

CITY OF RICHMOND, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Prepared by
THE FINANCE DEPARTMENT

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**CITY OF RICHMOND
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

FISCAL YEAR ENDED JUNE 30, 2005

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Finance Department

1401 Marina Way South
Richmond, CA 94804
(510) 620-6740



March 27, 2006

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Richmond, California (City). The Finance Department has prepared this report to present the financial position and the results of the City's operations for the fiscal year ended June 30, 2005, and the cash flows of its proprietary fund types for the year then ended. The basic financial statements and supporting schedules have been prepared in compliance with Article IV, Section 1(b)3 of the City Charter, with California Government Code Sections 25250 and 25253, and in accordance with generally accepted accounting principles (GAAP) for local governments as established by the Governmental Accounting Standards Board (GASB).

Our Comprehensive Annual Financial Report is presented in three sections:

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

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

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

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with

GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by a group of independent auditing firms that are licensed certified public accountants. The objective of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion on the City's financial statements for the fiscal year ended June 30, 2005. The Independent Auditors' Report is presented as the first component of the Financial Section of this report.

GASB Statement No. 34 (GASB 34) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

The Reporting Entity and Its Services

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

As required by GAAP, these 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. Please see note 1 for a detailed discussion of the financial reporting entity.

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

Profile of the Government

The City of Richmond was chartered as a city in 1909, and is located 16 miles northeast of San Francisco, directly across San Francisco Bay. Richmond is on a peninsula separating San Francisco Bay (on the south) and San Pablo Bay (to the north), spanning 32 total miles of shoreline. The city's

total area is 56.1 square miles, 33.8 of which is land area and 22.3 water area. Richmond is situated near major metropolitan cities and major new growth areas. San Francisco is within 35 minutes from Richmond by freeway; Oakland is 20 minutes; San Jose is approximately one hour's drive to the south; and Sacramento, the state capitol, is approximately 90 minutes to the east. Central Marin County is 15 minutes from Richmond directly across the Richmond-San Rafael Bridge. Freeways provide direct access from Richmond to major new growth areas along Interstate 80 north and east to Vallejo, Fairfield and Sacramento; along Interstate 680 in central Contra Costa County; and south along Interstate 880 to the San Jose area.

Richmond's population is 103,012. The population within a 30-mile radius of Richmond is over 3.7 million, and within a 70-mile radius is approximately 7.8 million. Richmond is located on the western shore of Contra Costa County, and is the largest city in the "West County" region consisting of five cities: Richmond, El Cerrito, San Pablo, Hercules, and Pinole.

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

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

The mission of the City of Richmond is:

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

Factors Affecting Financial Condition

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

Local economy

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

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

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

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

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

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

Workforce Investment Board: The Richmond Workforce Investment Board (WIB) is the official oversight and policy-making body for federally-funded employer services and employment and training programs in Richmond. The mission of the Richmond WIB is to

oversee the articulation and implementation of comprehensive workforce development strategies, policies and performance outcomes of the City of Richmond's integrated service delivery system.

Significant Events and Accomplishments

The City of Richmond is committed to providing excellent municipal services to its diverse residents and visitors. Highlights of the City's activities and accomplishments for the fiscal year ended June 30, 2005 include the following:

Public Safety

- Police Department participated in over fifty neighborhood council meetings.
- Restructured the Police Field Operations Bureau deployment of officers that created common training days and reduce overtime costs.
- Reduced the incidence of auto theft by 25 percent through community outreach and educational programs.
- Expanded certified usage of the Computer Voice Stress Analyzer to facilitate Police investigations.
- Completed 24-hour POST-mandated Advanced Officer training courses for all sworn Police personnel.
- Conducted major emergency and disaster level exercises with industry and various departments of the City.
- Responded to all fire calls within six minutes of notification 85 percent of the time.
- Fire personnel participated in Regional Wildland Exercise—"Wildland 2005."
- Expanded regional cooperation amongst fire departments along I-80 corridor through Automatic Coverage agreements targeting sensitive areas or zones.
- Completed work on a donated Communications Van to be utilized at emergency scenes by the Richmond and El Cerrito Fire Departments.
- Provided fire fighting capabilities at Pt. Molate.
- Integrated all Hazardous Material Business Plan (AB 2185) facilities and locations into a unified geographic information based information system.

Economic & Neighborhood Development

- Initiated the development of approximately 622 new housing units, including 278 affordable units with another 611 in pre-development.
- Created a supportive environment for 430 new businesses and \$148,853 in new business license revenue.
- Increased community-wide services of RichmondWORKS (employment training and placement) via expanded services to and partnerships with education and community-based organizations.
- Exceeded RichmondWORKS Career Center service levels of 25,000 per year, provision of 10165 Enterprise Zone Hiring Credit vouchers to employers, and placement of 1,000 Richmond adult and youth residents into jobs.
- Approved a land disposition agreement for the sale and development of a resort and casino at Pt. Molate site.
- Continued the on-going implementation of the new administrative design review process for small residential projects. Added process for administrative approval for Infill Housing Initiative plans.
- Completed and submitted Update of City General Plan Housing Element to the state Department of Housing and Community Development.

- Cross-trained Building Regulations staff with other permitting departments to better respond to general information requests from the customers.
- Completed Auto Terminal Development Improvements at Port of Richmond.

Strategic Support

- Reached cost-sharing agreements with all six of the City's employee organizations to reduce the benefits for safety employees by nine percent and by eight percent for non-safety employees.
- Obtained voter approval in November 2004 election of an additional 0.5 percent sales tax for the partial restoration of services.
- Brought in outside professionals to provide professional training for all City fiscal personnel.
- Human Resources Department and Finance Department collaborated to initiate comprehensive position control.
- Transferred administration of Workers' Compensation claims to a third party administrator for enhanced oversight.

Recreation & Cultural Services

- Commenced a Year of Celebration as the City observed its Centennial.
- Continued relationship with the National Park Service to market the Rosie the Riveter WWII Home Front National Historical Park as a tourist destination.
- Served 10,000 children through Police Athletic League sports and outreach programs.
- Established a One-Stop Youth Center partnership between the Police Athletic League and City's Youth Works Program.
- Richmond's Cable Television Division (channel KCRT) maintains a viewership of approximately 68 percent of the subscribers in Richmond, with 75 percent of them watching regularly.
- Restored bookmobile service to 16.75 hours per week, not including travel time.
- Initiated Arts & Humanities Awards Program to honor local business and community.
- Richmond Paratransit ridership increased 30 percent over previous year, providing over 60,000 trips for the elderly and disabled.

Public Works

- Reorganized the abatement and code enforcement functions to allow the Public Works Department to respond to requests for abatement within one hour from the time of notification (those requests that require the use of heavy equipment would be handled within 24 hours).
- Improved landscape maintenance by utilizing City staff to replace outside contracts for the Very High Fire Severity Zones, Marina Landscape Maintenance, and Hilltop Landscape Maintenance Assessment District.
- Installed "No Parking" signs to facilitate street sweeping.
- Reduced costs to City's Industrial Pretreatment Program (for waste water) associated with industrial monitoring by 50 percent.
- Commenced retrofit of the Recreation Complex.
- Refurbished North Richmond Child Care Center.
- Completed the renovation of Monterey and Mendocino parks.
- Completed the construction of Lucretia Edwards Park.

Long-term Financial Planning

- Adopted a structurally balanced budget for 2005-06 that includes designation of \$2 million for contingency reserves.
- Completed the pavement distress survey, updated the pavement condition index and generated a five-year work plan for the Pavement Management Program.

In addition, the City of Richmond has taken the following steps since June 30, 2005:

Public Safety

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

Economic & Neighborhood Development

- The creation of over 600 new housing units within the City.
- Working with consultant to update long-term business plan for Port of Richmond operations.
- Concluded a co-marketing effort with Auto Warehousing Company for additional automotive business at the Port of Richmond to enhance volumes and revenues.
- Commenced update of the City's General Plan.
- Initiated a comprehensive review of the City's development fee program.

Strategic Support

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

- Implemented collection of business license fees on rental properties.

Recreation & Cultural Services

- Implemented a new Library Impact Fee Ordinance to mitigate the effect of new residential and commercial development on Library services and collections.

Public Works

- Started construction on the Central Richmond Greenway Bicycle Trail.
- Purchased additional street sweepers to enhance street sweeping program.
- Passed and ordinance and implemented Fats, Oils and Grease (FOG) abatement program to limit their detriment to waste water processing.

CASH MANAGEMENT POLICIES AND PRACTICES

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

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

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

The average earned interest yield for the year ended June 30, 2005 was 2.48 percent. The City Council receives reports on the City's pooled investment program on a monthly basis. Please see note 3 for a detailed discussion of the City's cash and investments.

RISK MANAGEMENT

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

The City self-insures and self administers a portion of its Workers' Compensation program and purchases excess insurance coverage above and annually-determined self-insured retention. Risk

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

Risk Management works with the City Attorney, outside legal counsel and the City Council to review claims and establish claim management strategies. The Division also works continuously to identify practical, operational and strategic best practices to reduce the frequency and severity of losses in order to protect the general public and City employees and to reduce the overall frequency and severity of losses. Please see note 14 for a complete discussion of Richmond's risk management.

PENSION AND OTHER POST-EMPLOYMENT BENEFITS

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

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

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

The City established the 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.

In addition to the pension benefits described in Notes 10 and 11, 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, 2005, 389 retirees met those eligibility requirements. The City funds these benefits on a pay-as-you-go basis. During fiscal year 2005, expenditures of \$1,660,345 were recognized for post employment health care benefits. Please see notes 10, 11, and 12 for a complete discussion of the City's pension and other post-employment benefits

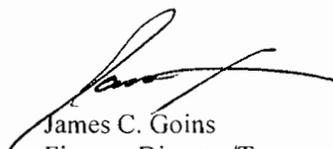
ACKNOWLEDGEMENTS

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

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

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

Respectfully submitted,

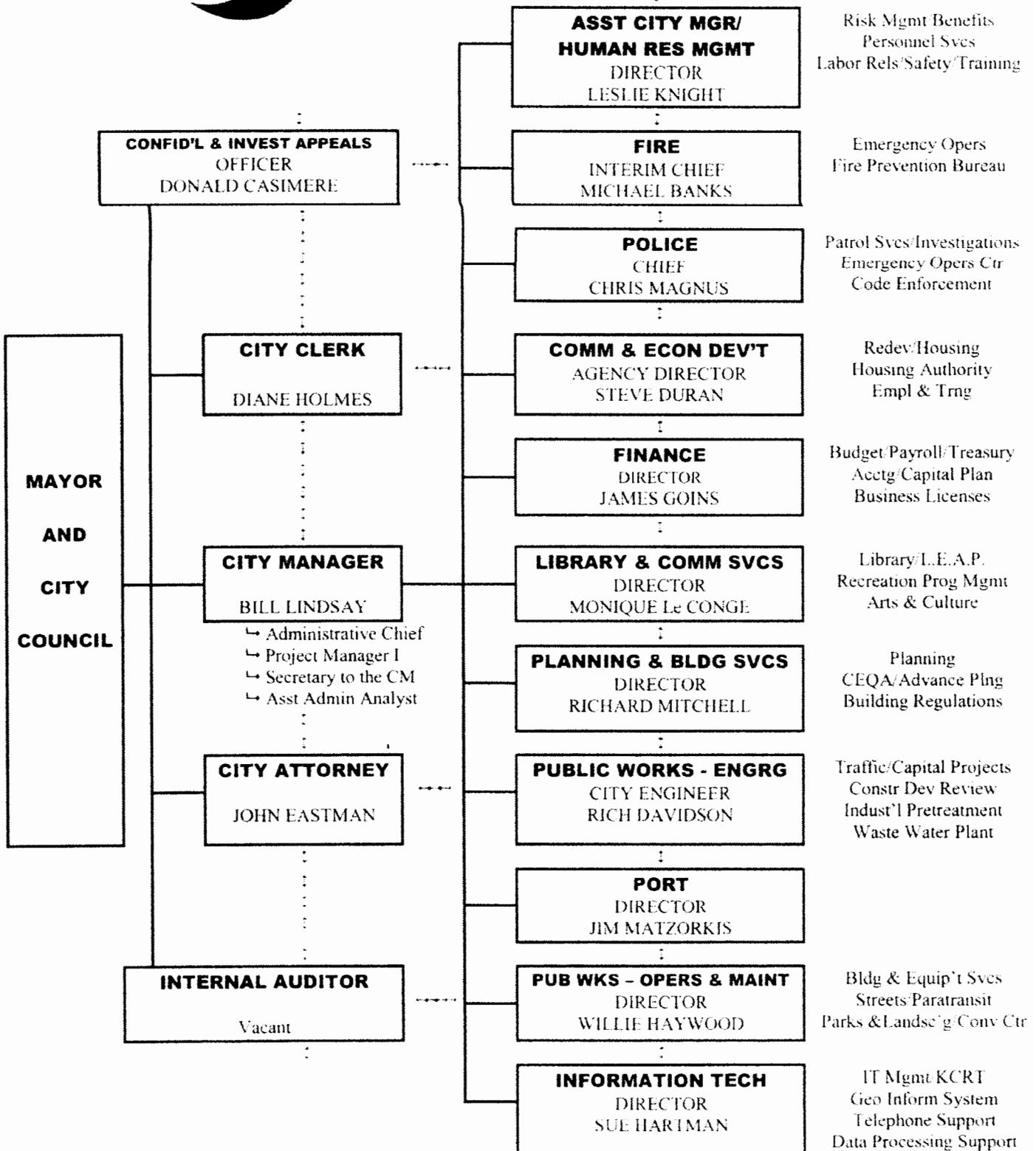


James C. Goins
Finance Director/Treasurer



ORGANIZATIONAL CHART

Dated: January 2006



Elected City Officials
Mayor
Irma Anderson

Members of the City Council

Maria Viramontes, Vice-Mayor	John E. Marquez
Nathaniel Bates	Gayle McLaughlin
Tom Butt	Jim Rogers
Richard Griffin	Tony K. Thurmond

Council-Appointed Officers

Bill Lindsay, City Manager
Diane Holmes, City Clerk
John Eastman, City Attorney
Don Casimere, Confidential Investigative & Appeals Officer

Agency Directors & Department Heads

Human Resources	Leslie Knight
Finance	James C. Goins
Police Chief	Chris Magnus
Fire Chief	Michael Banks
Public Works	Willie Haywood
Library & Recreation Services	Monique A. LeConge
Community & Economic Development	Steve Duran
City Engineer	Rich Davidson
Information Technology	Sue Hartman
Port Director	Jim Matzorkis
Planning & Building	Richard Mitchell
Employment & Training	Sal Vaca
Housing Authority	Tim Jones

CITY OF RICHMOND, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDING JUNE 30, 2005

PROJECT TEAM

James C. Goins
Finance Director/Treasurer

Herbert L. Pike
Deputy Finance Director

General Accounting
Tina McKenney, *Manager*
Nena Gapasin
Crispin Nunez
Susan Phillips
Antonio Banuelos

Treasury
Latha Ravinder, *Manager*
Stacie Plummer
Susan Segovia
Gwen Woodson
Tracey Lovely

Other Finance Department Contributors

Lester Dun
Anderia Stewart
Hope Delgado
Rose Gibson-Martinez

Wanda Mason-Lewis
Roger Helbig
Wynonna Perez
Tracie Thomas

Jill Perry
Darnel Brown
Pearl Hunter
Theresa Austin

Special Assistance from Other Departments

Mitch Taylor
Illuminada Hallare

Nickie Mastay
Randall Narron
Shari Deutsch

Ted Ferrer
Rob Larson

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Richmond, California

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E-Mail: maze@mazeassociates.com
Website: www.mazeassociates.com

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Richmond, California as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the component unit financial statements of the Richmond Housing Authority, which represent 16% and 19% of the assets and revenues of the reporting entity and 22% and 13% of capital assets and long-term obligations, respectively. These component unit financial statements were audited by other auditors, whose report thereon has been furnished to us. Our opinion, insofar as it relates to the amounts included for this entity, is based solely on the report of these other auditors. The financial statements of the City as of June 30, 2004 were audited by other auditors whose report dated October 7, 2005 disclaimed an opinion.

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

In our opinion, based on our audit and the report 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 of Richmond, California at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof listed as part of the basic financial statements for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued reports dated March 9, 2006 on our consideration of the City's internal control structure and on its compliance with laws and regulations.

Management's Discussion and Analysis and the Budget and Actual Statement for the General Fund are not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and we express no opinion on it.

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

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



March 9, 2006

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2005

Management of the City of Richmond (the "City") provides this Management's Discussion and Analysis of the City's Basic Financial Statements for readers of the City's financial statements. This narrative overview and analysis of the financial activities of the City is for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the financial statements, which begin on page 20.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$284 million (net assets). Of this amount, \$18.4 million is restricted for specific purposes (restricted net assets), \$232 million is invested in capital assets, net of related debt, and the City has a balance in unrestricted net assets of \$33.4 million.
- The City's total net assets increased by \$41.0 million during the fiscal year. Most of the increase is attributed to governmental activities. Capital assets, net of debt, increased \$32.0 million to \$155.7 million, restricted assets dropped \$29.2 million to \$16.2 million, and unrestricted net assets more than doubled, increasing \$23.1 million to \$42.2 million. Business-type net assets increased \$11.5 million.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending balances of \$127.2 million, an increase of \$28.2 million in comparison to prior year. This increase of \$28.2 million includes a \$36.6 million increase in assets offset by an \$8.4 million increase in liabilities. Approximately 69 percent of the fund balance, \$88.4 million, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the fiscal year, the General Fund had an unreserved fund balance of \$26.5 million, of which \$2 million was designated for contingencies. The unreserved balance of \$26.5 million represents a \$14.1 million, 113 percent, improvement over prior year.
- The City's debt increased \$7.6 million, or 2.7 percent. This increase is due primarily to additional tax allocation bonds issued by the Redevelopment Agency offset by reductions attributed to principal payments related to Bonds Payable (Tax Allocation bonds, Revenue bonds, Lease revenue bonds, and Pension obligation bonds) and a decrease in Capital leases of about \$2.5 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 required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements:

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. They are comprised of the *Statement of Net Assets and Statement of Activities and Changes in Net Assets*.

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highways and streets, community development, culture and recreation, housing and development, and internal services. The business-type activities of the City include a housing authority, a port, a marina, a municipal sewer district, a storm sewer agency, a cable TV operation, and a convention center.

Governmental Activities - The activities in this section are mostly supported by taxes and charges for services. The governmental activities of the City include General Government, Public Safety, Highways & Streets, Community Development, Cultural Recreation, Housing & Redevelopment and Internal Services 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 20-21 of the financial report.

Fund Financial Statements

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

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

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

The City has 17 governmental funds, of which four 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), and General Capital Improvement. The basic governmental fund financial statements can be found on pages 24 through 27 of the financial report. Data from the other 13 governmental funds are combined into a single, aggregated presentation.

Proprietary Funds – Proprietary funds of the City are two types: (1) enterprise funds; and (2) internal service funds. The City maintains twelve proprietary funds that provide the same type of information as the government-wide financial statements, only in more detail. The major enterprise funds consist of the Richmond Housing Authority, RHA Properties, Port of Richmond, and Municipal Sewer. Enterprise funds financial statements can be found on pages 30 through 32 of the financial report.

The internal service funds are also considered a proprietary fund type. The funds consist of the Workers’ Compensation, General Liability, Information Technology, and Equipment Services and Replacement 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 Pension Trust Funds and Agency Funds. The accounting used for fiduciary funds is much like that used for proprietary funds. The financial statements for these funds can be found on pages 34-35.

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 37 through 80 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 81-83 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS**Analysis of Net Assets:**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's combined net assets (government and business type activities) totaled \$284 million at the close of the fiscal year ending June 30, 2005. The government's net assets increased by \$41 million during the current fiscal year. This is the result of robust growth in the major revenue categories, along with tighter controls on expenditures.

The largest portion of the City's net assets is invested in capital assets (e.g. land, streets, sewers, buildings, machinery, and equipment). Investment in capital assets totaled \$232 million, 82 percent of the total net asset amount. The net asset amount for capital assets is net of the outstanding debt that was incurred to acquire the assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Richmond's Net Assets

(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	FY2005	FY2004	FY2005	FY2004	FY2005	FY2004
Assets:						
Current assets	\$ 183,021	\$ 135,478	\$ 22,894	\$ 26,077	\$ 205,915	\$ 161,555
Capital assets	242,892	254,870	152,187	139,817	395,079	394,687
Total assets	<u>425,913</u>	<u>390,348</u>	<u>175,081</u>	<u>165,894</u>	<u>600,994</u>	<u>556,242</u>
Liabilities:						
Current liabilities	22,027	24,834	9,097	8,207	31,124	33,041
Long-term liabilities	189,767	180,918	95,932	99,156	285,699	280,074
Total liabilities	<u>211,794</u>	<u>205,752</u>	<u>105,029</u>	<u>107,363</u>	<u>316,823</u>	<u>313,115</u>
Net Assets:						
Invested in capital assets, net of related debt	155,700	123,742	76,671	75,099	232,371	198,841
Restricted	16,193	45,358	2,247	3,156	18,440	48,514
Unrestricted	42,226	15,496	(8,866)	(19,724)	33,360	(4,228)
Total net assets	<u>\$ 214,119</u>	<u>\$ 184,596</u>	<u>\$ 70,052</u>	<u>\$ 58,531</u>	<u>\$ 284,171</u>	<u>\$ 243,127</u>

A \$18 million portion of the City's net assets is accounted for as restricted net assets and represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$33 million represents unrestricted net assets.

At the end of the current fiscal year, the City is able to report positive balances for all categories of net assets related to governmental activities. For business-type activities, total net assets and capital assets, net of related debt, both remain positive and growing. For unrestricted net assets, the balance is a negative \$8.9 million, but that is an improvement of \$10.9 million from prior year.

Analysis of Activities:

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

City of Richmond's Changes in Net Assets (in thousands)

	Governmental Activities		Business-type Activities		Totals	
	FY2005	FY2004	FY2005	FY2004	FY2005	FY2004
Revenues:						
Program revenues:						
Charges for services	\$ 15,806	\$ 18,169	\$ 23,354	\$ 20,984	\$ 39,160	\$ 39,153
Operating grants/contributions	9,036	10,143	-	9	9,036	10,152
Capital grants/contributions	2,502	2,409	32,708	33,845	35,210	36,254
General revenues:						
Property taxes	39,806	36,476	10	-	39,816	36,476
Other taxes	63,841	51,096	-	-	63,841	51,096
Reimbursement from pension fund	8,343	-	-	-	8,343	-
Grants/contribution non-restricted	3,032	4,157	-	-	3,032	4,157
Use of money and property	2,993	2,597	1,222	1,809	4,215	4,406
Other	153	18,778	1,956	-	2,109	18,778
Gain on sale of capital assets	11,361	-	-	-	11,361	-
Total revenues	<u>156,873</u>	<u>143,826</u>	<u>59,250</u>	<u>56,647</u>	<u>216,123</u>	<u>200,473</u>
Expenses:						
General government	11,799	33,157			11,799	33,157
Public safety	46,320	55,122			46,320	55,122
Public works	36,744	39,509			36,744	39,509
Community development	4,487	5,771			4,487	5,771
Cultural & recreation	7,120	11,426			7,120	11,426
Housing & redevelopment	10,884	9,611			10,884	9,611
Other	-	-			-	-
Unallocated costs						
Interest and fiscal charges	10,163	14,666			10,163	14,666
Richmond Housing Authority			28,055	27,921	28,055	27,921
RHA Properties			4,634	3,816	4,634	3,816
Port of Richmond			2,546	2,912	2,546	2,912
Richmond Marina			248	273	248	273
Municipal Sewer			9,021	10,047	9,021	10,047
Storm Sewer			2,142	2,461	2,142	2,461
Cable TV			647	700	647	700
Convention Center			269	291	269	291
Total expenses	<u>127,517</u>	<u>169,263</u>	<u>47,562</u>	<u>48,420</u>	<u>175,079</u>	<u>217,683</u>
Excess(deficiency) before transfers	29,356	(25,438)	11,688	8,228	41,044	(17,211)
Transfers	167	49	(167)	(49)	-	-
Change in net assets	<u>29,523</u>	<u>(25,388)</u>	<u>11,521</u>	<u>8,179</u>	<u>41,044</u>	<u>(17,211)</u>
Net assets at beginning of year, as restated	184,596	209,984	58,531	50,353	243,127	260,337
Net assets at end of year	<u>\$ 214,119</u>	<u>\$ 184,596</u>	<u>\$ 70,052</u>	<u>\$ 58,531</u>	<u>\$ 284,171</u>	<u>\$ 243,127</u>

Governmental Activities:

Governmental activities increased the City's net assets by \$29.5 million accounting for 72 percent of the City's total increase in net assets of \$41.0 million. A comparison of the cost of services by function for the City's governmental activities is shown in the preceding table, along with the revenues used to cover the net expenses of the governmental activities. However, comparisons by service function are hindered by questionable allocation of certain expenses to functions in prior year data.

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

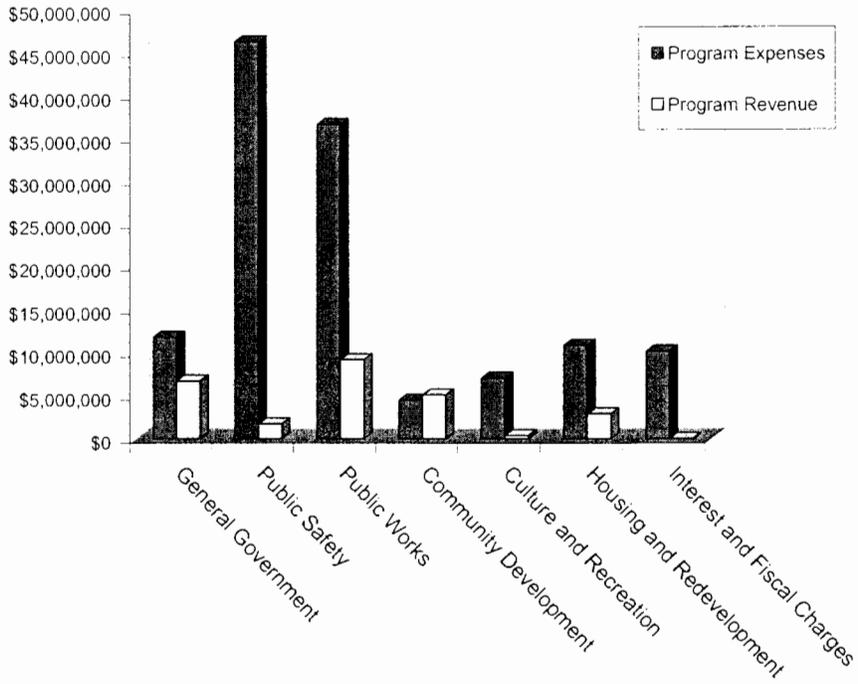
Revenue Highlights:

- Property taxes increased by \$3.3 million, 9 percent over the prior year. This increase is primarily due to higher assessed property values and new development.
- Other taxes increased \$12.7 million led by a surge in sales tax of \$7.9 million. Contributing to the latter was a sales tax increase of 0.5 percent approved by voters in November 2004 to partially restore services. The increase generated a little over \$1.1 million during the last quarter of 2004-05.
- Gain on sale of capital assets generated \$11.4 million.
- Reimbursement from pension fund increased to \$8.3 million, reflecting a repayment to General Fund for expenditures made for qualified pension contributions.
- The above gains were partially offset by the reduction in "Other" revenues of \$18.6 million.

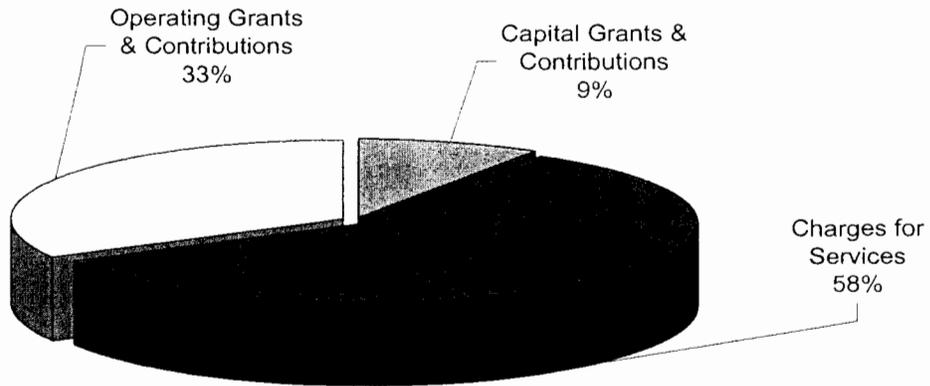
Expense Highlights:

- Expenses were reduced by \$42.6 million from the prior year, a very significant reduction. All of this decrease is attributed to governmental activities.
- Structural imbalances between revenue and expenditures were identified and disclosed in the Mid-Year Budget Report for Fiscal Year 2003-04 in February, 2004. The City took corrective actions, the foremost of which was to reduce authorized staffing by 250 employees—37 in December 2003 and 213 in May 2004.
- Labor contracts were re-opened and employees commenced contributing the 8 percent employee-share of the State pension plan contributions that the City had previously been contributing on their behalf.
- Functions were re-aligned between the different departments to generate operating efficiencies.
- The allocation of certain support functions across service functions were restructured to better monitor adequate funding of those functions, and to facilitate review of the process of allocation. Such services include information technology support, telephones, workers' compensation, and general liability.

Expenses and Program Revenues Governmental Activities



Program Revenue by Source Governmental Activities

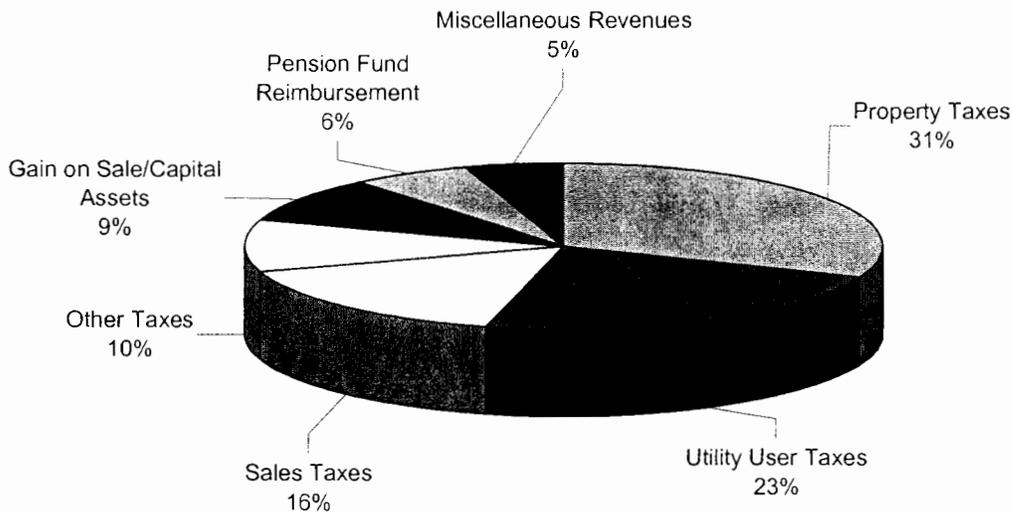


Total governmental activities expenses were \$127.5 million in fiscal year 2005. The largest expenses, in descending order, were for Public Safety, Public Works, General Government, Housing and Redevelopment, and Principal and Interest on long term debt. These expenses do not include capital outlays, which are now reflected in the City’s capital assets.

Total program revenues from governmental activities were \$27.3 million in fiscal year 2005. 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 above, 58 percent of the governmental program revenues came from Charges for Services, which includes licenses and permits and fees, fines, forfeitures and penalties, and several other revenues. Program revenues under the Operating Grants and Contributions category include restricted revenues such as Gas Tax, Transportation and Sales Tax, and Federal/State Grants.

General revenues are all other revenues not categorized as program revenues such as property taxes, sales taxes, utility users' tax, gain (loss) on sale of capital assets, and investment earnings, and grants and contributions not related to specific programs and several miscellaneous general revenues. Total general revenues from governmental activities were \$129.7 million in fiscal year 2005. The largest component of general revenues received during fiscal year 2005 for governmental activities were Other Taxes, which totaled \$63.8 million and which include sales tax, franchise fees, transient occupancy taxes, utility users tax, and residential construction tax. Other Taxes comprise 49 percent of general revenue.

**General Revenues by Source
Governmental Activities**

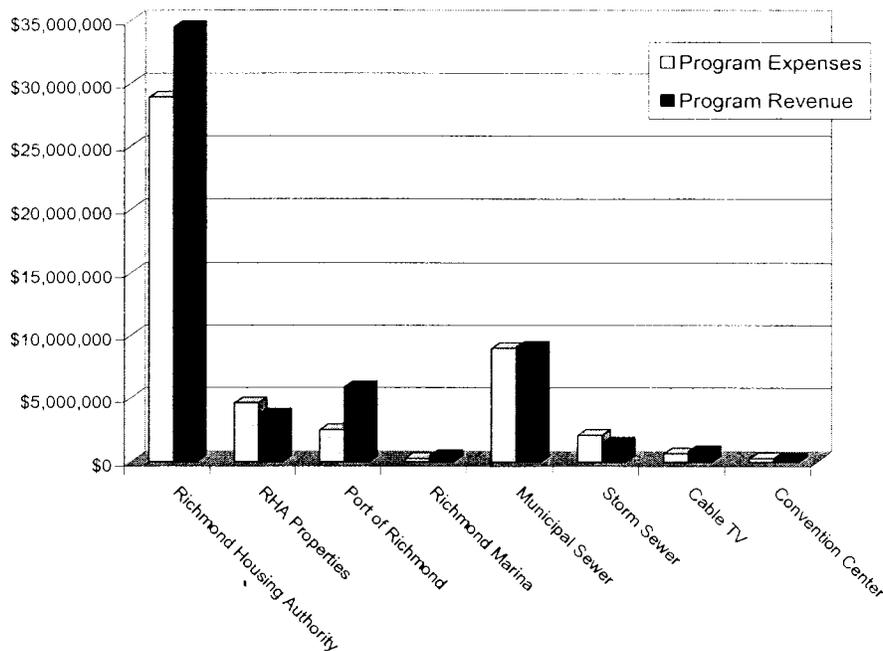


Business Type Activities: Business-type activities increased the City's net assets by about \$11.5 million. Key factors in the business-type activities increase are as follows:

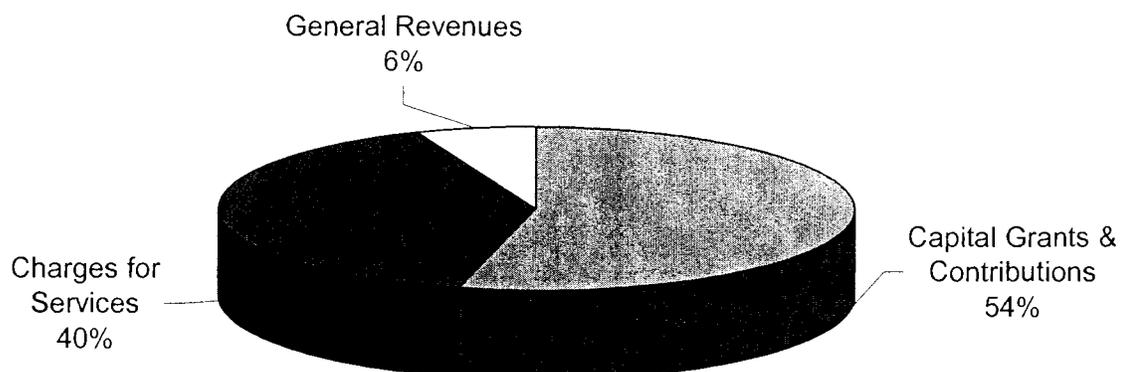
- The Richmond Housing Authority net assets increased by \$8.5 million. While expenditures were \$28 million, revenues increased over the prior year \$3.6 million to \$36.5 million.

- RHA properties saw expenditures increase \$1.0 million over prior year to reach \$4.6 million, while revenue from charges increased less than \$0.3 million to reach \$3.3 million. The consequent operating deficit is being addressed, with corrective actions initiated in fiscal year 2005-06.
- The Port of Richmond net assets increased \$3.3 million. The Port reported operating income \$5.9 million, up \$3.4 million from the prior year. This increase in operating income is primarily due to higher dockage, wharfage, and rental fees collected from new tenants/customers.
- The Municipal Sewer net assets increased by \$1.2 million. The Municipal Sewer reported operating revenue of \$9.1 million, down \$0.9 million from prior year. The decline in revenue is attributed to one-time charges for services realized in the previous year. Expenditures of \$9.0 million reflect a \$1.0 million decrease over prior year. The decrease is attributed to reduced expense as the operations are transferred to a contractor.

Expenses and Program Revenues Business-Type Activities



Revenue by Source Business-Type Activities



FINANCIAL ANALYSIS of the City's Funds

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

Governmental Funds:

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$127.2 million. Approximately \$90.4 million of this amount constitutes unreserved fund balance, which is available for spending at the government's discretion. Of the \$90.4 million, \$2.0 million has been designated for contingency reserve, the first step towards the Council goal of \$10 million. There is \$36.8 million of fund balance that is reserved to indicate that it is not available for spending because it has already been legally committed.

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

At the end of the current fiscal year, the General Fund had an undesignated, unreserved fund balance of \$24.5 million of a total fund balance that reached \$43.6 million. During the current year, the overall fund balance grew by over \$7.8 million, while the undesignated, unreserved balance increased by \$12.1 million, or 97 percent, plus \$2.0 million was designated for contingency is the first step in achieving a \$10 million contingency reserve.

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

The Redevelopment Agency Fund was established to account for improvement projects related to the various redevelopment areas. At the end of fiscal year 2005, the unreserved fund balance had a balance of \$31.6 million, an increase of \$17.1 million from the prior year. The latter is primarily due to loans receivable of \$18.8 million, an increase of \$11.6 million from prior year, and a decrease in advances from other funds to \$6.7 million, a decrease of \$6.4 million from prior year.

Joint Powers Financing Authority Debt Service Fund The Richmond Joint Powers Financing Authority was established pursuant to a joint powers agreement between the City and the Redevelopment Agency to issue debt on behalf of the City to finance various capital improvements within the City. The Joint Powers Financing Authority Debt Service Fund accounts for debt service payments related to said debt. At the end of fiscal year 2005, the reserved fund balance was \$11.8 million, an increase of \$302,152 from prior year.

General Capital Improvements Capital-Project Fund This fund was established to account for monies designated for capital improvements projects. At the end of fiscal year 2005, the fund balance was \$14.9 million; a reduction of \$3.0 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. An internal service fund is used to centralize certain services and then allocate the cost of the services within the government. The City's major enterprise funds are the Richmond Housing Authority, RHA Properties, Port of Richmond, and Municipal Sewer District.

Enterprise Funds

Richmond Housing Authority The Richmond Housing Authority ("RHA") was established to administer funds provided by the Department of Housing and Urban Development (HUD) to assist low-income families in obtaining decent, safe and sanitary housing. Although RHA is a separate legal entity, it is a component unit of the City of Richmond. The City exercises management control over the Authority, and members of the City Council serve as the governing board of the Authority. RHA's total net assets were \$55.7 million at June 30, 2005, of which \$772,610 was unrestricted. Net Assets increased by \$8.4 million which was the result of a \$10.4 million increase in capital assets, net of related debt. This increase was almost wholly in non-depreciable (land) assets.

RHA Properties RHA Properties is the product of a joint powers agreement between the City and the Richmond Housing Authority formed for the purpose of owning and managing the operations of an affordable housing residential complex dedicated to the needs of elderly persons. Total net assets were \$607,456 at June 30, 2005. While capital-related debt exceeded capital assets by \$1.4 million, there was \$2.0 million in restricted assets to cover the gap.

The Port of Richmond 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 had a total net asset deficit of \$9.0 million as of June 30, 2005, which is a decrease of \$3.2 million from prior year. The reduced deficit is due to improved revenues generated from new tenants, while there was a negligible increase in expenses.

Municipal Sewer Fund This fund is used to account for a variety of sewer service-related revenues and expenditures. At the end of fiscal year 2005, the total net assets for the sewer fund were \$8.1 million, which was a \$1.1 million increase from the prior fiscal year primarily due to increase of \$1.3 million in capital assets, net of related debt.

Fiduciary Funds:

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

The Pension Trust Funds total assets at June 30, 2005 were \$23.0 million. Net Assets increased by \$11.6 million which is the result of reduced liability in the "closed" pension funds.

Agency Funds total assets at June 30, 2005 were \$18.0 million which is recorded on the City books as a liability to third parties.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended appropriation, including transfers out, totaled \$93.9 million, which included \$0.7 million in amendments to the original adopted budget.

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

The budget amendments fall into these two categories:

- Carry forward appropriations from 2003-2004 totaling \$0.4 million
- New appropriations approved by the City Council amounting to \$0.3 million.

The new appropriations include a reduction of Transfers In of \$976 thousand, increases in Public Safety of \$196 thousand, increases in Public Works of \$502 thousand, in Cultural and recreation of \$351 thousand and miscellaneous increases in other departments of \$643 thousand.

The final amended budget for revenues totaled \$102.4 million, which includes an increase of \$5.5 million in revenues to the originally adopted budget.

The increase in revenues is a result of bringing the budgeted revenue estimates into closer alignment with the latest projections for the fiscal year ended June 30, 2005.

The revenue increase was primarily driven by Documentary Transfer Tax--up \$3 million, a non-refundable option on property--up \$1 million, Inter-fund Labor Charges--up \$1 million, and various other fees--up \$500 thousand.

During the year, revenues exceeded adjusted budgetary estimates by \$2.2 million, leaving balance of \$26.5 million in the General Fund's Unreserved Fund Balance at the end of June 30, 2005.

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, 2005, amounted to \$395 million, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the City such as roads, bridges, streets and sidewalks, drainage systems, lighting systems and similar items. The net decrease in the City's investment in capital assets for the current fiscal year was \$392,119, or less than 0.1 percent.

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

	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 18,123,306	\$ 19,575,702	\$ 21,646,368	\$ 17,412,242	\$ 39,769,674	\$ 36,987,944
Construction in Progress	15,189,416	15,770,968	28,632,497	28,514,094	43,821,913	44,285,062
Building and improvements	18,053,147	18,754,950	69,821,324	73,565,245	87,874,471	92,320,195
Machinery and equipment	10,690,338	10,458,337	4,838,447	3,933,280	15,528,785	14,391,617
Infrastructure	180,835,608	190,310,366	27,248,414	16,391,562	208,084,022	206,701,928
Total Capital assets	<u>\$ 242,891,815</u>	<u>\$ 254,870,323</u>	<u>\$ 152,187,050</u>	<u>\$ 139,816,423</u>	<u>\$ 395,078,865</u>	<u>\$ 394,686,746</u>

The City's infrastructure assets are recorded at historical cost in the government-wide financial statements as required by GASB Statement No. 34.

Commitments outstanding as of June 30, 2005 related to governmental and business-type activities construction in progress totaled approximately \$1,519,484.

Additional information about the City's capital assets can be found in Note 6 on pages 54 through 55 in the financial statements.

Debt Administration:

Long Term Debt - At the end of the current fiscal year, the City had \$264.7 million in debt outstanding compared to the \$257.7 million last year; an increase of \$7 million, or 2.8 percent. This increase is due primarily to the additional tax allocation bonds issued by the Redevelopment Agency offset by reductions attributed to principal payments related to Bonds Payable (Tax Allocation bonds, Revenue bonds, Lease revenue bonds, and Pension obligation bonds) and the decrease of Capital leases of \$2.5 million.

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Tax Allocation bonds	\$ 98,578,513	\$ 82,965,168	-	-	\$ 98,578,513	\$ 82,965,168
Revenue bonds	9,705,000	10,660,000	73,403,632	74,623,191	83,108,632	85,283,191
Lease revenue bonds	27,010,000	27,495,000	10,650,351	11,989,189	37,660,351	39,484,189
Pension obligation bonds	26,225,000	27,945,000	-	-	26,225,000	27,945,000
Total bonds payable	161,518,513	149,065,168	84,053,983	86,612,380	245,572,496	235,677,548
Notes payable	3,204,394	2,963,702	-	-	3,204,394	2,963,702
Loans payable	-	-	11,877,513	12,543,740	11,877,513	12,543,740
Capital leases	4,045,158	6,500,204	-	-	4,045,158	6,500,204
Total outstanding debt	\$ 168,768,065	\$ 158,529,074	\$ 95,931,496	\$ 99,156,120	\$ 264,699,561	\$ 257,685,194

The City does not have any general obligation bonds as of June 30, 2005.

On January 13, 2004, Standard & Poor's Ratings Service ("S&P") lowered to "BB" and simultaneously suspended its underlying ratings on the City, the RJPPFA, the RDA and the debt issued by those agencies that had been rated by S&P. On March 8, 2004, Moody's Investors Service ("Moody's") downgraded the City's implied general obligation bond rating from "A2" to "Ba3". These downgrades were based on the City's significantly reduced operating reserves, its critically narrowed liquidity and concerns about the City's overall fiscal condition and controls.

On January 11, 2005, Moody's upgraded the City's implied general obligation bond rating to "Baa2" from "Ba3" based on the City's adoption of a Financial Recovery Plan in September 2004, adoption of a Finance Department Reorganization, Accountability and Work Plan in November 2004, and unaudited financial statements for Fiscal Year 2003-04.

With the restoration of operating reserves and structurally balanced budgets, and the filing of both its 2004 and 2005 audited financial statements, the City is optimistic that Moody's and S&P will restore the City's ratings to at least their levels prior to the downgrades.

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

For more detailed information on the City's long-term debt see footnote 7 on pages 56-72.

Economic Factors, Next Year's Budget and Inflation Rates

- The City currently faces a continuation of a favorable economic environment. Projected strong growth in revenue streams from both increasing assessed valuation and increased retail sales, along with continuing tight rein on appropriations foretell a continuing positive cash flow.
- The City has formally adopted debt and investment policies to guide critical financing and investment decisions.
- The City has established a reserves policy to fund a \$10 million contingency reserve within the General Fund, equating to roughly ten percent of the City's current budget level. In fact, the City has already identified and set-aside funds in 2005-06 to achieve the \$10 million target, three years ahead of schedule.
- The City has adopted a structurally balanced budget policy requiring one-time revenues to be spent only on one-time expenditures, and on-going revenues to be spent on on-going expenditures.
- The City Manager has recommended to the City Council that City services only be expanded or re-opened as certain revenue milestones are met, thus preventing the creation of structural deficits.
- The City has established monthly revenue and expenditure variance monitoring reports to assure adherence to budget controls. Simultaneously, position control is being strictly enforced, ensuring that any hire is moving into a funded position.
- The City has identified several opportunities to refinance its debt and pension obligations that should extract additional one-time funding for critical infrastructure improvements.
- The State budget will have a significant effect on the City's financial condition. However, the anticipated cessation of "ERAF III" and the restoration of roads funding should benefit the City.
- The inflation rate for the San Francisco Bay metropolitan area was 1.1 percent, which is lower than the national inflation rate of 2.5 percent.

REQUESTS FOR INFORMATION

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

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City of Richmond
June 30, 2005

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

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

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

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

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

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

CITY OF RICHMOND
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 3)	\$68,295,626	\$5,204,184	\$73,499,810
Restricted cash and investments (Note 3)	55,517,170	30,351,582	85,868,752
Receivables:			
Accounts, net	13,891,666	4,842,168	18,733,834
Interest	198,174	5,808	203,982
Grants	1,433,446		1,433,446
Loans, net of reserves (Note 5)	21,536,408		21,536,408
Internal balances (Note 4)	21,686,660	(21,686,660)	
Prepays, supplies, and other assets	461,839	378,615	840,454
Bond issuance costs and other investments, net of amortization		3,798,148	3,798,148
Capital assets (Note 6):			
Nondepreciable	33,312,722	50,278,865	83,591,587
Depreciable, net	209,579,093	101,908,185	311,487,278
Total Assets	425,912,804	175,080,895	600,993,699
LIABILITIES			
Accounts payable and accrued liabilities	5,790,405	6,829,399	12,619,804
Interest payable	3,067,131	900,945	3,968,076
Refundable deposits	4,777,878	606,185	5,384,063
Unearned revenue	168,221		168,221
Compensated absences (Note 2):			
Due within one year	1,707,181	201,292	1,908,473
Due in more than one year	6,426,976	559,756	6,986,732
Claims liabilities (Note 14)	18,236,179		18,236,179
Net pension obligation (Note 11)	2,851,806		2,851,806
Long-term debt (Note 7):			
Due within one year	6,514,924	3,956,831	10,471,755
Due in more than one year	162,253,141	91,974,665	254,227,806
Total Liabilities	211,793,842	105,029,073	316,822,915
NET ASSETS			
Invested in capital assets, net of related debt	155,699,999	76,670,956	232,370,955
Restricted for:			
Capital projects	4,088,365		4,088,365
Debt service	953,245		953,245
Housing and redevelopment	11,151,784	2,246,548	13,398,332
Total Restricted Net Assets	16,193,394	2,246,548	18,439,942
Unrestricted (deficit)	42,225,569	(8,865,682)	33,359,887
Total Net Assets	\$214,118,962	\$70,051,822	\$284,170,784

See accompanying notes to financial statements

CITY OF RICHMOND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$11,798,558	\$6,195,631	\$490,261		(\$5,112,666)		(\$5,112,666)
Public safety	46,320,116	1,061,832	638,168		(44,620,116)		(44,620,116)
Public works	36,743,774	6,829,231	2,392,648	\$1,346,751	(26,175,144)		(26,175,144)
Community development	4,487,223	1,488,832	3,597,847		599,456		599,456
Cultural and recreational	7,120,024	230,187	153,796		(6,736,041)		(6,736,041)
Housing and redevelopment	10,883,850	54	1,762,947	1,155,287	(7,965,562)		(7,965,562)
Interest on long term debt	10,163,111				(10,163,111)		(10,163,111)
Total Governmental Activities	127,516,656	15,805,767	9,035,667	2,502,038	(100,173,184)		(100,173,184)
Business-type Activities:							
Richmond Housing Authority	28,054,660	1,822,316		32,707,460	\$6,475,116		6,475,116
RHA Properties	4,633,810	3,401,790			(1,232,020)		(1,232,020)
Port of Richmond	2,545,842	5,913,472			3,367,630		3,367,630
Richmond Marina	248,045	456,142			208,097		208,097
Municipal Sewer	9,020,928	9,099,788			78,860		78,860
Storm Sewer	2,142,358	1,546,345			(596,013)		(596,013)
Cable TV	646,770	840,773			194,003		194,003
Convention Center	269,595	273,008			3,413		3,413
Total Business-type Activities	47,562,008	23,353,634		32,707,460	8,499,086		8,499,086
Total	\$175,078,664	\$39,159,401	\$9,035,667	\$35,209,498	(100,173,184)	8,499,086	(91,674,098)
General revenues:							
Taxes:							
Property taxes-current collections					39,806,022	10,193	39,816,215
Property taxes-released from Pension Reserve Fund					8,342,849		8,342,849
Sales taxes					20,273,363		20,273,363
Utility user taxes					29,721,091		29,721,091
Other taxes					13,847,030		13,847,030
Use of money and property					2,993,086	1,222,413	4,215,499
Unrestricted intergovernmental					3,031,587		3,031,587
Gain on sale of capital assets					11,361,312		11,361,312
Other					152,775	1,956,342	2,109,117
Transfers					167,153	(167,153)	
Total general revenues and transfers					129,696,268	3,021,795	132,718,063
Change in Net Assets					29,523,084	11,520,881	41,043,965
Net Assets-Beginning, as Restated (Note 16)					184,595,878	58,530,941	243,126,819
Net Assets-Ending					\$214,118,962	\$70,051,822	\$284,170,784

See accompanying notes to financial statements

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City of Richmond
June 30, 2005

FUND FINANCIAL STATEMENTS

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

Individual non-major funds may be found in the Supplemental section.

CITY OF RICHMOND
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2005

	General	Redevelopment Agency	JPFA	General Capital Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$14,170,749	\$16,714,657	\$984,356	\$3,033,649	\$17,068,156	\$51,971,567
Restricted cash and investments	21,303	29,285,097	10,885,826	11,895,623	3,401,137	55,488,986
Receivables:						
Accounts, net	11,127,767	431,298		175,408	2,141,607	13,876,080
Interest	63,639	51,751	3,247	9,807	33,828	162,272
Grants	60,000	542,984			830,462	1,433,446
Loans	922,351	18,807,701			4,916,389	24,646,441
Due from other funds	9,174,306					9,174,306
Advances to other funds	23,812,555	140,043				23,952,598
Prepays, supplies and other assets	260,216	17,846			500	278,562
Total Assets	\$59,612,886	\$65,991,377	\$11,873,429	\$15,114,487	\$28,392,079	\$180,984,258
LIABILITIES						
Accounts payable and accrued liabilities	\$2,445,779	\$1,446,341		\$203,273	\$1,130,319	\$5,225,712
Refundable deposits	3,536,574	266,751			974,553	4,777,878
Due to other funds					3,171,491	3,171,491
Advances from other funds	105,685	6,672,700	\$34,358			6,812,743
Deferred revenue	9,930,958	18,671,558			5,166,607	33,769,123
Total Liabilities	16,018,996	27,057,350	34,358	203,273	10,442,970	53,756,947
FUND BALANCES						
Fund balance						
Reserved for:						
Encumbrances	286,787	226,886		10,800	532,370	1,056,843
Prepays, supplies and other assets	260,216	17,846			500	278,562
Debt service		2,259,184	11,839,071			14,098,255
Advances to other funds	16,327,666	140,043				16,467,709
Loans receivable	208,804	271,918				480,722
Low and moderate income housing		4,435,887				4,435,887
Unreserved, designated for:						
Contingencies	2,000,000					2,000,000
Unreserved, Undesignated, Reported in:						
General Fund	24,510,417					24,510,417
Special Revenue Funds					9,644,237	9,644,237
Debt Service Funds					462,267	462,267
Capital Projects Funds		31,582,263		14,900,414	7,309,735	53,792,412
Total Fund Balances	43,593,890	38,934,027	11,839,071	14,911,214	17,949,109	127,227,311
Total Liabilities and Fund Balances	\$59,612,886	\$65,991,377	\$11,873,429	\$15,114,487	\$28,392,079	\$180,984,258

See accompanying notes to financial statements

CITY OF RICHMOND
 Reconciliation of the
 GOVERNMENTAL FUNDS -- BALANCE SHEET
 with the
 STATEMENT OF NET ASSETS
 JUNE 30, 2005

Total fund balances reported on the governmental funds balance sheet \$127,227,311

Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds. 242,891,815

ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS

Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance to individual governmental funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Assets.

Cash and investments	16,324,059
Restricted cash and investments	28,184
Accounts receivable	15,586
Interest receivable	35,902
Prepays and supplies	183,277
Accounts payable and accrued liabilities	(564,693)
Due to other funds	(1,456,010)
Compensated absences	(216,767)
Claims payable	(18,236,179)

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities. 30,490,869

LONG TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:

Interest payable	(3,067,131)
Long-term debt	(168,768,065)
Net pension obligation	(2,851,806)
Non-current portion of compensated absences	(7,917,390)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$214,118,962

See accompanying notes to financial statements

CITY OF RICHMOND
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2005

	General	Redevelopment Agency	JPFA	General Capital Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes:						
Current collections	\$25,740,931	\$14,065,091				\$39,806,022
Released from Pension Reserve Fund	4,627,380				\$3,715,469	8,342,849
Sales taxes	20,273,363					20,273,363
Utility user taxes	29,721,235	(144)				29,721,091
Other taxes	13,849,935	(2,905)				13,847,030
Licenses, permits and fees	2,837,431	24			5,510,413	8,347,868
Fines, forfeitures and penalties	496,528				25,487	522,015
Use of money and property	354,540	1,212,584	\$448,821	\$355,030	125,649	2,496,624
Intergovernmental	3,876,578	1,155,281		115,087	10,833,725	15,980,671
Charges for services	313,292	30		568,051	2,983,118	3,864,491
Other	597,658	827,460		111,628	1,654,939	3,191,685
Rent	108,941	112,103			16,524	237,568
Total Revenues	102,797,812	17,369,524	448,821	1,149,796	24,865,324	146,631,277
EXPENDITURES						
Current:						
General government	12,299,968				571,916	12,871,884
Public safety	51,249,034				1,610,690	52,859,724
Public works	7,432,827			3,419,518	10,095,374	20,947,719
Community development	42,750				4,499,856	4,542,606
Cultural and recreational	7,226,060				136,792	7,362,852
Housing and redevelopment		9,764,576			2,206,884	11,971,460
Capital outlay	837,634	8,810,497		941,333	40,901	10,630,365
Debt service:						
Principal		1,865,000			5,774,995	7,639,995
Interest and fiscal charges		2,667,997	2,497,837		4,040,949	9,206,783
Total Expenditures	79,088,273	23,108,070	2,497,837	4,360,851	28,978,357	138,033,388
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	23,709,539	(5,738,546)	(2,049,016)	(3,211,055)	(4,113,033)	8,597,889
OTHER FINANCING SOURCES (USES)						
Issuance of debt		356,100	17,000,000			17,356,100
Proceeds from sale of property	1,000,613 ^a	7,973,176			97,802	9,071,591
Transfers in	765,993	14,944,898	72,391	576,751	11,227,131	27,587,164
Transfers (out)	(17,657,267)		(14,721,223)	(346,778)	(1,685,665)	(34,410,933)
Total Other Financing Sources (Uses)	(15,890,661)	23,274,174	2,351,168	229,973	9,639,268	19,603,922
NET CHANGE IN FUND BALANCES	7,818,878	17,535,628	302,152	(2,981,082)	5,526,235	28,201,811
BEGINNING FUND BALANCES	35,775,012	21,398,399	11,536,919	17,892,296	12,422,874	99,025,500
ENDING FUND BALANCES	\$43,593,890	\$38,934,027	\$11,839,071	\$14,911,214	\$17,949,109	\$127,227,311

See accompanying notes to financial statements

CITY OF RICHMOND
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2005

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$28,201,811

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

CAPITAL ASSETS TRANSACTIONS

Governmental Funds include capital outlays in departmental expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

The capital outlay expenditures are therefore added back to fund balance 7,774,163

Depreciation expense is deducted from the fund balance (15,749,323)

Retirements of capital assets are deducted from the fund balance (4,883,465)

Transfer of capital assets to internal service fund (4,735,444)

Assets contributed are added to fund balance 158,295

LONG TERM DEBT PROCEEDS AND PAYMENTS

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

Proceeds from the issuance of debt are deducted from fund balance (17,356,100)

Repayment of debt principal is added back to fund balance 7,639,995

Capital appreciation bonds accretion is deducted from fund balance (478,345)

Interest accrued to principal is deducted from fund balance (44,541)

ACCRUAL OF NON-CURRENT ITEMS

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

Interest payable (433,442)

Deferred revenue 7,876,738

Compensated absences 461,078

Net pension obligation 1,601,615

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

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

Change in Net Assets - All Internal Service Funds 19,490,049

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$29,523,084

See accompanying notes to financial statements

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City of Richmond
June 30, 2005

MAJOR PROPRIETARY FUNDS

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

The concept of major funds established by GASB Statement 34 extends to Proprietary Funds. The City has identified the funds below as major proprietary funds in fiscal 2005.

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

CITY OF RICHMOND
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2005

	Business-type Activities-Enterprise Funds					Totals	Governmental Activities- Internal Service Funds
	Richmond Housing Authority	RHA Properties	Port of Richmond	Municipal Sewer	Other Enterprise Funds		
ASSETS							
Current assets:							
Cash and investments	\$1,455,264	\$146,892		\$488,005	\$3,114,023	\$5,204,184	\$16,324,059
Restricted cash and investments	171,906	2,074,642	\$1,963,845	26,141,189		30,351,582	28,184
Receivables:							
Accounts, net	2,724,396	12,484	1,116,664	581,279	407,345	4,842,168	15,586
Interest			2,951	(3,500)	6,357	5,808	35,902
Grants							
Prepays and other assets	279,000		99,615			378,615	183,277
Total current assets	<u>4,630,566</u>	<u>2,234,018</u>	<u>3,183,075</u>	<u>27,206,973</u>	<u>3,527,725</u>	<u>40,782,357</u>	<u>16,587,008</u>
Noncurrent assets:							
Capital assets:							
Nondepreciable	20,885,935	10,431,153	13,521,688	3,767,594	1,672,495	50,278,865	
Depreciable, net	33,893,033	22,373,656	8,923,430	23,330,880	13,387,186	101,908,185	5,457,266
Bond issuance costs and other investments, net of amortization	1,886,892	780,170	293,960	837,126		3,798,148	
Total noncurrent assets	<u>56,665,860</u>	<u>33,584,979</u>	<u>22,739,078</u>	<u>27,935,600</u>	<u>15,059,681</u>	<u>155,985,198</u>	<u>5,457,266</u>
Total Assets	<u>61,296,426</u>	<u>35,818,997</u>	<u>25,922,153</u>	<u>55,142,573</u>	<u>18,587,406</u>	<u>196,767,555</u>	<u>22,044,274</u>
LIABILITIES							
Current liabilities:							
Accounts payable and accrued liabilities	1,985,272	781,122	164,548	3,861,527	36,930	6,829,399	564,693
Interest payable			137,250	620,192	143,503	900,945	
Refundable deposits	123,376	245,419	65,098	47,672	124,620	606,185	
Due to other funds	2,888,539		1,513,456		144,810	4,546,805	1,456,010
Compensated absences - due within one year	99,666				101,626	201,292	
Current portion of long term debt		455,000	1,672,140	1,779,425	50,266	3,956,831	
Total current liabilities	<u>5,096,853</u>	<u>1,481,541</u>	<u>3,552,492</u>	<u>6,308,816</u>	<u>601,755</u>	<u>17,041,457</u>	<u>2,020,703</u>
Noncurrent liabilities:							
Advances from other funds			17,139,855			17,139,855	
Compensated absences	476,089		59,776	23,891		559,756	216,767
Claims payable							18,236,179
Long term debt, net		33,730,000	14,144,003	40,672,061	3,428,601	91,974,665	
Total noncurrent liabilities	<u>476,089</u>	<u>33,730,000</u>	<u>31,343,634</u>	<u>40,695,952</u>	<u>3,428,601</u>	<u>109,674,276</u>	<u>18,452,946</u>
Total Liabilities	<u>5,572,942</u>	<u>35,211,541</u>	<u>34,896,126</u>	<u>47,004,768</u>	<u>4,030,356</u>	<u>126,715,733</u>	<u>20,473,649</u>
NET ASSETS							
Invested in capital assets, net of related debt	54,778,968	(1,380,191)		10,788,177	12,484,002	76,670,956	5,457,266
Restricted	171,906	2,074,642				2,246,548	
Unrestricted	772,610	(86,995)	(8,973,973)	(2,650,372)	2,073,048	(8,865,682)	(3,886,641)
Total Net Assets	<u>\$55,723,484</u>	<u>\$607,456</u>	<u>(\$8,973,973)</u>	<u>\$8,137,805</u>	<u>\$14,557,050</u>	<u>\$70,051,822</u>	<u>\$1,570,625</u>

See accompanying notes to financial statements

CITY OF RICHMOND
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2005

	Business-type Activities-Enterprise Funds					Totals	Governmental Activities- Internal Service Funds
	Richmond Housing Authority	RHA Properties	Port of Richmond	Municipal Sewer	Other Enterprise Funds		
OPERATING REVENUES							
Rental	\$1,558,149	\$3,288,898				\$4,847,047	
Marina berth rentals			\$119,844			119,844	
Service charges			5,793,628	\$9,099,788	\$2,552,969	17,446,385	\$21,984,322
Reimbursement from dredging					456,142	456,142	
Other	264,167	112,892			107,157	484,216	
Total Operating Revenues	1,822,316	3,401,790	5,913,472	9,099,788	3,116,268	23,353,634	21,984,322
OPERATING EXPENSES							
Salaries and wages	6,161,452	530,867	595,137	891,768	1,378,727	9,557,951	2,745,381
General and administrative	758,886	721,432	677,074	3,622,182	640,201	6,419,775	1,349,044
Maintenance	2,339,070	745,139	1,287	436,739	39,756	3,561,991	1,232,875
Depreciation	342,767	880,358	382,379	1,340,659	1,091,325	4,037,488	800,234
Housing assistance	18,452,485					18,452,485	
Claims losses							8,185,977
Other					31	31	128,819
Total Operating Expenses	28,054,660	2,877,796	1,655,877	6,291,348	3,150,040	42,029,721	14,442,330
Operating Income (Loss)	(26,232,344)	523,994	4,257,595	2,808,440	(32,772)	(18,676,087)	7,541,992
NONOPERATING REVENUES (EXPENSES)							
Proceeds from sale of property							91,477
Interest income	25,776	74,801	31,247	1,068,030	22,559	1,222,413	130,214
Property taxes				10,193		10,193	
Grants	32,707,460					32,707,460	
Interest (expense)		(1,728,316)	(837,021)	(2,732,164)	(156,728)	(5,454,229)	
Amortization of bond issuance costs		(27,698)	(52,944)	2,584		(78,058)	
Other revenue	1,956,342					1,956,342	
Total Nonoperating Revenues (Expenses)	34,689,578	(1,681,213)	(858,718)	(1,651,357)	(134,169)	30,364,121	221,691
Income (Loss) Before Contributions and Transfers	8,457,234	(1,157,219)	3,398,877	1,157,083	(167,941)	11,688,034	7,763,683
Contributions							4,735,444
Transfers in							8,389,231
Transfers (out)			(135,512)		(31,641)	(167,153)	(1,398,309)
Net contributions and transfers			(135,512)		(31,641)	(167,153)	11,726,366
Change in net assets	8,457,234	(1,157,219)	3,263,365	1,157,083	(199,582)	11,520,881	19,490,049
BEGINNING NET ASSETS, AS RESTATED	47,266,250	1,764,675	(12,237,338)	6,980,722	14,756,632	58,530,941	(17,919,424)
ENDING NET ASSETS	\$55,723,484	\$607,456	(\$8,973,973)	\$8,137,805	\$14,557,050	\$70,051,822	\$1,570,625

See accompanying notes to financial statements

CITY OF RICHMOND
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2005

	Business-type Activities-Enterprise Funds					Totals	Governmental Activities- Internal Service Funds
	Richmond Housing Authority	RHA Properties	Port of Richmond	Municipal Sewer	Other Enterprise Funds		
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers	\$1,544,209	\$3,408,798	\$4,546,808	\$8,911,205	\$3,095,823	\$21,506,843	\$21,979,556
Payments to suppliers	(20,436,701)	(880,609)	(1,836,145)	(1,079,542)	(684,143)	(24,917,140)	(1,361,694)
Payments to employees	(7,609,526)	(530,867)	(584,990)	(921,514)	(1,362,454)	(11,009,351)	(3,479,728)
Insurance premiums and claims paid							(11,273,075)
Cash Flows from Operating Activities	(26,502,018)	1,997,322	2,125,673	6,910,149	1,049,226	(14,419,648)	5,865,059
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Interfund receipts	2,888,539		1,513,455		144,810	4,546,804	1,456,010
Interfund payments				(2,098,133)		(2,098,133)	
Receipts from other governments	32,707,460		71,000			32,778,460	
Property taxes				10,193		10,193	
Transfers in							8,389,231
Transfers (out)			(135,512)		(31,641)	(167,153)	(1,398,309)
Other investments	(1,886,892)					(1,886,892)	
Other revenue	1,956,342					1,956,342	
Cash Flows from Noncapital Financing Activities	35,665,449		1,448,943	(2,087,940)	113,169	35,139,621	8,446,932
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition of capital assets, net of retirements	(10,389,537)	(947,358)	(1,904,924)	(3,166,296)		(16,408,115)	(1,430,579)
Acquisition of prior year capital assets			(882,013)			(882,013)	
Principal payments on capital debt		(535,000)	(1,603,385)	(1,714,739)	(48,102)	(3,901,226)	
Interest paid		(1,728,316)	(848,093)	(2,079,156)	(158,712)	(4,814,277)	
Cash Flows from Capital and Related Financing Activities	(10,389,537)	(3,210,674)	(5,238,415)	(6,960,191)	(206,814)	(26,005,631)	(1,430,579)
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest	25,776	74,801	31,676	1,071,530	22,559	1,226,342	96,435
Purchase of investments with fiscal agent	(171,906)					(171,906)	(28,184)
Sale of investments with fiscal agent		1,081,565	762,845	1,554,457		3,398,867	
Cash Flows from Investing Activities	(146,130)	1,156,366	794,521	2,625,987	22,559	4,453,303	68,251
Net Cash Flows	(1,372,236)	(56,986)	(869,278)	488,005	978,140	(832,355)	12,949,663
Cash and investments at beginning of period	2,827,500	203,878	869,278		2,135,883	6,036,539	3,374,396
Cash and investments at end of period	<u>\$1,455,264</u>	<u>\$146,892</u>	<u>\$869,278</u>	<u>\$488,005</u>	<u>\$3,114,023</u>	<u>\$5,204,184</u>	<u>\$16,324,059</u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:							
Operating income (loss)	(\$26,232,344)	\$523,994	\$4,257,595	\$2,808,440	(\$33,772)	(\$18,676,087)	\$7,541,992
Adjustments to reconcile operating income to cash flows from operating activities:							
Depreciation	342,767	880,358	382,379	1,340,659	1,091,325	4,037,488	800,234
Change in assets and liabilities:							
Receivables, net	(289,053)	(4,480)	(1,116,664)	(170,185)	(3,794)	(1,584,176)	(4,766)
Prepays and other assets	(8,878)		7,663			(1,215)	(183,277)
Accounts payable and accrued liabilities and other	1,122,618	585,962	(1,165,447)	2,979,379	(4,155)	3,518,357	443,738
Refundable deposits	10,946	11,488	(250,000)	(18,398)	(16,651)	(262,615)	
Unearned revenue							
Compensated absences payable	(1,448,074)		10,147	(29,746)	16,273	(1,451,400)	170,959
Claims payable							(2,903,821)
Cash Flows from Operating Activities	(26,502,018)	\$1,997,322	\$2,125,673	\$6,910,149	\$1,049,226	(14,419,648)	\$5,865,059
Non cash transactions:							
Contributions of capital assets							\$4,735,444
Accretion of bond principal							673,025

See accompanying notes to financial statements

City of Richmond
June 30, 2005

FIDUCIARY FUNDS

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

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

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

CITY OF RICHMOND
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2005

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and investments (Note 3)	\$17,557,335	\$5,197,643
Restricted cash and investments (Note 3)		3,007,301
Investment in reassessment bonds		9,142,500
Pension plan assets	22,778,228	
Receivable from the City	2,353	
Accounts receivable		583,230
Interest receivable	<u>64,150</u>	<u>25,349</u>
Total Assets	<u>40,402,066</u>	<u>\$17,956,023</u>
LIABILITIES		
Accounts payable and accrued liabilities	102,416	\$249,155
Deferred property tax override	17,315,525	
Refundable deposits payable		995,798
Due to assessment district bondholders		<u>16,711,070</u>
Total Liabilities	<u>17,417,941</u>	<u>\$17,956,023</u>
NET ASSETS		
Restricted for employees' retirement benefits	<u>\$22,984,125</u>	

See accompanying notes to financial statements

CITY OF RICHMOND
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 JUNE 30, 2005

	<u>Pension Trust Funds</u>
ADDITIONS	
Investment earnings	\$3,076,462
Property taxes	11,063,865
Contribution from the City	495,238
Other	8,235
Contribution from Pension Reserve	<u>2,892,095</u>
Total Additions	<u>17,535,895</u>
DEDUCTIONS	
Pension benefits	5,591,697
Other	108,623
Payments to City	8,342,849
Contribution to Pension Plans	<u>2,892,095</u>
Total Deductions	<u>16,935,264</u>
Net Increase (Decrease)	600,631
NET ASSETS, BEGINNING OF YEAR, AS RESTATED (NOTE 15)	<u>22,383,494</u>
NET ASSETS, END OF YEAR	<u><u>\$22,984,125</u></u>

See accompanying notes to financial statements

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City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 1 - ORGANIZATION AND DEFINITION OF REPORTING ENTITY

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

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

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

Blended Component Units:

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

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

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

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

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

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

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

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

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

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

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

RHA Properties: is a joint powers agreement between the City and the Housing Authority formed in 2004 for the purpose of owning and managing the operations of an affordable housing residential complex known as The Hilltop at Westridge Apartments in the City, dedicated to the needs of elderly persons. The City and the Housing Authority funded the acquisition of this complex through the issuance of debt. The City and Housing Authority exercise significant financial and management control over RHA and appoint members of the Board of Directors.

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting and Measurement Focus

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

City-Wide Financial Statements - The City-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary Activities of the City are not included in these statements; they are presented separately.

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

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

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

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

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

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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.

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. No restricted cash and investments held by fiscal agents are considered to be cash equivalents.

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

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

Capital Assets

Capital assets are valued at historical cost or at estimated fair value on the date donated. If actual historical costs are not available, assets have been valued at approximate historical cost. Depreciation is recorded on a straight-line basis over the following estimated useful lives:

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

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

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

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

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

Changes in compensated absence liabilities were as follows:

	Governmental Activities	Business Type Activities	Total
Beginning Balance	\$8,424,275	\$2,212,448	\$10,636,723
Additions	13,781,250	983,756	14,765,006
Payments	(14,071,368)	(2,435,156)	(16,506,524)
Ending Balance	\$8,134,157	\$761,048	\$8,895,205
Current Portion	\$1,707,181	\$201,292	\$1,908,473

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

Property Tax Levy, Collection and Maximum Rates

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

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

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

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

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

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

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

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

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

Claims Liabilities

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

Net Assets

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

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

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

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

Fund Reservations and Designations

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

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

NOTE 3 - CASH AND INVESTMENTS

Cash Deposits

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

The 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.

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 3 - CASH AND INVESTMENTS (Continued)

Classification

Cash and investments are classified in the financial statements as shown below at June 30, 2005:

Cash and investments	\$73,499,810
Restricted cash and investments	85,868,752
Total City cash and investments	159,368,562
Cash and investments in Fiduciary Funds (Separate Statement)	
Cash and investments	22,754,978
Restricted cash and investments	3,007,301
Investments in reassessment bonds	9,142,500
Total cash and investments	\$194,273,341

Investments

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

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

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

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

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Issues and Lease Agreements:

Under the terms of the City's debt issues and lease agreements, it is subject to various restrictions in the type, maturity and credit ratings of investments of the unspent proceeds of these issues. These restrictions are generally no more restrictive than those listed above regarding investment of the City's funds. At June 30, 2005, the City was in compliance with the terms of all these restrictions.

Interest Rate Risk:

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

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

	Remaining Maturity (in Months)				Total
	12 months or Less	13 to 24 Months	25 to 60 Months	More than 60 months	
Federal agency securities	\$19,838,843	\$17,979,243			\$37,818,086
Money market mutual funds (U.S. Securities)	12,575,233				12,575,233
U.S. Treasury Notes		7,907,473			7,907,473
California Local Agency Investment Fund	33,133,158				33,133,158
Held by bond trustee:					
Federal agency securities	1,525,466				1,525,466
Commercial paper	2,942,309				2,942,309
Money market mutual funds (U.S. Securities)	44,419,365				44,419,365
California Local Agency Investment Fund	77,135				77,135
Guaranteed investment contracts			\$70,000	\$5,063,781	5,133,781
Investment agreements		23,033,223	1,095,500	3,446,192	27,574,915
Investment repurchase agreement			1,146,500		1,146,500
2003-01 Reassessment Bonds	475,000	502,500	1,692,500	6,472,500	9,142,500
Total Investments	<u>\$114,986,509</u>	<u>\$49,422,439</u>	<u>\$4,004,500</u>	<u>\$14,982,473</u>	183,395,921
Cash in Bank and on hand					<u>10,877,420</u>
Total Cash and Investments					<u>\$194,273,341</u>

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 3 - CASH AND INVESTMENTS (Continued)

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2005, these investments matured in an average of 151 days.

Money market funds and mutual funds are available for withdrawal on demand and at June 30, 2005, matured in an average of 69 days

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2005 for each investment type:

<u>Investment Type</u>	<u>AAA</u>	<u>A-1</u>	<u>Total</u>
Federal agency securities	\$39,343,552		\$39,343,552
Money market mutual funds (U.S. Securities)	44,183,336		44,183,336
Commercial paper		\$2,942,309	2,942,309
Totals	<u>\$83,526,888</u>	<u>\$2,942,309</u>	86,469,197
<i>Not rated:</i>			
California Local Agency Investment Fund			33,210,293
Money market mutual funds (U.S. Securities)			12,811,262
Guaranteed investment contracts			5,133,781
Investment agreements			27,574,915
Investment repurchase agreement			1,146,500
2003-01 Reassessment Bonds			9,142,500
<i>Exempt from credit rating disclosure:</i>			
U.S. Treasury Notes			<u>7,907,473</u>
Total Investments			183,395,921
Cash in Bank and on hand			<u>10,877,420</u>
Total cash and Investments			<u>\$194,273,341</u>

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 3 - CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk

Investments in the securities of any individual issuer, other than U. S. Treasury securities, mutual funds, and external investment fund that represent 5% or more of total Entity-wide investments are as follows at June 30, 2005:

Issuer	Type of Investments	Amount
Federal Home Loan Bank	Federal Agency Securities	\$18,456,059
Federal Home Loan Mortgage Association	Federal Agency Securities	14,898,520
FSA Capital Management Services	Investment Agreements	23,033,223

Significant investments in the securities of any individual issuers, other than U. S. Treasury securities, in major funds at June 30, 2005 were as follows:

Major Funds	Issuer	Type of Investments	Amount
JPFA Debt Service Fund	MBIA Inc	Guaranteed Investment Contract	\$1,429,000
	Federal Home Loan Mortgage Association	Federal Agency Securities	1,525,466
JPFA Debt Service Fund	FGIC	Guaranteed Investment Contract	2,226,948
JPFA Debt Service Fund	AIG	Investment Agreement	2,406,414
General Capital Improvement	FSA Capital Management Services	Investment Agreement	23,033,223
Municipal Sewer Enterprise Fund			

Significant investments in the securities of any individual issuers, other than U. S. Treasury securities, in Agency funds at June 30, 2005

Agency Funds	Issuer	Type of Investments	Amount
JPFA Reassessment District	City of Richmond	Municipal Bonds	\$9,142,500
JPFA Reassessment District	Robo Bank International	Guaranteed Investment Contract	925,000

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 4 - INTERFUND TRANSACTIONS

A. Current Interfund Balances

Current interfund balances arise in the normal course of business and represent short-term borrowings occurring as a result of expenditures which are paid prior to the receipt of revenues. These balances are expected to be repaid shortly after the end of the fiscal year when revenues are received. Current amounts due from one fund to another at June 30, 2005 were as follows:

<u>Due from Other Funds</u>	<u>Due To Other Funds</u>	<u>Amount</u>
General Fund	Non Major Governmental Funds	\$3,171,491
	Richmond Housing Authority Enterprise Fund	2,888,539
	Port of Richmond Enterprise Fund	1,513,456
	Non Major Enterprise Funds	144,810
	Internal Service Funds	1,456,010
		<u>\$9,174,306</u>

B. Long-Term Interfund Advances

At June 30, 2005 the funds below had made advances which were not expected to be repaid within the next year.

<u>Fund Receiving Advance</u>	<u>Fund Making Advance</u>	<u>Amount of Advance</u>
General Fund	Redevelopment Agency	\$105,685
Redevelopment Agency Fund	General Fund	6,672,700
JPFA Fund	Redevelopment Agency	34,358
Port of Richmond Enterprise Fund	General Fund	17,139,855
Total		<u>\$23,952,598</u>

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

C. Transfers between funds

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

Less often, a transfer may be made to open or close a fund.

Transfers between funds during the fiscal year ended June 30, 2005 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
General Fund	Non-Major Governmental Funds	\$765,993
Redevelopment Agency	JPFA	14,721,083
	Non-Major Governmental Funds	223,815
JPFA	General Capital Improvement	72,391
General Capital Improvement	General Fund	518,985
	Non-Major Governmental Funds	57,766
Non-Major Governmental Funds	General Fund	8,863,464
	JPFA	140
	General Capital Improvement	274,387
	Non-Major Governmental Funds	523,752
	Port of Richmond	135,512
	Non-Major Enterprise Funds	31,567
	Internal Service Funds	1,398,309
Internal Service Funds	General Fund	8,274,818
	Non-Major Governmental Funds	114,339
	Non-Major Enterprise Funds	74
		\$35,976,395
Total Interfund Transfers		

None of these transfers were unusual or non-recurring in nature.

D. Internal Balances

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

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 5 - NOTES AND LOANS RECEIVABLE

At June 30, 2005, notes and loans receivable consisted of the following:

	Amount
City's Loans:	
CalTrans Loan	\$922,351
Community Development Block Grant Loans	
Mechanics Bank Loans	46,099
Deferred Loans	3,573,415
Home Improvement Program Loans	1,016,456
Rental Rehab Loans	280,419
Grant	4,916,389
Redevelopment Agency Loans:	
EDA Loans	476,073
Olson Urban Housing, LLC.	4,951,143
Harbour Capital Projects Loan	5,440,359
Atchison Village Annex Apartments	443,501
Heritage Park Development	474,972
Silent Second Mortgage Loans	2,280,161
Chesley Street Development	4,741,492
Subtotal- Redevelopment Agency	18,807,701
Total Notes and Loans Receivable	24,646,441
Less Reserve For Conditional Grants	(3,110,033)
Net Notes and Loans Receivable	\$21,536,408

CalTrans Loan

The total of \$922,351 consists of two loans from the City of Richmond to Richmond Neighborhood Housing Services. These are pass-through loans from CalTrans for the construction of 27 new homes located in North Richmond.

Mechanics Bank Loans

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

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)

Deferred Loans

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

Home Improvement Program Loans

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

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

Rental Rehabilitation Loans

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

EDA loans

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

Olson Urban Housing, LLC.

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

Harbor Capital Projects Loan

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

Atchison Village Annex Apartments

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

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 5 - NOTES AND LOANS RECEIVABLE (Continued)

Heritage Park Development

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

Silent Second Mortgage Loans

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

Chesley Avenue Mutual Housing Development

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

Conditional Grants

The loan to Chesley Avenue Mutual Housing Development provides for the eventual forgiveness of the loan balance if the borrower complies with all the terms of the loan over its full term. The City accounts for these loans as conditional grants in the Government-wide financial statements, and provides a reserve against their eventual forgiveness.

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 6 - CAPITAL ASSETS

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

	Balance at June 30, 2004	Additions	Retirements	Transfers	Balance at June 30, 2005
<i>Governmental activities</i>					
Capital assets not being depreciated:					
Land	\$19,575,702		(\$3,156,658)	\$1,704,262	\$18,123,306
Construction in progress	15,770,968	\$7,070,327	(1,658,604)	(5,993,275)	15,189,416
Total capital assets not being depreciated	<u>35,346,670</u>	<u>7,070,327</u>	<u>(4,815,262)</u>	<u>(4,289,013)</u>	<u>33,312,722</u>
Capital assets being depreciated:					
Buildings and improvements	30,002,157			673,392	30,675,549
Machinery and equipment	29,805,057	2,292,710	(725,635)		31,372,132
Infrastructure	394,888,163			3,615,621	398,503,784
Total capital assets being depreciated	<u>454,695,377</u>	<u>2,292,710</u>	<u>(725,635)</u>	<u>4,289,013</u>	<u>460,551,465</u>
Less accumulated depreciation for:					
Buildings and improvements	(11,247,207)	(1,375,195)			(12,622,402)
Machinery and equipment	(19,346,720)	(2,083,983)	748,909		(20,681,794)
Infrastructure	(204,577,797)	(13,090,379)			(217,668,176)
Total accumulated depreciation	<u>(235,171,724)</u>	<u>(16,549,557)</u>	<u>748,909</u>		<u>(250,972,372)</u>
Capital asset being depreciated, net	<u>219,523,653</u>	<u>(14,256,847)</u>	<u>23,274</u>	<u>4,289,013</u>	<u>209,579,093</u>
Governmental activity capital assets, net	<u>\$254,870,323</u>	<u>(\$7,186,520)</u>	<u>(\$4,791,988)</u>		<u>\$242,891,815</u>

Governmental activities depreciation expenses for capital assets for the year ended June 30, 2005 are as follows:

Governmental Activities	
General Government	\$103,894
Public Safety	315,236
Public Works	14,894,685
Community Development	2,431
Cultural & Recreation	240,965
Housing & Redevelopment	192,112
Internal Service Funds	800,234
Total Governmental Activities	<u>\$16,549,557</u>

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 6 - CAPITAL ASSETS (Continued)

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

	Balance at June 30, 2004, as Restated	Additions	Retirements	Transfers	Balance at June 30, 2005
<i>Business-type activities</i>					
Capital assets not being depreciated:					
Land	\$17,412,242	\$1,085,773		\$3,148,353	\$21,646,368
Construction in progress	28,514,094	14,341,687		(14,223,284)	28,632,497
Total capital assets not being depreciated	<u>45,926,336</u>	<u>15,427,460</u>		<u>(11,074,931)</u>	<u>50,278,865</u>
Capital assets being depreciated:					
Buildings and improvements	115,724,657	917,956		(3,148,353)	113,494,260
Machinery and equipment	13,576,418	62,699	(\$14,207)	1,410,000	15,034,910
Infrastructure	73,882,059			12,813,284	86,695,343
Total capital assets being depreciated	<u>203,183,134</u>	<u>980,655</u>	<u>(14,207)</u>	<u>11,074,931</u>	<u>215,224,513</u>
Less accumulated depreciation for:					
Buildings and improvements	(42,159,412)	(1,507,501)			(43,666,913)
Machinery and equipment	(9,643,138)	(573,555)	14,207		(10,202,486)
Infrastructure	(57,490,497)	(1,956,432)			(59,446,929)
Total accumulated depreciation	<u>(109,293,047)</u>	<u>(4,037,488)</u>	<u>14,207</u>		<u>(113,316,328)</u>
Capital asset being depreciated, net	<u>93,890,087</u>	<u>(3,056,833)</u>		<u>11,074,931</u>	<u>101,908,185</u>
Business-type activity capital assets, net	<u>\$139,816,423</u>	<u>\$12,370,627</u>			<u>\$152,187,050</u>

Business activities depreciation expenses for capital assets for the year ended June 30, 2005 are as follows:

Business-Type Activities	
Richmond Housing Authority	\$342,767
RHA Properties	880,358
Port of Richmond	382,379
Municipal Sewer	1,340,659
Richmond Marina	91,317
Storm Sewer	968,571
Cable TV	31,437
Total Business-Type Activities	<u><u>\$4,037,488</u></u>

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 7 - LONG-TERM DEBT OBLIGATIONS

Governmental Activities:

Following is a summary of governmental activities long-term debt transactions during the fiscal year ended June 30, 2005:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005	Due Within One Year	Due in More than One Year
Bonds payable	\$149,065,168	\$17,478,345	(\$5,025,000)	\$161,518,513	\$5,500,000	\$156,018,513
Notes payable	2,963,702	400,641	(159,949)	3,204,394	165,106	3,039,288
Capital leases	6,500,204	-	(2,455,046)	4,045,158	849,818	3,195,340
Total	<u>\$158,529,074</u>	<u>\$17,878,986</u>	<u>(\$7,639,995)</u>	<u>\$168,768,065</u>	<u>\$6,514,924</u>	<u>\$162,253,141</u>

Bonds Payable

Bonds payable at June 30, 2005 consisted of the following:

	Net
JPFA Revenue Refunding Bonds - 1995 Series A	\$9,705,000
Harbor Tax Allocation Refunding Bonds - 1991	260,000
Harbor Tax Allocation Refunding Bonds - 1998 Series A	24,298,513
Pension Obligation Bonds - 1999 Series A	26,225,000
JPFA Tax Allocation Revenue Bonds - 2000 Series A	23,455,000
JPFA Tax Allocation Revenue Bonds - 2000 Series B	4,985,000
JPFA Lease Revenue Bonds - 2001 Series A	27,010,000
JPFA Tax Allocation Revenue Bonds - 2003 Series A	16,080,000
JPFA Tax Allocation Revenue Bonds - 2003 Series B	12,500,000
JPFA Tax Allocation Revenue Bonds - 2004 Series A	15,000,000
JPFA Tax Allocation Revenue Bonds - 2004 Series B	2,000,000
Total	<u>\$161,518,513</u>

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

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

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

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

For the Years Ending June 30,	Principal	Interest	Total
2006	\$1,010,000	\$507,139	\$1,517,139
2007	1,055,000	453,323	1,508,323
2008	1,115,000	429,647	1,544,647
2009	1,175,000	337,422	1,512,422
2010	1,230,000	275,494	1,505,494
2011-2013	4,120,000	422,187	4,542,187
Total	\$9,705,000	\$2,425,212	\$12,130,212

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

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

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

For the Years Ending June 30,	Principal	Interest	Total
2006	\$50,000	\$16,450	\$66,450
2007	55,000	12,775	67,775
2008	60,000	8,750	68,750
2009	60,000	4,550	64,550
2010	35,000	1,225	36,225
Total	\$260,000	\$43,750	\$303,750

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

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

The bonds were issued by the Agency to refinance a portion of the 1991 Harbour Redevelopment Project Tax Allocation Refunding Bonds, refinance certain loans from the City to the Agency, which amount will be used by the City to finance certain publicly owned capital projects, finance certain redevelopment activities within the Harbour Redevelopment Project Area, fund a reserve account and pay certain costs of issuance of the 1998 bonds. The bonds mature annually through 2023, in amounts ranging from \$50,000 to \$1,130,000. Interest rates vary from 3.5% to a maximum of 5.2% and are payable semiannually on January 1 and July 1. The bonds are secured by a pledge of tax revenues. At June 30, 2005, the Bonds consisted of the following:

	Maturity Value	Accretion/ Amortization	Unamortized Premium (Discount)	Net
Current interest bonds	\$14,365,000			\$14,365,000
Capital appreciation bonds	16,935,000	\$478,345	(\$7,479,832)	9,933,513
Total	\$31,300,000	\$478,345	(\$7,479,832)	\$24,298,513

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

For the Years Ending June 30,	Principal	Interest	Total
2006	\$485,000	\$689,228	\$1,174,228
2007	500,000	669,153	1,169,153
2008	525,000	647,753	1,172,753
2009	550,000	624,903	1,174,903
2010	1,575,000	600,571	2,175,571
2011-2015	8,855,000	2,572,089	11,427,089
2016-2020	9,985,000	1,578,775	11,563,775
2021-2024	8,825,000	412,894	9,237,894
Total	\$31,300,000	\$7,795,366	\$39,095,366

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

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

The bonds were issued to fund a portion of the unfunded accrued actuarial liability in the Pension Fund together with the prepayment of certain pension benefit costs of the Beneficiaries and to pay the costs of issuance associated with the issuance of the bonds. The bonds 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. The annual debt service requirements on the bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2006	\$1,710,000	\$1,873,251	\$3,583,251
2007	1,690,000	1,753,742	3,443,742
2008	1,660,000	1,635,407	3,295,407
2009	1,620,000	1,518,726	3,138,726
2010	1,570,000	1,404,450	2,974,450
2011-2015	6,770,000	5,447,085	12,217,085
2016-2020	6,975,000	2,802,865	9,777,865
2021-2025	3,120,000	952,302	4,072,302
2026-2030	1,110,000	154,308	1,264,308
Total	\$26,225,000	\$17,542,136	\$43,767,136

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

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

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

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

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

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

For the Years Ending June 30,	Principal	Interest	Total
2006	\$1,200,000	\$1,126,708	\$2,326,708
2007	1,255,000	1,073,353	2,328,353
2008	1,305,000	1,017,635	2,322,635
2009	1,365,000	952,441	2,317,441
2010	1,435,000	885,040	2,320,040
2011-2015	8,225,000	3,350,550	11,575,550
2016-2020	8,240,000	1,054,088	9,294,088
2021-2025	265,000	68,119	333,119
2026-2030	165,000	22,444	187,444
Total	\$23,455,000	\$9,550,378	\$33,005,378

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

For the Years Ending June 30,	Principal	Interest	Total
2006	\$210,000	\$370,018	\$580,018
2007	225,000	354,793	579,793
2008	240,000	338,098	578,098
2009	260,000	319,723	579,723
2010	275,000	300,061	575,061
2011-2015	1,735,000	1,139,763	2,874,763
2016-2020	1,950,000	353,895	2,303,895
2021-2025	55,000	21,400	76,400
2026-2030	35,000	8,200	43,200
Total	\$4,985,000	\$3,205,951	\$8,190,951

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

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

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

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

For the Years Ending June 30.	Principal	Interest	Total
2006	\$500,000	\$1,324,875	\$1,824,875
2007	520,000	1,304,875	1,824,875
2008	545,000	1,284,075	1,829,075
2009	565,000	1,260,913	1,825,913
2010	590,000	1,236,194	1,826,194
2011-2015	3,385,000	5,748,631	9,133,631
2016-2020	4,315,000	4,825,800	9,140,800
2021-2025	5,520,000	3,622,250	9,142,250
2026-2030	7,040,000	2,098,000	9,138,000
2031	4,030,000	201,500	4,231,500
Total	<u>\$27,010,000</u>	<u>\$22,907,113</u>	<u>\$49,917,113</u>

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

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

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

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

For the Years Ending June 30,	Principal	Interest	Total
2006		\$1,515,771	\$1,515,771
2007		1,515,771	1,515,771
2008		1,515,771	1,515,771
2009	\$780,000	1,502,012	2,282,012
2010	810,000	1,472,834	2,282,834
2011-2015	4,580,000	6,797,580	11,377,580
2016-2020	6,265,000	5,496,059	11,761,059
2021-2025	11,955,000	3,121,818	15,076,818
2026	4,190,000	117,908	4,307,908
Total	\$28,580,000	\$23,055,524	\$51,635,524

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

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

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

For the Year Ending June 30,	Principal	Interest	Total
2006	\$335,000	\$844,058	\$1,179,058
2007	215,000	837,261	1,052,261
2008	215,000	831,229	1,046,229
2009	225,000	824,434	1,049,434
2010	230,000	816,766	1,046,766
2011-2015	1,295,000	3,936,794	5,231,794
2016-2020	4,360,000	3,539,637	7,899,637
2021-2025	3,890,000	2,222,837	6,112,837
2026-2027	6,235,000	458,724	6,693,724
Total	\$17,000,000	\$14,311,740	\$31,311,740

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

Notes Payable

Notes payable at June 30, 2005 consisted of the following:

Hilltop Exterior Renovation Loan	\$275,000
Wells Fargo Loan	500,000
CalTrans Home Loans	857,239
CHFA Help Loan	<u>1,572,155</u>
Total	<u><u>\$3,204,394</u></u>

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

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

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

For the Years Ending June 30,	Principal	Interest	Total
2006	\$150,000	\$21,845	\$171,845
2007	125,000	6,068	131,068
Total	<u>\$275,000</u>	<u>\$27,913</u>	<u>\$302,913</u>

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 U.S. Treasury Note rate. The principal balance is due and payable 10 years from the date of the initial disbursement.

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

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

For the Years Ending June 30,	Principal	Interest	Total
2006		\$7,500	\$7,500
2007		7,500	7,500
2008		7,500	7,500
2009		7,500	7,500
2010		7,500	7,500
2011-2015		37,500	37,500
2016-2017	\$500,000	15,000	515,000
Total	\$500,000	\$90,000	\$590,000

CalTrans Home Loans

The City has a loan from CalTrans which it used to purchase 43 homes. These homes were resold to Richmond Neighborhood Housing Services in order to provide housing to very low, and low and moderate income persons. Interest on the loan is computed annually based upon the average rate of return by the Pooled Money Investment Board for the past five years.

CHFA Help Loan

In 2000, the Redevelopment Agency entered into a loan agreement with California Housing Finance Agency, to assist that Agency in operating a local housing program which provides loans to non-profit developers for the purpose of financing the acquisition, preconstruction, and construction of single-family ownership and multifamily rental properties. The loan bears a simple per annum 3% interest rate and all payments of principal and interest are deferred for a ten year period.

Capital Leases

Capital leases payable at June 30, 2005 consisted of the following:

Sun Trust Leasing Corporation - 911 System Interface	\$618,559
Municipal Finance Corporation - Viron	3,426,599
Total	\$ 4,045,158

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

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

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

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

For the Years Ending June 30,	Principal	Interest	Total
2006	\$491,284	\$16,550	\$507,834
2007	127,275	1,198	128,473
Total	\$618,559	\$17,748	\$636,307

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

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

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

For the Years Ending June 30,	Principal	Interest	Total
2006	\$358,534	\$149,474	\$508,008
2007	375,304	132,704	508,008
2008	392,859	115,150	508,009
2009	411,234	96,774	508,008
2010	430,469	77,539	508,008
2011-2014	1,458,199	108,160	1,566,359
Total	\$3,426,599	\$679,801	\$4,106,400

Business-Type Activities

The following is a summary of long-term debt of business-type activities during the fiscal year ended June 30, 2005:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005	Due Within One Year	Due in More than One Year
Bonds payable	\$86,612,380	\$673,025	(\$3,231,422)	\$84,053,983	\$3,275,000	\$80,778,983
Loans and leases payable	12,543,740		(666,227)	11,877,513	681,831	11,195,682
Total	\$99,156,120	\$673,025	(\$3,897,649)	\$95,931,496	\$3,956,831	\$91,974,665

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

Bonds payable at June 30, 2005 consisted of the following:

RHA Properties Affordable Housing Agency Bonds Series 2003 A and A-S	\$34,185,000
Wastewater Revenue Bonds Series 1999	39,218,632
Port Terminal Lease Revenue Refunding Bonds Series 1999	5,905,351
Port Terminal Lease Revenue Bonds 1996	4,745,000
Total	\$84,053,983

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

In September 2003, RHA Properties issued \$35,000,000 principal amount of multi-family housing revenue bonds to finance the acquisition of an affordable housing residential complex. Of these Bonds, \$12,000,000 bear interest at a rate of 6.375% and \$23,000,000 bear interest at variable rates; all the Bonds are due in 2033.

For the Years Ending June 30,	Principal	Interest	Total
2006	\$455,000	\$1,709,076	\$2,164,076
2007	565,000	1,685,314	2,250,314
2008	475,000	1,661,320	2,136,320
2009	585,000	1,632,030	2,217,030
2010	595,000	1,605,423	2,200,423
2011-2015	3,495,000	7,531,223	11,026,223
2016-2020	4,825,000	6,495,239	11,320,239
2021-2025	6,640,000	5,079,979	11,719,979
2026-2030	8,960,000	3,151,073	12,111,073
2031-2034	7,590,000	684,404	8,274,404
Total	\$34,185,000	\$31,235,081	\$65,420,081

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

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, 2005, the Bonds consisted of the following:

	Maturity Value	Accretion/ Amortization	Unamortized Premium (Discount)	Net
Current interest bonds	\$27,745,000	(\$2,584)	\$67,405	\$27,809,821
Capital appreciation bonds	37,765,000	673,025	(27,029,214)	11,408,811
	<u>\$65,510,000</u>	<u>\$670,441</u>	<u>(\$26,961,809)</u>	<u>\$39,218,632</u>

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

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

For the Years Ending June 30,	Principal	Interest	Total
2006	\$1,415,000	\$1,455,916	\$2,870,916
2007	1,480,000	1,389,331	2,869,331
2008	1,545,000	1,318,984	2,863,984
2009	1,620,000	1,243,796	2,863,796
2010	1,695,000	1,163,389	2,858,389
2011-2015	9,885,000	4,354,363	14,239,363
2016-2020	15,915,000	1,213,795	17,128,795
2021-2025	14,525,000		14,525,000
2026-2030	14,525,000		14,525,000
2031	2,905,000		2,905,000
Total	<u>\$65,510,000</u>	<u>\$12,139,574</u>	<u>\$77,649,574</u>

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

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

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

Bonds outstanding	\$5,930,000
Unamortized discount	<u>(24,649)</u>
Net	<u><u>\$ 5,905,351</u></u>

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

For the Years Ending June 30,	Principal	Interest	Total
2006	\$1,130,000	\$267,568	\$1,397,568
2007	1,180,000	218,413	1,398,413
2008	1,235,000	165,903	1,400,903
2009	2,385,000	109,710	2,494,710
Total	<u><u>\$5,930,000</u></u>	<u><u>\$761,594</u></u>	<u><u>\$6,691,594</u></u>

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

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

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

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

For the Years Ending June 30.	Principal	Interest	Total
2006	\$275,000	\$298,459	\$573,459
2007	295,000	281,716	576,716
2008	310,000	263,208	573,208
2009	335,000	242,729	577,729
2010	355,000	220,821	575,821
2011-2015	2,120,000	716,100	2,836,100
2016-2017	1,055,000	70,785	1,125,785
Total	\$4,745,000	\$2,093,818	\$6,838,818

Loans and Leases Payable

Loans and leases payable at June 30, 2005, consisted of the following:

State Revolving Fund Loan Contract	\$3,232,854
California Department of Boating and Waterways	3,478,867
Pt. Potrero Lease Revenue Note	5,165,792
Total	\$11,877,513

State Revolving Fund Loan Contract

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

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

For the Years Ending June 30.	Principal	Interest	Total
2006	\$364,425	\$96,986	\$461,411
2007	375,358	86,053	461,411
2008	386,618	74,792	461,410
2009	398,217	63,194	461,411
2010	410,163	51,247	461,410
2011-1015	1,298,073	78,424	1,376,497
Total	\$3,232,854	\$450,696	\$3,683,550

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

California Department of Boating and Waterways

The Agency has three loan agreements with the California Department of Boating and Waterways for total borrowings of \$9,427,000. Proceeds from the loans were used to finance marina construction projects. The loans bear interest at rates ranging from 4.5% to 7.9% and are due in annual installments through 2042. The total amount outstanding at June 30, 2005 was \$3,478,867.

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

For the Years Ending June 30.	Principal	Interest	Total
2006	\$50,266	\$156,549	\$206,815
2007	52,528	154,287	206,815
2008	54,892	151,923	206,815
2009	57,362	149,453	206,815
2010	59,943	146,872	206,815
2011-2015	342,688	691,387	1,034,075
2016-2020	427,052	607,023	1,034,075
2021-2025	532,184	501,891	1,034,075
2026-2030	663,198	370,877	1,034,075
2031-2035	694,590	213,369	907,959
2036-2040	532,587	76,613	609,200
2041-2043	11,577	1,055	12,632
Total	<u>\$3,478,867</u>	<u>\$3,221,299</u>	<u>\$6,700,166</u>

2004 Richmond Joint Powers Financing Authority Point Potrero Lease Revenue Note

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

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

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

For the Years Ending June 30.	Principal	Interest	Total
2006	\$267,140	\$242,240	\$509,380
2007	279,980	229,400	509,380
2008	293,437	215,943	509,380
2009	307,541	201,839	509,380
2010	322,323	187,058	509,381
2011-2015	1,859,435	687,467	2,546,902
2016-2020	1,835,936	201,586	2,037,522
Total	<u>\$5,165,792</u>	<u>\$1,965,533</u>	<u>\$7,131,325</u>

Special Assessment Debt Without City Commitment

Special assessment districts have been established in various parts of the City to provide improvements to properties located in those districts. Properties in these districts are assessed for the cost of improvements; these assessments are payable solely by property owners over the term of the debt issued to finance these improvements. The City is not legally or morally obligated to pay these debts or be the purchaser of last resort of any foreclosed properties in these special assessment districts, nor is it obligated to advance City funds to repay these debts in the event of default by any of these districts. At June 30, 2005, the balance of these Districts' outstanding debts was as follows:

1999 JPFA Revenue Refunding Bonds, Series A, secured solely by revenues from Hilltop Area Development District F and Cutting Boulevard/Canal Boulevard	\$4,130,000
Country Club Vista	11,075,000
Richmond JPFA Reassessment Revenue Bonds, 2003 Series A, secured solely by revenues from Reassessment District 2003-1 (Atlas Interchange/Atlas Road West)	9,850,000
Harbor Navigation Improvement District	1,695,000
Community Facilities District No. 1998-1	4,165,000
San Pablo Avenue Street Lighting District No. 854	140,000

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 7 - LONG-TERM DEBT OBLIGATIONS (Continued)

Conduit Debt

The City has assisted private-sector entities by sponsoring their issuance of debt for purposes the City deems to be in the public interest. These debt issues are secured solely by the property financed by the debt. The City is not legally or morally obligated to pay these debts or be the purchaser of last resort of any foreclosed properties secured by these debts, nor is it obligated to advance City funds to repay these debts in the event of default by any of these issuers. At June 30, 2005, the balance of these issuers' outstanding debts was as follows:

Bridge Housing Acquisitions, Inc.	\$14,685,000
YMCA of the East Bay, 1996 Revenue Bonds	3,990,000

NOTE 8 - DEFERRED REVENUE

Fund Financial Statements

At June 30, 2005, the following deferred revenues were recorded in the Fund Financial Statements because either the revenues had not been earned or the funds were not available to finance expenditures of the current period:

	General Fund	Redevelopment Agency	Non- Major Governmental Funds	Total
Loans Receivable	\$713,547	\$18,604,493	\$4,916,389	\$24,234,429
Grants Receivable	155,493	27,615	147,277	330,385
Unearned grant revenues		39,450	98,477	137,927
Interest accrual - Advances to other funds	9,031,624		4,464	9,036,088
Park & recreation receivable -	30,294			30,294
Total	\$9,930,958	\$18,671,558	\$5,166,607	\$33,769,123

NOTE 9 - DEFICIT FUND BALANCES AND ACCUMULATED DEFICITS

The City plans to remove the deficit in net assets of \$8,973,973 in the Port of Richmond Enterprise Fund by increased leasing activity at the Port.

Deficit fund balances in the Paratransit Operations, Employment and Training, and Cost Recovery Special Revenue Funds will be eliminated through future grant revenues.

Deficit net assets in the Convention Center Enterprise Fund will be eliminated by future service revenues.

Deficit fund balances in Internal Service Funds are expected to be eliminated through future increases in service charges.

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 10 - CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Plan Description and Provisions

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

Funding Policy

Active plan members are required by state statute to contribute 8% for miscellaneous and 9% for safety employees of their annual covered salary. The City as employer makes the contributions required of City employees on their behalf and for their account, which amounted to \$7,937,661 for the year ended June 30, 2005. The City as employer was required to contribute for fiscal year ending 2004-2005 at an actuarially determined rate of 16.183% and 26.263% of annual covered payroll for miscellaneous and safety employees respectively.

Annual Pension Cost

For 2004-2005, the City's annual pension cost of \$12,284,671 for PERS was equal to the City's required and actual contributions. The required contribution was determined by PERS using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.25% to 14.45% for miscellaneous employees and from 3.25% to 13.15% for safety employees depending on age, service, and type of employment, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization periods at June 30, 2005, were 32 years for both the miscellaneous and the safety employees plans for prior and current service unfunded liability.

THREE-YEAR TREND INFORMATION FOR PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2003	\$ 4,290,153	100%	-
6/30/2004	\$ 8,608,154	100%	-
6/30/2005	\$12,284,671	100%	-

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 10 - CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (Continued)

SCHEDULE OF FUNDING PROGRESS - CALPERS

Safety Plan:

Actuarial						
Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
06/30/02	\$263,042,554	\$231,046,229	\$31,996,325	88%	\$25,052,876	127.7%
06/30/03	296,958,521	234,512,373	62,446,148	79%	28,428,911	219.7%
06/30/04	314,203,424	247,622,760	66,580,664	79%	23,992,233	277.5%

Miscellaneous Plan:

Actuarial						
Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
06/30/02	\$212,980,371	\$199,716,242	\$13,264,129	94%	\$38,719,369	34.3%
06/30/03	236,909,194	202,599,016	34,310,178	86%	36,800,434	93.2%
06/30/04	258,035,928	212,933,212	45,102,716	83%	32,316,594	139.6%

NOTE 11 – OTHER CITY PENSION PLANS

Plan Description and Funding Policy

The City maintains three, single-employer, defined benefit pension plans, which are funded entirely by City contributions. These are the General Pension Plan, Police and Firemen's Pension Plan, and Garfield Pension Plan (collectively, the "Plans"). The General Pension Plan, a defined benefit pension plan, covers 36 former City employees not covered by PERS, all of whom have retired. The Police and Firemen's Pension Plan, a defined benefit pension plan covers 98 police and fire personnel employed prior to October 1964. The 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.

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 11 – OTHER CITY PENSION PLANS (Continued)

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.

Actuarially Determined Required Contributions

General Pension Plan – As of July 1, 2005, the date of the most recent actuarial valuation available, the actuarial present value of pension benefits under the Plan was \$6,787,265 and the assets of the Plan at fair value were \$3,142,740 resulting in an unfunded actuarial liability of \$3,645,873. In computing the actuarial valuation, Plan assets were assumed to yield a 5% return and were assumed to increase 5% annually. Assumptions for retirement age, disability, withdrawal, and salary increases were not meaningful as substantially all of the participants had retired.

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, 2005 was \$2,440,857. Pension benefits for the 2004/05 fiscal year were \$4,823,183. The actuarial present value of future pension liabilities under the Plan at July 1, 2005, the date of the most recent actuarial valuation, was approximately \$41,653,180, representing principally prior service costs. Assets of the Plan were \$19,333,748 resulting in an unfunded actuarial liability of \$22,401,478. Actuarial assumptions included an assumed rate of return of 6.5%. Mortality rates were based on the mortality tables currently used by California PERS. These PERS mortality tables were further adjusted to reflect anticipated future mortality improvement. Benefit payments were assumed to increase 3.5% annually. Assumptions for retirement age, disability, withdrawal, and salary increases have an insignificant effect on the valuation as substantially all of the participants had retired.

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
2002/03	\$329,048	\$1,070,888	325%	\$2,174,274	-	0%
2003/04	357,744	1,119,537	313%	2,428,906	2,899,909	119%
2004/05	299,319	946,476	316%	2,191,252	2,440,857	111%

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

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 11 – OTHER CITY PENSION PLANS (Continued)

Significant Accounting Policies

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

Net Pension Liability (Asset)

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

During the year ended June 30, 2005, the City’s annual pension contribution to the Police and Firemen’s Pension Plan exceeded the annual pension cost by \$407,234, which reduced the net pension liability to \$4,701,533.

The City’s annual pension cost and net pension obligation for Fiscal 2004-05 were as follows:

	<u>Police and Fireman's Plan</u>	<u>General Pension Plan</u>	<u>Garfield Pension Plan</u>
Annual required contribution	\$2,191,252	\$299,319	\$62,856
Adjustment to annual required contribution	(157,629)	63,758	179,162
Annual pension cost	2,033,623	363,077	242,018
Contributions made	(2,440,857)	(946,476)	-
(Decrease) increase in net pension obligations	(407,234)	(583,399)	242,018
Net pension obligation June 30, 2004	5,108,767	(1,508,346)	-
Net pension obligation June 30, 2005	<u>\$4,701,533</u>	<u>(\$2,091,745)</u>	<u>\$242,018</u>

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 11 – OTHER CITY PENSION PLANS (Continued)

SCHEDULE OF FUNDING PROGRESS

General Pension Plan			
<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Contributed by City</u>	<u>Percentage Contributed</u>
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%
2001/02	348,626	-	0%
2002/03	329,048	756,402	230%
2003/04	357,744	1,119,537	313%
2004/05	299,319	946,476	316%

Police and Firemen's Plan			
<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Contributed by City</u>	<u>Percentage Contributed</u>
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%
2001/02	762,611	-	0%
2002/03	2,174,274	-	0%
2003/04	2,428,906	2,899,909	119%
2004/05	2,191,252	2,440,857	111%

Pension Tax Override

As of June 30, 2005, the City has decided to set aside the pension property tax override, after pension debt service payments of \$17,557,335 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 \$8,342,849 in the Pension Trust Fund in the accompanying financial statements.

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Notes 10 and 11, 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, 2005, 389 retirees met those eligibility requirements. The City funds these benefits on a pay-as-you-go basis. During fiscal year 2005, expenditures of \$1,660,345 were recognized for post employment health care benefits.

NOTE 13 – DEFERRED COMPENSATION PLAN

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

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

NOTE 14 - 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:

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

In July 2004 the City joined the Municipal Pooling Authority. The Authority provides coverage against the following types of loss risks under the terms of a joint-powers agreement with the City and several other cities and governmental agencies as follows:

<u>Type of Coverage (Deductible)</u>	<u>Coverage Limits</u>
Liability (\$5,000)	\$15,000,000
All Risk Fire, Property, Earthquake & Flood (\$5,000)	1,000,000,000
Boiler & Machinery (\$5,000)	100,000,000

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 14 - RISK MANAGEMENT (Continued)

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

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

Audited financial statements for the Authority are available from MPA, 1911 San Miguel Drive, Suite 200, Walnut Creek, CA 94596.

During the fiscal year ended June 30, 2005, there were no significant reductions in any of the City insurance coverage and no settlement amounts exceeded the self-insurance coverage.

Liability for Uninsured Claims

The unpaid claims liabilities included in each of the self-insurance internal service funds are based on case reserves and include amounts for claims incurred but not reported (IBNR). At June 30, 2005, the estimated claims payable of \$18,236,179, 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, 2005 and 2004 were as follows:

	2005	2004
Claims liabilities, beginning of year	\$21,140,000	\$17,132,000
Claims and changes in estimates	3,061,118	17,018,916
Claim payments	(4,641,550)	(9,759,653)
Legal administrative and other expenses	(1,323,389)	(3,251,263)
Claims liabilities, end of year	\$18,236,179	\$21,140,000

NOTE 15 - RESTATEMENTS

In fiscal 2005, the City restated the balances discussed below to correct prior year accounting or financial statement presentation errors. None of these errors affected the City's cash balances.

General Pension Trust Fund and Police & Fireman's Pension Trust Fund

At June 30, 2004, these Funds had recorded Net Pension Obligations (Assets) of (\$1,508,346) and \$5,108,767, respectively, which resulted in their reporting Net Assets of \$4,385,650 and \$13,732,268, respectively at that date. However, the Net Pension Obligations of \$3,600,421 were not reported in the City-wide financial statements at June 30, 2004. These Net Pension Obligations (Assets) are long-term in nature and under the requirements of GASB Statements 27 and 34 are reportable only in the City-wide financial statements. Accordingly, these Funds' balances have been restated to eliminate these Net Pension Obligations (Assets), which are now reported only at the City-wide level.

City of Richmond
Notes to Basic Financial Statements
June 30, 2005

NOTE 15 – RESTATEMENTS (Continued)

Pension Reserve Trust Fund

In prior years, property tax revenues in the amount of \$7,429,825 received by the Fund were incorrectly recorded as Deferred Revenues and excluded from Net Assets at June 30, 2004. This amount has been added to Net Assets as of July 1, 2004.

RHA Properties

In fiscal 2005, RHA Properties restated its Capital Assets and Net Assets balances in the amount of \$818,498 to correct prior year accounting errors.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Commitments

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

The City's future commitments under construction projects totaled approximately \$1,519,484 at June 30, 2005.

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.

NOTE 17 - SUBSEQUENT EVENTS

2005 Taxable Pension Funding Bonds, Series A, B-1, and B-2

On November 1, 2005, the City of Richmond issued \$114,995,133 in Taxable Pension Funding Bonds. The proceeds of the bonds are going to be used to make payments to the California Public Employees' Retirement System to fund the unfunded accrued actuarial liability of the City's employees and their beneficiaries. Interest is payable semi-annually on February 1 and August 1 commencing February 1, 2006.

CITY OF RICHMOND
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property tax-current collections	\$28,350,262	\$28,350,262	\$25,740,931	(\$2,609,331)
Property tax-released from Pension Reserve Fund			4,627,380	4,627,380
Sales tax	9,579,000	9,452,537	20,273,363	10,820,826
Utility user fees	27,846,000	27,846,000	29,721,235	1,875,235
Other taxes	9,445,544	12,325,929	13,849,935	1,524,006
Licenses, permits and fees	2,978,323	3,193,410	2,837,431	(355,979)
Fines, forfeitures and penalties	812,237	769,737	496,528	(273,209)
Use of money and property	1,600,000	1,600,000	354,540	(1,245,460)
Intergovernmental	5,281,867	5,281,867	3,876,578	(1,405,289)
Charges for services	544,000	1,644,000	313,292	(1,330,708)
Rent			108,941	108,941
Other	6,368,578	6,504,032	597,658	(5,906,374)
Total Revenues	92,805,811	96,967,774	102,797,812	5,830,038
EXPENDITURES:				
Current				
General government	13,348,719	13,991,494	12,299,968	1,691,526
Public safety	57,558,519	57,754,693	51,249,034	6,505,659
Public works	7,682,376	8,184,756	7,432,827	751,929
Community development			42,750	(42,750)
Cultural and recreational	8,348,869	8,700,160	7,226,060	1,474,100
Capital outlay			837,634	(837,634)
Total Expenditures	86,938,483	88,631,103	79,088,273	9,542,830
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,867,328	8,336,671	23,709,539	15,372,868
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property		1,000,000	1,000,613	613
Transfers in	4,090,415	4,434,469	765,993	(3,668,476)
Transfers (out)	(6,260,253)	(5,284,235)	(17,657,267)	(12,373,032)
Total other financing sources (uses)	(2,169,838)	150,234	(15,890,661)	(16,040,895)
NET CHANGE IN FUND BALANCE	3,697,490	8,486,905	7,818,878	(668,027)
Fund balance, July 1	35,775,012	35,775,012	35,775,012	
Fund balance, June 30	\$39,472,502	\$44,261,917	\$43,593,890	(\$668,027)

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City of Richmond
Required Supplementary Information
June 30, 2005

NOTES TO BUDGETARY COMPARISON SCHEDULE

Budgets and Budgetary Accounting

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

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

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

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

The budgets are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP).

CITY OF RICHMOND
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2005

	SPECIAL REVENUE FUNDS				
	State Gas Tax	General Purpose	Maintenance	Paratransit Operations	Community Development Block Grant
ASSETS					
Cash and investments	\$5,178,025	\$568,366			
Restricted cash and investments					\$2,053,140
Receivables:					
Accounts, net		518,651		\$2,718	17,030
Interest	13,980	(1,732)		(415)	
Grants					
Loans					4,916,389
Prepaid and other assets				500	
Total Assets	\$5,192,005	\$1,085,285		\$2,803	\$6,986,559
LIABILITIES					
Accounts payable and accrued liabilities	\$1,750	\$127,308		\$17,750	\$143,957
Refundable deposits		76,688			
Due to other funds				612,046	87,414
Deferred revenue					4,920,853
Total Liabilities	1,750	203,996		629,796	5,152,224
FUND EQUITY					
Fund balances (deficits)					
Reserved for encumbrances		29,553			1,629
Reserved for prepaids, supplies and other assets				500	
Unreserved, undesignated	5,190,255	851,736		(627,493)	1,832,706
Total Fund Balances (Deficits)	5,190,255	881,289		(626,993)	1,834,335
Total Liabilities and Fund Balances	\$5,192,005	\$1,085,285		\$2,803	\$6,986,559

SPECIAL REVENUE FUNDS				DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS	
Parks, Recreation and Environment	Employment and Training	Police and Crime Prevention	Cost Recovery	General Debt Service	Atlas Road Improvements	Marina Westshore
\$3,881,365 95		\$995,930		\$467,128	\$1,451,468	\$77,824
205,266 9,599	\$874,030 830,462	102,445 3,250	\$421,467 (304)	(4,861)	3,477	(95)
<u>\$4,096,325</u>	<u>\$1,704,492</u>	<u>\$1,101,625</u>	<u>\$421,163</u>	<u>\$462,267</u>	<u>\$1,454,945</u>	<u>\$77,729</u>
\$225,092 (15,787)	\$419,621 980	\$19,298 11,850	\$175,543 900,822			\$29,820
42,550	2,186,482 104,727	98,477	255,729			
<u>251,855</u>	<u>2,711,810</u>	<u>129,625</u>	<u>1,332,094</u>			<u>29,820</u>
			501,188			
<u>3,844,470</u>	<u>(1,007,318)</u>	<u>972,000</u>	<u>(1,412,119)</u>	<u>\$462,267</u>	<u>\$1,454,945</u>	<u>47,909</u>
<u>3,844,470</u>	<u>(1,007,318)</u>	<u>972,000</u>	<u>(910,931)</u>	<u>462,267</u>	<u>1,454,945</u>	<u>47,909</u>
<u>\$4,096,325</u>	<u>\$1,704,492</u>	<u>\$1,101,625</u>	<u>\$421,163</u>	<u>\$462,267</u>	<u>\$1,454,945</u>	<u>\$77,729</u>

(Continued)

CITY OF RICHMOND
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2005

	<u>CAPITAL PROJECTS FUNDS</u>			Total Nonmajor Governmental Funds
	<u>Measure C</u>	<u>Harbor Navigation</u>	<u>Port Remediation</u>	
ASSETS				
Cash and investments	\$3,948,215	\$577,659		\$17,068,156
Restricted cash and investments		1,270,078		3,401,137
Receivables:				
Accounts, net				2,141,607
Interest	9,094	1,835		33,828
Grants				830,462
Loans				4,916,389
Prepaid and other assets				500
Total Assets	<u>\$3,957,309</u>	<u>\$1,849,572</u>		<u>\$28,392,079</u>
LIABILITIES				
Accounts payable and accrued liabilities				\$1,130,319
Refundable deposits				974,553
Due to other funds				3,171,491
Deferred revenue				5,166,607
Total Liabilities				<u>10,442,970</u>
FUND EQUITY				
Fund balances (deficits)				
Reserved for encumbrances				532,370
Reserved for prepaids, supplies and other assets				500
Unreserved, undesignated	\$3,957,309	\$1,849,572		17,416,239
Total Fund Balances (Deficits)	<u>3,957,309</u>	<u>1,849,572</u>		<u>17,949,109</u>
Total Liabilities and Fund Balances	<u>\$3,957,309</u>	<u>\$1,849,572</u>		<u>\$28,392,079</u>

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CITY OF RICHMOND
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2005

	SPECIAL REVENUE FUNDS				
	State Gas Tax	General Purpose	Maintenance	Paratransit Operations	Community Development Block Grant
REVENUES					
Property taxes-released from Pension Reserve Fund					
Licenses, permits and fees		\$24			
Fines, forfeitures and penalties		25,487			
Use of money and property	547,202	(9,180)	\$637	(\$4,646)	
Intergovernmental	1,904,831	265,029		482,815	\$1,762,947
Charges for services		1,208,295		57,027	
Other		325,300			1,034,447
Rent					
Total Revenues	<u>1,952,033</u>	<u>1,814,955</u>	<u>637</u>	<u>535,196</u>	<u>2,797,394</u>
EXPENDITURES					
Current					
General government		408,497			
Public safety					
Public works	2,196	2,940,178	12	1,119,656	
Community development		249,443			
Cultural and recreational					
Housing and redevelopment					2,206,884
Capital outlay					
Debt Service:					
Principal					
Interest and fiscal charges					
Total Expenditures	<u>2,196</u>	<u>3,598,118</u>	<u>12</u>	<u>1,119,656</u>	<u>2,206,884</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,949,837</u>	<u>(1,783,163)</u>	<u>625</u>	<u>(584,460)</u>	<u>590,510</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of property					
Transfers in		2,527,677	284,130		
Transfers (out)	(1,132,125)	(57,771)	(5,312)		
Total Other Financing Sources (Uses)	<u>(1,132,125)</u>	<u>2,469,906</u>	<u>278,818</u>		
NET CHANGE IN FUND BALANCE	817,712	686,743	279,443	(584,460)	590,510
BEGINNING FUND BALANCES (DEFICIT), AS RESTATED	<u>4,372,543</u>	<u>194,546</u>	<u>(279,443)</u>	<u>(42,533)</u>	<u>1,243,825</u>
ENDING FUND BALANCES (DEFICIT)	<u>\$5,190,255</u>	<u>\$881,289</u>	<u>\$626,993</u>	<u>\$626,993</u>	<u>\$1,834,335</u>

SPECIAL REVENUE FUNDS				DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS	
Parks, Recreation and Environment	Employment and Training	Police and Crime Prevention	Cost Recovery	General Debt Service	Atlas Road Improvements	Marina Westshore
\$566,450	\$37		\$4,943,902	\$3,715,469		
35,762		\$11,178	(2,738)	(32,493)	\$13,911	\$2,099
402,503	3,953,421	988,810				
	1,490,521		227,275			
198,710	105,520	(58,769)	1,897	47,834		
	16,524					
1,203,425	5,566,023	941,219	5,170,336	3,730,810	13,911	2,099
163,419		426,709	1,183,981			
	4,250,413		6,030,188			
136,792		40,901				
				5,774,995		
				4,040,949		
300,211	4,250,413	467,610	7,214,169	9,815,944		
903,214	1,315,610	473,609	(2,043,833)	(6,085,134)	13,911	2,099
14,170	50,000	97,802		8,215,502		
		(142,125)	(12,215)	(112,302)		(223,815)
14,170	50,000	(44,323)	(12,215)	8,103,200		(223,815)
917,384	1,365,610	429,286	(2,056,048)	2,018,066	13,911	(221,716)
2,927,086	(2,372,928)	542,714	1,145,117	(1,555,799)	1,441,034	269,625
\$3,844,470	(\$1,007,318)	\$972,000	(\$910,931)	\$462,267	\$1,454,945	\$47,909

(Continued)

CITY OF RICHMOND
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2005

	CAPITAL PROJECTS FUNDS			Total Nonmajor Governmental Funds
	Measure C	Harbor Navigation	Port Remediation	
REVENUES				
Property taxes-released from Pension Reserve Fund				\$3,715,469
Licenses, permits and fees				5,510,413
Fines, forfeitures and penalties				25,487
Use of money and property	\$37,650	\$27,562	(\$1,295)	125,649
Intergovernmental	1,073,369			10,833,725
Charges for services				2,983,118
Other				1,654,939
Rent				16,524
Total Revenues	<u>1,111,019</u>	<u>27,562</u>	<u>(1,295)</u>	<u>24,865,324</u>
EXPENDITURES				
Current				
General government				571,916
Public safety				1,610,690
Public works		3,144		10,095,374
Community development				4,499,856
Cultural and recreational				136,792
Housing and redevelopment				2,206,884
Capital outlay				40,901
Debt Service:				
Principal				5,774,995
Interest and fiscal charges				4,040,949
Total Expenditures		<u>3,144</u>		<u>28,978,357</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,111,019</u>	<u>24,418</u>	<u>(1,295)</u>	<u>(4,113,033)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property				97,802
Transfers in		140	135,512	11,227,131
Transfers (out)				(1,685,665)
Total Other Financing Sources (Uses)		<u>140</u>	<u>135,512</u>	<u>9,639,268</u>
NET CHANGE IN FUND BALANCE	<u>1,111,019</u>	<u>24,558</u>	<u>134,217</u>	<u>5,526,235</u>
BEGINNING FUND BALANCES (DEFICIT), AS RESTATED	<u>2,846,290</u>	<u>1,825,014</u>	<u>(134,217)</u>	<u>12,422,874</u>
ENDING FUND BALANCES (DEFICIT)	<u>\$3,957,309</u>	<u>\$1,849,572</u>		<u>\$17,949,109</u>

CITY OF RICHMOND
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2005

	Richmond Marina	Storm Sewer	Cable TV	Convention Center	Total
ASSETS					
Current Assets					
Cash and investments	\$2,330,300	\$546,027	\$237,696		\$3,114,023
Receivables:					
Accounts	83,840	72,944	221,329	\$29,232	407,345
Interest	6,608	893	(423)	(721)	6,357
Total Current Assets	2,420,748	619,864	458,602	28,511	3,527,725
Noncurrent Assets					
Capital assets:					
Nondepreciable		1,672,495			1,672,495
Depreciable, net	2,575,679	10,653,541	157,966		13,387,186
Total Noncurrent Assets	2,575,679	12,326,036	157,966		15,059,681
Total Assets	4,996,427	12,945,900	616,568	28,511	18,587,406
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities		8,410	24,582	3,938	36,930
Interest payable	143,503				143,503
Refundable deposits	60,000			64,620	124,620
Due to other funds				144,810	144,810
Compensated absences		28,939	39,219	33,468	101,626
Current portion of long term debt	50,266				50,266
Total Current Liabilities	253,769	37,349	63,801	246,836	601,755
Noncurrent Liabilities:					
Long-term debt	3,428,601				3,428,601
Total Noncurrent Liabilities	3,428,601				3,428,601
Total Liabilities	3,682,370	37,349	63,801	246,836	4,030,356
NET ASSETS					
Invested in capital assets, net of related debt		12,326,036	157,966		12,484,002
Unrestricted	1,314,057	582,515	394,801	(218,325)	2,073,048
Total Net Assets	\$1,314,057	\$12,908,551	\$552,767	(\$218,325)	\$14,557,050

CITY OF RICHMOND
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

	Richmond Marina	Storm Sewer	Cable TV	Convention Center	Total
OPERATING REVENUES					
Service charges		\$1,546,245	\$734,028	\$272,696	\$2,552,969
Lease income	\$456,142				456,142
Other		100	106,745	312	107,157
Total Operating Revenues	456,142	1,546,345	840,773	273,008	3,116,268
OPERATING EXPENSES					
Salaries and wages		738,695	452,314	187,718	1,378,727
General and administrative		435,092	123,492	81,617	640,201
Maintenance			39,496	260	39,756
Depreciation	91,317	968,571	31,437		1,091,325
Other			31		31
Total Operating Expenses	91,317	2,142,358	646,770	269,595	3,150,040
Operating Income (Loss)	364,825	(596,013)	194,003	3,413	(33,772)
NONOPERATING REVENUES (EXPENSES)					
Interest income	21,271	987	1,963	(1,662)	22,559
Interest (expense)	(156,728)				(156,728)
Total Nonoperating Revenues (Expenses)	(135,457)	987	1,963	(1,662)	(134,169)
Income (Loss) Before Contributions and Transfers	229,368	(595,026)	195,966	1,751	(167,941)
Transfers (out)			(31,195)	(446)	(31,641)
Net Contributions and Transfers			(31,195)	(446)	(31,641)
Change in Net Assets	229,368	(595,026)	164,771	1,305	(199,582)
BEGINNING NET ASSETS	1,084,689	13,503,577	387,996	(219,630)	14,756,632
ENDING NET ASSETS	\$1,314,057	\$12,908,551	\$552,767	(\$218,325)	\$14,557,050

CITY OF RICHMOND
NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005

	Richmond Marina	Storm Sewer	Cable TV	Convention Center	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$454,095	\$1,520,717	\$825,813	\$295,198	\$3,095,823
Payments to suppliers		(438,868)	(162,523)	(82,752)	(684,143)
Payments to employees		(735,982)	(444,798)	(181,674)	(1,362,454)
Cash Flows from Operating Activities	<u>454,095</u>	<u>345,867</u>	<u>218,492</u>	<u>30,772</u>	<u>1,049,226</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund receipts				144,810	144,810
Transfer out			(31,195)	(446)	(31,641)
Cash Flows from Noncapital Financing Activities			<u>(31,195)</u>	<u>144,364</u>	<u>113,169</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:					
Repayment of long-term borrowing	(48,102)				(48,102)
Interest paid	(158,712)				(158,712)
Cash flows from capital financing activities	<u>(206,814)</u>				<u>(206,814)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received	21,271	987	1,963	(1,662)	22,559
Cash Flows from Investing Activities	<u>21,271</u>	<u>987</u>	<u>1,963</u>	<u>(1,662)</u>	<u>22,559</u>
Net Cash Flows	268,552	346,854	189,260	173,474	978,140
Cash and investments at beginning of period	2,061,748	199,173	48,436	(173,474)	2,135,883
Cash and investments at end of period	<u>\$2,330,300</u>	<u>\$546,027</u>	<u>\$237,696</u>		<u>\$3,114,023</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	\$364,825	(\$596,013)	\$194,003	\$3,413	(\$33,772)
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	91,317	968,571	31,437		1,091,325
Change in assets and liabilities:					
Accounts receivable	(2,047)	(25,628)	(14,960)	38,841	(3,794)
Accounts payable and accrued liabilities and other accrued expenses		(3,776)	496	(875)	(4,155)
Refundable deposits				(16,651)	(16,651)
Compensated absences		2,713	7,516	6,044	16,273
Cash Flows from Operating Activities	<u>\$454,095</u>	<u>\$345,867</u>	<u>\$218,492</u>	<u>\$30,772</u>	<u>\$1,049,226</u>

CITY OF RICHMOND
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2005

	Workers' Compensation	General Liability	Information Technology	Equipment Services and Replacement	Total
ASSETS					
Current Assets					
Cash and investments	\$6,695,109			\$9,628,950	\$16,324,059
Restricted cash and investments				28,184	28,184
Receivables:					
Accounts			\$398	15,188	15,586
Interest	9,352	\$1,467		25,083	35,902
Prepays and supplies				183,277	183,277
Total Current Assets	6,704,461	1,467	398	9,880,682	16,587,008
Noncurrent Assets					
Capital assets:					
Depreciable, net		11,772	1,544,722	3,900,772	5,457,266
Total Assets	6,704,461	13,239	1,545,120	13,781,454	22,044,274
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	100,776	85,525	232,486	145,906	564,693
Due to other funds		696,932	759,078		1,456,010
Total Current Liabilities	100,776	782,457	991,564	145,906	2,020,703
Noncurrent Liabilities					
Compensated absences	25,925		151,478	39,364	216,767
Accrued claims liabilities	15,094,493	3,141,686			18,236,179
Total Noncurrent Liabilities	15,120,418	3,141,686	151,478	39,364	18,452,946
Total Liabilities	15,221,194	3,924,143	1,143,042	185,270	20,473,649
NET ASSETS					
Invested in capital assets		11,772	1,544,722	3,900,772	5,457,266
Unrestricted	(8,516,733)	(3,922,676)	(1,142,644)	9,695,412	(3,886,641)
Total Net Assets	(\$8,516,733)	(\$3,910,904)	\$402,078	\$13,596,184	\$1,570,625

CITY OF RICHMOND
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

	Workers' Compensation	General Liability	Information Technology	Equipment Services and Replacement	Total
OPERATING REVENUES					
Charges for services	\$10,551,542	\$3,550,011	\$2,682,363	\$5,200,406	\$21,984,322
Total Operating Revenues	<u>10,551,542</u>	<u>3,550,011</u>	<u>2,682,363</u>	<u>5,200,406</u>	<u>21,984,322</u>
OPERATING EXPENSES					
Salaries and wages	236,246	68,343	1,412,118	1,028,674	2,745,381
General and administrative	100,670		991,052	257,322	1,349,044
Maintenance	5,744	(300)	371,873	855,558	1,232,875
Depreciation		23,544	23,612	753,078	800,234
Claims losses	3,266,626	4,919,351			8,185,977
Other	42,738		86,081		128,819
Total Operating Expenses	<u>3,652,024</u>	<u>5,010,938</u>	<u>2,884,736</u>	<u>2,894,632</u>	<u>14,442,330</u>
Operating Income (Loss)	<u>6,899,518</u>	<u>(1,460,927)</u>	<u>(202,373)</u>	<u>2,305,774</u>	<u>7,541,992</u>
NONOPERATING REVENUES (EXPENSES)					
Proceeds from sale of property				91,477	91,477
Interest income	18,359	34,837	(3,784)	80,802	130,214
Total Nonoperating Revenues (Expenses)	<u>18,359</u>	<u>34,837</u>	<u>(3,784)</u>	<u>172,279</u>	<u>221,691</u>
Income (Loss) Before Contributions and Transfers	<u>6,917,877</u>	<u>(1,426,090)</u>	<u>(206,157)</u>	<u>2,478,053</u>	<u>7,763,683</u>
Contributions			1,332,217	3,403,227	4,735,444
Transfers in			139,914	8,249,317	8,389,231
Transfers (out)			(863,896)	(534,413)	(1,398,309)
Net Contributions and Transfers			<u>608,235</u>	<u>11,118,131</u>	<u>11,726,366</u>
Change in Net Assets	6,917,877	(1,426,090)	402,078	13,596,184	19,490,049
BEGINNING NET ASSETS (DEFICIT)	<u>(15,434,610)</u>	<u>(2,484,814)</u>			<u>(17,919,424)</u>
ENDING NET ASSETS (DEFICIT)	<u>(\$8,516,733)</u>	<u>(\$3,910,904)</u>	<u>\$402,078</u>	<u>\$13,596,184</u>	<u>\$1,570,625</u>

CITY OF RICHMOND
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005

	Workers' Compensation	General Liability	Information Technology	Equipment Services and Replacement	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$10,560,895	\$3,551,478	\$2,681,965	\$5,185,218	\$21,979,556
Payments to employees	(319,166)	(40,630)	(2,019,206)	(1,100,726)	(3,479,728)
Payments to suppliers	(48,482)	300	(457,954)	(855,558)	(1,361,694)
Insurance premiums and claims paid	(6,426,133)	(4,663,665)		(183,277)	(11,273,075)
Cash Flows from Operating Activities	3,767,114	(1,152,517)	204,805	3,045,657	5,865,059
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund receipts		696,932	759,078		1,456,010
Transfers in			139,914	8,249,317	8,389,231
Transfers (out)			(863,896)	(534,413)	(1,398,309)
Cash Flows from Noncapital Financing Activities		696,932	35,096	7,714,904	8,446,932
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets		(35,316)	(236,117)	(1,159,146)	(1,430,579)
Cash Flows from Capital and Related Financing Activities		(35,316)	(236,117)	(1,159,146)	(1,430,579)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest	11,130	33,370	(3,784)	55,719	96,435
Purchase of investments with fiscal agent				(28,184)	(28,184)
Cash Flows from Investing Activities	11,130	33,370	(3,784)	27,535	68,251
Net Cash Flows	3,778,244	(457,531)		9,628,950	12,949,663
Cash and investments at beginning of period	2,916,865	457,531			3,374,396
Cash and investments at end of period	<u>\$6,695,109</u>			<u>\$9,628,950</u>	<u>\$16,324,059</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	\$6,899,518	(\$1,460,927)	(\$202,373)	\$2,305,774	\$7,541,992
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation		23,544	23,612	753,078	800,234
Change in assets and liabilities:					
Receivables, net	9,353	1,467	(398)	(15,188)	(4,766)
Inventories				(183,277)	(183,277)
Accounts and other payables	37,633	27,713	232,486	145,906	443,738
Compensated absences	(19,883)		151,478	39,364	170,959
Claims payable	(3,159,507)	255,686			(2,903,821)
Cash Flows from Operating Activities	\$3,767,114	(\$1,152,517)	\$204,805	\$3,045,657	\$5,865,059
Non cash transactions:					
Contributions of capital assets			<u>\$1,332,217</u>	<u>\$3,403,227</u>	<u>\$4,735,444</u>

CITY OF RICHMOND
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2005

	PENSION TRUST FUNDS					Total
	Pension Reserve	General Pension	Police and Fireman's Pension	Garfield Pension	Agency Funds	
ASSETS						
Cash and investments	\$17,557,335				\$5,197,643	\$22,754,978
Restricted cash and investments					3,007,301	3,007,301
Investment in reassessment bonds					9,142,500	9,142,500
Pension plan assets		\$3,142,740	\$19,333,748	\$301,740		22,778,228
Receivable from City		845	1,508			2,353
Accounts receivable					583,230	583,230
Interest receivable	54,892	(895)	10,594	(441)	25,349	89,499
Total Assets	<u>17,612,227</u>	<u>3,142,690</u>	<u>19,345,850</u>	<u>301,299</u>	<u>17,956,023</u>	<u>58,358,089</u>
LIABILITIES						
Accounts payable and accrued liabilities		3,888	98,528		249,155	351,571
Deferred property tax override	17,315,525					17,315,525
Refundable deposits payable					995,798	995,798
Due to assessment district bondholders					16,711,070	16,711,070
Total Liabilities	<u>17,315,525</u>	<u>3,888</u>	<u>98,528</u>	<u>301,299</u>	<u>17,956,023</u>	<u>35,373,964</u>
NET ASSETS						
Net Assets Held in Trust for Pension Benefits	<u>\$296,702</u>	<u>\$3,138,802</u>	<u>\$19,247,322</u>	<u>\$301,299</u>	<u>17,956,023</u>	<u>\$22,984,125</u>

CITY OF RICHMOND
PENSION TRUST FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
JUNE 30, 2005

	Pension Reserve	General Pension	Police and Fireman's Pension	Garfield Pension	Total
ADDITIONS					
Investment earnings (loss)	\$171,080	\$11,074	\$2,888,548	\$5,760	\$3,076,462
Property taxes	11,063,865				11,063,865
Contribution from the City		495,238			495,238
Other		8,235			8,235
Contribution from Pension Reserve		451,238	2,440,857		2,892,095
Total Additions	<u>11,234,945</u>	<u>965,785</u>	<u>5,329,405</u>	<u>5,760</u>	<u>17,535,895</u>
DEDUCTIONS					
Pension benefits		695,599	4,823,183	72,915	5,591,697
Other		8,688	99,935		108,623
Payments to City	8,342,849				8,342,849
Contribution to Pension Funds	2,892,095				2,892,095
Total Deductions	<u>11,234,944</u>	<u>704,287</u>	<u>4,923,118</u>	<u>72,915</u>	<u>16,935,264</u>
Net Increase (Decrease)	<u>1</u>	<u>261,498</u>	<u>406,287</u>	<u>(67,155)</u>	<u>600,631</u>
NET ASSETS					
Beginning of year, as restated	<u>296,701</u>	<u>2,877,304</u>	<u>18,841,035</u>	<u>368,454</u>	<u>22,383,494</u>
End of year	<u>\$296,702</u>	<u>\$3,138,802</u>	<u>\$19,247,322</u>	<u>\$301,299</u>	<u>\$22,984,125</u>

CITY OF RICHMOND
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005
<u>Special Assessment</u>				
Cash and investments	\$4,161,669	\$3,927,108	\$3,900,682	\$4,188,095
Restricted cash and investments	2,071,940	10,353		2,082,293
Accounts receivable		330,051		330,051
Interest receivable	23,888	23,885	23,888	23,885
Total Assets	<u>\$6,257,497</u>	<u>\$4,291,397</u>	<u>\$3,924,570</u>	<u>\$6,624,324</u>
Accounts payable and accrued liabilities	\$30,788	\$17,863	\$30,788	\$17,863
Due to assessment district bondholders	6,226,709	4,273,534	3,893,782	6,606,461
Total Liabilities	<u>\$6,257,497</u>	<u>\$4,291,397</u>	<u>\$3,924,570</u>	<u>\$6,624,324</u>
<u>General Agency</u>				
Cash and investments	\$770,739	\$379,872	\$416,978	\$733,633
Accounts receivable		253,179		253,179
Interest receivable	953	953	953	953
Total Assets	<u>\$771,692</u>	<u>\$634,004</u>	<u>\$417,931</u>	<u>\$987,765</u>
Accounts payable and accrued liabilities	\$185,383	\$21,584	\$185,383	\$21,584
Refundable Deposits	586,309	612,420	232,548	966,181
Total Liabilities	<u>\$771,692</u>	<u>\$634,004</u>	<u>\$417,931</u>	<u>\$987,765</u>
<u>Cafeteria Option</u>				
Cash and investments	(\$36,878)	\$36,878		
Interest receivable	(118)	(118)	(\$118)	(\$118)
Total Assets	<u>(\$36,996)</u>	<u>\$36,760</u>	<u>(\$118)</u>	<u>(\$118)</u>
Accounts payable and accrued liabilities	(\$4,293)	\$32,941	(\$4,293)	\$32,941
Refundable Deposits	(32,703)	3,819	4,175	(33,059)
Total Liabilities	<u>(\$36,996)</u>	<u>\$36,760</u>	<u>(\$118)</u>	<u>(\$118)</u>

(Continued)

CITY OF RICHMOND
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005
<u>Johnson Library</u>				
Cash and investments	\$7,934	\$76		\$8,010
Interest receivable	25	25	\$25	25
Total Assets	<u>\$7,959</u>	<u>\$101</u>	<u>\$25</u>	<u>\$8,035</u>
Refundable deposits	<u>\$7,959</u>	<u>\$101</u>	<u>\$25</u>	<u>\$8,035</u>
<u>Senior Center</u>				
Cash and investments	\$72,677	\$510	\$23,571	\$49,616
Interest receivable	559	559	559	559
Total Assets	<u>\$73,236</u>	<u>\$1,069</u>	<u>\$24,130</u>	<u>\$50,175</u>
Accounts payable and accrued liabilities	\$6,891	\$4,581	\$6,891	\$4,581
Refundable Deposits	66,345	(3,512)	17,239	45,594
Total Liabilities	<u>\$73,236</u>	<u>\$1,069</u>	<u>\$24,130</u>	<u>\$50,175</u>
<u>Shimada Sister City</u>				
Cash and investments	\$13,915	\$87	\$5,000	\$9,002
Interest receivable	45	45	45	45
Total Assets	<u>\$13,960</u>	<u>\$132</u>	<u>\$5,045</u>	<u>\$9,047</u>
Accounts payable and accrued liabilities	\$5,000		\$5,000	
Refundable Deposits	8,960	\$132	45	\$9,047
Total Liabilities	<u>\$13,960</u>	<u>\$132</u>	<u>\$5,045</u>	<u>\$9,047</u>
<u>JPFA Reassessment</u>				
Cash and investments		\$37,101		\$37,101
Restricted cash and investments	\$943,861	274,074	\$292,927	925,008
Investment in reassessment bonds	9,740,000		597,500	9,142,500
Total Assets	<u>\$10,683,861</u>	<u>\$311,175</u>	<u>\$890,427</u>	<u>\$10,104,609</u>
Due to assessment district bondholders	<u>\$10,683,861</u>	<u>\$311,175</u>	<u>\$890,427</u>	<u>\$10,104,609</u>

(Continued)

CITY OF RICHMOND
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005
<u>Payroll Benefits</u>				
Cash and investments		\$172,186		\$172,186
Accounts payable and accrued liabilities		\$172,186		\$172,186
<u>Total Agency Funds</u>				
Cash and investments	\$4,990,056	\$4,553,818	\$4,346,231	\$5,197,643
Restricted cash and investments	3,015,801	284,427	292,927	3,007,301
Investment in reassessment bonds	9,740,000		597,500	9,142,500
Accounts receivable		583,230		583,230
Interest receivable	25,352	25,349	25,352	25,349
Total Assets	<u>\$17,771,209</u>	<u>\$5,446,824</u>	<u>\$5,262,010</u>	<u>\$17,956,023</u>
Accounts payable and accrued liabilities	\$223,769	\$249,155	\$223,769	\$249,155
Refundable Deposits	636,870	612,960	254,032	995,798
Due to assessment district bondholders	16,910,570	4,584,709	4,784,209	16,711,070
Total Liabilities	<u>\$17,771,209</u>	<u>\$5,446,824</u>	<u>\$5,262,010</u>	<u>\$17,956,023</u>

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City of Richmond
Statistics

TABLE 1

GOVERNMENTAL REVENUES BY SOURCE ⁽¹⁾
(In Thousands)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Property Tax	\$28,875	\$32,521	\$27,825	\$29,420	\$37,211	\$37,220	\$37,152	\$39,816	\$36,476	\$48,149
State Tax										
Sales and Use	9,407	8,742	9,697	10,736	12,431	14,256	13,200	12,283	12,352	20,273
Local Taxes										
Utility User Tax	16,985	17,300	17,354	18,142	18,331	21,095	21,145	23,463	29,323	29,721
Other Taxes	5,107	5,379	5,952	6,151	6,661	9,756	7,579	10,811	9,421	13,847
Total	22,092	22,679	23,306	24,293	24,992	30,851	28,724	34,274	38,744	43,568
Total Taxes	60,374	63,942	60,828	64,449	74,634	82,327	79,076	86,373	87,572	111,990
Investment Earnings	6,591	6,229	12,377	6,117	5,562	8,522	11,950	9,711	2,629	2,496
Licenses and Permits	2,020	2,087	2,155	2,502	2,955	3,854	6,460	5,268	8,415	8,348
Fines and Penalties	311	287	311	630	805	760	455	571	435	522
Rent	6,670	3,610	2,296	2,576	---	2,794	4,245	2,630	2,561	238
Charges for Services	14,427	14,097	14,087	5,511	8,546	4,824	6,159	6,775	6,775	3,865
Intergovernmental	49,230	40,791	16,489	18,663	23,669	19,540	15,391	26,727	15,893	15,980
Lease Income	---	---	---	---	3,659	1,306	3,013	3,017	0	0
Reimbursement from Pension Fund	---	---	---	---	---	---	4,017	3,929	0	0
Other	5,283	2,025	1,854	2,358	2,362	3,971	2,365	6,185	23,153	3,192
TOTAL	\$144,906	\$133,068	\$110,397	\$102,806	\$122,192	\$127,898	\$133,131	\$151,186	\$147,432	\$146,630

⁽¹⁾Reflects revenues of the General, Special Revenue, Debt Service, Capital Projects Funds and Richmond Redevelopment Agency.

Source: City of Richmond, Finance Department

City of Richmond Statistics

TABLE 2

GOVERNMENTAL EXPENDITURES ⁽¹⁾ (In Thousands)

	1996	1997	1998	1999	2000	2001	2002	2003	2004 ⁽²⁾	2005
Expenditures										
Current										
General Government	\$18,055	\$17,221	\$18,341	\$18,824	\$25,213	\$19,657	\$17,316	\$17,982	\$21,042	\$12,872
Public Works	6,817	6,652	6,415	5,124	5,576	7,793	24,690	18,345	39,509	20,948
Health and Sanitation	5,338	5,013	5,225	---	296	956	---	---	---	---
Housing & Redevelopment	16,425	17,358	5,877	5,829	7,821	1,990	9,861	24,940	9,611	11,971
Public Safety	32,527	35,773	36,155	37,515	38,812	40,337	44,309	53,170	55,122	52,859
Cultural & Recreational	7,301	7,684	8,281	8,625	9,877	9,741	10,707	11,586	11,426	7,363
Community Development	5,031	6,119	6,440	6,969	8,572	9,600	6,140	8,557	5,771	4,543
Other	2,350	(7,283)	2,503	901	1,429	11,166	81	76	0	0
Capital Outlay	44,746	31,414	21,080	16,629	17,492	15,894	8,462	13,171	0	10,630
Debt Service										
Principal Retirement	12,939	7,062	10,985	5,671	14,827	13,437	12,989	6,245	7,990	7,640
Interest & Fiscal Charges	9,353	8,153	14,830	6,586	7,796	12,004	13,939	13,930	12,102	9,207
Total Expenditures ⁽¹⁾	\$161,382	\$135,166	\$136,132	\$112,673	\$137,711	\$142,575	\$148,494	\$168,002	\$162,573	\$138,033

⁽¹⁾ Reflects expenditures of the General, Special Revenue, Debt Service, Capital Projects Funds and Richmond Redevelopment Agency.

(2) Due to system malfunction, allocation across programs reflects approximations.

Source: City of Richmond, Finance Department

City of Richmond

Statistics

TABLE 3

PROPERTY TAX LEVIES AND COLLECTIONS

(In Thousands)

1% TAX ROLL ⁽¹⁾	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Total Tax Levied and Collected	\$25,793	\$26,458	\$25,635	\$26,379	\$27,341	\$28,125	\$32,193	\$32,890	\$34,721	\$38,687
% of Increase (decrease)	1.71%	2.58%	-3.11%	2.90%	3.65%	2.87%	14.46%	2.17%	5.57%	11.42%
VOTER APPROVED										
DEBT TAX ROLL ⁽²⁾	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Total Tax Levied and Collected	\$8,086	\$8,317	\$8,197	\$8,202	\$7,782	\$9,129	\$9,867	\$10,656	\$11,282	\$13,009
% of Increase (decrease)	4.48%	2.86%	-1.44%	0.06%	-5.12%	17.31%	8.08%	8.00%	5.87%	15.31%

(1) The maximum tax rate is 1% of the assessed value or \$1 \$100 of the assessed value, excluding the tax rate for debt service.

(2) Voter approved tax roll for debt is in addition to the 1% rate shown in note (1).

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

City of Richmond Statistics

TABLE 4

ASSESSED VALUE OF PROPERTY

(In Thousands)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
ASSESSED VALUE ⁽¹⁾										
Land	\$1,553,620	\$1,577,452	\$1,597,176	\$1,691,023	\$1,772,263	\$1,918,926	\$2,111,424	\$2,324,645	\$2,627,744	\$2,959,317
Improvements	4,421,284	4,563,209	4,456,155	4,498,749	4,591,723	4,784,954	5,616,334	5,626,587	5,738,751	6,621,854
Total Real Property	\$5,974,904	\$6,140,661	\$6,053,331	\$6,189,772	\$6,363,986	\$6,703,880	\$7,727,758	\$7,951,232	\$8,366,495	\$9,581,171
Personal Property	463,630	476,532	372,732	375,648	453,809	491,488	496,737	522,772	558,098	563,253
TOTAL	\$6,438,534	\$6,617,193	\$6,426,063	\$6,565,420	\$6,817,795	\$7,195,368	\$8,224,495	\$8,474,004	\$8,925,193	\$10,144,424
EXEMPTIONS ⁽²⁾										
Homeowners ^(a)	\$112,105	\$111,660	\$111,212	\$111,686	\$112,543	\$114,012	\$115,472	\$116,607	\$116,687	\$115,580
Other ^(b)	132,008	165,998	190,382	198,631	209,783	208,302	240,583	245,704	243,788	267,660
TOTAL	\$244,113	\$277,658	\$301,594	\$310,317	\$322,326	\$322,314	\$356,055	\$362,311	\$360,475	\$383,240
ASSESSED VALUE										
(Net of Exemptions)	\$6,194,421	\$6,339,625	\$6,124,469	\$6,255,103	\$6,495,469	\$6,873,054	\$7,868,440	\$8,111,693	\$8,564,718	\$9,761,184
Less: Redevelopment Tax Increments ⁽³⁾	615,197	614,172	601,425	714,929	729,227	792,046	903,230	1,020,387	1,102,499	1,200,250
NET ASSESSED VALUE	\$5,579,224	\$5,725,453	\$5,523,044	\$5,540,174	\$5,766,242	\$6,081,008	\$6,965,210	\$7,091,306	\$7,462,219	\$8,560,934
NET INCREASE (DECREASE)	\$126,759	\$146,229	(\$202,409)	\$17,130	\$226,068	\$314,766	\$884,202	\$126,096	\$370,913	\$1,098,715
% OF INCREASE (DECREASE)	2.32%	2.62%	-3.54%	0.31%	4.08%	5.46%	14.54%	1.81%	5.23%	14.72%

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

⁽²⁾ Exemptions are summarized as follows:

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

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

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

City of Richmond Statistics

TABLE 5

PROPERTY TAX RATES Direct and Overlapping Governments <i>(per \$1,000 in Assessed Value)</i>										
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
CITY OF RICHMOND										
General Fund	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
1981 Pension Liability ⁽¹⁾	0.1400	0.1400	0.1400	0.1400	0.1400	0.1400	0.1400	0.1400	0.1400	0.1400
Total	1.1400									
OTHER GOVERNMENTS										
BART	0.0230	0.0225	0.0220	0.0167	---	---	---	---	---	0.0048
West Contra Costa Unified 1998	---	---	---	0.0061	0.0125	0.0204	0.0181	0.0161	0.0161	0.0161
East Bay Regional Parks District	0.0094	0.0080	0.0081	0.0092	0.0088	0.0065	0.0072	0.0065	0.0057	0.0057
West Contra Costa Unified 2000	---	---	---	---	---	---	0.0069	0.0250	0.0437	0.0469
West Contra Costa Unified 2002	---	---	---	---	---	---	---	0.0115	0.0489	0.0523
Community College 2002	---	---	---	---	---	---	---	0.0040	0.0042	0.0047
Total	0.0324	0.0305	0.0301	0.0320	0.0213	0.0269	0.0322	0.0631	0.1186	0.1305
Total Tax Rate	1.1724	1.1705	1.1701	1.1720	1.1613	1.1669	1.1722	1.2031	1.2586	1.2705

⁽¹⁾ Voter approved debt.

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

City of Richmond

Statistics

TABLE 6

PRINCIPAL PROPERTY TAXPAYERS

Property Taxpayer	Type of Business	2005 Assessed Valuation	Tax Levy(1)	Percentage of Total Assessed Valuation(2)
Chevron USA	Petroleum Coal Products	\$2,801,031,920	\$7,982,941	27.61
Berlex Laboratories	Chemical Production	150,553,716	429,078	1.48
Dicon Fiberoptics	Semiconductors	62,567,458	178,317	0.62
Watch Holdings	Apartments	57,540,579	163,991	0.57
Richmond Essex	Land Development	51,357,222	146,368	0.51
DDR Hilltop Plaza	Shopping Centers	47,258,467	134,687	0.47
Security Capital Pacific Trust	Apartments	45,617,331	130,009	0.45
Cherokee Simeon Venture	Land Development	42,987,867	122,515	0.42
Kristra Investment	No secured property	32,903,959	93,776	0.32
Steelscape Inc.	Heavy Industrial	32,606,544	92,929	0.32
ASSESSED PROPERTY VALUATION - NET		\$3,324,425,063	\$9,474,611	32.77

(1) Estimated base on tax rate of 0.285%

(2) Based on total assessed value of \$10,144,424,163

Source: MBLA MuniServices Company

City of Richmond Statistics

TABLE 7

SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS *(In Thousands)*

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Hilltop Assessments A-F	\$ 1,955	\$ 1,929	\$ 1,921	\$ 1,926	\$ 711	\$ 706	\$ 700	\$ 528	\$ 528	\$ 527
Richmond Atlas West	191	192	0	0	0	0	0	0	0	0
Pt Richmond #812	12	0	0	0	0	0	0	0	0	0
Seaport A.D. #816	39	42	40	41	38	0	0	0	0	0
Richmond Assmt Dist 851	787	1,041	0	0	0	0	(50)	0	0	0
Richmond Assmt Dist 853	1,306	1,667	0	0	0	0	(141)	0	0	0
Richmond Assmt Dist 854	36	35	34	37	36	37	35	36	39	38
Richmond Assmt Dist 852	746	725	727	730	729	732	732	732	729	734
Harbor Navigation Impvmt	---	---	264	225	224	224	222	225	224	222
Richmond Atlas Refunding	---	---	1,338	1,341	1,374	1,041	1,048	1,076	1,005	1,013
Country Club Vista	---	---	---	---	---	1,011	962	964	965	965
Total Collected	\$ 5,072	\$ 5,031	\$ 4,324	\$ 4,300	\$ 3,112	\$ 3,751	\$ 3,508	\$ 3,361	\$ 3,290	\$ 3,299

Source: Contra Costa County, Property Tax Settlement

City of Richmond
Statistics

TABLE 8

COMPUTATION OF LEGAL DEBT MARGIN

(in Thousands)

Total assessed valuation (net of exemptions)	\$ 9,761,184
Less redevelopment tax increments	1,200,250
Basis of levy	<u>8,560,934</u>
Debt limit	
15 percent of valuation subject to taxation (1)	1,284,140
Less amount of debt applicable to debt limit	48,542
Legal debt margin	<u>\$ 1,235,598</u>

⁽¹⁾ Section 43605 California Government Code

City of Richmond
Statistics

TABLE 9

**PERCENTAGE OF NET GENERAL OBLIGATION
BONDED DEBT TO ASSESSED VALUE
AND NET BONDED DEBT PER CAPITA**

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Population ⁽¹⁾	94	95	96	98	99	102	101	101	102	103
Assessed Value ⁽²⁾	\$6,194,421	\$6,339,625	\$6,124,469	\$6,255,103	\$6,495,469	\$6,873,054	\$7,868,440	\$8,111,693	\$8,564,718	\$9,761,184
Gross Bonded Debt ⁽³⁾	10,020	9,510	25,023	24,408	60,313	56,688	54,593	52,453	52,540	50,784
Less:										
Debt Service Fund ⁽⁴⁾	4,853	1,330	2,981	4,251	2,316	3,882	2,899	2,904	2,244	2,242
Debt Payable *										
From Enterprise Revenues	0	0	0	0	0	0	0	0	0	0
Net Bonded Debt *	5,167	8,180	22,042	20,157	57,997	52,806	51,694	49,549	50,296	48,542
Percentage of Net Bonded Debt to Assessed Value	0.083%	0.129%	0.360%	0.322%	0.893%	0.768%	0.657%	0.611%	0.587%	0.497%
Net Bonded Debt per Capita	\$55	\$86	\$230	\$206	\$586	\$518	\$512	\$491	\$493	\$471

* In Thousands

⁽¹⁾ Source: State of California, Department of Finance, 2000 from the United States

⁽²⁾ From the Assessed Value of Property Table.

⁽³⁾ Amount does not include special assessment bonds and revenue bonds.

⁽⁴⁾ Includes monies restricted for debt service payments and reserves set aside as required by bond indentures.

City of Richmond
Statistics

TABLE 10

**PERCENTAGE OF ANNUAL DEBT SERVICE
EXPENDITURES TO TOTAL GENERAL GOVERNMENT
EXPENDITURES**

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Debt Service ⁽¹⁾										
Principal	\$12,939	\$7,062	\$10,985	\$5,671	\$14,827	\$13,437	\$12,989	\$9,614	\$7,990	\$7,640
Interest	9,353	8,153	14,830	6,586	7,796	12,004	13,939	12,612	12,102	9,207
Total Debt Service	\$22,292	\$15,215	\$25,815	\$12,257	\$22,623	\$25,441	\$26,928	\$22,226	\$20,092	\$16,847
Total Expenditures	\$161,382	\$135,166	\$136,132	\$112,673	\$137,711	\$142,575	\$148,494	\$168,002	\$162,573	\$138,033
Percentage of Debt Service to Total Expenditures	13.81%	11.26%	18.96%	10.88%	16.43%	17.84%	18.13%	13.23%	12.36%	12.21%

⁽¹⁾ Includes General, Special Revenue, Debt Service Capital Projects Funds and Richmond Redevelopment Agency.

Source: City of Richmond, Finance Department.

City of Richmond
Statistics

TABLE 11

DIRECT AND OVERLAPPING BONDED DEBT

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 7/1/05</u>
Bay Area Rapid Transit District	2.590%	2,590,000
Contra Costa Community College District	8.360%	7,661,424
West Contra Costa Unified School District	55.769%	212,275,987
West Contra Costa Healthcare District Parcel Tax Obligation	51.342%	13,348,920
East Bay Municipal Utility District	7.347%	224,084
East Bay Municipal Utility District, Special District No. 1	0.894%	343,967
East Bay Regional Park District	3.825%	5,563,080
City of Richmond Community Facilities District No. 1998-1	100.000%	4,165,000
City of Richmond 1915 Act Bonds	100.000%	26,975,000
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT		273,147,462
Less: East Bay Municipal Utility District (100% self-supporting)		(224,084)
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT		272,923,378
 <u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Contra Costa County General Fund Obligations	8.352%	26,358,077
Contra Costa County Pension Obligations	8.352%	46,331,467
Contra Costa County Board of Education Certificates of Participation	8.352%	141,566
Alameda-Contra Costa Transit District Certificates of Participation	7.633%	1,582,703
Contra Costa Community College District Certificates of Participation	8.364%	105,805
West Contra Costa Unified School District Certificates of Participation	55.769%	5,236,709
City of Richmond Port Terminal Authority	100.000%	10,675,000
City of Richmond General Fund Obligations	100.000%	33,994,688
City of Richmond Pension Obligations	100.000%	26,225,000
Contra Costa County Mosquito Abatement District Certificates of Participation	8.352%	24,221
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		150,675,236
 GROSS COMBINED TOTAL DEBT		423,822,698 (1)
NET COMBINED TOTAL DEBT		423,598,614

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

Ratios to 2004-05 Assessed Valuation:

Total Gross Overlapping Tax and Assessment Debt.....2.77%
Total Net Overlapping Tax and Assessment Debt.....2.76%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$70,894,688).....0.82%
Gross Combined Total Debt.....4.88%
Net Combined Total Debt.....4.88%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/02: \$0

Source: California Municipal Statistics, Inc. as of 7/1/05

City of Richmond Statistics

TABLE 12

ECONOMIC INDICES										
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Port Activity										
Revenue Tons	20,696,622	20,872,133	20,457,433	22,827,043	20,445,110	21,936,281	19,933,704	18,385,090	25,312,922	N.A.
Building Permits										
Issued	2,026	1,891	2,084	2,002	1,927	1,912	1,836	2,073	3,704	3,384
Authorized New Dwelling Units	55	101	122	96	474	548	242	410	380	604
Public Buildings Value										
Public Buildings Value	\$1,582,659	\$161,000	\$1,280,000	\$1,113,140	\$2,390,409	\$300,000	---	\$1,580,000	\$13,531,669	\$3,560,250
Condominiums	\$4,668,570	\$1,787,228	\$6,942,562	\$2,720,994	\$9,843,239	---	---	---	---	---
Commercial Value	\$131,544,122	\$31,148,318	\$42,895,396	\$43,197,295	\$57,265,471	\$80,346,754	\$51,915,022	\$71,194,023	\$57,494,790	\$95,280,420
Residential Value	\$28,450,622	\$22,873,245	\$20,531,266	\$23,117,161	\$52,316,066	\$84,566,774	\$58,020,975	\$83,471,814	\$155,963,696	\$117,489,586
Taxable Retail Sales ⁽¹⁾	\$742,847	\$796,523	\$876,379	\$1,032,898	\$1,156,218	\$1,137,552	\$1,071,857	\$734,727	\$1,059,965	\$1,126,833
No. of banks										
Mechanics										
Mechanics	1	1	1	1	1	1	1	1	1	1
No. of branches										
Mechanics										
Mechanics	3	3	3	3	3	3	3	3	3	3
Bank of America										
Bank of America	3	3	3	3	3	3	3	3	3	3
Bank of the Orient										
Bank of the Orient								1	1	1
First Republic										
First Republic	1	1	1	1	1	1	1	1	1	1
World Savings										
World Savings	1	1	1	1	1	1	1	1	1	1
Bank of the West										
Bank of the West	1	1	1	1	1	1	1	1	1	1
Citibank FSB										
Citibank FSB	1	1	1	1	1	1	1	1	1	1
State Farm Bank										
State Farm Bank									1	1
Washington Mutual										
Washington Mutual	2	2	2	2	2	2	2	2	2	2
Wells Fargo										
Wells Fargo	1	1	1	1	1	1	1	1	1	1

⁽¹⁾ In Thousands

Source: City of Richmond, Building Regulations Department

City of Richmond

Statistics

TABLE 13

DEMOGRAPHIC STATISTICS

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Population ⁽¹⁾	93,500	94,800	96,300	97,800	99,216	101,716	101,076	101,373	101,655	103,012
Population Percent Change	0.54%	1.39%	1.58%	1.56%	1.45%	2.52%	-0.63%	0.29%	0.28%	1.33%
Public School Enrollment ⁽²⁾	12,214	12,742	13,597	14,575	14,481	14,672	14,911	14,404	13,863	13,556
Private School Enrollment ⁽³⁾	N.A.	N.A.	N.A.	N.A.	2,015	1,892	1,976	1,907	1,769	2,022
Contra Costa County Unemployment Rate ⁽⁴⁾	4.9%	4.1%	3.6%	3.0%	2.7%	3.3%	5.2%	5.5%	5.7%	5.0%

⁽¹⁾ California Department of Finance, Demographic Research Unit

⁽²⁾ California Department of Education

⁽³⁾ GreatSchools.net

⁽⁴⁾ State of California Employment Development Department

City of Richmond

Statistics

TABLE 14

MISCELLANEOUS STATISTICS

Date of Incorporation as a City	August 7, 1905
Form of government	Council/Manager
Number of authorized full-time employees	941
Elected officials	9
Land area in square miles	33.8
Water area in square miles	22.3
Trees	30,603
Street Trees	14,500
Park Trees	9,516
Open Space	4,536
Young Trees	2,051
City of Richmond facilities and services	
Miles of streets	280
Number of street lights	7,000
Culture and Recreation	
Library branches (Main)	1
Library mobile units	1
Recreation centers	8
Parks (40 with playgrounds and play lots)	55
Park acreage (includes 149 acres of mowed turf)	336.6
Swimming pools	1
Tennis courts	20
Softball/baseball fields	26
Football and soccer fields	17
Basketball courts	31
Lawn Bowling	1
Putting Green	1
Headstart centers/day cares (held within the City)	6
Senior Centers	2
Auditorium/Theater	1
Gymnasiums	3
Fire Protection	
Number of stations	7
Number of firefighters	77.5
Number of civilians	4
Number of firefighters and civilians per thousand population	0.8
Number of calls answered	10,068
Number of commercial inspections conducted	5,502
Police Protection	
Number of stations and substations	6
Number of sworn officers and trainees	164
Number of civilians	48
Number of police officers per thousand population	1.6
Number of civilians per thousand population	0.5
Sewerage System	
Miles of sanitary sewers	230
Miles of storm sewers	310
Amount of treatment in gallons daily average (based on weather)	6.78 MGD dry, 16M MGD wet
Water System	
Number of fire hydrants	3,153
Daily average consumption in gallons per family	250
Harbor Facilities	
Miles of waterfront	32 miles
Berthing length at wharves	9,017
Harbor area	22
Facilities and services not included in the reporting entity	
Education	
West Contra Costa Unified School District	
Number of elementary schools	18
Number of secondary schools	2
Number of high schools	7
Number of charter schools	2
Number of private schools	17
Number of special education schools	2
Area community colleges	1
Area universities and colleges	1
Museums	
Museum of History	1
Hospitals	
Number of hospitals	1