Agency	40,271,831	(36,513,896)	3,757,935
General Capital Improvement	41,922,425	830,197	42,752,622
Non-Major Governmental Funds	9,981,529	(330,383)	9,651,146
Richmond Housing Authority	41,576,106	(860,173)	40,715,933
Port of Richmond	(11,408,797)	40,675	(11,368,122)
Municipal Sewer	8,803,435	(1,453,029)	7,350,406
Storm Sewer	766,012	14,352,430	15,118,442
Non Major Enterprise funds	1,784,076	(148,241)	1,635,835
Workers' Compensation	(11,271,868)	4,897	(11,266,971)
General Liability	(1,374,248)	1,068	(1,373,180)
Total governmental activities	\$ 169,205,215	\$ (25,535,946)	\$ 143,669,269

REQUIRED SUPPLEMENTARY INFORMATION

City of Richmond
Required Supplementary Information
For the year ended June 30, 2002

A. 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.

An operating budget is adopted each fiscal year for the General Fund and 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual include budget amendments approved by City Council.

The budgets are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP) with two exceptions relating to budgetary accounting in the General Fund:

1. The portion of the property tax override proceeds that is earmarked for the General Fund is recorded directly in the General Fund as property tax revenue for budgetary purposes. For GAAP reporting, such revenue is recorded in the Pension Reserve Fund with a corresponding operating transfer of the tax revenue earmarked for the General Fund.
2. Workers' compensation and litigation expenses are reported as operating transfers from the General Fund to the Internal Service Fund for budgetary purposes. For GAAP purposes, such costs are recorded as General Fund expenditures.

Neither of these accounting differences affects the General Fund balance.

Any amendments or transfers of appropriations between object group levels within the same department must be authorized by the City Manager. Any amendments to the total level of appropriations for a fund or transfers between funds must be approved by the City Council. Supplemental appropriations financed by unanticipated revenues during the year must be approved by City Council. The following is a summary of supplemental appropriations which occurred during the fiscal year:

City of Richmond
Required Supplementary Information, Continued
For the year ended June 30, 2002

Budgetary Comparison Schedule, General Fund

	Budgeted Amounts		Actual Amounts	Favorable (Unfavorable) Variance with Final Budget
	Original	Final		
Fund Balance - Beginning	\$ 46,695,223	\$ 46,695,223	\$ 46,695,223	\$ -
Resources (inflows):				
Property tax	28,761,916	20,368,770	26,452,977	6,084,207
Sales tax	11,559,182	12,580,976	13,198,303	617,327
Utility users' tax	17,437,325	19,608,325	21,144,888	1,536,563
Other taxes	5,610,432	6,500,212	5,850,420	(649,792)
Licenses, permits and fees	3,068,343	4,834,028	6,459,773	1,625,745
Fines, forfeitures and penalty	700,000	429,014	454,786	25,772
Use of money and property	615,800	462,426	4,149,148	3,686,722
Intergovernmental	8,273,696	5,312,659	1,897,281	(3,415,378)
Charges for services	4,060,654	4,512,717	5,251,500	738,783
Sale of property	-	-	109,715	109,715
Rent	-	2,248,066	2,636,536	388,470
Other	4,423,396	1,877,267	821,670	(1,055,597)
Operating transfers in	-	-	2,472,237	2,472,237
Amount available for appropriations	<u>131,205,967</u>	<u>125,429,683</u>	<u>137,594,457</u>	<u>12,164,774</u>
Charges to appropriations (outflows):				
General government	15,524,820	14,653,514	17,244,717	(2,591,203)
Public safety	44,120,311	44,846,092	43,319,085	1,527,007
Highways and streets	546,187	13,168,209	12,138,779	1,029,430
Community development	3,622,261	4,015,028	1,568,126	2,446,902
Cultural and recreational	10,954,983	11,538,456	10,707,305	831,151
Other	-	-	47,456	(47,456)
Capital outlay	-	-	1,633,124	(1,633,124)
Debt service:				
Interest and fiscal charges	-	-	235,880	(235,880)
Operating transfers out	-	-	4,842,928	(4,842,928)
Total charges to appropriations	<u>74,768,562</u>	<u>88,221,299</u>	<u>91,737,400</u>	<u>(3,516,101)</u>
Resources over (under) charges to appropriations	<u>56,437,405</u>	<u>37,208,384</u>	<u>45,857,057</u>	<u>8,648,673</u>
Fund Balance - Ending	<u>\$ 103,132,628</u>	<u>\$ 83,903,607</u>	<u>\$ 45,857,057</u>	<u>\$ (38,046,550)</u>

City of Richmond
Required Supplementary Information, Continued
For the year ended June 30, 2002

Budgetary Comparison Schedule, Redevelopment Agency Fund

	Budgeted Amounts		Actual Amounts	Favorable (Unfavorable) Variance with Final Budget
	Original	Final		
Fund Balance - Beginning	\$ 3,757,935	\$ 3,757,935	\$ 3,757,935	\$ -
Resources (inflows):				
Property tax	10,696,782	10,696,782	10,699,505	2,723
Use of money and property	1,601,460	1,601,460	3,016,615	1,415,155
Intergovernmental	225,122	225,122	244,199	19,077
Other	-	-	46,344	46,344
Proceed from long-term debt	-	-	500,000	500,000
Operating transfers in	-	-	19,039,806	19,039,806
Amount available for appropriations	<u>12,523,364</u>	<u>12,523,364</u>	<u>37,304,404</u>	<u>21,023,105</u>
Charges to appropriations (outflows):				
Housing and redevelopment	3,492,173	3,839,792	4,880,217	(1,040,425)
Other	-	-	7,851	(7,851)
Capital outlay	1,875,880	1,875,880	1,875,880	-
Debt service:				
Principal	355,865	1,105,865	1,105,865	-
Interest and fiscal charges	2,988,246	2,988,246	2,959,245	29,001
Operating transfers out	-	-	19,039,806	(19,039,806)
Total charges to appropriations	<u>8,712,164</u>	<u>9,809,783</u>	<u>29,868,864</u>	<u>(19,018,656)</u>
Resources over (under) charges to appropriations	<u>3,811,200</u>	<u>2,713,581</u>	<u>7,435,540</u>	<u>2,004,449</u>
Fund Balance - Ending	<u>\$ 7,569,135</u>	<u>\$ 6,471,516</u>	<u>\$ 7,435,540</u>	<u>\$ 964,024</u>

City of Richmond
Required Supplementary Information, Continued
For the year ended June 30, 2002

Budgetary Comparison Schedule, JPFA Fund

	Budgeted Amounts		Actual Amounts	Favorable (Unfavorable) Variance with Final Budget
	Original	Final		
Fund Balance - Beginning	\$ 9,134,821	\$ 9,134,821	\$ 9,134,821	\$ -
Resources (inflows):				
Use of money and property	303,000	303,000	107,281	2,710,488
Lease income	3,283,590	3,283,590	3,013,488	-
Other	30,000	30,000	580,627	550,627
Operating transfers in	4,846,981	4,846,981	123,785	(4,723,196)
Amount available for appropriations	<u>17,598,392</u>	<u>8,463,571</u>	<u>4,790,714</u>	<u>(1,462,081)</u>
Charges to appropriations (outflows):				
Other	18,025	18,025	18,577	(552)
Debt service:				
Principal	-	-	1,599,999	(1,599,999)
Interest and fiscal charges	6,490,516	6,490,516	4,486,806	2,003,710
Operating transfers out	3,730	3,730	635	4,846,346
Total charges to appropriations	<u>6,512,271</u>	<u>6,512,271</u>	<u>6,106,017</u>	<u>5,249,505</u>
Resources over (under) charges to appropriations	<u>11,086,121</u>	<u>1,951,300</u>	<u>(1,315,303)</u>	<u>3,787,424</u>
Fund Balance - Ending	<u>\$ 20,220,942</u>	<u>\$ 11,086,121</u>	<u>\$ 7,819,518</u>	<u>\$ (3,266,603)</u>

B. Modified Approach for the City's Infrastructure

In accordance with GASB Statement No. 34, the City is required to account for and report infrastructure capital assets. The City defines infrastructure as the basic physical assets including the street system; park and recreation lands and improvement system; storm water collection system; 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 can be divided into subsystems. For example, the street system can be divided into concrete and asphalt pavements, concrete curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems.

City of Richmond
Required Supplementary Information, Continued
For the year ended June 30, 2002

The City has elected to use the "Modified Approach" as defined by GASB Statement No. 34 for the Roads and Streets networks. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The City manages the eligible infrastructure capital assets using an asset management system with characteristics of (1) an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amount to maintain and preserve at the established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

In 2000, the City commissioned a study to update the physical condition assessment of the streets. The streets, primarily concrete and asphalt pavements were defined as all physical features associated with the operation of motorized vehicles that exist within the limits of right of way. City owned streets are classified based on land use, access and traffic utilization into the following three classifications (1) arterial, (2) collector and (3) local. This condition assessment will be performed every 2 years for collector and every 5 years for residential streets. Each street was assigned a physical condition based on 17 potential defects. A Pavement Condition Index (PCI), a nationally recognized index, was assigned to each street and expressed in a continuous scale from 0 to 100, where 0 is assigned to the least acceptable physical condition and 100 is assigned the physical characteristics of a new street. The following conditions were defined:

Condition	Rating
Excellent	86-100
Very Good	71-85
Good	56-70
Fair	41-55
Poor	26-40
Very Poor	11-25
Substandard	0-10

The City Policy is to achieve an average rating of 70 for all streets, which is a good rating. This rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at the posted speeds. As of June 30, 2002, the City's street system was rated at a PCI index of 53 on the average with the detail condition as follows:

Condition	Condition Rating	% of Streets
Excellent to Good	56-100	23%
Fair	41-55	34%
Poor to Substandard	0-40	43%

City of Richmond
Required Supplementary Information, Continued
For the year ended June 30, 2002

The City's streets are constantly deteriorating due to the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities, such as pothole patching, street sweeping, and sidewalk repair. The City expended \$1,781,061 on street maintenance for the fiscal year ended June 30, 2002. These expenditures delayed deterioration; however, the overall condition of the streets was not improved through these maintenance expenditures. The City estimates that the amount of annual expenditures required to maintain the City's streets at the average PCI rating of 56 through the year 2010 is a minimum of \$9,000,000.

The City also has an on-going street rehabilitation program funded in the Capital Improvement Program that is intended to improve the condition rating of City streets. The rehabilitation program is formulated based on deficiencies identified as a part of its Pavement Management System (PMS). As of October 2000, approximately 77% of the City's streets were rated at fair to very poor. The City will continue to rehabilitate these segments of the streets. Total deficiencies identified in the PMS amounted to approximately \$124,000,000 for all streets, with \$75,000,000 in deficiencies on street segments rated below the PCI of 56.

City of Richmond
Required Supplementary Information, Continued
For the year ended June 30, 2002

SCHEDULE OF FUNDING PROGRESS - CALPERS

Miscellaneous Plan

Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Over Funded Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percent of Payroll
6/30/1999	\$ 150,219,502	\$ 185,365,718	\$ 35,146,216	123.4%	\$ 29,138,205	120.6%
6/30/2000	165,655,742	204,690,769	39,035,027	123.6%	32,230,107	121.1%
6/30/2001	194,384,756	210,595,601	16,210,845	108.3%	32,404,278	50.0%

Safety Plan

Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Over Funded Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percent of Payroll
6/30/1999	\$ 192,322,069	\$ 216,159,217	\$ 23,837,148	112.4%	\$ 20,516,036	116.2%
6/30/2000	213,020,279	238,387,406	25,367,127	111.9%	22,168,331	114.4%
6/30/2001	241,985,613	244,757,148	2,771,535	101.1%	23,255,088	11.9%

City of Richmond
Required Supplementary Information, Continued
For the year ended June 30, 2002

SCHEDULE OF EMPLOYER CONTRIBUTIONS

General Pension Plan

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Total Contributed by City</u>	<u>Percentage Contributed</u>
1993/94	\$ 222,142	\$ 268,000	121%
1994/95	181,114	338,000	187%
1995/96	181,114	338,000	187%
1996/97	181,114	-	0%
1997/98	391,106	340,000	87%
1998/99	304,206	404,000	133%
1999/00	307,250	777,244	253%
2000/01	355,480	-	0%

Police and Firemen's Plan

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Total Contributed by City</u>	<u>Percentage Contributed</u>
1993/94	\$ 5,290,243	\$ 4,772,000	90%
1994/95	5,488,036	4,538,000	83%
1995/96	5,488,036	4,555,000	83%
1996/97	5,488,036	5,243,000	96%
1997/98	5,723,406	4,673,000	82%
1998/99	4,502,050	4,779,000	106%
1999/00	4,063,853	4,832,063	119%
2000/01	249,239	-	0%

City of Richmond
Required Supplementary Information, Continued
For the year ended June 30, 2002

**NOTES TO SCHEDULES OF FUNDING PROGRESS
AND EMPLOYER CONTRIBUTIONS**

Actuarial Assumptions

	General Pension Plan	Police and Firemen's Plan
Interest rate	7.75% per annum	7.75% per annum
Mortality:		
Healthy retirees and beneficiaries	The 1983 Group Annuity Mortality Table for Males with an additional five-year setback for females	The 1983 Group Annuity Mortality Table for Males with an additional five-year setback for females
Disabled police and firemen retirees	N/A	Same as Healthy lives mortality except with an additional ten-year set-forward to reflect inferior post-disablement mortality
Cost of living increase	5% per annum	3.25% per annum
Asset valuation	Assets are valued at fair market value	N/A - no assets in the plan
Actuarial cost method	Aggregate *	Aggregate *

* No schedule of funding progress is presented because the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities.

SUPPLEMENTAL INFORMATION

CITY OF RICHMOND

Combining Balance Sheet Non-Major Governmental Funds June 30, 2002

	Special Revenue				
	State Gas Tax	General Purpose	Maintenance	Paratransit Operations	CDBG
ASSETS					
Cash and investments	\$ 3,373,010	\$ 556,338	\$ (282,027)	\$ 142,414	\$ (958,864)
Restricted cash and investments	-	-	-	-	674,750
Receivables:					
Accounts, net	-	514,065	-	3,368	17,565
Interest	11,853	2,185	-	506	-
Grants	21,993	-	-	-	862,403
Loans	-	-	-	-	5,178,800
Other	-	-	-	-	-
Due from other funds	-	-	-	-	-
Prepays and other assets	-	-	-	-	504
Total assets	\$ 3,406,856	\$ 1,072,588	\$ (282,027)	\$ 146,288	\$ 5,775,158
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ (2,021)	\$ 48,108	\$ -	\$ 16,602	\$ 211,020
Refundable deposits	-	10,801	-	-	-
Due to other funds	-	464,131	-	-	-
Deferred revenue	-	-	-	-	5,179,418
Total liabilities	(2,021)	523,040	-	16,602	5,390,438
Fund Balances:					
Reserved for:					
Encumbrances	208,494	67,657	-	56,983	2,022,053
Special revenue funds	3,200,383	481,891	(282,027)	72,703	(1,637,333)
Debt service funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Total fund balances	3,408,877	549,548	(282,027)	129,686	384,720
Total liabilities and fund balances	\$ 3,406,856	\$ 1,072,588	\$ (282,027)	\$ 146,288	\$ 5,775,158

CITY OF RICHMOND

Combining Balance Sheet Non-Major Governmental Funds June 30, 2002

	Capital Projects		Total
	Harbor Navigation	Port Remediation	Non-Major Governmental Funds
ASSETS			
Cash and investments	\$ 416,542	\$ (2,084,620)	\$ 2,651,192
Restricted cash and investments	3,307,607	-	5,629,016
Receivables:			
Accounts, net	-	-	542,613
Interest	1,434	-	43,103
Grants	-	-	2,057,192
Loans	-	-	5,178,800
Other	-	-	6,754
Due from other funds	-	1,949,161	1,949,161
Prepays and other assets	-	-	1,980
Total assets	\$ 3,725,583	\$ (135,459)	\$ 18,059,811
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 335,623
Refundable deposits	-	-	10,801
Due to other funds	1,949,161	-	2,413,292
Deferred revenue	-	-	5,289,922
Total liabilities	1,949,161	-	8,049,638
Fund Balances:			
Reserved for:			
Encumbrances	26,734	-	5,258,376
Special revenue funds	-	-	690,000
Debt service funds	-	-	(3,264,769)
Capital project funds	1,749,688	(135,459)	7,326,566
Total fund balances	1,776,422	(135,459)	10,010,173
Total liabilities and fund balances	\$ 3,725,583	\$ (135,459)	\$ 18,059,811

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CITY OF RICHMOND

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Non-Major Governmental Funds For the year ended June 30, 2002

	Special Revenue				
	State Gas Tax	General Purpose	Maintenance	Paratransit Operations	CDBG
REVENUES:					
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	1,728,253	-	-	-	-
Use of money and property	67,939	10,748	-	5,185	1,073,105
Intergovernmental	289,248	1,595,639	-	363,359	3,056,837
Charges for services	-	187,227	-	46,701	-
Reimbursement from pension fund	-	-	-	-	-
Other	-	19,965	10,200	9,074	1,589
Total revenues	2,085,440	1,813,579	10,200	424,319	4,131,530
EXPENDITURES:					
Current:					
General government	-	11,920	-	-	-
Public safety	-	(26,492)	-	-	-
Highways and streets	15,688	151,761	(3,500)	527,149	-
Community development	-	66,062	-	-	-
Housing and redevelopment	-	519,426	-	-	3,915,939
Other	-	-	-	-	-
Capital outlay	22,446	12,458	-	98,300	-
Debt service:	-	-	-	-	-
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	38,134	735,136	(3,500)	625,449	3,915,939
REVENUES OVER (UNDER) EXPENDITURES	2,047,306	1,078,443	13,700	(201,130)	215,591
OTHER FINANCING SOURCES (USES):					
Proceed of long-term debt	-	-	-	-	-
Operating transfers in	-	-	95,448	-	-
Operating transfers out	(2,149,631)	-	-	-	-
Total other financing sources (uses)	(2,149,631)	-	95,448	-	-
Net change in fund balances	(102,325)	1,078,443	109,148	(201,130)	215,591
FUND BALANCES:					
Beginning of year	3,937,389	(532,546)	(391,175)	326,211	214,675
Prior period adjustments	(426,187)	3,651	-	4,605	(45,546)
End of year	\$ 3,408,877	\$ 549,548	\$ (282,027)	\$ 129,686	\$ 384,720

CITY OF RICHMOND

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Non-Major Governmental Funds For the year ended June 30, 2002

	Capital Projects		Total Non-Major Governmental Funds
	Harbor Navigation	Port Remediation	
REVENUES:			
Sales taxes	\$ -	\$ -	\$ 1,596
Other taxes	-	-	1,728,253
Use of money and property	-	-	1,428,677
Intergovernmental	88,289	-	12,141,711
Charges for services	-	-	276,482
Reimbursement from pension fund	-	-	4,017,246
Other	-	-	899,682
Total revenues	88,289	-	20,493,647
EXPENDITURES:			
Current:			
General government	-	-	71,485
Public safety	-	-	990,019
Highways and streets	63,810	8,452	764,260
Community development	-	-	4,571,655
Housing and redevelopment	-	-	4,435,365
Other	-	-	3,984
Capital outlay	-	-	378,231
Debt service:			
Principal retirement	-	-	10,282,797
Interest and fiscal charges	-	-	6,155,457
Total expenditures	63,810	8,452	27,653,254
REVENUES OVER (UNDER) EXPENDITURES	24,479	(8,452)	(7,159,607)
OTHER FINANCING SOURCES (USES):			
Proceed of long-term debt	-	-	6,937,213
Operating transfers in	635	-	2,877,633
Operating transfers out	(21,456)	-	(2,296,213)
Total other financing sources (uses)	(20,821)	-	7,518,634
Net change in fund balances	3,658	(8,452)	359,027
FUND BALANCES:			
Beginning of year	1,772,764	(127,007)	9,981,529
Prior period adjustments	-	-	(330,383)
End of year	\$ 1,776,422	\$ (135,459)	\$ 10,010,173

Concluded

CITY OF RICHMOND

Combining Balance Sheet Non-Major Enterprise Funds June 30, 2002

	Richmond Marina	Cable TV	Convention Center	Total Non-Major Enterprise Funds
ASSETS				
Current assets:				
Cash and investments	\$ 2,142,308	\$ (111,656)	\$ 13,865	\$ 2,044,517
Restricted cash investments	-	224,658	-	224,658
Receivables:				
Accounts	55,638	159,098	1,184	215,920
Interest	5,041	-	-	5,041
Other	-	31,066	74,474	105,540
Total current assets	<u>2,202,987</u>	<u>303,166</u>	<u>89,523</u>	<u>2,595,676</u>
Noncurrent assets:				
Capital assets:				
Non depreciable assets	4,430	-	-	4,430
Depreciable assets, net of accumulated depreciation	2,850,197	136,873	-	2,987,070
Total capital assets	<u>2,854,627</u>	<u>136,873</u>	<u>-</u>	<u>2,991,500</u>
Total noncurrent assets	<u>2,854,627</u>	<u>136,873</u>	<u>-</u>	<u>2,991,500</u>
Total assets	<u>\$ 5,057,614</u>	<u>\$ 440,039</u>	<u>\$ 89,523</u>	<u>\$ 5,587,176</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ 37,658	\$ 2,323	\$ 39,981
Interest payable	120,977	-	-	120,977
Refundable deposits	85,479	-	33,675	119,154
Deferred revenue	-	-	26,959	26,959
Compensated absences	-	37,786	13,179	50,965
Current portion long-term debt	64,586	-	-	64,586
Total current liabilities	<u>271,042</u>	<u>75,444</u>	<u>76,136</u>	<u>422,622</u>
Noncurrent liabilities:				
Advances from other funds	120,000	-	-	120,000
Long-term debt	3,572,999	-	-	3,572,999
Total noncurrent liabilities	<u>3,692,999</u>	<u>-</u>	<u>-</u>	<u>3,692,999</u>
Total liabilities	<u>3,964,041</u>	<u>75,444</u>	<u>76,136</u>	<u>4,115,621</u>
Net Assets:				
Invested in capital assets net of related debt	(722,802)	136,873	-	(585,929)
Unrestricted	1,816,375	227,722	13,387	2,057,484
Total net assets	<u>1,093,573</u>	<u>364,595</u>	<u>13,387</u>	<u>1,471,555</u>
Total liabilities and net assets	<u>\$ 5,057,614</u>	<u>\$ 440,039</u>	<u>\$ 89,523</u>	<u>\$ 5,587,176</u>

CITY OF RICHMOND

Combining Statement of Revenues, Expenses and Changes in Net Assets Non-Major Enterprise Funds For the year ended June 30, 2002

	Richmond Marina	Cable TV	Convention Center	Total Non-Major Enterprise Funds
OPERATING REVENUES:				
Rental	\$ -	\$ -	\$ 163,804	\$ 163,804
Sewer service charges	-	720,213	1,181	721,394
Lease income	305,164	-	-	305,164
Other	-	15,091	724	15,815
Total operating revenues	305,164	735,304	165,709	1,206,176
OPERATING EXPENSES:				
Salaries and wages	-	581,860	192,564	774,423
General and administrative	-	204,064	57,212	261,277
Maintenance	134,633	-	762	135,395
Depreciation	90,339	20,379	-	110,718
Total operating expenses	224,972	806,303	250,538	1,281,813
OPERATING INCOME (LOSS)	80,191	(70,999)	(84,829)	(75,636)
NONOPERATING REVENUES AND EXPENSES:				
Investment income	26,862	8,649	202	35,712
Interest expense	(132,094)	-	-	(132,094)
Total nonoperating revenues and expenses	(105,232)	8,649	202	(96,382)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(25,041)	(62,350)	(84,627)	(172,018)
OPERATING TRANSFERS:				
Operating transfers in	353,233	-	7,738	360,971
Operating transfers out	(353,233)	-	-	(353,233)
Total operating transfers	-	-	7,738	7,738
Net income (loss)	(25,041)	(62,350)	(76,889)	(164,280)
NET ASSETS:				
Beginning of year	1,126,656	571,125	86,295	1,784,076
Prior period adjustments	(8,042)	(144,180)	3,981	(148,241)
End of year	\$ 1,093,573	\$ 364,595	\$ 13,387	\$ 1,471,555

CITY OF RICHMOND

Combining Statement of Cash Flows Non-Major Enterprise Funds For the year ended June 30, 2002

	Richmond Marina	Cable TV	Convention Center	Total Non-Major Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers/other funds	\$ 295,112	\$ 704,901	\$ 148,867	\$ 1,148,880
Cash payments to suppliers for goods and services	(134,633)	(66,444)	(53,235)	(254,312)
Intergovernmental revenue received (expenses paid)	-	(140,822)	-	(140,822)
Cash payments to employees for services	-	(544,074)	(179,385)	(723,459)
Other operating revenues	-	15,091	4,705	19,796
Net cash provided (used) by operating activities	160,479	(31,348)	(79,048)	50,084
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating transfers in	353,233	-	7,738	360,971
Operating transfers (out)	(353,233)	-	-	(353,233)
Net cash provided (used) by noncapital financing activities	-	-	7,738	7,738
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Repayment of long-term borrowing	(31,418)	-	-	(31,418)
Proceeds from long-term borrowing	704,778	-	-	704,778
Acquisition of capital assets	(4,403)	(254)	-	(4,657)
Net cash provided (used) by capital and related financing activities	668,957	(254)	-	668,703
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest revenue	32,906	2,386	1,009	36,301
Interest expense	(133,390)	-	-	(133,390)
Net cash provided (used) by investing activities	(100,484)	2,386	1,009	(97,089)
Net increase (decrease) in cash and cash equivalents	728,952	(29,216)	(70,301)	629,435
CASH AND CASH EQUIVALENTS:				
Beginning of year	1,413,356	(82,440)	84,166	1,415,082
End of year	\$ 2,142,308	\$ (111,656)	\$ 13,865	\$ 2,044,517
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 80,191	\$ (70,999)	\$ (84,829)	\$ (75,636)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Prior period adjustments	-	-	3,981	3,981
Depreciation	90,339	20,379	-	110,718
Changes in operating assets and liabilities:				
Accounts receivable	(10,051)	15,754	58,356	64,059
Other receivable	-	(31,066)	(74,474)	(105,540)
Accounts payable	-	(3,202)	(8,866)	(12,068)
Refundable deposits	-	-	9,425	9,425
Deferred revenue	-	-	4,180	4,180
Compensated absences	-	37,786	13,179	50,965
Total adjustments	80,288	39,651	5,781	125,720
Net cash provided (used) by operating activities	\$ 160,479	\$ (31,348)	\$ (79,048)	\$ 50,084

CITY OF RICHMOND

**Combining Balance Sheet
Internal Service Funds
June 30, 2002**

	Workers' Compensation	General Liability	Total
ASSETS			
Current assets:			
Cash and investments	\$ 4,401,886	\$ 2,412,100	\$ 6,813,986
Receivables:			
Accounts	137,476	37,969	175,445
Interest	15,387	8,425	23,812
Total current assets	<u>4,554,749</u>	<u>2,458,494</u>	<u>7,013,243</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	3,809	47,088	50,897
Total noncurrent assets	<u>3,809</u>	<u>47,088</u>	<u>50,897</u>
Total assets	<u>\$ 4,558,558</u>	<u>\$ 2,505,582</u>	<u>\$ 7,064,140</u>
LIABILITIES AND NET ASSETS			
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 32,639	\$ 18,567	\$ 51,206
Compensated absences	19,664	4,145	23,809
Accrued claims liabilities	5,306,500	1,371,000	6,677,500
Total current liabilities	<u>5,358,803</u>	<u>1,393,712</u>	<u>6,752,515</u>
Noncurrent liabilities:			
Compensated absences	24,034	5,066	29,100
Accrued claims liabilities	5,306,500	1,371,000	6,677,500
Total noncurrent liabilities	<u>5,330,534</u>	<u>1,376,066</u>	<u>6,706,600</u>
Total liabilities	<u>10,689,338</u>	<u>2,769,777</u>	<u>13,459,115</u>
Net Assets:			
Invested in capital assets net of related debt	3,809	47,088	50,897
Unrestricted	(6,134,589)	(311,283)	(6,445,872)
Total fund equity	<u>(6,130,780)</u>	<u>(264,195)</u>	<u>(6,394,975)</u>
Total liabilities and fund equity	<u>\$ 4,558,558</u>	<u>\$ 2,505,582</u>	<u>\$ 7,064,140</u>

CITY OF RICHMOND

**Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the year ended June 30, 2002**

	Workers' Compensation	General Liability	Total
OPERATING REVENUES:			
Charges for services	\$ 3,491,110	\$ 2,146,961	\$ 5,638,071
Other	3,162	-	3,162
Total operating revenues	<u>3,494,273</u>	<u>2,146,961</u>	<u>5,641,234</u>
OPERATING EXPENSES:			
General and administrative	878,665	1,484,252	2,362,917
Depreciation	500	11,772	12,272
Claims losses	(1,965,497)	69,670	(1,895,827)
Total operating expenses	<u>(1,086,332)</u>	<u>1,565,694</u>	<u>479,362</u>
OPERATING INCOME (LOSS)	<u>4,580,604</u>	<u>581,267</u>	<u>5,161,871</u>
NONOPERATING REVENUES AND EXPENSES:			
Investment income	55,587	27,718	83,304
Total nonoperating revenues and expenses	<u>55,587</u>	<u>27,718</u>	<u>83,304</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>4,636,191</u>	<u>608,985</u>	<u>5,245,176</u>
OPERATING TRANSFERS:			
Operating transfers in	500,000	500,000	1,000,000
Total operating transfers	<u>500,000</u>	<u>500,000</u>	<u>1,000,000</u>
Net income (loss)	<u>5,136,191</u>	<u>1,108,985</u>	<u>6,245,176</u>
NET ASSETS (DEFICIT):			
Beginning of year	(11,271,868)	(1,374,248)	(12,646,116)
Prior period adjustments	4,897	1,068	5,965
End of year	<u>\$ (6,130,780)</u>	<u>\$ (264,195)</u>	<u>\$ (6,394,975)</u>

CITY OF RICHMOND

Combining Statement of Cash Flows Internal Service Funds For the year ended June 30, 2002

	Workers' Compensation	General Liability	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers/other funds	\$ 3,488,110	2,108,992	\$ 5,597,102
Cash payments to suppliers for goods and services	(145,270)	(73,339)	(218,609)
Cash payments to employees for services	(689,361)	(110,842)	(800,203)
Payments for claims	(2,725,105)	(1,901,926)	(4,627,031)
Net cash provided (used) by operating activities	(71,626)	22,885	(48,741)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating transfers in	500,000	500,000	1,000,000
Net cash provided (used) by noncapital financing activities	500,000	500,000	1,000,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	588	(57,793)	(57,205)
Net cash provided (used) by capital and related financing activities	588	(57,793)	(57,205)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest revenue	67,292	20,914	88,206
Net cash provided (used) by investing activities	67,292	20,914	88,206
Net increase (decrease) in cash and cash equivalents	496,254	486,006	982,260
CASH AND CASH EQUIVALENTS:			
Beginning of year	3,905,632	1,926,094	5,831,726
End of year	\$ 4,401,886	\$ 2,412,100	\$ 6,813,986
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 4,580,604	\$ 581,267	\$ 5,161,871
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	500	11,772	12,272
Changes in operating assets and liabilities:			
Accounts receivable	(6,163)	(37,969)	(44,132)
Accounts payable	(40,266)	8,605	(31,661)
Compensated absences	43,699	9,210	52,909
Claims liabilities	(4,650,000)	(550,000)	(5,200,000)
Total adjustments	(4,652,230)	(558,382)	(5,210,612)
Net cash provided (used) by operating activities	\$ (71,626)	\$ 22,885	\$ (48,741)

CITY OF RICHMOND

Combining Statement of Net Assets**Pension Trust Funds****June 30, 2002**

	Pension Trust Funds				Total
	Pension Reserve	General Pension	Police and Fireman's Pension	Garfield Pension	
ASSETS					
Cash, cash equivalents and investments	\$ 10,691,018	\$ (424,251)	\$ (1,537,034)	\$ 3,077	\$ 8,732,810
Restricted cash investments:					
Held by fiscal agents	-	2,425,447	29,515,419	480,166	32,421,032
Interest receivable	37,201	-	-	7,597	44,798
Total assets	<u>\$ 10,728,219</u>	<u>\$ 2,001,196</u>	<u>\$ 27,978,385</u>	<u>\$ 490,840</u>	<u>\$ 41,198,640</u>
LIABILITIES AND NET ASSETS HELD IN TRUST FOR PENSION BENEFITS					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 41,690	\$ -	\$ 41,690
Deferred property tax override	8,613,068	-	-	-	8,613,068
Net pension obligation	-	(391,129)	2,965,463	-	2,574,334
Total liabilities	<u>8,613,068</u>	<u>(391,129)</u>	<u>3,007,153</u>	<u>-</u>	<u>11,229,092</u>
Net Assets Held in Trust for Pension Benefits	<u>2,115,151</u>	<u>2,392,325</u>	<u>24,971,232</u>	<u>490,840</u>	<u>29,969,548</u>
Total liabilities and net assets held in trust for pension benefits	<u>\$ 10,728,219</u>	<u>\$ 2,001,196</u>	<u>\$ 27,978,385</u>	<u>\$ 490,840</u>	<u>\$ 41,198,640</u>

CITY OF RICHMOND

Combining Statement of Changes in Net Assets Pension Trust Funds For the year ended June 30, 2002

	Pension Trust Funds				Total
	Pension Reserve	General Pension	Police and Fireman's Pension	Garfield Pension	
ADDITIONS:					
Investment income	\$ 99,224	\$ 94,075	\$ 579,242	\$ 22,785	\$ 795,325
Property taxes	4,017,247	-	-	-	4,017,247
Operating transfers in	-	-	2,117,247	36,238	2,153,485
Total additions	4,116,471	94,075	2,696,489	59,023	6,966,057
DEDUCTIONS:					
Pension benefits	-	736,803	4,890,101	68,030	5,694,935
Other	-	-	183,715	-	183,715
Debt service	-	-	4,017,246	-	4,017,246
Operating transfers out	2,117,247	-	-	-	2,117,247
Total deductions	2,117,247	736,803	9,091,062	68,030	12,013,143
Net increase (decrease)	1,999,224	(642,728)	(6,394,574)	(9,007)	(5,047,086)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:					
Beginning of year	115,927	2,643,924	31,365,806	499,847	34,625,504
Prior period adjustments	-	391,129	-	-	391,129
End of year	\$ 2,115,151	\$ 2,392,325	\$ 24,971,232	\$ 490,840	\$ 29,578,418

CITY OF RICHMOND

Statement of Changes in Assets and Liabilities**All Agency Funds****For the year ended June 30, 2002**

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2002</u>
<u>All Agency Funds</u>				
Assets:				
Cash, cash equivalents and investments	\$ 4,216,472	\$ 1,417,533	\$ (314,776)	\$ 5,319,229
Restricted cash and cash equivalents	3,431,332	-	(369,012)	3,062,320
Accounts receivable	(3,153)	3,153	-	-
Interest receivable	78,050	137,672	(161,512)	54,210
Prepays and other assets	358,975	-	(358,975)	-
Total assets	<u>\$ 8,081,676</u>	<u>\$ 1,558,358</u>	<u>\$ (1,204,275)</u>	<u>\$ 8,435,759</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 53,555	\$ 5,098	\$ (86,903)	\$ (28,250)
Refundable deposits	8,028,121	698,507	(262,619)	8,464,009
Total liabilities	<u>\$ 8,081,676</u>	<u>\$ 703,605</u>	<u>\$ (349,522)</u>	<u>\$ 8,435,759</u>

CITY OF RICHMOND

Combining Statement of Changes in Assets and Liabilities Agency Funds For the year ended June 30, 2002

	Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002
<u>Special Assessment</u>				
Assets:				
Cash, cash equivalents and investments	\$ 3,257,429	\$ 1,191,288	\$ -	\$ 4,448,717
Restricted cash and cash equivalents	3,431,332	-	(369,012)	3,062,320
Accounts receivable	(3,153)	3,153	-	-
Interest receivable	68,936	137,662	(155,395)	51,203
Prepays and other assets	358,975	-	(358,975)	-
Total assets	<u>\$ 7,113,519</u>	<u>\$ 1,332,103</u>	<u>\$ (883,382)</u>	<u>\$ 7,562,240</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 22,156	\$ -	\$ (18,622)	\$ 3,534
Refundable deposits	7,091,363	467,343	-	7,558,706
Total liabilities	<u>\$ 7,113,519</u>	<u>\$ 467,343</u>	<u>\$ (18,622)</u>	<u>\$ 7,562,240</u>
<u>Deposits</u>				
Assets:				
Cash, cash equivalents and investments	\$ 263,032	\$ -	\$ (263,032)	\$ -
Interest receivable	4,837	-	(4,837)	-
Total assets	<u>\$ 267,869</u>	<u>\$ -</u>	<u>\$ (267,869)</u>	<u>\$ -</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 10,725	\$ -	\$ (10,725)	\$ -
Refundable deposits	257,144	-	(257,144)	-
Total liabilities	<u>\$ 267,869</u>	<u>\$ -</u>	<u>\$ (267,869)</u>	<u>\$ -</u>
<u>Cafeteria Option</u>				
Assets:				
Cash, cash equivalents and investments	\$ (32,863)	\$ -	\$ (4,476)	\$ (37,339)
Interest receivable	(10)	10	-	-
Total assets	<u>\$ (32,873)</u>	<u>\$ 10</u>	<u>\$ (4,476)</u>	<u>\$ (37,339)</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ (32,521)	\$ -	\$ (4,466)	\$ (36,987)
Refundable deposits	(352)	-	-	(352)
Total liabilities	<u>\$ (32,873)</u>	<u>\$ -</u>	<u>\$ (4,466)</u>	<u>\$ (37,339)</u>

(Continued)

CITY OF RICHMOND

**Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2002**

	Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002
<u>General Agency</u>				
Assets:				
Cash, cash equivalents and investments	\$ 576,486	\$ 226,245	\$ -	\$ 802,731
Interest receivable	3,250	-	(583)	2,667
Total assets	<u>\$ 579,736</u>	<u>\$ 226,245</u>	<u>\$ (583)</u>	<u>\$ 805,398</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ 2,306	\$ -	\$ 2,306
Refundable deposits	579,736	223,356	-	803,092
Total liabilities	<u>\$ 579,736</u>	<u>\$ 225,662</u>	<u>\$ -</u>	<u>\$ 805,398</u>

(Concluded)